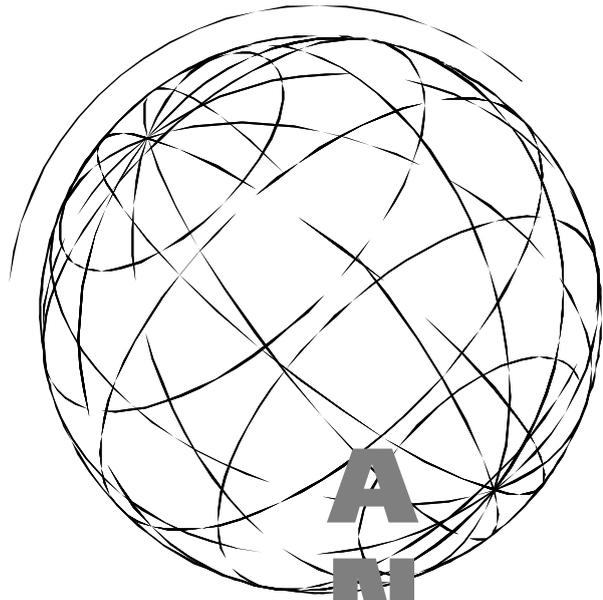




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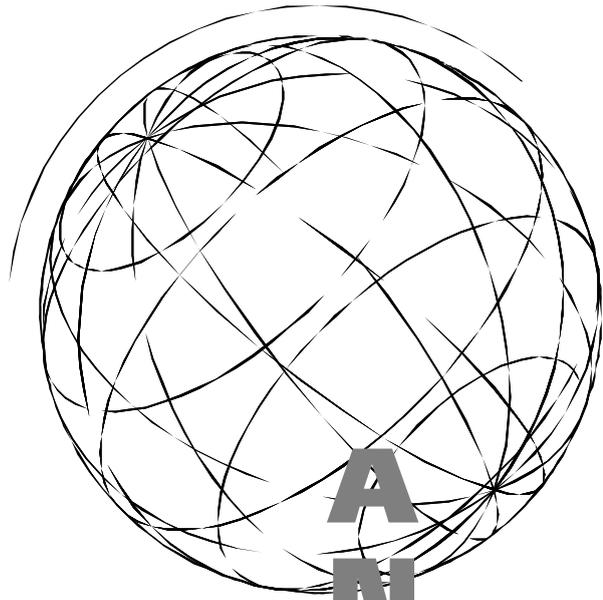
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WTO Members
(As of 31 December 2000)

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Angola	Georgia	Nicaragua
Antigua and Barbuda	Germany	Niger
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Australia	Greece	Norway
Austria	Grenada	Oman, Sultanate of
Bahrain	Guatemala	Pakistan
Bangladesh	Guinea Bissau	Panama
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Belgium	Guyana	Paraguay
Belize	Haiti	Peru
Benin	Honduras	Philippines
Bolivia	Hong Kong, China	Poland
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ISSN 1020-4997

ISBN 92-870-1218-0

Printed in France

V-2001-5,000

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Chapter One

OVERVIEW

Overview

Introduction

The year 2000 and the first part of 2001 was a busy and productive period for the WTO, with most activities falling into one of four categories: first, the launching of new negotiations on trade in agricultural products and trade in services; second, a broad range of ongoing activities that constitute the WTO's day-to-day work, such as accessions and the settlement of disputes between the member countries; third, the adoption of new measures to assist the WTO's least developed Members; and fourth, progress in dealing with issues arising out of the December 1999 Seattle Ministerial meeting, including renewed efforts to launch a comprehensive round of multilateral trade negotiations.

Negotiations on agriculture and services

New negotiations on trade in the areas of agriculture and services, mandated by the Members when they signed the Uruguay Round agreements in Marrakesh in 1994, were launched in early 2000. As is evident both from the one-year stocktaking and from the agreement on work plans for the second year (completed in March 2001), the negotiations are progressing on schedule. Altogether 125 WTO Members have submitted 44 proposals in the agricultural negotiations. These proposals will be the focus of the second phase, which will be a more challenging process since the list of issues to be considered is long and reflects a wide range of interests and complexity. The negotiations on trade in services will also consider a large number of proposals. The guidelines adopted restate the fundamental principles of the GATS: governments' right to regulate and to introduce new regulations on the supply of services in pursuit of national policy objectives; their right to specify which services they wish to open to foreign suppliers and under what conditions; and the granting of additional flexibility for developing and least-developed countries.

While there certainly is room for legitimate differences of opinion regarding what countries' policies should be in these sensitive areas, it is also true that the growing public awareness of the significance of these negotiations has been accompanied by a number of instances of ill-informed comments and misinformation. This has prompted efforts by the Secretariat and some governments to increase the public's awareness of the facts of the situation, and to emphasize the importance of conducting public debates on trade policy – essential in any democratic process – on the basis of an accurate understanding of the policies being considered by the negotiators.

The WTO's day-to-day activities

The many ongoing activities involved in the regular operation of the WTO – including the various councils, committees and trade policy reviews – are detailed in Chapter Four. Three of the more active areas last year were:

Accessions to the WTO, all involving developing or transition economies, continued at a steady pace. Bringing the total membership to 140, five countries became new Members in 2000 – Jordan, Georgia, Albania, Oman and Croatia. The accessions of Lithuania and Moldova are expected to be finalized in the first half of 2001, the accessions of China, Chinese Taipei and Vanuatu are close, and that of the Russian Federation is showing encouraging progress. Another 25 governments have also requested accession, including the Federal Republic of Yugoslavia, which submitted its formal request in January 2001. Clearly, full participation in the multilateral trading system remains a vital element in countries' development strategies.

Dispute settlement, one of the WTO's core functions, has become increasingly active. Between January 1995 and March 2001, there were 228 complaints, with about one quarter of the notifications coming from developing countries. More recently, nearly one half of the 46 complaints received during the 15 months from January 2000 through March 2001 were notified by developing countries. An active dispute settlement system can be a sign of growing trade frictions. But, as the increased use of the dispute settlement procedures by

developing countries indicates, it can also reflect a greater willingness of WTO Members to use the procedures to protect their WTO rights. The existence of this rules-based option for resolving trade disputes is particularly important for medium and smaller size WTO Members.

Electronic commerce is an example of one of the WTO's more specialized activities. A comprehensive work programme, involving an examination of all trade-related issues arising from electronic commerce, was launched in 1998. At its July 2000 meeting, the General Council reiterated the importance of the WTO's work in this area.

Assisting least-developed countries

In the ongoing work programme, particular emphasis has been given to measures intended to advance the interests of the of least-developed countries (LDCs). In response to an appeal by the Director-General, a number of Members have recently announced improvements to market-access opportunities for products from LDCs. The Director-General is also continuing efforts to improve the Integrated Framework for LDCs – an initiative with other international agencies to coordinate the provision of technical assistance and capacity building. Following an independent review of the Integrated Framework, the six agencies (ITC, IMF, UNCTAD, UNDP, World Bank and WTO) met in July 2000 and agreed on a series of new arrangements aimed at ensuring that countries' needs in the areas of trade policy, trade-related technical assistance, and capacity-building would be articulated in a broad development context.

Improving the planning and funding of the WTO's technical cooperation activities has also been a major focus. Technical cooperation activities with middle and lower income countries – both Members and those in the process of acceding to the WTO – are aimed at improving Members' understanding of the WTO agreements and facilitating their capacity both to implement their WTO obligations and defend their WTO rights. At the same time, emphasis is increasingly being placed on enhancing the capacity of countries to integrate into the world economy and to realize the benefits of the market-access opportunities available to them as a result of WTO Membership.

Within the Secretariat, the Director-General has taken steps to refocus the delivery of technical cooperation activities. This effort included the establishment of an audit function, with the aim of ensuring that technical cooperation and training efforts are producing the kinds of skills and knowledge in beneficiary countries that these Members and accession candidates need to be effective participants in the WTO system.

Issues arising out of the Seattle Ministerial

The member countries are well aware that a number of factors were behind the lack of success of the Seattle Ministerial meeting. Chief among these were a concern on the part of many Members regarding opportunities for all WTO Members to participate in the deliberations and decision making on important issues, the perceived difficulties many developing and least developed countries are still having in implementing the new obligations agreed to in the Uruguay Round, and important disagreements regarding what should be on a new negotiating agenda. Intensive discussions and negotiations this past year have produced progress in all three areas (especially in the first two), improving the prospect that the Fourth Session of the WTO Ministerial Conference – to be held in Doha, Qatar, from 9-13 November 2001 – will be successful.

Fuller participation of all Members

The 2000 work programme included a series of discussions aimed at finding ways to ensure the fuller participation of all Members in the work of the WTO and to improve consultative procedures. From these discussions it became clear that a majority of Members saw no need for radical reform of the WTO, firmly supported the practice of reaching decisions by consensus, and indicated they believe informal consultations would continue to be a useful tool, provided that certain improvements regarding inclusiveness and transparency were introduced. By the end of the year most Members had expressed satisfaction with the way in which the consultative processes were being carried out.

From the outset of the debate on internal transparency the Director-General also instructed the WTO Secretariat to find immediate practical ways to improve and speed up the flow of information to Members, including Members without representatives resident in Geneva. A number of innovations have been made in this area, including improved use of electronic communications, an annual week-long seminar for non-resident delegations ("Geneva Week") and the installation of an increasing number of WTO Reference Centres in developing and least-developed countries.

This is a convenient point to note that progress has also been made in the related area of external transparency and public outreach. Although there is no consensus among WTO Members in favour of involving NGOs directly in the work of the WTO, the existing guidelines on relations with NGOs were designed by Members to give the Secretariat an appropriate degree of flexibility in dealing with these organizations. Within these guidelines, an increasing number of symposia have been held. Other initiatives designed to increase the dialogue between the WTO and the public include a new and more user-friendly website which now averages around 250,000 visitors each month (349,000 in March 2001). The Chairman of the General Council also held an informal consultation on external transparency in November, where there was broad agreement among Members that the WTO should continue to improve its outreach activities, including organizing and hosting symposia

Implementation of existing obligations

Another key aspect of the 2000 work programme which continues into 2001 is the General Council's work on implementation-related issues following its decision in May 2000 to establish an "implementation review mechanism". This process covers a wide range of issues raised by Members in the context of the implementation of existing agreements and decisions, and is due to be completed by the time of the Ministerial Conference in November 2001. In addition, a formal Decision was adopted by the General Council in December 2000, in which action was taken on a number of implementation-related issues. This decision was seen as being modest but important, since it was a clear indication of the collective will of the Members to take decisions on implementation-related issues and concerns, and also to continue to work to find solutions in this area. Many Members have warned that no new round can begin, or more importantly conclude, without progress on these matters.

Launching a new round

Although it is not certain that the political will needed to launch a new round of multilateral trade negotiations will manifest itself this year, the prospects have been improved by a number of developments. These include the progress on the issues of participation of developing countries in the WTO system and implementation of Uruguay Round commitments. There is also the progress to date in the negotiations on agriculture and services, where many participants argue that significant liberalization in these two sensitive areas will require a broader agenda in order to increase the opportunities for countries to make important trade-offs. Many Members feel that they should not enter into new commitments when they have not been able to implement existing ones.

Interest in the advantages of launching a new round sooner rather than later has also been stimulated by the slowdown in global economic activity, including the slower expansion of world trade, noted in Chapter Two. It is true that 2000 was an outstanding year for global growth in trade and output that benefited all regions. By the year's end, however, a marked slowdown was apparent, and this tendency has continued into early 2001. The outlook remains uncertain, and it seems likely that global trade will expand in 2001 at little more than half last year's rate.

As we have seen in past downturns, such as the Asian financial crisis, the WTO's rules and disciplines help restrain protectionist pressures and keep markets open, which in turn

reduces the severity of the downturn and brings an earlier recovery. This is especially true when a formal round of multilateral trade negotiations is underway. Confidence-building actions – such as an agreement among 140 countries to launch a major new trade liberalizing round – can also be especially valuable as global economic conditions worsen and governments search for ways to promote economic recovery. Moreover, in the medium term the negotiations open the possibility of an inflation-free economic stimulus from the resulting multilateral liberalization – a stimulus which would be widely shared across economies at all levels of development.

The spreading interest in regionalism interacts with the prospects for a new round in two ways. One of the factors influencing governments to give a higher priority to regional or bilateral trade agreements in the post-Seattle period has undoubtedly been a feeling that assembling the necessary consensus for launching a new WTO Round has become difficult.

If the alternative to launching a new round was either maintenance of the status quo or a descent into the economic chaos that characterized the 1930s, there would be much less to fear because countries will never again allow the latter to occur. The problem with regional liberalization – from the perspective of the multilateral trading system and against the background of the failure thus far to launch a new round – is that while it is a less desirable alternative to multilateral liberalization, it is an alternative. In other words, when the multilateral trading system is functioning well it serves to keep regional integration focused on outward oriented integration and provides opportunities for regional integration to complement global integration. But when the multilateral system is seen as not delivering what its Members want from it, they will look at other options.

It is not just the risk that in the present climate regional integration agreements are more likely to become “inward looking” and to leave aside the liberalization of difficult areas (such as agriculture). Additionally, as preferential agreements begin to encompass “regulatory issues”, the risk of regional divergence in approaches to the rules arises, which not only complicates and distorts the situation facing firms and investors, but also increases the difficulty of agreeing – down the road – on multilateral rules. These and other downside risks associated with regionalism at the present time are important considerations for WTO Members to keep in mind as they prepare for the Doha meeting in November. The essential challenge is to ensure that multilateral liberalization takes place in parallel with any regional initiatives – the multilateral focus must not be neglected. When regionalism is seen as a substitute for multilateralism, it can be a danger to the more vulnerable economies

Another consideration which is heightening interest in a new Round is shared, to varying degrees, across governments and critics of globalization. This is the growing perception of the importance of a global framework of multilaterally agreed, enforceable, non-discriminatory rules and disciplines to guide trade relations in an open and equitable way. While the Uruguay Round was a remarkable achievement in many ways, many member governments and WTO critics agree that certain adjustments to the rules are needed if the trading system is to better reflect the social, economic and political conditions of a rapidly changing world. Agreement remains elusive on how existing rules should be changed or whether new rules need to be agreed. But even the sternest critics of globalization today point out the dangers of a completely “hands off” approach to commercial relations in an increasingly integrated and interdependent world and warn that the alternative to multilateral rules is reliance on the law of the jungle. The political debate clearly is moving in a constructive direction.

Of course opinions vary widely as to how the rules-based system should evolve. Resolving such differences is, in fact, the objective of such negotiations. But resolving all the differences should not be a prerequisite for launching negotiations. Indeed, the recent past has shown that imposing overly burdensome detail on Ministers and officials as they draft negotiating guidelines can seriously inhibit the launch of a new round. The focus should be on launching a process broad and inclusive enough to enable all WTO Members to feel part of and become fully engaged in the negotiations.

The WTO functions on the basis of consensus. Along with being essential for the acceptance and enforcement of its rules, it also gives negotiating agendas a solid basis in democratic legitimacy and accountability. It makes the evolution of an agenda a complex process, calling for flexibility and realism on all sides. Launching a new round or a wider set of negotiations is among the most difficult subjects for consensus-building, second only to concluding negotiations. As informal discussions among Members on a possible agenda intensified in early 2001, it appeared that these points were well understood. No-one can yet predict whether the factors favouring the launch of a major new round at Doha will prove strong enough to outweigh the difficulties, though – as noted above – the odds in favour are improving.

Chapter Two

WORLD TRADE DEVELOPMENTS

World trade developments

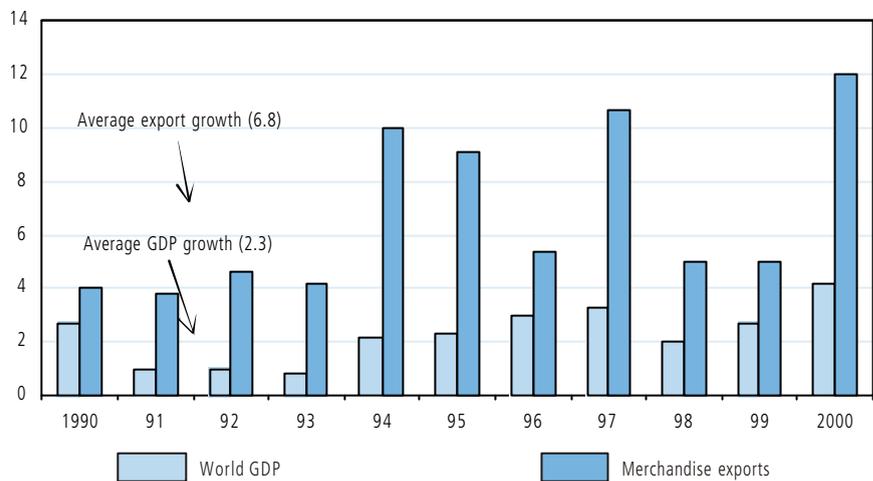
Main features

The year 2000 witnessed the strongest global trade and output growth in more than a decade. This outstanding expansion of the world economy was the result of the continued acceleration of output growth in the already fast expanding economies of North America and developing Asia, a recovery from output stagnation in South America and Russia and a pick-up in economic activity in other regions. North America and Western Europe, which together account for about 60% of global output and trade, recorded in 2000 their fastest annual GDP growth in the 1990s.¹ In addition to the outstanding global growth, the dispersion of regional growth rates was very low in 2000, indicating that the stronger world economy was beneficial to all regions. In the second half of the year there were numerous signs that the expansion of the world economy had begun to slow down (Chart II.1).

Chart II.1

Growth in the volume of world merchandise trade and GDP, 1990-2000

(Annual percentage change)



Stronger output growth in all regions was associated with trade expansion in 2000 that matched – in volume terms – the best rates observed over the last five decades. For most regions, merchandise trade growth ranged between 10 and 15%. Although US merchandise imports continued to grow at double-digit rates, the growth was no longer the highest among the regions. Imports of Asia and the transition economies expanded faster, and those of Latin America matched the United States figures.

The information and telecommunication sector was again one of the most dynamic sectors stimulating the expansion of output, investment and trade. Although the final quarter of 2000 recorded a slackening in the “new economy” boom, the average annual growth remained very high. This can be illustrated by the rise in global sales of semi-conductors which rose by 37% to \$204 billion, and by that of mobile phones which exceeded 410 million units, an increase of 46% over 1999.² Sales of personal computers rose by nearly 15% to reach 135 million units.³

Although office and telecom equipment was again one of the fastest growing product categories in international trade, the nearly 60% rise in crude oil prices led to a dramatic increase in the value of fuels traded internationally and dwarfed the growth of all other product categories. Real oil prices⁴ reached their highest level since 1985 and the share of fuels in world merchandise trade is estimated to have recovered to somewhat above 10%, close to its share in 1990. Prices for all internationally-traded goods remained almost unchanged from the preceding year as sharply higher prices for fuels were offset by declines in the prices of manufactured goods. The price decline in 2000 for manufactures was the fifth in a row, causing prices to fall to their lowest level in 10 years. Several factors contributed to this outcome. First, inflation has receded worldwide to levels last seen in the 1960s. Second, the share of office and telecom equipment in world exports of manufactures

¹The five East Asian countries most affected by the Asian crisis exceeded again in 2000 their pre-crisis peak level.

²Semiconductor Industry Association, World Semi-conductor Trade Statistics, direct communication, and Gartner Dataquest, Press Release, February 2001.

³Gartner Dataquest, Press Release, January 2001.

⁴Real oil prices are obtained by deflating the nominal oil price by the world export unit value of manufactures.

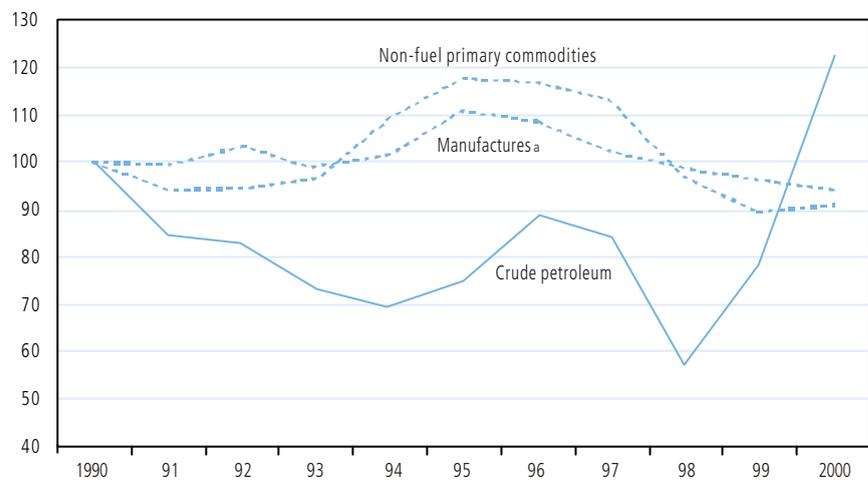
increased and their prices have fallen considerably throughout the 1990s. Third, the strength of the US dollar over the last years which, led to a dollar price decline for those goods traded at nearly stable prices in depreciating currencies.

Non-fuel commodity prices edged up slightly in 2000 as the recovery in metal prices and the higher prices for agricultural raw materials were not fully offset by price decreases for beverages and food. This modest recovery left non-fuel commodity prices more than 20% below their peak level in 1995 and almost 10% below their level at the beginning of the 1990s. As price declines for manufactures and non-fuel primary products were not fully offset by the increase in fuel prices, the 1990-2000 period recorded an average decline of nearly 1%. From an inflation perspective, this is historically an outstanding performance as even the 1950s and 60s recorded a moderate price increase in international trade. One of the major differences in the 1990s relative to previous periods is the decline in the dollar prices for manufactured goods (Chart II.2).

Chart II.2

Price developments in international trade, 1990-2000

(Indices, 1990 = 100)



^a Unit value index.

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

The marked changes in relative prices were beneficial for those regions and countries where fuels are an important part of exports, such as the Middle East, Africa and the transition economies. In 1999 fuel exports accounted for more than one fifth of total merchandise export earnings in about 30 countries, and for nearly half of them the share exceeded two thirds of merchandise exports. As most of these fuel exporters are developing countries, these price developments contributed to lift the share of developing countries in world merchandise trade to its highest level since 1950 (more than 30%).

Certain least-developed countries also benefited from the higher oil prices. Developed countries' imports from the three oil-exporting LDC countries – Angola, Yemen and Sudan – increased by about two thirds. Imports from Asian LDCs, consisting largely of manufactured goods, increased by about 30%. However, imports from non-fuel commodity exporting African LDCs have probably increased by less than 10%.

In 2000, the value of total merchandise exports rose by 12.5% to \$6.2 trillion, thereby exceeding for the second year in a row the growth of commercial services exports, which rose by nearly 5% to \$1.4 trillion dollars (Table II.1).

Table II.1

World exports of merchandise and commercial services, 1990-2000

(Billion dollars and percentage)

	Value	Annual percentage change		
	2000	1990-2000	1999	2000
Merchandise	6180	6.0	4.0	12.5
Commercial services	1415	6.0	1.5	5.0

The strength of global trade expansion was supported by international capital flows which provided for the financing of the current account deficits of the United States, Latin America and the transition economies. Global FDI flows are estimated to have grown by about 15%, a much slower rate of growth than in the preceding years, with FDI flows between developed countries continuing to be the most dynamic. The value of FDI inflows into developing countries remained roughly unchanged from the preceding year.⁵ FDI inflows into Latin America have most likely exceeded those into developing Asia for the second year in a row.

Despite the strong global economic growth and the sharp rise in oil prices, inflation rates remained low in industrial countries and in developing Asia, and decreased in Latin America and the Middle East. According to the IMF the world average of national consumer prices fell to 4%, the lowest rate in more than 30 years.

Unemployment fell to a record low in the United States, decreased in Western Europe but increased in Japan. Data on employment in developing countries are scarce but the higher growth in 2000 must have been beneficial for employment growth. However, according to CEPAL, urban unemployment rates in Latin America remained unchanged from the preceding year despite the acceleration of growth.⁶ This calls attention to the need for sustained high growth over the medium-term to improve the employment situation in regions with a high labour force growth.

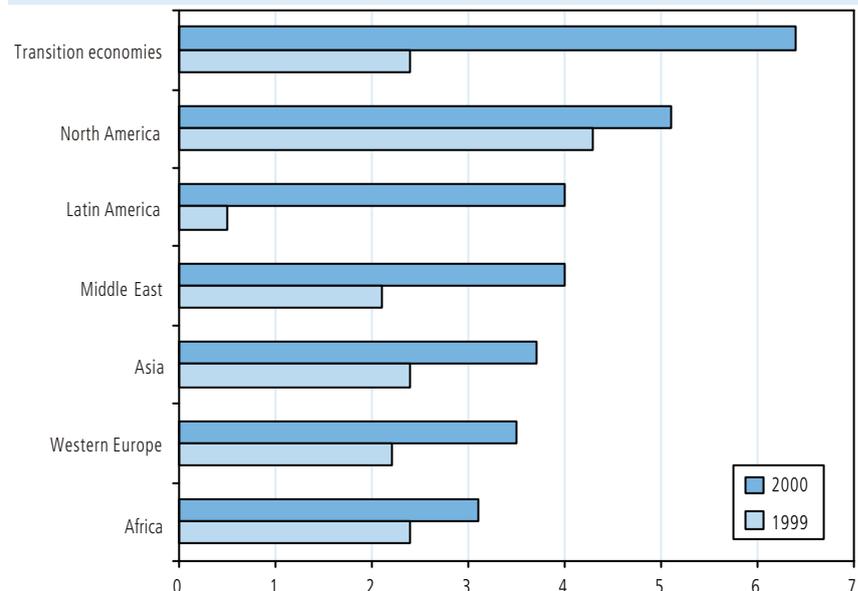
1. Global trade and output developments

Economic activity strengthened in 2000 in all major regions leading to the fastest global output growth in the last decade. North America, the transition economies and Western Europe recorded in 2000 their best annual GDP growth in ten years. The transition economies and North America expanded their output by at least 5% last year, while the output of the other regions grew in the range of 3-4%. Asia's regional average rate conceals the contrasting development of rigorous expansion of 7% in developing Asia and the modest advance in Japan. While the regional output of Latin America recovered strongly and matched the global average, that of Western Europe and Africa grew somewhat below the average. Per capita GDP edged up only marginally in Africa which points to no significant improvement in poverty reduction (Chart II.3).

Chart II.3

Real GDP growth by region, 1999-2000

(Annual percentage change)



Thus, in 2000, the United States was no longer the single motor of the world economy as in the preceding years. Continued growth of investment and consumption in the United States contributed to buoyant import growth and a marked widening of the deficit in the external balance of the United States. Although the excess of imports over exports reached a record level relative to GDP, and has become equivalent to 6% of world exports of goods and services, it was financed easily, as large net capital inflows and the real effective appreciation of the US dollar demonstrated.

⁵UNCTAD, Press Release TAD/INF/2875, 7 December 2000.

⁶CEPAL, Balance preliminar de las economías de América Latina y el Caribe, 2000.

The aggregate current account deficit of the Latin American countries was sharply curtailed from its peak in 1998, but remained substantial in 2000. As in the preceding year, net foreign direct investment inflows were larger than the deficit in the current account balance. The reduction of Latin America's deficit is largely due to favourable price developments, as the volume growth of merchandise imports exceeded that of exports last year.

In contrast to North and Latin America – the two major regions with large current account deficits – the volume growth of exports was more vigorous than imports in Asia, the transition economies and Western Europe. Asia and the transition economies recorded both the most dynamic export and import volume growth of all regions in the year 2000.

The value of world merchandise trade rose by 12.5% in 2000 – twice the average for the last decade – to reach nearly \$6.2 trillion. Although the growth of commercial services exports also picked up in 2000, its pace was subdued and below the average recorded in the 1990s. Due to the lacklustre performance of commercial services exports over the last two years, its expansion over the last decade was, at 6% annually, no longer more dynamic than that of merchandise.

2. Merchandise trade

Three main factors shaped the developments of world merchandise trade in nominal dollar terms. First, the high level of economic activity worldwide that boosted the overall volume growth. Second, the sharply divergent sectoral price trends concealed by the near stability of average dollar prices in international trade. While prices of fuels and metals recovered strongly, average prices of agricultural primary commodities stagnated and those of manufactured goods decreased (the weakness in world export prices of manufactures is primarily associated to exchange rate developments). Third, the variations among the three key currencies – dollar, euro and yen – not only had an impact on regional but also on sectoral trade flows. While the yen appreciated by 6%, the euro depreciated by 13% against the US dollar in 2000. As domestic inflation was subdued in each currency area, the nominal exchange rate variations translated into a marked appreciation of the real trade-weighted exchange rate of the yen, a further increase in that of the US dollar and again a decline in the trade weighted euro rate.

Preliminary information for 2000 on world merchandise trade by product group indicate that – in value terms – fuels and office and telecom equipment were, as in 1999, by far the most dynamic product categories in world trade, expanding five and two times faster than the global average, respectively. In the case of fuels, the outstanding value increase is due to the sharp increase in prices, while the buoyant expansion of trade in office and telecom equipment can be attributed to the booming world-wide demand for semi-conductors and telecom equipment, in particular mobile phones. Trade growth in automotive products was sustained despite a slowdown in the world automobile production.⁷

Merchandise trade in volume terms (that is, measured at constant prices and exchange rates) rose by 12% in 2000, the fastest rate in more than a decade. The growth of merchandise trade exceeded that of output by 8 percentage points, one of the largest margins in the 1990s.

Asia and the transition economies recorded the highest regional trade growth in 2000 with both exports and imports up by around 15% (Chart II.4). In the case of the transition economies, this development corresponds to the strong output recovery in the region, particularly in Russia. The high trade growth in Asia looks surprising given the below average expansion of Asian output. While both trade and output in developing Asia had been again more vigorous than the world average, Japan's weak economy surprised with a double-digit increase in the volume of imports. Although fuels and office and telecom equipment accounted for most of the extraordinary rise of Japan's imports in 2000, other product groups such as textiles, clothing and iron and steel recorded also substantial increases. The strength of the yen presumably being a factor in this development.

North America's merchandise exports accelerated markedly due to higher demand growth outside the region, nearly matching the region's import growth (which was up slightly over the preceding year). Rebounding imports of Latin America matched the growth of North American imports, but reflected highly different developments within the region. Mexico's and Venezuela's import volume grew by more than 20% while that of the MERCOSUR countries stagnated, following a decline in 1999. Export volume growth was more even across Latin American countries, although Mexico's export growth exceeded again that of the region by a large margin. For the Middle East the available information points to a volume increase of exports and imports above the 12% world average.

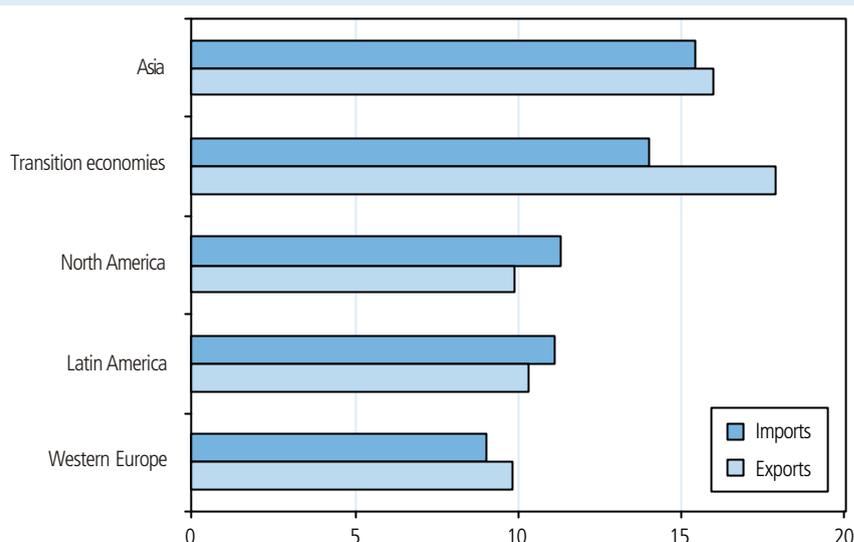
Western Europe's export and import growth nearly doubled to 10% in 2000 but lagged – as in the preceding year – somewhat behind the global average. Ireland and Finland, the two countries in Western Europe with the highest share of office and telecom equipment in their merchandise exports, benefited from the booming information technology sector and

⁷According to information from various industry sources, world automobile production is estimated to have increased by 3.5% to 57.6 million units in 2000, while exports rose by 8% to nearly 24 million units. The highest growth in automobile exports was recorded in Latin America.

Chart II.4

Growth in the volume of merchandise trade by region in 2000

(Annual percentage change)



recorded the highest export growth in the region. It is estimated that while African trade showed an acceleration in 2000 compared with 1999, it continued to report the lowest export and import growth of all regions in volume terms.

World merchandise trade growth measured in dollar terms showed a considerably wider variation than did trade measured in volume terms. This is particularly true for exports, for which the year-to-year variations range from near stagnation to increases exceeding 50%. All the net fuel exporting regions showed stronger growth rates than the net fuel importing regions, while the latter recorded – with one exception – higher import growth rates than the fuel net-exporting regions. The influence of fuel prices is so pervasive that the ranking of regions by their export growth in 2000 is identical with the ranking by the share of fuels in their exports (Table II.2).

Table II.2

Growth in the value of world merchandise trade by region, 1990-2000

(Billion dollars and percentage)

	Exports					Imports				
	Value	Annual percentage change				Value	Annual percentage change			
	2000	1990-2000	1998	1999	2000	2000	1990-2000	1998	1999	2000
World	6180	6.0	-1.5	4.0	12.5	6485	6.0	-1.0	4.5	12.5
North America	1060	7.3	-0.7	4.2	13.4	1508	8.9	4.6	11.2	17.8
Latin America	360	9.4	-1.3	6.4	20.8	389	11.9	5.0	-3.2	16.0
Mexico	166	15.1	6.4	16.1	22.0	183	15.0	14.0	13.5	22.9
Other Latin America	194	6.2	-6.1	-0.5	19.7	206	9.0	0.1	-13.3	10.5
Western Europe	2427	4.0	3.5	0.3	2.4	2550	4.1	5.6	1.6	4.4
European Union (15)	2239	4.0	4.0	0.1	1.9	2347	4.2	6.0	2.2	4.0
Excl. intra-EU trade	855	4.9	-0.3	-1.8	7.6	959	5.2	4.8	3.6	12.8
Transition economies	271	7.4	-4.0	-0.2	26.2	241	5.3	-2.1	-11.8	13.9
Central/Eastern Europe	116	7.7	9.3	1.1	14.1	147	10.4	10.8	-1.1	13.0
Russian Federation	105	-	-15.2	1.1	39.0	44	-	-21.2	-31.7	11.6
Africa	146	3.4	-16.2	10.2	27.0	136	3.9	0.9	-2.4	5.4
South Africa	30	3.2	-9.0	1.3	12.3	30	5.1	-9.4	-8.7	11.2
Major fuels exporters ^a	59	3.8	-32.0	29.5	62.1	36	4.1	-1.5	-0.4	22.9
Middle East	266	7.1	-21.3	25.7	51.4	176	5.9	0.2	2.2	14.3
Asia	1649	8.4	-6.1	7.5	18.4	1482	7.7	-17.8	10.3	23.5
Japan	479	5.2	-7.8	8.1	14.3	380	4.9	-17.2	11.0	21.9
China	249	14.9	0.4	6.3	27.7	225	15.5	-1.3	18.2	35.8
Asia (5) ^b	442	11.3	-3.5	10.2	18.5	373	8.3	-30.9	15.1	27.9

^a Angola, Algeria, Republic of Congo, Gabon, Libyan Arab Yamahiriya and Nigeria.^b Indonesia, the Republic of Korea, Malaysia, Philippines and Thailand.

In the Middle East, where fuels have recently accounted for more than two thirds of exports, merchandise exports expanded by more than one-half in 2000. Africa's major fuel exporters increased their shipments by more than 60% in dollar terms, lifting the region's export earnings by more than 25%. The one quarter rise of transition economies merchandise exports can also be attributed to the region's fuel exporters – the Russian Federation, Kazakhstan and Turkmenistan – whose exports surged by 40, 64 and 100%, respectively.

The further depreciation of the euro and other currencies in Western Europe vis-à-vis the US dollar by about 13% in 2000 is the principal reason why the growth in the dollar value of Western Europe's exports and imports was by far the lowest of all the regions in 2000. Nevertheless, even for Western Europe, the general observation that regional export and import growth in 2000 exceeded that in preceding year remains valid. Expressed in euros, Western Europe's merchandise exports rose by 18% in 2000, following a 3.5% increase in 1999.

Last year Asia recorded export and import growth rates that exceeded the best year in the 1990s. Asia's vigorous import expansion in 2000 – up by more than one fifth to 1660 billion dollars – brought imports to a level which exceeded the pre-crisis peak of 1997 by more than 12%. However, the combined import value of the five countries most affected by the financial crisis of 1997-98 remained slightly below the 1996 peak, despite a nearly 50% cumulative increase over the last two years.⁸ By contrast, their merchandise exports of 442 billion dollars in 2000 were 30% above the corresponding value in 1996 and exceeded last year's imports by 69 billion dollars.

More generally, Asia's merchandise import growth expanded for the second year in a row faster than its merchandise exports, reducing the region's merchandise trade surplus (f.o.b.-c.i.f.) to 167 billion dollars. Among the Asian economies, China continued to show outstanding strong import and export growth. Despite its sluggish economy, Japan's value of imports (and exports) rose faster than those of North America, which can be partly attributed to the strength of both the intra-Asian trade recovery and of trade in office and telecom equipment. These two factors also contributed to the strong export and import growth of the East Asian developing economies. Australia's merchandise exports rose faster than world merchandise trade while its imports rose by only 3%, the main explanation being the combination of stronger export prices, weaker domestic demand and a depreciating currency.

Latin America's trade acceleration in 2000 can be traced to a combination of the continuously buoyant growth of Mexico's trade and a rebound in Central and South America's trade. Higher prices of fuels boosted Venezuela's exports by two thirds while higher metal prices contributed to the turnaround in Chilean exports. The export recovery together with a sustained high level of foreign direct investment inflows allowed imports of South and Central America to continue expanding. One of the main features of Latin America's trade not only in 2000, but also over the last decade, is the exceptional expansion of Mexico's trade, in particular with the United States. By 2000, the share of Mexico in Latin America's exports and imports exceeded 45%.

In 2000, North America's imports continued to expand for the fourth year in a row, significantly faster than world imports but also faster than the region's exports. As a result, North America's share in world merchandise imports rose to 23%, its highest level in the last century. Although North America's exports have also increased faster than world merchandise trade over the last years, the merchandise deficit rose more than 100 billion dollars. For the United States alone, the \$450 billion merchandise trade deficit (f.o.b.-f.o.b.) in 2000 exceeds the total exports of goods and services of Latin America, as well as the combined merchandise trade of the Middle East and Africa, and corresponds to more than 7% of world merchandise exports. Various factors contributed to this exceptionally large trade deficit. First, the outstanding investment and consumption boom in the United States; second, the strength of the US dollar; and third, the large net-capital inflows which financed the excess of United States expenditure over savings. While it seems unlikely that this trend can be sustained, it is difficult to predict when the reversal will occur.

Merchandise trade developments by country showed very large variations in 2000. While the dollar value of merchandise exports of some West European countries decreased slightly, the exports of some oil-exporting countries surged by two thirds or more. Exporters of manufactured goods in developing Asia, as well as developing countries in other regions, recorded increases in the range of 15 to 22%. Excluding the major oil exporters, China recorded the largest increase of all major traders in 2000 (Table II.3).

Growth in the dollar value of imports varied among countries by nearly as much, from near stagnation to expansion rates of 35 to 40%. Imports rose by one third or more in China, the Republic of Korea, Turkey and Indonesia. For the latter two, the import surge represented a recovery from shrinking import values in the preceding year. The weakness of the euro contributed largely to the stagnation or modest growth in the dollar import value of

⁸Indonesia, the Republic of Korea, Malaysia, the Philippines and Thailand.

Table II.3

Leading exporters and importers in world merchandise trade, 2000

(Billion dollars and percentage)

Exporters	Value	Share	Annual percentage change			Importers	Value	Share	Annual percentage change		
			1990-2000	1999	2000				1990-2000	1999	2000
United States	782.4	12.3	7	2	12	United States	1258.0	18.9	9	12	19
Germany	551.6	8.7	3	0	1	Germany	500.1	7.5	3	1	5
Japan	479.3	7.5	5	8	14	Japan	379.5	5.7	5	11	22
France	298.1	4.7	3	-1	-1	United Kingdom	331.7	5.0	4	2	4
United Kingdom	280.1	4.4	4	-1	4	France	305.4	4.6	3	1	4
Canada	277.2	4.4	8	11	16	Canada	249.1	3.7	7	7	13
China	249.2	3.9	15	6	28	Italy	233.3	3.5	3	1	6
Italy	234.6	3.7	3	-4	-1	China	225.1	3.4	15	18	36
Netherlands	211.7	3.3	5	0	5	Hong Kong, China	214.2	3.2	10	-3	19
Hong Kong, China	202.4	3.2	9	0	16	retained imports ^a	35.4	0.5	1	-21	24
domestic exports	23.7	0.4	-2	-9	6	Netherlands	197.0	3.0	5	2	3
Belgium	184.1	2.9	-	-1	3	Mexico	182.6	2.7	15	14	23
Korea, Rep. of	172.6	2.7	10	9	19	Belgium	171.2	2.6	-	0	4
Mexico	166.4	2.6	15	16	22	Korea, Rep. of	160.5	2.4	9	28	34
Chinese Taipei	148.4	2.3	8	10	22	Spain	153.5	2.3	6	12	3
Singapore	138.0	2.2	10	4	20	Chinese Taipei	140.0	2.1	10	6	26
domestic exports	78.9	1.2	9	8	15	Singapore	134.7	2.0	8	9	21
Spain	113.7	1.8	7	3	2	retained imports ^a	75.6	1.1	6	18	16
Russian Fed.	105.2	1.7	-	1	39	Switzerland	82.5	1.2	2	0	3
Malaysia	98.2	1.5	13	15	16	Malaysia	82.2	1.2	11	11	27
Sweden	86.7	1.4	4	0	2	Sweden	72.6	1.1	3	0	6
Saudi Arabia	84.1	1.3	7	31	66	Australia	71.3	1.1	5	7	3
Switzerland	80.5	1.3	2	2	0	Austria	68.8	1.0	3	2	-1
Ireland	77.1	1.2	13	11	8	Thailand	62.0	0.9	6	17	23
Thailand	68.9	1.1	12	7	18	Brazil	58.6	0.9	10	-15	13
Austria	64.9	1.0	5	3	1	Turkey	54.0	0.8	9	-11	33
Australia	63.9	1.0	5	0	14	Ireland	50.2	0.8	9	5	7
Indonesia	62.0	1.0	9	0	27	India	49.8	0.7	8	4	11
Norway	58.1	0.9	5	13	29	Poland	49.3	0.7	16	-2	7
Brazil	55.1	0.9	6	-6	15	Denmark	44.6	0.7	3	-3	0
Denmark	49.2	0.8	3	3	-1	Russian Fed.	44.2	0.7	-	-32	12
Finland	45.5	0.7	6	-3	9	Israel	38.1	0.6	9	13	15
Total of above ^b	5489.4	86.3	-	-	-	Total of above ^b	5664.3	85.0	-	-	-
World^b	6358.0	100.0	6	4	12	World^b	6662.0	100.0	6	4	13

^aRetained imports are defined as imports less re-exports.^bIncludes significant re-exports or imports for re-export.

West European countries. Outside Europe, import growth was sluggish in Australia and stagnated in Argentina. Merchandise imports into the United States rose by nearly 19%, further strengthening its position as the world's largest importer.

Looking at developments in the 1990-2000 period, outstanding performance in export and import growth is recorded for both China and Mexico which expanded their exports and imports by about 15% annually or more than two times faster than the global average. Malaysia, the Philippines and Hungary reported also a dynamic trade performance with exports and imports up by more than 10%.

3. Commercial services trade

Stimulated by the high level of global economic activity, world trade in commercial services is estimated to have expanded by 5% (to \$1.4 trillion US dollars) in 2000, the fastest annual growth since 1997. For the second year in a row, the value of commercial services trade expanded less than merchandise trade, but for the 1990-2000 period its 6% annual growth matched that of merchandise trade. Prices for internationally traded

commercial services are scarce, but the limited information available points to a stagnation or even moderate decrease. The decline of the euro vis-à-vis the dollar has most likely more than offset higher prices in the transportation sector.

Almost all regions reported an acceleration of their commercial services exports and imports, with the notable exception of Western Europe. The decline in Western Europe's commercial services exports and imports is largely due to the impact of the depreciation of the euro. Expressed in euros, Western Europe's commercial services exports and imports expanded by 13.5 and 14.5%, respectively, which indicates an acceleration in both nominal and real terms given the moderate rates of inflation prevailing in Western Europe. As Western Europe accounts for 44% in world exports of commercial services, its lacklustre performance in dollar terms slowed down considerably the expansion in the value of world trade in 2000 (Table II.4).

Table II.4

Growth in the value of world trade in commercial services by region, 1990-2000

(Billion dollars and percentage)

	Exports					Imports				
	Value	Annual percentage change				Value	Annual percentage change			
	2000	1990-2000	1998	1999	2000	2000	1990-2000	1998	1999	2000
World	1415	6	1	1	5	1400	6	2	2	5
North America	311	7	2	5	10	241	7	8	4	13
United States	274	8	2	4	10	199	7	10	4	14
Latin America	60	7	7	0	12	72	8	4	-5	13
Mexico	13	6	6	-3	15	16	5	7	10	18
Other Latin America	47	8	7	1	11	56	8	4	-9	12
Western Europe	629	4	7	0	-2	601	4	9	1	-1
EU (15)	560	4	7	1	-3	556	5	9	1	-1
Transition economies	48	9	1	-14	7	49	7	-2	-9	12
Africa	30	5	-1	10	...	38	4	0	-3	...
Middle East	33	7	4	9	...	43	3	-12	5	...
Asia	304	9	-13	4	13	359	7	-11	5	7
Japan	68	5	-9	-2	13	115	3	-9	3	1
China	30	18	-3	-1	25	35	24	-5	16	14
Hong Kong, China	43	9	-6	4	14	24	8	1	-1	3
Asia (5) ^a	66	10	-22	0	7	85	11	-25	4	15

^aIndonesia, the Republic of Korea, Malaysia, Philippines and Thailand.

North America and Latin America recorded double-digit export and import growth in services in 2000. In both cases, imports expanded somewhat faster than exports thereby reducing the North American surplus and widening the Latin American deficit in commercial services trade. United States commercial services which account for almost one fifth of world commercial services exports showed particular strength in travel receipts. United States commercial services imports recorded in 2000 their most robust growth since 1990, with imports of transportation services being the most dynamic sector for the second year in a row. Asian exports of commercial services rose by 13%, boosted by the marked acceleration of services growth by Asia's three leading exporters: Japan; Hong Kong, China and China. The near stagnation of Japan's services imports – which accounts for one third of Asian regional total – was the principal factor in the subdued expansion of Asia's commercial services imports. Japan's expenditure on travel, construction, financial and communications services slowed not only last year but over the last three years, limiting its total commercial services imports in 2000 to a level 10% below the 1996 peak level.

Stronger price pressures in transportation than in other services categories are believed to be one of the factors contributing to the untypically uniform expansion of commercial services across major categories. Exports of transportation services expanded on par with that of travel and "other commercial services", at about 4.5% in 2000, while for the last decade exports of transportation services expanded by only half the 8% rate recorded for the category "other commercial services" comprising, among others, financial, communication, construction, computer services and licence fees.

Provisional country data on commercial services trade by country show that the West European countries recorded, in general, a stagnation or even a decrease in exports and imports.⁹ Commercial services exports of the United States and Japan rose by 10 and 13%,

⁹The exception being Denmark for which provisional official data on international transport services point to a large increase in total services trade.

respectively, at a rate not only well above that of the preceding year but also much stronger than over the last decade. Japan's stagnating services imports contrast with its dynamic export growth. United States imports of commercial services expanded almost three times faster than the global average in 2000, lifting its share to a record 14.2% of world commercial services imports. Asian developing countries with double-digit export and import increases include China, the Republic of Korea, Singapore and Chinese Taipei. Mexico and Israel had export and import increases between 15 and 30% (Table II.5).

Throughout the 1990-2000 period, amongst the leading traders in commercial services the most dynamic with exports and imports growing at double-digit rates were China, the Republic of Korea, India, Ireland and Malaysia.

Table II.5

Leading exporters and importers in world trade in commercial services, 2000

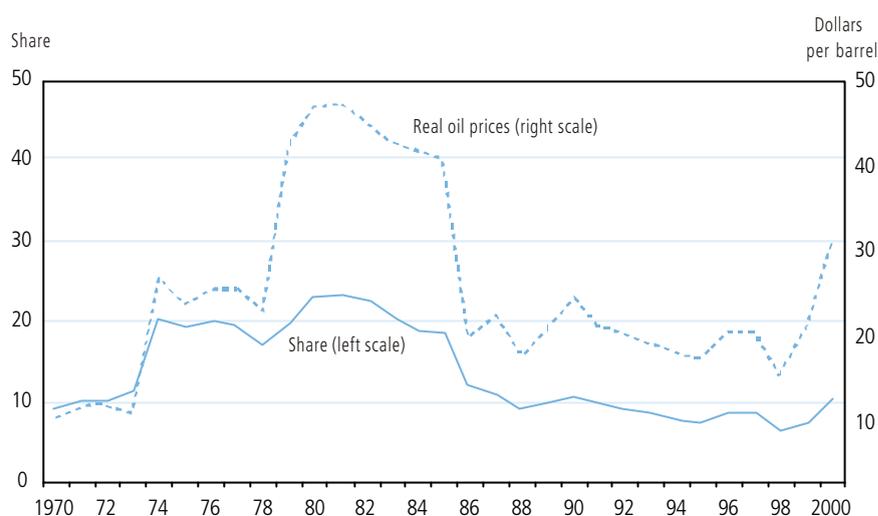
(Billion dollars and percentage)

Exporters	Value	Share	Annual percentage change			Importers	Value	Share	Annual percentage change		
			1990-2000	1999	2000				1990-2000	1999	2000
United States	274.0	19.3	8	4	10	United States	199.3	14.2	7	4	14
United Kingdom	100.1	7.1	7	3	-3	Germany	125.7	9.0	5	3	-5
France	77.3	5.5	2	-1	-7	Japan	115.1	8.2	3	3	1
Germany	75.1	5.3	4	0	-5	United Kingdom	82.3	5.9	6	6	0
Japan	68.0	4.8	5	-2	13	France	57.1	4.1	1	-4	-10
Italy	59.0	4.2	2	-9	-3	Italy	57.1	4.1	2	-9	0
Spain	52.1	3.7	7	8	-2	Netherlands	50.1	3.6	6	4	0
Netherlands	50.6	3.6	6	4	-4	Canada	41.8	3.0	4	3	9
Hong Kong, China	43.3	3.1	9	4	14	Belgium-Luxembourg	38.7	2.8	5	6	7
Belgium-Luxembourg	40.2	2.8	5	6	4	China	34.8	2.5	24	16	14
Canada	37.2	2.6	7	6	9	Korea, Rep. of	33.7	2.4	13	11	26
China	29.7	2.1	18	-1	25	Spain	30.0	2.1	7	11	0
Korea, Rep. of	29.2	2.1	12	4	13	Austria	28.4	2.0	7	2	2
Austria	27.9	2.0	2	3	-7	Ireland	27.1	1.9	18	-12	4
Singapore	26.6	1.9	8	25	13	Chinese Taipei	25.7	1.8	6	0	10
Switzerland	26.5	1.9	4	2	1	Hong Kong, China	24.0	1.7	8	-1	3
Denmark	20.3	1.4	5	10	21	Sweden	23.2	1.7	3	4	3
Chinese Taipei	20.2	1.4	11	3	18	Singapore	21.3	1.5	10	8	13
Sweden	19.3	1.4	4	11	-2	Denmark	18.3	1.3	6	-3	19
Turkey	19.1	1.3	9	-30	18	India	17.9	1.3	12	21	4
Australia	18.0	1.3	6	7	6	Australia	17.8	1.3	3	7	-1
India	16.4	1.2	14	26	18	Russian Fed.	16.9	1.2	-	-21	31
Norway	15.2	1.1	2	0	9	Mexico	16.4	1.2	5	10	18
Ireland	14.5	1.0	16	-12	0	Brazil	16.0	1.1	9	-14	17
Malaysia	13.5	0.9	14	4	14	Norway	15.6	1.1	2	5	-2
Mexico	13.4	0.9	6	-3	15	Malaysia	15.5	1.1	11	13	6
Israel	13.3	0.9	11	13	30	Switzerland	15.4	1.1	3	5	-2
Thailand	12.9	0.9	7	11	...	Indonesia	14.3	1.0	9	-4	27
Greece	9.8	0.7	4	0	...	Thailand	13.4	1.0	8	13	...
Egypt	9.6	0.7	7	18	3	Israel	12.4	0.9	10	11	16
Total of above	1232.0	87.0	-	-	-	Total of above	1205.0	86.0	-	-	-
World	1415.0	100.0	6	1	5	World	1400.0	100.0	6	2	5

4. Oil markets and international trade

One of the outstanding features of international trade in recent years has been the high volatility of oil prices. Following the steep decline of oil prices in 1998, prices recovered strongly and averaged in 2000 \$28 per barrel, a level two times that of the trough in 1998.

As a consequence of these sharp price variations, the share of fuels in world merchandise exports dropped to 6.5% in 1998, the lowest share in three decades, before recovering to 10.5% in 2000, matching the highest share in the last 12 years. In other words, within three

Fuels: share in world trade and real oil price, 1970-2000(Percentage and dollars per barrel at constant 1990 prices)^a^aReal oil prices are obtained by deflating the nominal oil price by the world export unit value index of manufactures.

Source: WTO Secretariat.

years oil prices recorded their highest and lowest levels in 15 years. While the oil price recovery in 1999 can be attributed to the coordinated cutback of oil production, the reasons for the further price increase in 2000 cannot be found in the basic market conditions, as production increased faster than demand. Some observers have attributed the price turbulences in oil markets to overreaction of consumers in the form of advanced purchases and to imbalances in the oil future markets. Consumer reaction was partly provoked by considerably overstated oil demand projections at the beginning of the year, made under the influence of the prospects of strong global output growth. Consumer fears in respect to physical availability might have also been affected by the successfully coordinated stop and go in oil supply by the oil producing countries and the realization that the share of OPEC countries in world crude oil output has increased again considerably.¹⁰ Large imbalances in the forward markets for crude oil have also contributed to the strengthening of spot prices.¹¹ The high oil prices in the range of \$24 to \$34 per barrel in 2000 also contrast sharply with the prices in recent medium-term projections. These price assumptions seemed reasonable given that the real price of oil remained in a narrow range of \$15 to \$20 throughout the 1986-97 period and showed even a moderate declining trend for the 1990-97 period. Various energy market indicators supported the expectation of low oil prices in the medium term. First, the share of oil in world energy consumption was markedly reduced from the peak level in the early 1980s. Natural gas, coal and nuclear power increased their shares in world energy production, although oil has remained the principal fuel, accounting for about 40% of total energy output in recent years. Second, several regions curtailed the share of imported oil in their energy consumption by expanding domestic energy production. Third, technological innovations had lowered the costs of finding and extracting oil.

In addition, developments outside the energy markets – in particular the change in the global output to less material and energy intensive services sector promised to reduce the importance of energy to the future global economic growth. The spectacular rise of the information and telecommunications sector in recent years was expected to accelerate this trend. Consequently, public debates on energy focused more on the environmental consequences of the steady rise in global energy consumption, in particular the impact of CO₂ emissions on global warming.

Oil accounts for about 80% of international trade in fuels, roughly twice the share of oil in world primary energy consumption. Relative low transportation costs and limited up front investment in infrastructure contribute to the greater dominance of oil over other fuels in trade relative to production. Nevertheless, the share of gas did increase over the last 15 years while that of oil and coal decreased somewhat. In the second half of the 1990s, Asia replaced Western Europe as the largest net-importing region. This development can be largely attributed to the buoyant rise of fuels imports into the fast growing developing Asia. The share of the Asian developing countries' net imports in world trade of fuels rose from less than 2 in 1990 to nearly 7% in 1999.

About 30 countries can be considered as significant fuel exporters, of which about two thirds are developing countries. In 1999, fuels exports accounted for more than two thirds of

¹⁰ Since 1985 the share of OPEC countries in world crude oil output recovered from 30 to 42% in 1998.

¹¹ Throughout 2000 the open call options exceeded the open put options, reflecting the traders expectations of falling prices also reflected by the fact that the future prices for 12 months ahead remained below the spot crude oil prices. As prices remained high, the holders of put options were forced at the end of the contract to purchase oil and paradoxically support oil prices in the spot markets.

merchandise exports in at least 14 countries and another 8 countries recorded a corresponding share between one third and 60%. While the developing countries (and also the LDCs) are – as a group – net fuel exporters, the majority of the developing countries are net importers.

According to the World Energy Outlook 2000 of the IEA, the following trends will be observed in international trade of fuels in the coming ten years. First, the share of imported oil in oil and total energy consumption is likely to increase in the major net-importing regions (Asia – in particular China and India, Western Europe and North America). Second, the increased supplies will come largely from the traditional oil suppliers, in particular the Middle East. The most dynamic trade growth will be seen between the Middle East and Asia (as in the 1990s). Third, trade in gas will expand strongly, in particular in Europe and Asia. Gas exports from Russia to Western Europe and intra-West European trade contribute to the rise in Europe. Liquefied natural gas imports from the Middle East will rise sharply. Fourth, world trade in coal is unlikely to expand rapidly. Asia's coal imports are expected to increase while those of Western Europe are expected to decrease. Fifth, cross-border and intra-regional trade in electricity is likely to increase substantially largely due to the liberalization of the various national markets in the EU and the integration of European grids.

5. Outlook

In 2001, the world economy is retreating from the high growth path seen last year. All major geographic regions will be affected with the exception, perhaps, of Africa which recorded the weakest growth of all the regions in 2000. North America, the transition economies and developing East Asia – other than China – are projected to experience a sharp deceleration in GDP in 2001. Japan's fragile economy is not expected to recover. Growth rates in Western Europe and Latin America are expected to slow by about one half of 1%.¹²

While there is a broad consensus about a general slowing of economic growth – reflected not only in revisions of national forecasts, but also by actions undertaken by governments and, above all, by national monetary authorities – uncertainty remains about the severity and form that the deceleration will take. The development of the United States economy is considered to be the key element not only because of its weight in the global output and trade but also due to its leadership in the "new economy". The current slowdown will therefore also be a test for the "new economy" which was one of the principal driving forces in the expansion, not only of the United States economy and other advanced economies, but also of international trade. The strength of United States investment over the last five years stemmed largely from the expenditure on information technology equipment and software not only in the "new economy" but also in the "old economy". The sharp correction of technology stock markets world wide since March 2000 have shattered the belief that the internet economy would be "business cycle proof". A cyclical cutback of IT-related investment expenditure could be quite significant and have marked repercussions given the increased importance the IT sector has gained throughout the 1990s in output, employment and trade. A related issue concerns the productivity rates observed in recent years in the United States. It has still to be seen how permanent these economy-wide productivity gains, which have been attributed to the advances in information technology, will prove to be.

The rise of the "new economy" underpinned not only the expansion of the United States economy and stock markets but also international capital flows (in particular FDI) and many stock markets around the globe. The sharp correction in world stock markets indicates that the perceptions on the near term outlook for the information technology sector has become rather sober. In addition, the lower valuations of stocks have repercussions not only on business investment but also on the consumer confidence, private wealth and in the end on consumer expenditure.

A slowdown in the United States reduces its import growth, which will directly affect the exports of those 20 countries for which exports to the United States market account for more than one third of their merchandise exports. Canada and Mexico are particularly concerned as their exports to the United States exceed 85% of their total merchandise exports, but many countries in Central America and the Caribbean, as well as in Asia, also rely heavily on the United States markets. With respect to product categories, the share of United States imports in world trade is particularly important for office and telecom equipment, automobiles and clothing.

The prospects for world trade in 2001 clearly have become more clouded in recent months. The deceleration of global trade growth has set in during the final months of 2000 and is expected to continue for most of 2001. For the year 2001, the volume of world merchandise trade is expected to grow by 7%, a marked reduction from the estimated rate of 12% in 2000. A major uncertainty in the outlook is the economic activity and trade

¹²The regional economic growth rates are adjusted to WTO definitions and based on IMF projections.

growth in Western Europe. As Western Europe accounts for about 40% of world trade, a stronger resistance to the United States slowdown than is projected could mean the world trade would expand in 2001 by more than the 7% currently forecast. Downward risks are primarily seen in the repercussions of severe stock market corrections on investment and consumer expenditure in advanced economies.

Appendix Table 1

Leading exporters and importers in world merchandise trade (excluding intra-EU trade), 2000

(Billion dollars and percentage)

Exporters	Value	Share	Annual percentage change			Importers	Value	Share	Annual percentage change		
			1990-2000	1999	2000				1990-2000	1999	2000
European Union (15)	855.4	17.2	5	-2	8	United States	1258.0	23.9	9	12	19
United States	782.4	15.7	7	2	12	European Union (15)	959.2	18.2	5	4	13
Japan	479.3	9.6	5	8	14	Japan	379.5	7.2	5	11	22
Canada	277.2	5.6	8	11	16	Canada	249.1	4.7	7	7	13
China	249.2	5.0	15	6	28	China	225.1	4.3	15	18	36
Hong Kong, China	202.4	4.1	9	0	16	Hong Kong, China	214.2	4.1	10	-3	19
domestic exports	23.7	0.5	-2	-9	6	retained imports ^a	35.4	0.7	1	-21	24
Korea, Rep. of	172.6	3.5	10	9	19	Mexico	182.6	3.5	15	14	23
Mexico	166.4	3.3	15	16	22	Korea, Rep. of	160.5	3.0	9	28	34
Chinese Taipei	148.4	3.0	8	10	22	Chinese Taipei	140.0	2.7	10	6	26
Singapore	138.0	2.8	10	4	20	Singapore	134.7	2.6	8	9	21
domestic exports	78.9	1.6	9	8	15	retained imports ^a	75.6	1.4	6	18	16
Russian Fed.	105.2	2.1	-	1	39	Switzerland	82.5	1.6	2	0	3
Malaysia	98.2	2.0	13	15	16	Malaysia	82.2	1.6	11	11	27
Saudi Arabia	84.1	1.7	7	31	66	Australia	71.3	1.4	5	7	3
Switzerland	80.5	1.6	2	2	0	Thailand	62.0	1.2	6	17	23
Thailand	68.9	1.4	12	7	18	Brazil	58.6	1.1	10	-15	13
Australia	63.9	1.3	5	0	14	Turkey	54.0	1.0	9	-11	33
Indonesia	62.0	1.2	9	0	27	India	49.8	0.9	8	4	11
Norway	58.1	1.2	5	13	29	Poland	49.3	0.9	16	-2	7
Brazil	55.1	1.1	6	-6	15	Russian Fed.	44.2	0.8	-	-32	12
India	42.4	0.9	9	9	17	Israel	38.1	0.7	9	13	15
Philippines	40.0	0.8	17	24	9	Philippines	34.6	0.7	10	3	6
United Arab Emirates	39.9	0.8	7	15	29	United Arab Emirates	34.3	0.7	12	6	6
Venezuela	32.8	0.7	6	15	65	Norway	33.8	0.6	2	-6	-1
Poland	31.6	0.6	8	-3	15	Indonesia	33.5	0.6	4	-12	40
Israel	31.3	0.6	10	12	21	Saudi Arabia	32.8	0.6	3	-7	17
Iran, Islamic Rep. of	30.2	0.6	6	32	74	Czech Rep. ^b	32.2	0.6	-	0	15
South Africa	30.0	0.6	3	1	12	Hungary	32.1	0.6	12	9	15
Czech Rep.	29.0	0.6	-	2	10	South Africa	29.7	0.6	5	-9	11
Hungary	28.1	0.6	11	9	12	Argentina	25.5	0.5	20	-19	0
Turkey	27.3	0.5	8	-1	3	Chile	18.1	0.3	9	-19	20
Total of above ^c	4509.9	90.7	-	-	-	Total of above ^c	4801.7	91.0	-	-	-
World (excl. intra EU trade)^c	4974.0	100.0	7	5	17	World (excl. intra EU trade)^c	5275.0	100.0	7	5	17

^aRetained imports are defined as imports less re-exports.^bImports are valued f.o.b.^cIncludes significant re-exports or imports for re-export.

Chapter Three

OVERVIEW
OF DEVELOPMENTS
IN THE INTERNATIONAL
TRADING ENVIRONMENT

Overview of developments in the international trading environment

A. Introduction

For the WTO, the year 2000 was one of stiff challenge and significant opportunity. Stiff challenge due to the events that took place at the Third Ministerial Conference in November 1999 – the failure of the WTO Members to reach a consensus on the launch of a new round of multilateral negotiations, against a background of highly-publicized “anti-globalization” demonstrations in the streets of Seattle – but significant opportunity to effect the changes necessary to better meet the needs of the WTO Members and thereby strengthen the foundations of the trading system.

The inability of WTO Members to reach a consensus at Seattle on the launch of a new round was a reflection of significant differences of view, in spite of preparatory work throughout 1999. One major difference of view concerned whether the launch of a new round was propitious given the ongoing implementation of commitments assumed in consequence of the Uruguay Round, which gave rise to problems or concerns for certain developing country and transition economy Members. Even among the WTO Members that were supportive of the launch of a new round, major differences of view were evident on the scope of the agenda for the negotiations, beyond those on agriculture and services which were called for in the respective Uruguay Round agreements. There were also differences of view on the negotiations on agriculture and services. In the course of the Ministerial Conference, questions of process also came to the fore as a number of developing countries claimed insufficient participation in the proceedings.

In 2000, the WTO addressed these issues by:

- starting on schedule the mandated negotiations on agriculture and services, and continuing to explore, at the political and technical levels, the possibility of reaching a consensus on a negotiating agenda for a new round beyond that built-in to the Uruguay Round;
- establishing a mechanism to consider implementation-related issues and concerns;
- finding ways to ensure the fuller participation of all Members in the work of the WTO and to improve consultative procedures;
- improving external transparency and outreach to civil society; and
- giving priority to the integration of LDCs and other low-income WTO Members into the multilateral trading system to help them secure the benefits that can be derived therefrom.

Although the aftermath of Seattle was the outstanding trade policy event of 2000 in the life of the WTO, its manifestation was mainly at the political level since the business of the organization continued as usual. WTO Members maintained a busy schedule of regular meetings of Councils, bodies and working groups on matters within its mandate (Chapter IV). Dispute settlement showed, in particular, a high level of activity; although most disputes were satisfactorily resolved, recourse to retaliation increased in 2000. In addition to assisting the WTO Members in their activities, the Secretariat increased its provision of technical assistance to WTO Members, as well as adding to its programme of outreach to civil society.

The WTO gained five new members in 2000 – Albania, Croatia, Georgia, Jordan and Oman – to reach a total membership of 140, accounting for more than 90% of world merchandise trade¹, and Lithuania and Moldova were poised to accede. Significant traders that were still outside the multilateral trading system, but in the process of accession to the WTO, were China, Chinese Taipei, the Russian Federation, and Saudi Arabia, and another 23 accession negotiations are engaged. China made considerable progress in 2000 to reach the final stages of its accession negotiations by concluding bilateral market-opening agreements with most interested WTO Members (only the bilateral with Mexico remains outstanding), still leaving the technical matters of implementing certain multilateral commitments (notably agriculture and trade defence measures) on the agenda of China’s working party.

While the situation of the WTO is generally satisfactory, a number of challenges lie ahead for the organization. The expansion of the world economy was sustained in 2000 and was broadly based across all regions, but the slowdown of economic activity in the United States will have an impact on global output and trade trends in 2001. According to the IMF, the world economic outlook is subject to greater downside risks. This should bring into sharper relief the gains to be realized by consumers, producers and the environment from removing the significant impediments to open markets that remain in place in virtually all Members.

Another key priority on the international agenda is helping LDCs up the development ladder. This challenge is engaging the governments of LDCs, supported by the World Bank and the IMF, as well as other governments, NGOs and citizens. The WTO also has a role to

¹Including flows between Member States of the European Union.

play. Experience has shown that development is fostered in a domestic environment of macroeconomic stability and market-friendly reforms, complemented by institution-building that fosters developmental capacity and good governance, including more open and transparent regimes for trade and trade-related policies. Countries poor in human and financial resources, or lacking the requisite experience in administering or enforcing WTO obligations, have asked for assistance in understanding their commitments and implementing them domestically. Technical assistance activities are important in this regard, but the ability of the WTO to respond is limited and sustained only by the generous extra-budgetary donations of certain WTO Members. Increased funding for technical assistance in the core budget of the WTO would create a more permanent basis for such activities, but agreement of all WTO Members on this action has not yet been reached.

WTO Members have the opportunity to do more for LDCs. The Plan of Action for LDCs launched at Singapore in 1996 gave priority to improvements in market access to remove external obstacles to development, and led to the Integrated Framework for technical assistance related to trade development. Since that time, a number of WTO Members have improved the market access for LDCs through preferential programmes, and further actions could be taken to achieve the goal of tariff-free and quota-free access for all trade of LDCs. And, following a review of its operation, the Integrated Framework is to be improved as a mechanism for the six participating agencies – the ITC, IMF, UNCTAD, UNDP, World Bank and WTO – to deliver trade-related technical assistance to LDCs. Donor support is now needed. As the WTO initiative on LDCs falls into place, its effects will reinforce others taken in 2000 to ease the plight of Africa, home to most LDCs, such as debt reduction to liberate domestic resources to build human capital and alleviate poverty. These actions, taken together, will help LDCs establish the basis for sustainable development and reverse their increasing marginalization in the world economy.

WTO Members are rightly concerned by the misunderstandings of the public over globalization and the role of the organization in this process. The anti-globalization protests in Seattle were the most extreme manifestation of these misunderstandings, re-staged for UNCTAD X in Bangkok in February, for the meetings of the World Bank and IMF in Washington in April and in Prague in September, and for other high-profile gatherings. The target is not the WTO per se, but all institutions, political parties or even individuals that promote or support or do not openly condemn the policies considered to advance the process of globalization.

Democratic societies legitimize and indeed encourage dialogue between citizens and representatives on all topics of concern. Adjustment to globalization is a valid element of this dialogue, while recalling that openness to trade is associated with growth and reduced poverty over time. Within its mandate to help move trade flows as smoothly, predictably and freely as possible, the WTO can assist the efforts of member governments to dialogue with citizens by highlighting the benefits of open markets and trade rules. Understanding of the WTO could be further enhanced through greater transparency in the day-to-day activities of the organization. The Secretariat has already made considerable efforts in this regard within the guidelines laid down by the Members in 1996.

This broad overview of the situation of the WTO, on which details are provided in the body of this and other chapters of this Annual Report, points to the following key challenges for the period ahead:

- addressing the issues and concerns on implementation;
- maintaining the momentum of liberalization through the mandated negotiations and guarding against increased barriers to trade;
- ensuring the full participation of all Members in the WTO, notably the LDCs and other low-income WTO Members;
- more effectively communicating to the general public the nature and activities of the WTO and the benefits of the multilateral trading system; and
- considering the question of a broader negotiating agenda.

B. Developments in the multilateral trading system

1. Mandated negotiations begin and discussions on a new round continue

The mandated negotiations on agriculture and services started on schedule in early 2000.² The negotiations under Article 20 of the Agreement on Agriculture are to continue the reform process set out in the agreement, which brought into the multilateral rules, largely for the first time, the policy instruments used by many WTO Members to support domestic agricultural

²Work is ongoing on the negotiations to be undertaken in the TRIPS Council under Article 23:4 of the TRIPS Agreement concerning the establishment of a multilateral notification and registration system for wines.

producers. In addition to their effects on domestic consumers and producers, these support policies have spillover effects on world markets and on the export opportunities of trade partners, many of which are developing countries.³ At the same time, certain WTO Members have stressed the broader or “multifunctional” nature of support to the sector, notably the situation of rural communities. Forty proposals had been tabled in time for the stocktaking exercise held in a Special Session of the Committee on Agriculture in March 2001. The exercise was successfully completed and the next phase of the negotiations engaged.

On services, the negotiations are to address further rule-making and to “achieve a progressively higher level of liberalization” (GATS Article XIX), building on the market-access commitments already contained in the schedules. It should be recalled that the services sector – the leading sector of economic activity in many WTO Members – was brought into the multilateral rules for the first time in the Uruguay Round, and additional substantial agreements were reached in 1997 on telecommunications and financial services. In 2000, WTO Members agreed on a “roadmap” for the first phase of negotiations and that the second phase of these negotiations would begin with a stocktaking exercise by a Special Session of the GATS Council in March 2001, to consider progress made and how to move forward. This exercise was successfully completed and the next phase of the negotiations was engaged.

While the mandated negotiations got under way in 2000, WTO Members continued to discuss a wider agenda of negotiations, to address other outstanding market-access barriers, notably tariffs on non-agricultural products, or extend the framework of the multilateral rules to new areas. In the latter case, proponents view the stakes as being the relevance of the WTO as the main framework of rules for the conduct of international economic relations, notably with respect to competition policy and investment matters. In addition, certain Members are of the view that securing a wider agenda for negotiation will have an impact on the final outcome of those mandated on agriculture and services by expanding the scope for mutually beneficial trade-offs. Other Members, however, continue to have doubts on whether it is appropriate to consider launching a new round of negotiations in the presence of implementation issues and concerns related to the Uruguay Round.

2. Implementation mechanism established

All WTO Members are bound to observe – as part of the “single undertaking” that seals their membership in the organization – the multilateral agreements concluded in the Uruguay Round and to implement, if applicable to them, post-Uruguay Round commitments on basic telecommunications, financial services, or information technology products.⁴ Reflecting the concept of “special and differential treatment” for developing countries, transition economies, and least-developed countries, transitional periods to full implementation applied in certain areas. Most expired on 31 December 1999 for developing and transition economies, but certain transition periods for LDCs are still in effect.

The agreements concerned by the end of transitional periods to full implementation are those on intellectual property protection, the elimination of trade-related investment measures (measures that depart from the GATT national treatment obligation, such as local-content requirements), methods of customs valuation, and on subsidies. Members that identified difficulties of fully meeting their implementation commitments for customs valuation requested and, in most cases, obtained extensions in the framework of the agreement (Chapter IV), where such provision was made. Nine WTO Members requested extensions on the transition periods in the TRIMs agreement, which are being considered by trading partners within a framework established by the General Council at its meeting of 3 and 8 May 2000.⁵

A wide range of other implementation-related issues and concerns has also been put forward at various times. One issue concerns the slow pace of integration of the textiles and clothing sector into GATT 1994, where many developing countries and transition economies claim a comparative advantage. The quotas on textiles and clothing products brought into the WTO from the Multi-Fibre Arrangement by Canada, the European Communities and the United States, are still largely in place, despite two completed stages of integration. Another issue concerns the capacity of developing countries to observe – given scant administrative resources – the requirements of the relevant agreements when establishing technical standards or setting sanitary and phytosanitary measures (e.g. conducting risk assessments), as well as participating in the development of international standards. The full range of implementation-related issues and concerns are being considered by the General Council in the Implementation Review Mechanism established for the purpose (Chapter IV).⁶

3. Internal transparency improved⁷

In the course of the Third Ministerial Conference in Seattle, questions of procedures and practices were raised by certain developing countries claiming insufficient participation in the proceedings. This issue has deeper roots in the history of the GATT and WTO. Briefly, the

³World Bank (2000), World Development Report 2000/2001: Attacking Poverty [Online], p.45. Available at: <http://www.worldbank.org> [10 October 2000].

⁴The “plurilateral” agreements on civil aircraft, government purchases, beef and dairy products were not part of the single undertaking; only the first two remain in existence in 2001.

⁵Related dispute settlement proceedings are “India – Measures Affecting the Automotive Sector”, complaint by the European Communities (WT/DS146/1); “Philippines – Measures Affecting Trade and Investment in the Motor Vehicle Sector”, complaint by the United States (WT/DS195/1); “Brazil – Certain Automotive Investment Measures”, complaint by Japan (WT/DS51); “Brazil – Certain Measures Affecting Trade and Investment in the Automotive Sector”, complaints by the United States (WT/DS52 and WT/DS65); “Brazil – Measures Affecting Trade and Investment in the Automotive Sector”, complaint by the European Communities (WT/DS81/1). Dispute settlement procedures have been completed in “Indonesia – Certain Measures Affecting the Automobile Industry”, complaints by Japan (WT/DS55), the European Communities (WT/DS54), and the United States (WT/DS59).

⁶WTO Press Release 184/2000.

⁷WTO News: 2000 News Items, “Internal Transparency and the effective participation of Members” [Online]. Available at: <http://www.wto.org> [31 October 2000].

bodies established formally by the WTO are open to participation by all WTO Members, but not all WTO Members maintain delegations in Geneva and, even when they do, few developing countries have the human resources available to fully participate in WTO activities. The WTO Secretariat has given priority in 2000 to improving and speeding up the information flow to Members, particularly those who do not have representatives resident in Geneva (e.g., establishment of WTO Reference Centres).

Apart from their formal gatherings, WTO Members also use informal processes to consult on matters requiring political decision, such as negotiations. These are usually selective, as could be expected. For example, partners in regional trade agreements tend to coordinate their positions, so the WTO Members can be informed by a member of EFTA, CEFTA or ASEAN. Where the issue of participation has proved more controversial is the "green room"⁸ meetings, chaired by the Secretariat, and attended by a selection of WTO Members (usually about 20-25). This process is used to narrow the differences between Members with the goal of reaching a consensus, given the time-consuming and cumbersome process of securing the agreement individually of each of the 140 Members of the WTO. At the same time, this process functions smoothly when the participants represent the interests of the membership as a whole. Over time, and notably as a result of the transition from the GATT to the WTO, which saw a much higher level of commitment being assumed by developing countries, those outside the green room process have claimed the right to more fully participate.

Following up on concerns over transparency and process that emerged around the Third Ministerial, the Chairman of the General Council and the Director-General began early in the year a series of consultations with Members on possible improvements. Numerous contributions were received from members in the course of these consultations. The process itself was instrumental in WTO Members giving more attention to the issue, boosting inclusiveness, transparency and information flow. It also became clear that Members in general saw no need for radical reform of the WTO, that they firmly supported the practice of reaching decisions by consensus, and that informal consultations continued to be a useful tool provided that certain improvements regarding inclusiveness and transparency were applied (Chapter IV). Members are continuing to maintain a close watch on the issue as the organization moves forward on the substantive agenda.

4. External transparency and outreach enhanced

External transparency

Since the establishment of the WTO in 1995, the WTO Members and the Secretariat have taken a number of steps to improve the exchange of information about the nature and goals of the organization. Regular press briefings are held, a publications service and the WTO website (<http://www.wto.org>) are maintained, information products are developed, and responses are given to the many requests for information on the WTO received each day. In particular, the WTO website receives an average of 200,000 visitors each month, from 145 countries, at last count.

In addition to obtaining information on the WTO, the website gives open access (without charge) to the Documents Online Facility, containing virtually all publicly available WTO documents in the three official languages of English, French and Spanish.⁹ According to the current policy, established in 1996, a presumption of public circulation status applies to notifications by Members, unless a restricted status is requested, and documents related to the regular activities of the WTO are circulated to the public after six months or when the activity has been completed.¹⁰ Although not formally articulated as such, the policy on document availability adopted by the WTO Members appears to rely on the twin foundations of (a) the domestic transparency requirements of WTO Members for measures covered by the multilateral agreements; and (b) confidentiality for the jointly undertaken activities of the WTO Members until the activity is completed in accordance with the traditions of diplomacy.

Of the some 5,500 WTO documents issued in 1999, this policy resulted in 62% being made available immediately to the public. Of the remainder, half were circulated within six months, and the rest remained restricted mainly because the activity (e.g., accession) was still in process. Since the WTO was established in 1995, this policy has led to the cumulative release to the public of 99.6% of WTO documents.

In 2000, WTO Members have been conferring on improvements that could be made to accelerate public availability of documents of particular interest to citizens, such as minutes of meetings of WTO bodies and panel reports.¹¹ One obstacle is technical – WTO documents are in principle issued simultaneously in the three official languages, requiring time to translate the original document. With respect to improvements to the general policy on public availability, differences of view remain among the Members, mainly because the benefits to quicker derestriction are weighed differently. While some Members see instant public availability of documents as not detracting from the efficiency of the WTO as an

⁸Named after the Director-General's conference room.

⁹An important exception are the Trade Policy Reviews of Members (WT/TPR/- series), protected by copyright and distributed to the public in book form and on CD-ROM by the publisher.

¹⁰WT/L/160/Rev.1.

¹¹Paragraph 7 of WT/L/160/Rev.1 provided that: "In the light of the experience gained from the operation of these procedures and changes in any other relevant procedures under the WTO, the General Council will review, and if necessary modify, the procedures two years after their adoption."

organization, others are more cautious, and see confidentiality for the time required to complete the activity as promoting deliberation and fruitful dialogue.

Outreach

Outreach has also been an important activity of WTO Members and the Secretariat. The public has access to WTO headquarters in Geneva, and the Secretariat handles a large number of visits. The Secretariat has organized symposia on various issues of particular concern to segments of the NGO community, maintains an “NGO Room” on the WTO website, receives material from NGOs and keeps WTO Members informed thereof.¹² The Director-General, his deputies and staff members frequently meet with representatives of civil society. In 2000, activity has focused on outreach to – in addition to NGOs – parliamentarians, universities and other research centres, and representatives from transnational parliamentary groups.¹³

In October 2000, an on-line Forum on “Trade and Sustainable Development” was sponsored by the WTO and the World Bank. The forum is the first initiative of the WTO Network, which links the WTO with universities and research centres to build and disseminate knowledge on international trade issues. Several of these participating institutions contribute to a World Bank project on building a trade negotiating agenda for developing countries. The first two weeks of the forum focused on “effects of trade on poverty”; and the final two weeks on “how to ensure that trade and environment are mutually supportive”.

The current policy on NGO participation in the WTO, established in 1996, recognizes that NGOs are “a valuable resource, [which] can contribute to the accuracy and richness of the public debate”, but “there is currently a broadly held view that it would not be possible for NGOs to be directly involved in the work of the WTO or its meetings”¹⁴, mainly as a result of the intergovernmental character of the WTO and the prerogative of Member governments to channel to the WTO the results of consultations with domestic constituencies. NGOs may observe Ministerial Meetings, and registration has risen sharply – from 108 NGOs at the first meeting in Singapore in 1996, to 128 NGOs in Geneva in 1998, and 686 NGOs in Seattle in 1999.¹⁵

Outreach also concerns relations with other international intergovernmental organizations (IGOs).¹⁶ A formal policy on such relations was established in 1995 for the IMF and the World Bank, as provided for in their respective agreements with the WTO. The basis is the “coherence” mandate, which requires closer cooperation between the multilateral institutions with key roles in the formulation and implementation of different elements of the global economic policy framework. In addition to the IMF and World Bank, observer status in the General Council also applies to the United Nations, UNCTAD, FAO, WIPO and OECD. WTO Members have been conferring for some time on the IGOs to be granted observer status in the General Council and other WTO bodies.

Regarding outreach to other IGOs, many of which have expressed an interest in the WTO and its activities, arrangements were made for IGOs to observe Ministerial Meetings.¹⁷ This opportunity was taken up by 42 IGOs at the first meeting in Singapore in 1996, by 40 IGOs in Geneva in 1998, and by 50 IGOs in Seattle in 1999.

5. Technical assistance activities and training

Technical assistance activities aim to improve the understanding of the agreements and facilitate implementation of obligations; at the same time, emphasis is increasingly being placed on enhancing the capacity of countries to integrate into the world economy to realize the benefits of the market-access opportunities that are available to them as a result of being WTO Members. Despite their vital nature, technical assistance and cooperation activities in 1999 and 2000 have been sustained only by the generous extra-budgetary voluntary donations of certain WTO Members, given that the regular budget for such activities has remained inadequate to respond to needs, funding just 10% of activities in 1999.¹⁸ Increased funding for technical assistance in the core budget of the WTO would create a more permanent basis for such activities, but no agreement has yet been reached by WTO Members.

Least-developed countries have been a major focus of WTO technical assistance and cooperation activities, since resource constraints weigh most heavily on their ability to participate in the multilateral trading system.¹⁹ In addition to its own activities on behalf of this group, the WTO participates in activities organized by other institutions, and cooperates with some of them on joint projects or programmes, notably the Joint Integrated Technical Cooperation Programme (JITAP) for Selected Least-developed Countries and other African Countries (WTO, UNCTAD and ITC Secretariats), and the Integrated Framework (IF) of technical cooperation for least-developed countries (WTO, ITC, UNCTAD, World Bank, IMF, UNDP). In 2000, the IF was independently reviewed, and lead agencies decided on steps to

¹²For details see

http://www.wto.org/english/forums_e/ngo_e/pospap_e.htm.

¹³An informal consultation on questions of External Transparency was held in November by the General Council Chairman, based on submissions from Members.

¹⁴WT/L/162.

¹⁵The procedures regarding the attendance of NGOs are: (i) NGOs are allowed to attend only the Plenary Sessions of the Conference (without the right to speak); (ii) applications from NGOs are to be registered and are to be accepted on the basis of Article V, paragraph 2 of the WTO Agreement, i.e. such NGOs “concerned with matters related to those of the WTO”; and (iii) a deadline is to be established for the registration of NGOs that wish to attend the Conference. For the procedures on IGOs and NGOs for Seattle, see WT/GC/M/40/Add.3.

¹⁶Article V, paragraph 1 of the Marrakesh Agreement Establishing the World Trade Organization provides that the General Council shall make appropriate arrangements for effective cooperation with other intergovernmental organizations that have responsibilities related to those of the WTO. Annex 3 to the General Council’s rules of procedure provides further guidance on relations with other intergovernmental organizations, specifically in respect to observer status. Paragraph 4 of that Annex suggests that the main factors to be considered in granting observer status to other intergovernmental organizations are: the nature of work of the organization concerned, the nature of its membership, the number of WTO Members in the organization, reciprocity with respect to access to proceedings, documents and other aspects of observership, and whether the organization has been associated in the past with the work of the CONTRACTING PARTIES to GATT 1947.

¹⁷The procedures on participation of IGOs are the same as for NGOs.

¹⁸Donations have been disbursed by some 25 WTO Members since 1995, totalling over CHF 31 million. For major pledges in 2000, see WTO Press Releases 188/2000, 162/2000, 164/2000, 168/2000, 186(Rev.1)/2000, 188/2000 and 192/2000.

¹⁹Another aspect of the WTO activities on behalf of LDCs is the pledge by WTO Members to remove virtually all the outstanding barriers to market access, to extend the opportunity for export-led growth (Section III).

improve the delivery of trade-related technical assistance, including by establishing a trust fund, which now needs donor support (Section C).

In addition to materials, seminars, workshops, technical missions, and courses on trade policy, as well as regular briefings, the Secretariat has been very active in establishing WTO Reference Centres, supported by donations from WTO Members.²⁰ Such centres provide access to trade-related information resources on the Internet, notably those developed by the WTO, as well as PC-based resources; they play a vital role in linking trade ministries in remote capitals to Geneva. By October 2000, the Secretariat had set up 90 centres, up from 68 at the end of 1999 and 42 at the end of 1998. The majority of such centres are in Africa. Unfortunately, not all the centres have remained fully operational (an estimated 65% is operational).

6. Dispute settlement²¹

A heavy case-load for the system

In 2000, the number of complaints filed under the WTO's Dispute Settlement Understanding (DSU) since the start of the WTO topped 200, indicating a continued heavy use of the dispute settlement procedures by WTO Members. The complaints concern allegations of inconsistency with WTO obligations, mainly with regard to the use of trade defence instruments (anti-dumping, countervailing and safeguard measures), taxes on imported and domestic like products, subsidies, automotive investment regimes, product regulations, protection for patents or copyright, and market access for foreign service suppliers. The measures at issue in some complaints have been recently introduced, while others are part of legislation or regimes that have been in place for decades.

Developed countries filed about three quarters of the complaints, and were the respondent in the same share of complaints. Developing countries filed the remaining one quarter of complaints, against developed countries in over 50% of complaints and the rest against other developing countries.²² The United States and the European Union are the most frequent complainants to the WTO, and in a number of instances, complaints concern a measure maintained by the other, confirming the important role of the WTO in resolving conflicts in the transatlantic relationship.

Satisfactory settlement is generally the outcome, but retaliation is being used

Roughly three quarters of complaints do not proceed beyond consultations to the panel stage, indicating that a satisfactory adjustment of the matter obtains at an early stage of the WTO procedures, just as was the case under GATT 1947.²³ For those complaints that proceed to the panel stage and on which panel reports are issued, most rulings are the subject of appeal to the Appellate Body; 37 such appeals have been filed since the start of the WTO.

When complaints have completed the panel and Appellate Body process, the record on prompt compliance with the recommendations or rulings of the Dispute Settlement Body (DSB) is good. When such recommendations or rulings call for the respondent WTO Member to remove or modify the measure in dispute, such action is not liberalization as such – given the measure's status of incompatibility with the WTO agreements – but effective market-opening sometimes obtains because the measures have been in place for years or even decades. The WTO's dispute settlement system is thus, by and large, successfully attaining the stated objective of preserving the rights and obligations of WTO Members, and thereby playing a key role in ensuring the integrity of the process of multilateral negotiation, agreement, and implementation, which contributes to the process of trade reform.

However, certain complaints that have completed the panel and Appellate Body process, and where action to implement was required of the respondent WTO Member, have yet to result in an effective resolution of the dispute. Eight requests for review under Article 21:5 of the DSU have been filed with the DSB because the complainant disagrees with the actions taken by the respondent to implement rulings and recommendations.²⁴ In such instances, the matter is referred to the original panel, which issues a report; four such reports have been issued to date. These may in turn be the subject of an appeal; two such appeals have been filed with the Appellate Body since 1995.

Article 22 of the DSU makes retaliation the last resort in the WTO system of dispute settlement, within a carefully circumscribed framework for the exercise of this instrument of trade diplomacy.²⁵ In the event a Member fails to implement the DSB's rulings and recommendations within a reasonable period of time, negotiations to agree mutually satisfactory compensation is the preferred remedy available to the complainant. Failing such agreement, the complainant may then request authorization from the DSB for the suspension of concessions or other obligations, which is granted unless the DSB decides by consensus to reject the request. Such suspension is, however, subject to rules to ensure that its level is not excessive, and arbitration is available to this end. Finally, the suspension is

²⁰ The WTO Reference Centres are available to LDCs and small island developing countries on a "supply-driven" basis, according to which the WTO is the source of the equipment, software and training, as well as advising the local authorities on Internet access. For other developing countries or entities, the WTO provides training and its materials only. The WTO Reference Centre programme is supported by donations from Hong Kong, China; the Netherlands; Norway; Poland; Sweden; and the United States.

²¹ WTO (ongoing), "Overview of the State-of-play of WTO Disputes" [Online]. Available at: <http://www.wto.org> [31 October 2000].

²² To overcome human and financial resource constraints that limit the participation of developing countries in the dispute settlement procedures, legal assistance is made available by the Technical Cooperation Division of the WTO Secretariat. A new development in 1999 is the establishment, in parallel with the Third Ministerial Conference of the WTO in Seattle, of the Advisory Centre on WTO Law (<http://www.itd.org>) to provide training and legal advice in WTO matters to its developing country Members and all least-developed countries. The Centre is expected to be fully operational in 2001.

²³ Although Article 3:6 of the Dispute Settlement Understanding (DSU) states that "mutually agreed solutions to matters formally raised under the consultation and dispute settlement provisions of the covered agreements shall be notified", notifications of outcomes have not been made in a portion of complaints that have not proceeded to the panel stage, indicating apparently dormant status.

²⁴ EC – Regime for the Importation, Sale and Distribution of Bananas" (WT/DS27), recourse by the EC (WT/DS27/40) and by Ecuador (WT/DS27/41); "Australia – Measures Affecting the Importation of Salmon" (WT/DS18), recourse by Canada (WT/DS18/14); "Australia – Subsidies Provided to Producers and Exporters of Automotive Leather" (WT/DS126), recourse by the United States (WT/DS128/8); "Brazil – Export Financing Programme for Aircraft" (WT/DS46), recourse by Canada (WT/DS46/13); "Canada – Measures Affecting the Export of Civil Aircraft" (WT/DS70), recourse by Brazil (WT/DS70/9); "United States – Anti-dumping Duty on Dynamic Random Access Memory Semiconductors (DRAMs) of one megabit or above from Korea" (WT/DS99), recourse by Korea (WT/DS99/8); "United States – Import Prohibition of Certain Shrimp and Shrimp Products" (WT/DS58), recourse by Malaysia (WT/DS58/17); and "Mexico Anti-dumping Investigation of High-Fructose Corn Syrup (HFCS) from the United States" (WT/DS132), recourse by the United States (WT/DS132/6).

²⁵ The clarification of the relationship between Articles 21:5 and 22 of the DSU is still outstanding in spite of the priority given to a solution by the General Council in 1999.

conceived as a temporary measure, in place only for as long as implementation is outstanding or a mutually satisfactory solution is not found.

Five instances of recourse to Article 22 of the DSU have been made, leading to authorization by the DSB of four instances of retaliation: in the matter of the EC's ban on hormone-treated beef, Canada and the United States have both retaliated by raising duties on imports from the EC; in the matter of the EC's regime for bananas, retaliation was requested by and authorized for the United States and Ecuador, and has been carried out by the United States.²⁶

WTO Members need to fully consider the implications of the use of retaliation. The first is that it is the consumers of the retaliating country that bear the cost of higher duties on the products concerned or their unavailability. The second is that the economic impact goes well beyond the directly concerned producers, trading firms, distributors, with repercussion effects on all the links in the chain of production, trade, and distribution, and the workers that each link employs. Finally, with respect to the WTO Members involved, retaliation is a sign that alternative methods of resolving the dispute have failed. The multilateral trading system prospers by opening channels of trade, and WTO Members, prior to seeking authorization to retaliate, have the responsibility to explore to the utmost of their ability the available alternatives, such as compensation, which create rather than limit trade.

7. Accessions

The accessions of five new Members in 2000 – Albania, Croatia, Georgia, Jordan and Oman – in 2000 brought to 12 the number of Members that have acceded to the WTO since 1995.²⁷ Lithuania and Moldova are poised to join the WTO in 2001.

Two new accession working parties were established in 2000, for Cape Verde and Yemen. The other 25 working parties in process are those for: Algeria, Andorra, Armenia, Azerbaijan, Belarus, Bhutan, Bosnia-Herzegovina, Cambodia, China, Former Yugoslav Republic of Macedonia, Kazakhstan, Laos, Lebanon, Nepal, Russian Federation, Samoa, Saudi Arabia, Seychelles, Sudan, Chinese Taipei, Tonga, Ukraine, Uzbekistan, Vanuatu, and Viet Nam. China entered the final stage of the working party process in 2000, and a number of other accession processes advanced.

Each accession has the same "win-win" quality for the WTO. The acceding party operates a more transparent and predictable trade regime, by assuming WTO obligations on goods, services, and intellectual property protection (possibly with transitional periods to full implementation). It opens its markets for goods and services to its trading partners, and thus locks-in reforms and gains the benefit of more competitively-priced imports. In turn, the new WTO Member gains the right to similar rights and terms of access on the markets of other WTO Members. These commitments are enforced – on both sides – by dispute settlement. Domestic reform and integration into the world economy thus go hand-in-hand to strengthen growth and investment prospects of the acceding country, and of WTO Members.

Although each accession is significant in its own right, both for the new WTO Member concerned and the organization, there is no doubt that China's decision to join the WTO is particularly momentous. Opening its markets to foreign trade and investment will make China more prosperous, and committing China to world-trade rules will foster and consolidate market-based reforms. WTO Members stand to gain by better access to an economy of 1.3 billion consumers, which was growing at 8% in 2000. The significance of these benefits – both for China and for WTO Members – explain the efforts that are being made on all sides to bring to a conclusion the accession process.

Each accession follows the same pattern (Box III.1), starting with the submission of a request to the WTO and culminating with the General Council's adoption of a decision approving the accession, followed by domestic ratification. The pace of the accession process depends mainly on the state of readiness of the trade regime and the need to conclude bilateral negotiations with WTO Members, at their request. The Kyrgyz Republic, which joined the WTO in 1998, conducted the speediest accession to date, concluding in 2 years and 4 months, closely followed by Ecuador at 2 years and 8 months.²⁸ In contrast, China's accession process has been the longest to date, spanning both the WTO and GATT 1947. WTO Members have from time to time considered the time and effort required to complete the process of accession as an issue, notably for LDCs, of which nine are in the process of accession.²⁹

²⁶In "European Communities – Measures Affecting Meat and Meat Products" (WT/DS26 and 48), the United States was authorized to suspend tariff concessions on products of a value of US\$116.8 million, and Canada was authorized to suspend tariff concessions on products of a value of C\$11.3 million.

In "European Communities – Regime for the Importation, Sale and Distribution of Bananas" (WT/DS27), the DSB authorized the United States to suspend tariff concessions on products of a value of US\$191.2 million, and Ecuador was authorized to suspend TRIPS obligations of the value of US\$201.6 million.

Section 407 of the US Trade and Development Act of 2000 amends Section 306 of the Trade Act of 1974 to provide for the mandatory revision of the products on the retaliation list, in whole or in part, every 180 days. The USTR initiated the process of revision on 26 May 2000 for the retaliation lists affecting products of the European Union in connection with the beef and bananas cases, respectively, with the goal of announcing modifications on 19 June 2000 (USTR Press Release 00-41). The European Union has initiated a dispute settlement proceeding on the matter in "United States – Section 306 of the Trade Act of 1974 and Amendments Thereto" (WT/DS200/1).

An outstanding matter under Article 22:2 is "Brazil – Export Financing Programme for Aircraft" (WT/DS46), where the arbitrator found that a suspension by Canada of the application of WTO obligations to Brazil covering trade in a maximum amount of C\$344.2 million was appropriate.

A matter in which the EC has stated that it may request authorization to suspend concessions or other obligations under Article 22:2 is its complaint on "United States – Tax Treatment for Foreign Sales Corporations" (WT/DS108). The parties notified the WTO of an agreement on the follow-up to the panel and Appellate Body reports adopted by the DSB (WT/DS108/12). The European Commission has stated its intention to publish a sanctions list on 17 November 2000.

²⁷Ecuador and Bulgaria acceded in 1996; Mongolia and Panama acceded in 1997; the Kyrgyz Republic acceded in 1998; and Latvia and Estonia acceded in 1999.

²⁸WT/ACC/7/Rev.2, Table 1, p.10.

²⁹Bhutan, Cambodia, Cape Verde, Laos, Nepal, Samoa, Sudan, Vanuatu, and Yemen.

Box III.1 Steps to acceding to the WTO

In accordance with the vocation of the WTO to have a global reach in its membership, the WTO Agreement invites applications from interested governments. According to Article XII of the Marrakesh Agreement Establishing the World Trade Organization (WTO Agreement), a government may accede to the Agreement "on terms to be agreed between it and the WTO".

All accessions begin with a letter from the requesting government addressed to the Director-General. The item is then placed on the agenda of the WTO General Council for action, which generally establishes a "working party", composed of representatives of Members, to examine the application. The applicant generally obtains observer status in the WTO to become familiar with its activities.

The applicant submits a Memorandum on its Foreign Trade Regime in one of the three official languages (English, French or Spanish), describing in detail the regime (including copies of relevant legislation) and providing data. Questions may then be submitted by Members, to which the applicant is invited to respond, to establish a basis for dialogue on the regime and its conformity with WTO obligations, with a view to ensuring a good match. Technical assistance may be requested from the Secretariat or may be provided by individual Members.

When the examination of the foreign trade regime is sufficiently advanced, members of the working party may initiate bilateral market-access negotiations on goods and services and on the other terms to be agreed. At their successful conclusion, the results of the negotiations are reflected in the schedules appended to the draft Protocol of Accession. The market-opening commitments of acceding WTO Members, although negotiated on a bilateral basis with individual WTO Members at their request, apply to all other WTO Members through the application of the most-favoured-nation clause.

The working party concludes its activity by submitting a report to the WTO General Council, a draft Protocol of Accession and a draft Decision. Such a decision on accession is, in practice, approved by consensus. The accession takes effect 30 days after domestic ratification by the applicant.

Source: WT/ACC/1, 4, 5, 8 and 9. For a comprehensive overview of the accession process in practice, see WT/ACC/7/Rev.1.

C. Trade policy trends in WTO Members³⁰

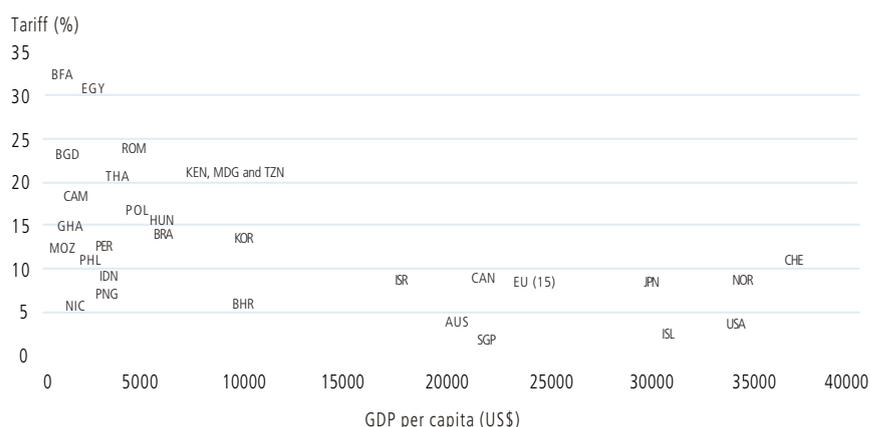
1. Market-access conditions for goods in selected markets

(a) Tariff policies

Average applied tariffs of WTO Members vary widely: with countries having higher per capita incomes tend to maintain, on balance, lower tariffs (Chart III.1).

Chart III.1

Simple average MFN tariff and GDP per capita for selected countries, 1999



Source: WTO Secretariat; IMF, IFS June 2000.

³ Based mainly on the information contained in Trade Policy Review documents (WT/TPR/G/, S/, M/) circulated between July 1999 and December 2000 for the reviews of Israel (58), the Philippines (59), Romania (60), Nicaragua (61), Papua New Guinea (62), Thailand (63), Kenya (64), Iceland (65), Tanzania (66), Singapore (67), Bangladesh (68), Peru (69), Norway (70), Poland (71), the European Union (72), Republic of Korea (73), Bahrain (74), Brazil (75), Japan (76) and Switzerland (77).

³ Article XXVIIIbis of GATT 1994 states that negotiations directed to the substantial reduction of tariffs can be sponsored from time to time.

Since the establishment of the WTO in 1995, tariff liberalization has proceeded through the implementation of Uruguay Round commitments, plus subsequent collective liberalization initiatives, notably on information technology products, as well as through autonomous action.^{3 1} In addition to tariff liberalization, a key aspect of the tariff regime is its degree of predictability. Experience has shown that the economic benefits associated with an open trade regime are more readily available if economic operators have confidence that policy reversals are contained. An anchor is provided by the commitment to bind tariffs in the WTO. This was required of WTO Members for tariffs on agricultural products, but the extent to which countries made use of this opportunity on other products varied widely, including with

respect to the gap between applied and bound rates. Greater predictability could be assured by achieving a more comprehensive coverage of bindings and bringing bound rates down to applied rates.

In this regard, the situation of WTO Members on which up-to-date information is available through Trade Policy Reviews is:

- all items are bound for the European Union, Norway, and Switzerland-Liechtenstein, and close to comprehensive coverage applies to Canada, Iceland, Japan, and the United States, and levels of applied tariffs are at or close to bound levels;
- Brazil, Nicaragua, Papua New Guinea, Peru, and Romania have a comprehensive coverage of bindings at ceiling rates, higher than levels currently applied;
- Bahrain, Israel, Republic of Korea, Philippines, Poland, Singapore, and Thailand have a less-than comprehensive coverage of bindings; and
- Bangladesh, Kenya, and Tanzania have a low coverage of bindings.

Most newly acceding countries to the WTO have made significant efforts to achieve a comprehensive scope of bindings and lock-in tariff liberalization. Ecuador, Mongolia, Bulgaria, Panama, Kyrgyz Republic, Latvia, and Estonia, which acceded between 1996 and 1999, bound virtually all lines, and the new Members of the WTO in 2000 – Jordan, Georgia, Albania, Oman and Croatia – have also each pledged comprehensive bindings.^{3,2} The average levels at which tariffs were bound were in double-digits for agricultural products, ranging from a high of 34.9% for Bulgaria to 10.6% for Albania. Average bound levels were much lower for non-agricultural products, ranging from a high of 20.1% for Ecuador to a low of 5% for Croatia.

Another key aspect of tariff policy is the extent of dispersion across sectors (notably “peaks”) or by degree of processing, which affects resource allocation, as well as the transparency and scope for rent-seeking in the tariff regime. Among the Quad, tariffs well above the average continue to protect a number of industries from imports, and tariff escalation is evident in a number of sectors. In Japan, tariff peaks affect footwear and headgear, and in Canada, the European Union, and the United States, tariff peaks affect the textiles and clothing sector, on which quotas also apply (see below). Tariffs on agricultural products are generally substantially higher than on other products (Table III.1), notably on temperate-zone products, and subsidies are an additional distortion affecting market-access conditions in the sector (see below).

Table III.1

Simple average applied tariffs of Canada, the European Union, Japan, and the United States, 2000

(per cent)

	Canada ^c	European Union ^d	Japan ^c	United States ^d
Total	7.2	6.9	6.5	5.7
WTO agriculture ^a	22.9	17.3	18.2	11.0
WTO non-agriculture ^b	4.4	4.5	4.0	4.7
Petroleum	2.6	2.9	6.5	2.3

^a Annex 1 of the WTO Agreement on Agriculture defines the scope of agriculture as HS Chapters 01 to 24 less fish and fish products (Chapter 3), plus selected items from Chapters 29, 33, 35, 38, 41, 43, 50, 51, 52 and 53.

^b Excluding petroleum.

^c 2000.

^d 1999.

Note: Simple average tariffs on WTO agriculture are estimated using the *ad valorem* equivalents (AVEs) of duties assessed on a non-*ad valorem* basis, and should be interpreted with caution.

Source: WTO Secretariat estimates, based on data provided by the authorities.

A number of developing countries have made efforts to achieve a more uniform tariff structure, and thereby remove or reduce distortionary effects on resource allocation. For the countries on which up-to-date information is available through Trade Policy Reviews, notable efforts in this regard were made by Bolivia, which adopted a uniform rate of 10% (with some exceptions), and a simplified multi-tier tariff structure was established by Bangladesh, Nicaragua, Peru, and Tanzania.

The scope of application of MFN tariffs by WTO Members is reduced, however, by preferences granted to partners in regional trade agreements (see below), agreements providing preferences on a non-reciprocal basis, or preferences granted to countries in transition and developing countries under the Generalized System of Preferences (GSP), with supplementary preferences for least-developed countries. The proliferation of regional trade agreements in recent years, and their prospective expansion, look set to further erode the scope of application of MFN tariffs. On GSP, an important development in the scheme operated by the European Union is the special incentive arrangement for countries demonstrating adherence to internationally recognized worker rights or environmental

³WT/ACC/7/Rev.2.

standards; eligibility under the US GSP programme requires a country to take or be taking steps to afford internationally recognized worker rights. Another important development is the extended scope of preferences for least-developed countries, granted by developed countries in the context of GSP, and granted autonomously by a rising number of developing countries.

Slow pace of elimination of quotas on textiles and clothing

Canada, the European Union, and the United States currently maintain quotas on textile and clothing imports from countries in transition and developing countries, under the WTO Agreement on Textiles and Clothing (ATC). These were carried over into the WTO from the long-standing Multi-Fibre Arrangement (MFA) in 1995, and are slated to be eliminated by 31 December 2004. The first two phases of the ATC product integration programme to bring this sector fully into GATT 1994 rules were completed in 1995 (not less than 16% of base line 1990 imports) and in 1998 (not less than 17%), respectively. Market access was also required to be improved in the first and second stages of integration, by quota growth rates of at least 16% and 25%, respectively.

For Canada, the EU, and the United States, the evidence strongly suggests that market access for textiles and clothing products has been improved under the ATC mainly by the application of quota growth rates in the first and second stages of the integration programme, since the elimination of quotas has, to date, been modest, with the exception of Norway. Preparations are being made for the third stage of integration on 1 January 2002 (not less than 18% of base line 1990 imports).

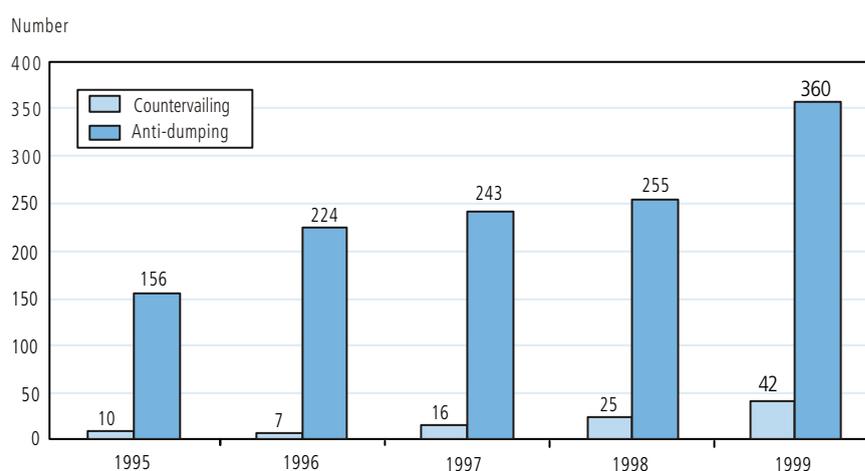
Outside the ATC, quotas on textiles and clothing products are also maintained by India under the balance-of-payments provisions of GATT 1994, for a transitional period ending in April 2001.³³ Pakistan maintains quotas on textiles and clothing products, as well as certain other products, also under the balance-of-payments provisions of GATT 1994.³⁴ Turkey's quotas on such products are subject to implementation of the results of the dispute settlement proceeding on the measures by February 2001.³⁵

Rising trend of anti-dumping and countervailing measures

WTO Members notified 360 initiations of anti-dumping investigations in 1999, up 42% over 1998 (Chart III.2). In 1999, the European Union and India each reported the highest number of initiations, at 68, followed by the United States with 45 initiations. Counted together, the European Union and its Member States were the WTO Members most affected by initiations of anti-dumping investigations (47), followed by the Republic of Korea (34) and Japan (23), although many other exporters were also affected, notably China.

Chart III.2

Initiations of anti-dumping and countervailing investigations, 1995-99



Source: WTO Secretariat.

³³ India – Quantitative Restrictions on Imports of Agricultural, Textile and Industrial Products”, complaint by the United States (WT/DS90/1).

³⁴ WT/BOP/R/51.

³⁵ Turkey – Restrictions on Imports of Textile and Clothing Products”, complaint by India (WT/DS34).

³⁶ Based on notifications for the period ending June 2000 (G/ADP/N/65/). The data should be interpreted with caution because the reports received for the earlier period are more comprehensive in coverage.

Available data for the first half of 2000, however, indicate that the trend is sharply down. Between mid-1999 and mid-2000, reports have been received of 235 investigations initiated, compared to 323 in the same year-earlier period.³⁶ Most WTO Members are reporting fewer initiations of investigations. The European Union continues to lead, with 49 initiations, followed by India and the United States, each reporting 27 initiations, and Argentina, with 23 initiations.

On average, about half of initiated anti-dumping investigations are terminated without measures being imposed, and the rest end with a definitive anti-dumping measure in the form of a duty or, much less frequently, a price undertaking by the exporter. Despite a sunset clause of five years under the WTO Anti-Dumping Agreement, the accumulated stock of anti-dumping measures is rising steadily. As of mid-2000, an estimated 1,121 final anti-dumping measures were in place (Chapter IV), of which the United States had the most (300), followed by the European Union (190), South Africa (104), India (91), Canada (88) and Mexico (80). The European Union and its Member States, counted together, were the WTO Members most affected by final anti-dumping measures in place (16%), although exporters from China are the most affected on the whole (17%). Such measures are relatively common on chemical products and base metals, notably steel.

The use of countervailing procedures – both in terms of the number of user WTO Members, initiations, and measures in force – remains much lower than for anti-dumping, although also on a rising trend in 1999. As of mid-2000, an estimated 95 final countervailing measures were in place (Chapter IV), of which the United States had the most (46), mainly on steel products, followed by the European Union (13) and Mexico (10).

It should be noted that although a number of WTO Members have trade defence legislation in place, the procedures are either not used at all or very infrequently. Furthermore, some WTO Members do not use trade defence instruments as a matter of principle, notably Hong Kong, China.

Subsidies remain an issue, in particular support to agriculture, again on the rise

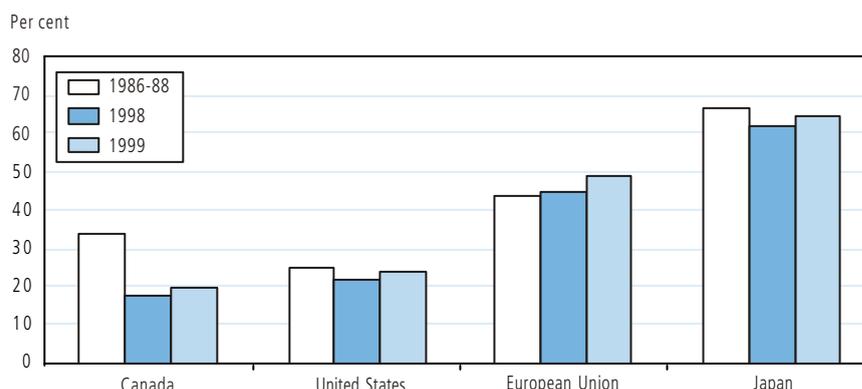
Another area of concern is subsidies. In 2000, support granted to aircraft manufacturers was of particular controversy, leading to dispute settlement procedures.³⁷ Some \$4 billion of subsidies to exporters was involved in the dispute settlement procedure on Foreign Sales Corporations (FSC) brought by the European Union against the United States; this was the largest sum ever involved in a dispute brought to the WTO.

In 1999, the OECD estimated total support to agriculture at \$306 billion, up 5.6% over 1998, a rise explained by “low world commodity prices, and the resulting pressure they put on farm incomes, [which] led many OECD countries to introduce new measures or to provide additional support to farmers”.³⁸ Producer support granted in the area was estimated at \$236.7 billion, of which the largest single share is accounted for by the European Union (45%), followed by Japan (23%) and the United States (21%); it should be noted that the OECD figures do not segregate less from more distorting measures of support, notably support in the 18 “green box” categories of Annex 2 of the Agreement on Agriculture. The OECD notes that producer support levels have risen to match previous highs established a decade ago (Chart III.3), when the Uruguay Round was under way. In relation to the commitments of WTO Members under the Agreement on Agriculture, the OECD notes that:

The Uruguay Round Agreement on Agriculture (URAA), with its disciplines on market access, export subsidies and domestic support, provided a framework for opening up trade in agricultural products. Implementation of these commitments in 1999 – as in every year since the URAA went into effect in 1995 – has helped further integrate agriculture into the multilateral trading system. But many trade distortions remain.³⁹

Chart III.3

Producer Support Estimates (PSE) for Canada, the United States, the European Union and Japan, 1986-99



Source: OECD (2000), *Agricultural Policies in OECD Countries - Monitoring and Evaluation*, Paris.

³⁷ Brazil – Export Financing Programme for Aircraft”, complaint by Canada (WT/DS46); “Canada – Measures Affecting the Export of Civilian Aircraft”, complaint by Brazil (WT/DS70). The United States has also raised the matter of development support for the Airbus A3XX aircraft, to be produced by the consortium in the European Union, in the Committee on Trade in Civil Aircraft established under the plurilateral agreement.

³⁸ OECD (2000), *Agricultural Policies in OECD Countries – Monitoring and Evaluation*, Paris, p.11. Figures are based on estimated support from all sources, both direct and indirect producer subsidies, including from consumers through higher prices.

³⁹ OECD (2000), *Agricultural Policies in OECD Countries – Monitoring and Evaluation*, Paris, p.11.

Product regulations and standards may impede market access

Products placed on the markets of WTO Members, whether of domestic or imported origin, must comply with the relevant regulations, where they exist, to meet health, safety, and environmental objectives. Such measures may include outright bans, notably in the context of the implementation of multilateral environmental agreements such as the Montreal protocol, the Basel Convention or CITES. Also important are sanitary and phytosanitary measures, which are taken to protect human, animal or plant health. Apart from SPS measures, imports may be subject to product regulations and standards to meet public policy objectives. Generally, the entry of imported products is permitted subject to conformity assessment procedures conducted on the territory of the destination market.

The WTO Agreements on Technical Barriers to Trade (TBT), and on Sanitary and Phytosanitary Measures (SPS) recognize and encourage activities at the international level designed to reduce barriers to trade resulting from product and product-related regulation, in particular, the development of international standards, guidelines, and recommendations. Such activities at the international level reduce potential market-access barriers for imports on the home market of each WTO Member, and reduce the potential barriers to its exports on third country markets. A new development, encouraged by the SPS and TBT Agreements, is the conclusion of mutual recognition agreements on the results of conformity assessment procedures, concluded between countries having established confidence in each other's testing entities and procedures. The trend to conclude such MRAs is confined – to date – to developed countries.⁴⁰

The significance of SPS measures appears to have expanded in recent years. Developed countries are heavy users of such measures, mainly to protect food safety, although developing countries are also using them with greater frequency. By October 2000, the United States had notified the WTO of the highest number of SPS measures (341), followed by the European Union and its Member States (170), Mexico (165), and Australia (120). The significance of TBT measures also appears to have expanded, rising from 365 notified measures in 1995 to 672 measures in 1999, in part due to the expanded use of such measures by developing countries (Table III.2).

Table III.2

Notifications of technical regulations and standards to the WTO, 1995-99

	1995	1996	1997	1998	1999
Argentina	0	1	0	1	16
Australia	20	18	26	12	35
Brazil	1	9	35	43	17
Canada	29	20	30	115	24
Czech Republic	12	14	1	6	28
European Union ^a	123	123	437	276	185
Japan	50	41	35	28	30
Korea, Rep.	13	9	14	8	22
Malaysia	1	19	12	28	98
Mexico	29	27	29	35	34
Switzerland	4	12	21	7	22
Thailand	7	13	22	34	22
United States	33	40	33	35	49
Total	365	460	796	648	672

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

Source: WTO Secretariat.

2. Market-access conditions for services

The services sector, as is well known, plays a dominant role in the economies of most WTO Members, both in providing consumer benefits directly through health, education, and leisure services, and as a support to business activities, through finance, communications, and transportation.⁴¹ Services is the leading sector of economic activity in all high-income countries, its importance is less in lower-income countries, with some exceptions. The importance of the services sector in the world economy greatly exceeds its share in world trade, which was estimated at one fifth in 1999, mainly because these statistics only count cross-border transactions and not services provided through affiliates.⁴² Furthermore, the same basic policy prescriptions as in the goods sector also apply, such as ensuring that policies encourage rather than impede competition and that economic operators have some

⁴⁰ For example, the European Union has concluded mutual recognition agreements (MRAs) for the results of conformity assessment with Australia, Canada, New Zealand, Switzerland, and the United States.

⁴¹ WT/SC/W/26 and Add.1.

⁴² WT/SC/W/27.

certainty regarding the stability of the policy framework. In addition to domestic benefits from a greater variety and competitive pricing of services, trading partners gain the opportunity for trade-related development, based on services trade.

A key development in the multilateral trading system was therefore the GATS Agreement, which established a framework of commitments by WTO Members to bind, reduce or eliminate impediments to the supply of services by foreign providers, followed up by the agreements on basic telecoms and financial services in 1997 (Fourth and Fifth Protocols to the GATS, respectively). Just as is the case of the policies affecting market access for goods, WTO Members display a wide variety of approaches to service sector liberalization (Table III.3). Within the sectoral commitments, all modes of delivery are generally provided for, although a number of WTO Members maintain restrictions on commercial presence, and the scope of access for delivery by mode 4 – natural persons – is severely limited (just business travellers and intra-corporate transferees).

Although the GATS commitments are of relatively recent vintage, a number of WTO Members have actively pursued privatization and deregulation, accelerating the pace of autonomous liberalization in the services sector, and leading to policies in place that are generally more liberal – in some instances, much more so – than those specified in schedules. A compounding factor in the telecommunications sector is the rapid rate of technological change, notably with respect to wireless communications, which is leading regulation.⁴³ These developments in the sector underline the significance of meaningful progress on expanding the scope of commitments in the negotiations currently engaged under Article XIX of the GATS, and boosting investor confidence by making better use of the GATS framework to lock-in reforms.

A more comprehensive approach to GATS sectoral commitments has been taken by newly acceding Members of the WTO, although the limitations on market access and national treatment for the four modes of supply, as well as MFN exemptions, are similar to those of original Members.⁴⁴ The 12 most recently acceded Members – Albania, Bulgaria, Croatia, Ecuador, Estonia, Georgia, Jordan, Kyrgyz Republic, Latvia, Mongolia, Oman and Panama – have undertaken commitments in professional services (mostly accounting, legal, taxation, architecture, and engineering), business services (a very wide range), communication services (but the coverage of basic telecom is uneven), financial services (in some cases with important exclusions), construction services and distribution services. Coverage is most comprehensive in construction, distribution, and financial services. Eleven Members have undertaken commitments in environmental, tourism, and transport services, ten Members in health and social services, and in education services, nine Members in recreational services, and five in audio-visual services.

Major developments in the service sector were noted for the WTO Members on which up-to-date information is available through Trade Policy Reviews:

- Bahrain made commitments under the GATS and the Fifth Protocol only on certain financial services, binding the existing regime in banking services, while the current regime on insurance services is more liberal than the GATS commitments;

⁴³World Telecommunications Standardization Assembly, Opening Address by the Secretary-General of the International Telecommunications Union, 27 September 2000, Montreal [Online]. Available at: <http://www.itu.org> [31 October 2000].

⁴⁴WT/ACC/7/Rev.2, Annex 4.

Table III.3

Sectoral coverage of schedules, 2000

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

Source: WT/S/C/W/94.

- Bangladesh has pursued privatization of basic infrastructural services such as telecommunications, power generation, and transport, the inefficient provision of which constitute a major impediment to the country's economic development by raising the cost of doing business;
- Brazil has reduced state involvement in services through privatization, opened the market for financial services to foreign banks in 1996, eliminated the monopoly of the state-owned telecommunications operator and opened the market to competition;
- the European Union opened the telecommunications market to competition in 1998 under the Internal Market programme, reinforcing and extending the resulting access to foreign services providers under the Fourth Protocol to the GATS, and made progress on the Internal Market for financial services, also extending the "single passport" to foreign service providers under the Fifth Protocol;
- Iceland's open regime for the provision of services in all sectors by foreign suppliers (except by mode 4) was bound in the GATS;
- Israel, which retains a state-owned telecoms operator, has opened the mobile telephony market and the international calls segment of the fixed-line market to competition by private investors, with foreign equity participation;
- Japan has pursued financial sector liberalization since 1997 and, in accordance with the Financial System Reform Law, liberalized the setting of brokerage commissions in 1999 and eliminated the compartmentalization of securities business;
- Kenya has begun to open the domestic telecoms market to competition, proposing to privatize the state-owned telecoms operator (foreign stakes would be subject to a 30% ceiling);
- the Republic of Korea opened its services sector to foreign investment, notably financial, telecom, broadcasting, maritime and air transportation services, and made commitments under the Fourth and Fifth Protocols to the GATS which improved conditions of market access for foreign providers of financial and telecom services;
- Liechtenstein has decided to privatize the incumbent operator in 2001, and has licensed alternative providers of international telephony services and mobile telephony;
- Nicaragua eliminated the state monopolies in insurance and postal services in 1996, has scaled back state involvement in banking, and decided the privatization of the state-owned telecoms operator in 1998, also opening up segments of the telecoms market to competition;
- Norway opened financial services to foreign competition, with conditions on commercial presence, and fully liberalized telecommunications in 1998, eliminating the monopoly rights of the state-owned operator;
- Papua New Guinea has begun to open the domestic telecoms market to competition, planning for the state-owned telecoms operator to lose its monopoly in 2002, when foreign suppliers will be allowed entry;
- Peru dramatically reduced or eliminated state involvement in financial, transport, power generation, and telecom services through privatization, and encouraged foreign investment in these sectors, including by commitments under the GATS;
- the Philippines has reduced state intervention in the services sector through privatization, and has liberalized foreign equity participation in financial services;
- Poland has opened the mobile telephony market and on fixed line services, removed the state monopoly on long-distance and local telephone calls in 1999, for domestic telex and telegraphic services in 2000, and is to remove the monopoly on long-distance calls in 2003;
- Romania has dramatically reduced or eliminated state involvement in services through privatization, adopted a policy of open non-discriminatory access for the establishment of banks (subject to prudential regulations), and on telecoms, opened the market for mobile telephony and is to open basic services to competition in 2003;
- Singapore has removed foreign ownership restrictions in banking services and advanced to April 2000, by two years, the full opening of the telecoms sector, removing all restrictions on foreign investment;
- Switzerland has opened the telecoms sector to competition by providing for the incumbent to retain the monopoly for fixed-line universal services until 2002, licensing of other suppliers for international and local calls, and licensing of mobile suppliers;
- Tanzania has dramatically reduced or eliminated state involvement in services through privatization, and opened services to competition, notably in telecoms and financial services;
- Thailand made use of the Fifth Protocol to the GATS to open financial services to competition, as a key aspect of its action to overcome the effects of the crisis that began in mid-1997, and increased competition in telecom services, which are to be opened in 2006.

3. Intellectual property protection

The WTO TRIPS Agreement establishes a framework of rules on minimum levels of protection for intellectual property rights (IPRs) and the means to ensure their enforcement. When the WTO agreements took effect on 1 January 1995, developed countries had one

year to ensure that their laws and practices conformed with the TRIPS Agreement, developing countries and (under certain conditions) transition economies had five years, and least-developed countries had 11 years. Thus, as of 1 January 2000, developing countries were required to have implemented the TRIPS Agreement, and the TRIPS Council has been receiving notifications to this effect and established a schedule for the post-2000 review of legislation (Chapter IV). Implementation of the TRIPS Agreement has also been at issue in several dispute settlement proceedings.

Major developments in the area of intellectual property rights were noted for the countries that were the subject of Trade Policy Reviews during the period covered by this Report:

- Bahrain is in the process of updating its national legislation to reflect TRIPS obligations, including on patents, trade marks and industrial designs, and has made efforts to step up enforcement, especially with regard to copyright protection;
- Bangladesh (a least-developed country) is updating its intellectual property right laws with a view to bringing them into line with the provisions of the TRIPS Agreement by 2006;
- Brazil has passed revised copyright, patent, and trade mark legislation since 1996, and appears to have made considerable gains on enforcement of Brazilian laws against video and software piracy, and foreign and domestic copyright holders have successfully used the domestic legal system to pursue their rights (although the deterrent value of fines eroded by inflation is an issue);
- the European Union has taken new harmonization initiatives for the legal protection of biotechnological inventions and of designs, plans to do so for the patentability of computer programs, and intends to establish new unitary rights through a "Community design" and a "Community patent";
- Iceland amended its patent and copyright legislation to achieve compatibility with the TRIPS Agreement in 1996, notably granting full protection to pharmaceutical products;
- Israel has been amending its laws to comply with the TRIPS Agreement by 2000, and has a special police unit dedicated to enforcement since May 1999;
- Japan amended the Patent Law in 1998 to provide additional measures against patent infringements, and in 1999 to shorten the period for requesting patent examination from seven years to three years, improve the registration system for patent term extension as well as reduce patent fees, and also amended the Copyright Law in June 1999 to comply with 1996 WIPO treaties;
- Kenya has been amending its laws to comply with the TRIPS Agreement by 2000;
- the Republic of Korea launched in April 1998 the "Intellectual Property Great Leap Forward Policy" to raise competitiveness through strengthened inventive activities and enhanced protection of IPRs, enacting legislation on IPRs, notably patents in 1999, trade marks and designs in 1998, and enhancing enforcement by raising the ceiling on fines by 150%;
- Nicaragua, under the terms of a bilateral agreement with the United States, enacted a level of IPR protection that exceeds commitments under the TRIPS Agreement and advanced its implementation date by six months, to mid-1999;
- Norway issued new regulations on copyright in 1997 to implement the obligations to foreign right holders stemming from the various international treaties to which Norway is party, and provisions on IPR protection at the border in 1996;
- Papua New Guinea intends to adopt legislation on IPRs (which currently covers only trade marks);
- Peru enacted laws on industrial property and copyright in 1996, and seeks to promote the protection, at the international level, of the traditional knowledge of local and indigenous communities;
- the Philippines enacted the Intellectual Property Code in 1998, and also established a Bureau to which complaints on IPR-related cases may be addressed, as an alternative to judicial avenues;
- Poland introduced new legislation on industrial property protection along with amendments to copyright laws effective from 1 January 2000, aimed at meeting TRIPS commitments and harmonization with the European Union;
- Romania revised its legislation to meet commitments under the TRIPS Agreement and harmonize with the European Union, notably by new laws on copyright in 1996, the provisional protection of patents, new plant varieties, and the protection of trade marks and geographical indications in 1998, notifying its legislation for review to the WTO before the end of the transitional period;
- Singapore introduced a new patents law in 1995, copyright protection for computer programs and sound recordings in 1998, a new Trademarks Act in 1998, and a new Geographical Indications Act in 1998, notifying its legislation for review to the WTO before the end of the transitional period, and has a special police unit dedicated to enforcement;

- Tanzania (a least-developed country) introduced the Copyright Act in 1999 and intends to comply with the TRIPS Agreement by 2006; and
- Thailand introduced a new Patent Act in 1999, amended its Trademarks Act, notifying its legislation to the WTO before the end of the transitional period, and established a judicial instance to hear complaints on IPR infringements in 1996.

4. Regional trade agreements⁴⁵

A rising trend for 2000

As of mid-2000, the WTO Secretariat had enumerated 114 regional trade agreements (RTAs) in effect and notified to the WTO by one or more WTO Members.⁴⁶ Virtually all WTO Members were partners in at least one RTA, and many were partners in two or more; only Hong Kong, China; Japan; Macau, China; and Mongolia are not currently partners in a RTA (Table III.4).⁴⁷ The highest number of agreements concerned the European Union, whose network of preferential trade agreements encompasses Europe, Africa, the Middle East, Asia and, as of 2000, reached Latin America; cross-regional trade agreements are also increasingly a priority for other WTO Members. The free-trade area was the most common form of RTA, with few customs unions, which require the partners to maintain a common external trade policy, in addition to free trade with each other.

In the western hemisphere, NAFTA links Canada, Mexico, and the United States since 1994. In recent years, Canada has concluded a free-trade agreement with Chile, the negotiations with EFTA are in the final stages, talks with Costa Rica and with MERCOSUR are under way, and the possibility of such negotiations with Singapore is being explored. Mexico and the European Union concluded a free-trade agreement, which entered into force in July 2000 and secures NAFTA-like treatment for European enterprises on the Mexican market. The United States concluded a free-trade agreement with Jordan in 2000 (which contains, as an integral part of the FTA, provisions on internationally recognized worker rights and environmental standards)⁴⁸; and negotiating authority exists for free-trade agreements with Chile, the Republic of Korea, Singapore, and Turkey.

In the Caribbean, the 15-member CARICOM concluded free-trade agreements with the Dominican Republic and Cuba. Other customs union agreements are in place in Central and Latin America, such as the CACM, the Andean Community, and MERCOSUR. An initiative to link each of these customs unions with MERCOSUR and with each other was launched in August 2000. For the western hemisphere as a whole, the goal of a Free Trade Area of the Americas (FTAA) by 2005 remains in place, with work continuing in 2000 on non-tariff barriers to trade.⁴⁹

In 2000, the pace of conclusion of RTAs in Central and Latin America continued to be very rapid. CACM is negotiating an agreement with Chile, the Andean Community is negotiating an agreement with Brazil, and MERCOSUR is negotiating an agreement with Panama. Mexico, which already has agreements with Bolivia, Costa Rica, and Nicaragua, concluded agreements with El Salvador, Honduras, and Guatemala, started negotiations on a free-trade agreement with MERCOSUR, and has numerous bilateral agreements under negotiation, notably with Brazil, Ecuador, Peru, and Uruguay.

In Europe, the European Union is linked by bilateral free-trade agreements to the countries in Central and Eastern Europe, a group of which are linked by CEFTA, while another group is linked by the Baltic Free-Trade Area. Each of these countries is engaged in accession negotiations with the EU, and are therefore concluding free-trade agreements with partners to parallel those concluded by the EU. For its part, the EU is considering in 2000 the institutional changes needed to accommodate enlargement to the east.

The EU is negotiating second-generation bilateral free-trade agreements based on a reciprocal exchange of preferences with partners in the Mediterranean and North Africa, as part of the process of establishing a Euro-Med free-trade area by 2010. The EU also concluded a free-trade agreement with South Africa, which entered into force in 2000. Following its strategy of concluding free-trade agreements with dynamic emerging market economies, the EU began discussions on an agreement with MERCOSUR, in March 2000. The EU has also proceeded with discussions with the Gulf Cooperation Council (GCC).

Also in Europe, the remaining members of EFTA are linked to the EU by free-trade agreements, complemented by the EEA or bilateral agreements in the case of Switzerland. EFTA itself has concluded free-trade agreements with a number of countries in parallel to those concluded by the EC. Currently, EFTA is pursuing free-trade agreements with extra-regional trade partners, notably Canada and Mexico.

A number of recent RTAs in Europe and Central Asia concern the integration of countries of the former USSR, as well as with their neighbours. In 1994, the CIS States agreed to create a free-trade area linking Azerbaijan, Armenia, Belarus, Georgia, Moldova, Kazakhstan, the Russian Federation, Ukraine, Uzbekistan, Tajikistan, and the Kyrgyz Republic. A customs union agreement between the Kyrgyz Republic, the Russian Federation, Belarus, and

⁴⁵Based mainly on WT/REG/W/39, notifications by WTO Members, and Trade Policy Reviews.

⁴⁶GATT Article XXIV; Enabling Clause; GATS Article VI.

⁴⁷Regional trade agreements are distinct from regional integration agreements insofar as the former provide for partners to grant each other preferential tariff treatment on a reciprocal basis, while the latter promote open trade and cooperation. The Asia-Pacific Economic Cooperation (APEC), established in 1989, is an example of "open" regionalism. APEC members are: Australia; Brunei Darussalam; Canada; Chile; China; Chinese Taipei; Hong Kong, China; Indonesia; Japan; Republic of Korea; Malaysia; Mexico; New Zealand; Papua New Guinea; Peru; Philippines; Russian Federation; Singapore; Thailand; United States; and Viet Nam (<http://www.apecsec.org.sg/>).

⁴⁸USTR Press Release 00-75 [Online]. Available at: <http://www.ustr.gov> [31 October 2000].

⁴⁹<http://www.ftaa-alca.org>

Table III.4

Parties to regional trade agreements notified to the WTO under Article XXIV and in force, July 2000

Antigua and Barbuda/Bahamas/Barbados/Belize/Dominica/ Grenada/Guyana/Haiti/Jamaica/Montserrat/Trinidad and Tobago/St. Kitts and Nevis/St. Lucia/St. Vincent and the Grenadines/Surinam – Caribbean Community and Common Market (CARICOM)	Bulgaria/Czech Republic/Hungary/Poland/Romania/ Slovak Republic/Slovenia – Central European Free Trade Area (CEFTA)	Kyrgyz Republic/Kazakhstan
Austria/Belgium/Denmark/Finland/France/Germany/ Greece/Ireland/Italy/Luxembourg/Netherlands/Portugal/ Spain/Sweden/United Kingdom – European Communities (EC)	Bulgaria/Former Yugoslav Republic of Macedonia	Kyrgyz Republic/Moldova
EC/Algeria	Canada/Chile	Kyrgyz Republic/Russian Fed.
EC/Andorra	Canada/Israel	Kyrgyz Republic/Ukraine
EC/Bulgaria	Canada/Mexico/United States – North American Free Trade Agreement (NAFTA)	Kyrgyz Republic/Uzbekistan
EC/Cyprus	Costa Rica/El Salvador/Guatemala/Honduras/Nicaragua – Central American Common Market (CACM)	Poland/Faroe Islands
EC/Czech Republic	Croatia/Slovenia	Poland/Israel
EC/Egypt	Czech Republic/Estonia	Poland/Latvia
EC/Estonia	Czech Republic/Israel	Poland/Lithuania
EC/Faroe Islands	Czech Republic/Latvia	Romania/Moldova
EC/Hungary	Czech Republic/Lithuania	Slovak Republic/Estonia
EC/Iceland	Czech Republic/Slovak Republic	Slovak Republic/Israel
EC/Israel	Estonia/Faroe Islands	Slovak Republic/Latvia
EC/Jordan	Estonia/Latvia/Lithuania	Slovak Republic/Lithuania
EC/Latvia	Faroe Islands/Iceland	Slovenia/Estonia
EC/Lebanon	Faroe Islands/Norway	Slovenia/Israel
EC/Lithuania	Faroe Islands/Switzerland	Slovenia/Latvia
EC/Malta	Hungary/Israel	Slovenia/Lithuania
EC/Morocco	Hungary/Latvia	Slovenia/Former Yugoslav Republic of Macedonia
EC/Norway	Hungary/Lithuania	Turkey/Bulgaria
EC/Palestinian Authority	Iceland/Norway/Switzerland/Liechtenstein – European Free Trade Association (EFTA)	Turkey/Czech Republic
EC/Poland	EFTA/Bulgaria	Turkey/Estonia
EC/Certain Overseas Countries and Territories (OCT/ PTOM II)	EFTA/Czech Republic	Turkey/Hungary
EC/Romania	EFTA/Slovak Republic	Turkey/Israel
EC/Slovak Republic	EFTA/Estonia	Turkey/Lithuania
EC/Slovenia	EFTA/Hungary	Turkey/Poland
EC/Switzerland and Liechtenstein	EFTA/Israel	Turkey/Romania
EC/Syria	EFTA/Latvia	Turkey/Slovak Republic
EC/Tunisia	EFTA/Lithuania	United States/Israel
EC/Turkey	EFTA/Morocco	
Australia/Papua New Guinea (PATCRA)	EFTA/Palestinian Authority	
Australia/New Zealand – Closer Economic Relations Trade Agreement (ANZCERTA)	EFTA/Poland	
Azerbaijan/Armenia/Belarus/Georgia/Moldova/Kazakhstan/ Russian Fed./Ukraine/Uzbekistan/ Tajikistan/Kyrgyz Republic	EFTA/Romania	
Belarus/Kazakhstan/Kyrgyz Republic/Russian Federation – Interim Agreements for the establishment of a Customs Union	EFTA/Slovenia	

Kazakhstan entered into force in 1997 and is to be fully completed by 2003. A large number of bilateral agreements have also been concluded, notably among the Kyrgyz Republic, Kazakhstan, Moldova, the Russian Federation, Ukraine, and Uzbekistan.

In Asia, the members of ASEAN – Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Viet Nam – met to agree the final phase of tariff liberalization to establish a free-trade area by 2005.⁵⁰ Singapore and New Zealand have concluded a free-trade agreement. Also in Asia, Japan has shifted its long-standing policy of multilateral-only trade liberalization to consider the conclusion of bilateral agreements to deepen trade and investment interdependence with Singapore and the Republic of Korea, as well as other trade partners, and to meet the challenge of the trend to regional integration in other regions and between regions.⁵¹ The Republic of Korea, which began negotiations on a bilateral free-trade agreement with Chile in 1998, is now considering regional and bilateral trade agreements as a useful means of securing greater market access for Korea's exports in response to the recent financial crisis and growing regionalism elsewhere. Sri Lanka and India agreed to implement their free-trade agreement concluded in 1998.

In Africa, certain members of the Economic Community of West African States (ECOWAS) – Benin, Burkina Faso, Ghana, Mali, Niger, Nigeria, and Togo – agreed to establish a common external tariff by 2001 and took steps to liberalize the movement of natural persons. The Southern African Development Community (SADC) treaty has been ratified by ten countries – Botswana, Lesotho, Malawi, Mauritius, Mozambique, Namibia, Tanzania, South Africa, Swaziland, and Zimbabwe – and aims to achieve a free-trade area by 2004.⁵² The 20 members of the Common Market for Eastern and Southern Africa (COMESA) agreed to launch a free-trade area by October 2000, supported by closer monetary cooperation.⁵³ The Economic and Monetary Community of Central Africa (CEMAC), which is composed of Cameroon, the Central African Republic, the Congo, Gabon, Equatorial Guinea, and Chad, aims to progress towards economic union. The members of the Union économique et monétaire de l'Afrique de l'Ouest (UEMOA) established their customs union on schedule at the start of 2000.⁵⁴

In the Middle East, the Gulf Cooperation Council (GCC), which is composed of Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates, agreed in November 1999 to establish common external tariffs by 2005, fulfilling the Council's long-standing ambition to achieve a customs union. The members of the GCC are also part of the effort launched by the Arab League (in addition to GCC members, Egypt, Iraq, Jordan, Lebanon, Libya, Morocco, Syria, and Tunisia) to establish a common market by 2007.

Regional and multilateral integration: complements or substitutes?

On the basis of these developments, there is no doubt that the trend to the conclusion of RTAs, which took off in the 1990s, continued to be very strong in 2000; indeed, perhaps the term "regional" is increasingly superfluous to describe the plethora of new agreements linking countries around the globe.⁵⁵ The motivation behind the trend is that such agreements permit the partners to accelerate and deepen trade and investment liberalization on a bilateral or plurilateral basis, as well as address other issues of commercial significance in economic relations, notably investment, intellectual property protection, cooperation on competition policy, assessment of conformity to technical standards and regulations and access to government procurement. In doing so, participants reap the advantages of closer economic integration and their growth prospects are correspondingly strengthened, of wider benefit to trading partners. On the negative side, regional trade agreements comprise aspects of preferential treatment, notably with respect to trade in goods, that result in trade diversion to the detriment of third parties and undermine the bedrock principle of the most-favoured-nation. On balance, however, experience has shown that most WTO Members combine the twin-track approach of regional and multilateral liberalization, which are not viewed as contradictory.

In the wake of Seattle, it has been argued that the trend to regional integration could strengthen, if disappointment with the multilateral trading system is allowed to take hold.⁵⁶ Although it is too early to draw any conclusions on this issue (noting the forward agenda of the WTO, described in previous sections), certain aspects of the interface between regional and multilateral integration need to be emphasized. A first aspect is that preferential access remains of abiding commercial interest in areas where tariffs remain high, leading WTO Members to continue to be attracted to the regional option – just like developing countries value preferential market access through GSP or similar programmes. At the same time, one country's preference is a third party's discrimination, including through rules of origin, of particular concern at a time of rapid proliferation of RTAs, leading to trade diversion. A second aspect is that many countries seeking to achieve the gains of economic integration consider the regional option to yield quicker results than when a multilateral consensus needs to be secured, although many also consider that regional integration prepares the ground for a multilateral process. A third aspect is that negotiation of multiple RTAs burdens

⁵⁰ AFTA provides for tariffs to be cut to between 0 and 5% by 2002. Malaysia has postponed to 2005 the liberalization of car tariffs originally scheduled for the start of 2003, subject to negotiations on compensation with principally affected suppliers.

⁵¹ On 28 September 2000, the joint study group of the Governments of Japan and Singapore completed its work, recommending the initiation of negotiations on an "Agreement on a New Age Partnership".

⁵² Botswana, Lesotho, Namibia, South Africa, and Swaziland are members of the Southern African Customs Union (SACU).

⁵³ Angola, Burundi, Comoros, Congo, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Madagascar, Malawi, Mauritius, Namibia, Rwanda, Seychelles, Sudan, Swaziland, Uganda, Zambia, and Zimbabwe.

⁵⁴ Benin, Burkina Faso, Guinea-Bissau, Côte d'Ivoire, Mali, Niger, Senegal, and Togo.

⁵⁵ GATT (1994), *Regional integration and the world trading system*, Geneva.

⁵⁶ World Bank (2000), *Trade Blocs*, Oxford University Press, p. 115.

the already scarce negotiating resources of developing countries, while multilateral negotiations provide scope for more concentrated action and results in this regard.

More generally, the WTO, with its large and growing membership, framework of rules enforced by effective dispute settlement procedures, is still the leading forum for wide-ranging market-access agreements or for a universal framework of rules on trade measures. Thus, the protection of intellectual property rights is more valuable on a global basis than on a bilateral or plurilateral basis. Achieving the reform of policies in certain issues – notably support policies to agricultural producers – has proved more feasible at the multilateral level. Furthermore, securing open markets for goods and services on a global basis is more appropriate to the commercial strategies of enterprises in globalized markets than the regional option. Hence, even as WTO Members explore the regional option, significant forces also favour the multilateral trading system.

However, the WTO does not have rules and procedures for examining RTAs that function adequately. To date, 220 RTAs have been notified to the GATT/WTO, and the Committee on Regional Trade Agreements has proceeded to the examination of notified agreements, with a total of 86 RTAs still under examination at the end of 2000. The Committee has completed the factual examination of 60 RTAs, whose draft examination reports are in various stages of consultation and finalization. In addition to facing a heavy backlog of agreements under examination, the Committee has been unable to finalize any reports due to a lack of consensus among the WTO Members, demonstrating that the unsatisfactory experience of the GATT process on examining RTAs continues to be the same in the WTO.

D. Integrating LDCs in the world trading system

1. Overview

A declining share of world trade

The United Nations has classified 49 countries as least-developed countries (LDCs), based on social and economic criteria, of which 30 are WTO Members and nine are in the process of accession.⁵⁷ The most obvious manifestation of the difficult situation of LDCs in the world trading system is their almost continuously declining share in world merchandise exports. This share was down to 0.4% in 1999, from 0.7% in 1980, while these countries accounted for 10.4% of the world's population. The decline largely reflects the continued importance of primary commodities in LDC exports, accounting for 80% or more of total merchandise exports in all but a handful of LDCs.⁵⁸

Trade openness and growth are positively related

Alan Winters, in a recently published WTO Secretariat study, noted that "trade liberalization is generally a strongly positive contributor to poverty alleviation – it allows people to exploit their productive potential, assists economic growth, curtails arbitrary policy interventions and helps to insulate against shocks".⁵⁹ This conclusion is backed by empirical research. Openness of the economy has proved to be a major factor in economic growth, strongly associated with per capita income growth. In a study of 122 countries for 1970-90, "open" economies outperformed "closed" economies on economic growth, avoidance of extreme macroeconomic crisis, and structural change: growth rates of "open" economies averaged 4.5% between 1970 and 1990, compared to just 0.7% for "closed" economies.⁶⁰ This concurs with a new study from the World Bank which, using data from 80 countries over four decades, confirms that openness boosts economic growth and that the incomes of the poor rise one-for-one with overall growth.⁶¹

The World Bank recently noted that:

As countries become richer, on average the incidence of poverty falls. Other indicators of well-being, such as average levels of education and health tend to improve as well. For these reasons, economic growth is a powerful force for poverty reduction. This observation is not the end of the story, for it raises the questions of what causes economic growth and why countries with similar rates of economic growth can have very different rates of poverty reduction.⁶²

The World Bank goes on to note that the poverty-reducing effects of economic growth are enhanced by policies to promote social development, such as education and institution-building, and therefore economic growth and social development have to be viewed together, and not in a sequence.

Based on these studies, least-developed countries seeking to improve their growth prospects are encouraged to, inter alia, open their trade regimes and implement appropriately sequenced outward-oriented reforms that will permit trade diversification and expansion. The World Bank has underlined that, in addition to the growth-promoting policies

⁵⁷WTO Members are Angola, Bangladesh, Benin, Burkina Faso, Burundi, Central African Republic, Chad, Congo, Djibouti, Gambia, Guinea-Bissau, Guinea, Haiti, Lesotho, Madagascar, Malawi, Maldives, Mali, Mauritania, Mozambique, Myanmar, Niger, Rwanda, Senegal, Sierra Leone, Solomon Islands, Tanzania, Togo, Uganda, and Zambia. LDCs in the process of accession to the WTO are Bhutan, Cambodia, Cape Verde, Laos, Nepal, Samoa, Sudan, Vanuatu, and Yemen. Other LDCs are Afghanistan, Comoros, Equatorial Guinea, Eritrea, Ethiopia, Kiribati, Liberia, Sao Tomé and Príncipe, Somalia, and Tuvalu.

⁵⁸WT/COMTD/W/65. Exceptions are: Bangladesh, Cambodia, Haiti, Laos, Madagascar, and Myanmar.

⁵⁹Winters, L.A. (2000), "Trade and Poverty: Is there a Connection", in Trade, Income Disparity and Poverty, WTO, Geneva.

⁶⁰Sachs and Warner (1995). A "closed" economy had combined protection through tariffs and non-tariff barriers of 40% or more, a black market exchange rate premium of 20% or more, state monopoly on major exports, or a planned economy.

⁶¹D.Dollar and A.Kraay (2000), "Growth Is Good for the Poor" [Online]. Available at: <http://www.worldbank.org/research> [31October 2000].

⁶²World Bank (2000), World Development Report 2000/2001: Attacking Poverty, p.45 [Online]. Available at: <http://www.worldbank.org> [10October 2000].

that can be adopted, poverty reduction requires appropriate policies of support, notably education and institution-building.

Supportive external action is needed

In addition to the efforts to be made by countries and the communities within them, global actions are also needed. Thus, the WTO has established a Plan of Action for LDCs, to remove market-access barriers and support trade development through technical assistance. At UNCTAD X, a proposal for a Plan of Action for LDCs was agreed with a view to the Third United Nations Conference on the Least-developed Countries (UNLDC III), which is to be held in May 2001.⁶³ Furthermore, the IMF-World Bank initiative for Heavily Indebted Poor Countries (HIPC) makes available debt relief for the 42 heavily indebted LDCs.⁶⁴ In all cases, increasing attention is being paid to bringing together reforms and capacity-building programmes in various areas of policy in a comprehensive and multi-faceted development strategy.

The WTO's Plan of Action for LDCs was adopted at the First WTO Ministerial Meeting, held in Singapore in 1996. The "Declaration for a Plan of Action" asked WTO member countries to provide enhanced market access for LDC exports and asked multilateral institutions – WTO, WB, IMF, UNDP, UNCTAD and ITC – to provide an integrated framework for trade-related assistance. This was followed up with the High-Level Meeting (HLM) on Integrated Initiatives for Least-Developed Countries Trade Development held on 27-28 October 1997, which established the Integrated Framework.

To a large extent, market access is determined by the range of tariff and non-tariff barriers in foreign markets. Strategies for improving market access for LDCs include reductions and elimination of tariffs on a most-favoured-nation (MFN) basis, in which case all trading partners benefit, or on a preferential basis and therefore targeted at LDCs specifically, notably through GSP or similar programmes. However, LDCs' capacity to use the market-access opportunities available to them – both existing and enhanced – is also strongly affected by, and linked to, domestic supply-side and policy constraints, which are addressed through the Integrated Framework.⁶⁵

2. WTO Plan of Action: Market-access improvements and Integrated Framework

Market-access improvements

A number of WTO Members have taken steps since the HLM to improve market access for LDCs on a preferential basis. At the HLM, several Members provided details on existing or planned measures of enhanced market access for LDCs – Australia, Bulgaria, Canada, Chile, Egypt, the European Union, Hungary, India, Indonesia, Japan, Republic of Korea, Malaysia, Mauritius, Morocco, Norway, Singapore, Switzerland, Thailand, Turkey, and the United States.⁶⁶ Notifications of improvements were made to the WTO by the European Communities⁶⁷, Switzerland⁶⁸, Republic of Korea⁶⁹, Turkey⁷⁰, Egypt⁷¹, Mauritius⁷² and the United States⁷³; Singapore had notified improvements at the HLM.⁷⁴

At the Third Ministerial Conference in Seattle in November 1999, the European Union and Japan announced their intention to open their markets to virtually all products from LDCs. This undertaking was followed by the proposal by Canada, the European Union, Japan, and the United States – the Quad Proposal – at the General Council in May 2000 to implement "both tariff-free and quota-free treatment, consistent with domestic requirements and international agreements, under their preferential schemes, for essentially all products originating in LDCs", joined by the Czech Republic, Iceland, New Zealand, Poland and Slovenia.⁷⁵ The WTO was also informed by HongKong, China that it grants duty-free and quota-free access to imports from all sources, including the LDCs, and by Hungary and the Slovak Republic, that unconditional duty-free and quota-free access is granted to imports from LDCs. Notifications of improvements or proposed amendments were made to the WTO by Canada,⁷⁶ Japan,⁷⁷ New Zealand,⁷⁸ Norway,⁷⁹ and the United States.⁸⁰

Major developments in the market-access conditions for LDCs in the Quad, in 2000, include:

- Canada extended the scope of its Generalized Preferential Tariff (GPT) scheme to encompass 550 additional items for which duty-free access is granted for imports from LDCs as of 1 September 2000, raising to 90% the share of duty-free lines for LDCs⁸¹;
- the European Union and the ACP States (one third are LDCs) concluded a Partnership Agreement to succeed the Fourth Lomé Convention, which contains the pledge to implement duty-free treatment for the LDCs by 2005⁸²; and the European Union amended its GSP programme to grant duty-free and quota-free access for "everything but arms" exported by LDCs on 5 March 2001⁸³;

⁶³ Reference.

⁶⁴ IMF, "Debt Initiative for the Heavily Indebted Poor Countries (HIPC)" [Online]. Available at: <http://www.imf.org/external/np/hipc/hipc.htm> [6 October 2000].

⁶⁵ WT/COMTD/W/11 and Rev.1.

⁶⁶ WT/LDCHL/M/1.

⁶⁷ WT/COMTD/W/41.

⁶⁸ WT/COMTD/N/7. (The coverage of the Swiss scheme was also considerably extended to other developing countries, particularly in agriculture.)

⁶⁹ WT/COMTD/N/12/Rev.1. This is the first notification of preferences made under the waiver adopted in 1999 (WT/L/304) to permit preferences from developing countries to least-developed countries. The notification concerns measures announced by the Republic of Korea at the HLM (WT/COMTD/12).

⁷⁰ WT/COMTD/W/39 and Corr.1.

⁷¹ WT/COMTD/W/47.

⁷² WT/COMTD/W/53.

⁷³ WT/COMTD/N/1/Add.2.

⁷⁴ Annex I of WT/LDCHL/M/1.

⁷⁵ WT/GC/M/55.

⁷⁶ WT/COMTD/N/15.

⁷⁷ WT/COMTD/29 and WT/LDC/SWG/IF/12.

⁷⁸ WT/COMTD/27 and WT/GC/36.

⁷⁹ WT/COMTD/N/6/Add.2.

⁸⁰ WT/COMTD/N/1/Add.3.

⁸¹ WT/COMTD/N/15.

⁸² WT/C/187/Rev.3.

- Japan in December 2000, announced its "Ninety-nine per cent initiative on Industrial tariffs" and is establishing a new, special preferential system for LDCs⁸⁴; and
- the United States enacted the African Growth and Opportunity Act (AGOA) and the Caribbean Basin Trade Partnership Act (CBTPA), which grant preferential treatment on covered items from beneficiary countries meeting the eligibility conditions under the respective Acts.⁸⁵

These actions, combined with existing programmes and MFN tariffs, make access duty-free for approximately 75% of LDC exports to their 30 main markets, leaving 25% subject to tariffs.⁸⁶ However, tariff peaks remain a significant impediment to market access. Tariffs are often above-average by virtue of the "sensitive" nature of the underlying product (notably textiles and clothing, and agricultural products). Other tariff barriers to trade development include tariff escalation, according to which the level of the tariff rises with the stage of processing, discouraging more intensive manufacturing. LDCs have also called attention to quantitative restrictions on textiles and clothing items, and agricultural products, and to other non-tariff barriers, such as non-automatic import licensing, prior authorization, state trading, other administrative restrictions, standards and SPS restrictions, etc. affecting products such as fish and fish products, frozen foods, meat, hides and skins, and leather.

Integrated Framework to build capacity

The Integrated Framework (IF) is the institutional mechanism for the delivery of trade-related technical assistance to LDCs by six agencies – ITC, IMF, UNCTAD, UNDP, World Bank and WTO. The IF has been in operation since October 1997 when it was "endorsed" at the WTO High Level Meeting on Integrated Initiatives for Least-Developed Countries' Trade Development. The objective of the IF is to increase the benefits that LDCs derive from the trade-related technical assistance available from the six IF agencies, with a view to assisting them to enhance their trade opportunities, to respond to market demands and to integrate into the multilateral trading system. The IF was structured on the basis of five main steps: (i) Needs Assessment by individual LDCs; (ii) Integrated Responses by the six agencies; (iii) preparation of a multi-year country programme and the holding of a Round Table meeting; (iv) implementation and monitoring of trade-related technical assistance activities; and (v) regular evaluation by the staff of the six agencies and officials of the LDCs.

The IF was able to achieve modest accomplishments between October 1997 and November 1999, when a review process started. Out of the 48 LDCs then concerned, 40 had submitted their Needs Assessments for trade-related technical assistance, including physical infrastructures, human and institutional capacity-building. The needs typically ranged from training in information technology and assistance to improve customs administration, through transport and storage infrastructures, to issues such as telecommunications, and electrical power. Another major need was trade analysis and policy expertise for export promotion, for the implementation of WTO Agreements, and to build capacity to participate more effectively in the WTO. The six agencies formulated Integrated Responses to all the needs assessments prepared, and delivered trade-related technical assistance within their competence and mandate, either individually or jointly, on the basis of the Integrated Responses.⁸⁷

Five Round Tables were organized in Bangladesh, The Gambia, Haiti, Tanzania and Uganda, in the context of the IF between December 1998 and March 2000. The results of the Round Tables were disappointing, except in the case of Uganda, where resources were generated, principally because Uganda had been able to "mainstream" trade into its overall national development plan.⁸⁸ The reasons for the disappointing results from the IF were thoroughly reviewed in the Report on the IF Review. The reasons included, inter alia, the need to enhance ownership, mainstream trade into development architecture and resource difficulties for the priorities identified. Furthermore, governance and management were amongst some of the main elements in the improvements suggested under the IF review.

The review of the IF, as mandated in the Framework document⁸⁹, was initiated in November 1999 by the six core Agencies, in consultation with LDCs and their development partners. To precede consideration by the Agencies, an independent review team was appointed to make its own assessment. The independent review⁹⁰ found that the IF was generally viewed as an important exercise by all stakeholders – LDCs, donors, and the six agencies – but that the anticipated results in terms of capacity-building had fallen short of expectations, while recognizing that the process of creating capacity is lengthy. However, there were "different perceptions regarding the objectives of the IF between LDCs and donors: LDCs expected additional funding; donors expected the IF to realize greater efficiency and effectiveness by coordinating trade-related TA" ... and "coordination was found more complex than anticipated between the LDCs and donors, among donors, and between the six agencies themselves". Another problem identified was that the IF has been a generally under-funded mandate, with varying degrees of priority being given to the IF by different donors and agencies.

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<http://europa.eu.int/comm/trade/miti/devel/eba.htm> [5 March 2001].

⁸⁴ WT/COMTD/29 and WT/LDC/SWG/IF/12.

⁸⁵ The product coverage is listed in WT/COMTD/N/1/Add.3.

⁸⁶ WT/LDC/SWG/IF/14 and Add.1.

⁸⁷ An illustrative list of the activities that were carried out by the six agencies, on the basis of the Integrated Responses, typically included: (i) specialized assistance to review and update customs legislation and rationalize import tariffs by IMF; (ii) focus on trade information support and assistance to enterprises in product and market development by ITC; (iii) policy dialogue with LDCs and national or regional programmes and activities by UNDP; UNCTAD studies and policy dialogue and assistance in trade and development; (iv) credit and advisory services, trade-related infrastructure and institutional building projects by the World Bank; human and institutional capacity building assistance by WTO including national/regional seminars and workshops, special three week trade policy courses for LDCs and technical missions to assist in implementation of WTO agreements. Joint activities included: (i) work on modernization-computerization of customs systems by IMF, UNCTAD and UNDP; (ii) World Bank-WTO Joint Regional Seminars on the multilateral trading system and how to use trade as a tool for development; and (iii) the design and implementation of projects by ITC, UNCTAD and the WTO under the Joint Integrated Technical Assistance Programme (JITAP) in four African LDCs.

⁸⁸ See Annex 6 of the Report of the Review of the IF, as contained in WTO document WT/LDC/SWG/IF/1.

⁸⁹ WTO document WT/LDC/HL/Rev.1

The review culminated in the meeting of the Heads and representatives of the six agencies on 6 July 2000, where they took decisions to improve the implementation of the IF. The four major decisions, as contained in the Joint Statement issued by the Heads of Agency, are as follows:

- First, assist the efforts of LDCs to mainstream trade and trade-related technical assistance into national development plans and poverty reduction strategies, such as Poverty Reduction Strategy Papers (PRSPs) and the United Nations Development Assistance Framework (UNDAF), with the World Bank taking the lead;
- Second, expand the meeting of the Heads of the agencies to include representatives of donor countries and LDCs in a new governance body – an IF Steering Committee – which would provide policy oversight;
- Third, fold the Administrative Unit, formerly located at ITC, into the WTO, which would continue to chair the Inter-Agency Working Group; and,
- Fourth, seek the establishment of an IF Trust Fund, and contributions to it, with an initial funding objective of US\$20 million, which would be administered by the UNDP, in cooperation with the other agencies on agreed terms.

Following the decisions by the Heads of Agency, consultations amongst Members, and between Members and the agencies, it was agreed to proceed with the implementation of the IF on a pilot basis.⁹ The implementation of the IF Pilot Scheme is now led by the World Bank on the basis of which trade integration strategy chapters will be mainstreamed into country development plans and poverty reduction strategies, as outlined in the IF Pilot Phase Work Programme. The trade integration strategy will encompass analysis of both external and internal constraints to trade, and will include an elaborated programme of prioritized and sequenced trade-related technical assistance projects to be considered for funding at World Bank Consultative Groups (CGs) and/or UNDP Round Tables.

The IF Pilot Scheme also established an Integrated Framework Trust Fund, to which contributions would be sought from donors on a voluntary basis. Also established was an Integrated Framework Steering Committee (IFSC) which would be composed of representatives of the 6 core Agencies, 6 LDCs, and all donors, and would be chaired by a donor country, with an LDC, as Vice-Chair. Its value is its tripartite configuration of donors, LDCs and agencies. This new governance structure has improved transparency, ensured ownership, responsibility and involvement amongst the key stakeholders.

The IF Pilot Programme will be reviewed by donors, LDCs and agencies by the 4th WTO Ministerial Conference. At that time, the approach in the pilot will be considered for extension to other LDCs, once positive results are attained in the pilots.

⁹The report of the IF Review is contained in WTO document WT/LDC/SWG/IF/1.

⁹The proposal for an IF Pilot Scheme was adopted by the Sub-Committee on Least-Developed Countries on 12 February 2001. The proposal is contained in WTO document WT/LDC/SWG/IF/13.

Chapter Four

WTO ACTIVITIES

PART 1

This chapter provides an outline of the main activities of the WTO during 2000.

I. WTO accession negotiations

An important task facing the WTO is that of making the new multilateral trading system truly global in scope and application. The 140 Members of the WTO (as of 31 December 2000) account for more than 90% of world trade. Many of the nations that remain outside the world trade system have requested accession to the WTO and are at various stages of a process that has become more complex because of the WTO's increased coverage relative to GATT. With many of the candidates currently undergoing a process of transition from centrally-planned to market economies, accession to the WTO offers these countries – in addition to the usual trade benefits – a way of underpinning their domestic reform processes.

During the period covered (1 January 2000 to 31 December 2000), the WTO received five new Members: Albania, Croatia, Georgia, Jordan and Oman. The General Council also agreed to the accession of Lithuania. Lithuania is expected to become the 141st member of the WTO upon completion of the internal ratification procedures.

WTO membership is open to any State or customs territory having full autonomy in the conduct of its trade policies. Accession negotiations concern all aspects of the applicant's trade policies and practices, such as market access concessions and commitments on goods and services, legislation to enforce intellectual property rights, and all other measures which form a government's commercial policies. Applications for WTO membership are the subject of individual working parties. Terms and conditions related to market access (such as tariff levels and commercial presence for foreign service suppliers) are the subject of bilateral negotiations. The following is a list of the 28 governments for which a WTO working party was current as of 31 December 2000:

Algeria, Andorra, Armenia, Azerbaijan, Belarus, Bhutan, Bosnia-Herzegovina, Cambodia, Cape Verde, China, Kazakstan, Lao People's Democratic Republic, The Republic of Lebanon, Former Yugoslav Rep. of Macedonia, Moldova, Nepal, Russian Federation, Samoa, Saudi Arabia, Seychelles, Sudan, Chinese Taipei, Tonga, Ukraine, Uzbekistan, Vanuatu, Viet Nam and Yemen.

As mandated negotiations in agriculture and services within WTO continue, as do consultations in other important sectors, there is a strong interest by a significant number of acceding governments to join the WTO as soon as possible. This desire has received wide support from WTO Members who are committed to accelerating the accession process to the maximum extent possible on the basis of meaningful market access commitments and the acceptance of the rules and disciplines of the WTO system.

II. Work of the General Council

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

Implementation-related issues and concerns

All WTO Members are bound to observe the multilateral agreements concluded in the Uruguay Round and to implement, if applicable, post-Uruguay Round commitments on basic telecommunications and financial services. Certain Members have, however, identified difficulties in connection with the end of transition periods on 31 December 1999 for developing and transition economies; certain transition periods for LDCs are still in effect. Extensions were requested by certain Members notably with respect to the TRIMs and Customs Valuation Agreements. WTO Members are considering the requests for extensions to TRIMs transition periods within a framework established by the General Council at its meeting of 3 and 8 May 2000.

A wide range of other implementation-related issues and concerns has also been put forward. These are being considered by the General Council in the Implementation Review Mechanism established for the purpose, which met three times in Special Sessions in 2000. This activity has been identified by Members, especially developing countries, as a priority area for the WTO's attention. At the Special Session held on 15 December, the General Council adopted a Decision on Implementation-Related Issues and Concerns. In introducing the decision, the Chairman emphasized that all the outstanding issues raised by Members would go forward into the process which would continue in 2001, as reflected in the last point of the decision. The Chairman also said that the result of the General Council's work which was contained in the Decision, although modest, was important. It was a clear indication of the collective will to take decisions on implementation-related issues and concerns, and also to continue to find solutions in this area.

In commenting on the decision, many delegations stressed the modesty of its contents, which was below their expectations. They also noted that the last point of the decision on further work was significant, and reiterated the importance they attached to implementation-related issues. A number of delegations believed that the process had shown that Members were able to address these issues seriously, and it was generally recognized that the process so far had been conducted in a constructive and transparent manner by the Chairman and Director-General.

Internal transparency and the effective participation of Members

The third Ministerial Conference witnessed an increased focus on issues relating to internal transparency and the effective participation of Members. Although this issue has a long history in the GATT/WTO, the events surrounding the Seattle conference placed it under renewed scrutiny. Early in 2000 the Director-General proposed a work programme combining the start of mandated negotiations with a number of confidence-building elements, including measures to improve internal transparency and the effective participation of Members. This was agreed to by the General Council at its meeting of 7-8 February 2000.

Since then the Chairman of the General Council and the Director-General have conducted an intensive series of open-ended consultations on how to improve internal transparency. Numerous contributions were received from Members in the course of these consultations. It became clear that Members in general see no need for radical reform of the WTO, that they firmly support the practice of reaching decisions by consensus, and that informal consultations continue to be a useful tool provided that certain improvements regarding inclusiveness and transparency are applied.

On 17 July, the Chairman provided Members with a progress report which emphasized the general recognition that significant improvements in the consultative processes have taken place in the first half of the year 2000. The Chairman emphasized that while such tangible progress on internal transparency was important the full membership has a collective responsibility to keep this issue under close scrutiny as the organization moves forward on the substantive agenda.

The issue of the preparation and organization of Ministerial Conferences was also addressed by the General Council in November, after which the Chairman noted that the informal discussions had resulted in what he saw as a significant convergence of views on a number of aspects.

From the outset of the debate on internal transparency the Director-General also instructed the WTO Secretariat to find immediate practical ways in which to improve and speed up the information flow to Members, including the Members who do not have representatives resident in Geneva. At meetings of the General Council in October and December 2000, a large number of delegations representing Members from all regions and all levels of development expressed satisfaction with the way in which the consultative processes were being carried out, and complimented the Chairman and the Director-General on the efforts they have made in this respect and urged them to continue this practice.

Mandated negotiations on agriculture and services

In February 2000 the General Council made arrangements for the organization of the negotiations on agriculture and services mandated under Article 20 of the Agreement on Agriculture and Article XIX of the General Agreement on Trade in Services. These negotiations were conducted in the Committee on Agriculture and the Council for Trade in Services meeting in special sessions. The General Council oversaw the progress made in these negotiations which will continue in 2001. Arrangements were also made for participation of acceding countries as observers in the mandated negotiations on agriculture, on services and on other elements of the built-in-agenda.

Accessions

The General Council adopted decisions authorizing the accession of four new Members (Albania, Croatia, Lithuania, Oman) and established working parties to examine the application of Cape Verde and Yemen. The General Council also continued to consider the broader question of accession to the WTO.

Waivers under Article IX of the WTO Agreement

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

In December 2000 the General Council conducted its annual review of waivers required under Article IX:4 of the WTO Agreement. The following waivers were reviewed:

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

Electronic commerce

In July 2000, the General Council agreed to reinvigorate the work in the WTO on electronic commerce on a practical basis, which was understood to be without prejudice to any delegation's position on the status of the 1998 Declaration on global electronic commerce. The four subsidiary bodies involved in work on electronic commerce (the Councils for Trade in Goods, Trade in Services, TRIPS and the Committee on Trade and Development) were invited to resume their work on electronic commerce and present updated reports to the General Council. In December 2000 the General Council received updated reports from the four subsidiary bodies. There was broad agreement among Members to move forward with the work on electronic commerce. The General Council will revert to this issue early in 2001.

Other issues

Other issues brought to the General Council during the period under review included measures in favour of least-developed countries, the integrated framework of trade-related technical assistance to least-developed countries, and capacity-building through technical

Table IV.1

Waivers under Article IX of the WTO Agreement

During the period under review, the General Council granted the following waivers from obligations under the WTO Agreements (still in effect as at 1 January 2001)

Member	Type	Decision of	Expiry	Document
Argentina, Brazil, Brunei Darussalam, Bulgaria, Egypt, El Salvador, Guatemala, Honduras, Iceland, Israel, Malaysia, Mexico, Morocco, New Zealand, Norway, Pakistan, Panama, Paraguay, Switzerland, Thailand, Uruguay, Venezuela	Introduction of the Harmonized System changes into the WTO Schedules of tariff concessions on 01.01.1996 – Extension of time-limit	8.12.2000	30.04.2001	WT/L/379
European Communities	Autonomous preferential treatment to countries of the Western Balkans	8.12.2000	31.12.2006	WT/L/380 and Corr.1
Nicaragua	Establishment of a new schedule – Extension of time-limit	8.12.2000	30.04.2001	WT/L/376
Sri Lanka	Establishment of a new schedule – Extension of time-limit	8.12.2000	30.04.2001	WT/L/377
Turkey	Preferential treatment for Bosnia-Herzegovina	8.12.2000	31.12.2006	WT/L/381
Zambia	Renegotiation of schedule – Extension of time-limit	8.12.2000	30.04.2001	WT/L/378

cooperation. The General Council also initiated work on procedures for appointment of the Director-General and approved the WTO budget for 2001.

Several other issues were brought to the General Council for discussion and further consideration. These included: observer status for international intergovernmental organizations; review of procedures for the circulation and derestriction of WTO documents; revision of guidelines for the scheduling of WTO meetings; proposal to amend certain provisions of the Dispute Settlement Understanding.

Working Group on the Relationship between Trade and Investment

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

In December 1998, the General Council received a comprehensive report from the Working Group on its activities during 1997-98 (WT/WGTI/2) and decided that the Working Group should continue its educational work on the basis of the mandate contained in the Singapore Ministerial declaration and that this work would continue to be based on issues raised by members with respect to the subjects identified in the Checklist of issue suggested for Study. Pursuant to this decision, the Working Group held meetings in March, June and September 1999 and in June, October and November 2000. Summaries of the work done at these meetings are contained in the annual reports submitted by the Working Group to the General Council (WT/WGTI/3 and WT/WGTI/4).

Working Group on Transparency in Government Procurement

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

In 2000, the Group held two meetings (on 7 June and 25 September). At these meetings, the Working Group reverted to the issues before it on the basis of a note by the Chairman listing the issues that had been raised, together with the points made on these issues, under each of the items that were discussed by the Group at its meetings held since November 1997. This note reflects the systemic study of 12 issues that were identified as important in relation to transparency in government procurement. These are: definition and scope of government procurement; procurement methods; publication of information on national legislation and procedures; information on procurement opportunities, tendering and qualification procedures; time-periods; transparency of decisions on qualification; transparency of decisions on contract awards; domestic review procedures; other matters related to transparency (maintenance of record of procurement proceedings, application of information technology, language, fight against bribery and corruption); information to be provided to other governments (notification); WTO dispute settlement procedures; and technical cooperation and special and differential treatment for developing countries. Moreover, the Group had before it an annotated agenda made available by the Chairman with the aim of facilitating discussion by suggesting issues under each of the substantive agenda items that could be the subject of further discussion. Written contributions presented by Members and notes by the Secretariat provided a basis for the discussions on the definition of government procurement, the scope of a future agreement and technical cooperation.

Working Group on the Interaction between Trade and Competition Policy

The mandate of this Working Group, which was established pursuant to the Singapore Ministerial Declaration of December 1996, is to "study issues raised by Members regarding

the interaction between trade and competition policy, including anti-competitive practices, in order to identify any areas that may merit further consideration in the WTO framework". The Group is chaired by Professor Frédéric Jenny of France.

The Singapore Ministerial Declaration provided for the General Council to keep the work of the Working Group under review, and to determine after two years how its work should proceed. In this regard, in December 1998, the General Council decided that the Working Group should continue the educative work that it had been undertaking pursuant to paragraph 20 of the Singapore Ministerial Declaration. It provided, further, that:

"... the Working Group, while continuing at each meeting to base its work on the study of issues raised by Members relating to the interaction between trade and competition policy, including anti-competitive practices, would benefit from a focused discussion on: (i) the relevance of fundamental WTO principles of national treatment, transparency, and most-favoured-nation treatment to competition policy and vice versa; (ii) approaches to promoting cooperation and communication among Members, including in the field of technical cooperation; and (iii) the contribution of competition policy to achieving the objectives of the WTO, including the promotion of international trade. The Working Group will continue to ensure that the development dimension and the relationship with investment are fully taken into account. It is understood that this decision is without prejudice to any future decision that might be taken by the General Council, including in the context of its existing work programme.

In 2000, the Group held three meetings (on 15-16 June; 2-3 October and 21 November 2000). Within the terms of the above-noted decision of the General Council, particular attention was given to: (i) issues concerning the relationship of competition policy and economic development; and (ii) possible pros and cons of the proposals that have been put forward by some Members for enhanced cooperation on competition policy in the framework of the WTO. At the meeting on 21 November, the Working Group completed and adopted a substantive report on its activities in 2000. This document, entitled Report (2000) of the Working Group on the Interaction between Trade and Competition Policy to the General Council (document WT/WGTCP/4), is available on the WTO website (www.wto.org), under the symbol "wgtcp".

Throughout its work, the Working Group on the Interaction between Trade and Competition Policy has benefited from a high level of participation from Members. As of 31 December 2000, there had been a total of approximately 150 formal contributions by Members to the Group, including about 70 from developing countries. The majority of these contributions are unrestricted or were originally submitted as restricted documents but have subsequently been derestricted and are available on the WTO website.

Paragraph 22 of the Singapore Ministerial Declaration indicates that the technical cooperation programme of the Secretariat shall be made available to developing and least-developed country Members to facilitate their participation in the work programmes established in Paragraph 20. Responding to this direction, in the past, the WTO Secretariat, with financial assistance and input from staff of the Secretariats of UNCTAD and the World Bank, has organized several symposia on relevant issues in Geneva. In 2000, in response to a demand articulated by developing countries during and prior to the Seattle Ministerial Conference, a programme of regional Workshops on the issues before the Working Group was commenced. The first such Workshop was held in July 2000 in Phuket, Thailand, for the benefit of Asian WTO Members and observers. It was organized by the Secretariat in cooperation with the Government of Thailand and with financial support from the Government of Japan. The Workshop was attended by representatives of 22 WTO Member and observer countries from South, Southeast and East Asia, including representatives of both trade ministries and competition offices, or other ministries with responsibility for deliberations on national competition policy. The next such Workshop will be held in February 2001 in Cape Town, South Africa, for the benefit of African Members and observers.

III. Trade in goods

Council for Trade in Goods

During the year 2000 the Council convened five formal meetings. Regarding waiver requests, the Council examined and approved requests for waivers and waiver extensions made by Members in connection with the transposition of their schedules into the Harmonized System with a renegotiation of their schedules and with the introduction of HS96 changes into their schedules. Also approved and forwarded to the General Council for adoption were waiver requests by Uruguay concerning the customs valuation by the EC for the application of the EU autonomous preferential treatment to countries of the Western

Balkans, by the EC for a retroactive extension of the waiver covering trading arrangements between EC/France and Morocco, and by Turkey for preferential treatment for Bosnia Herzegovina. A request for a WTO waiver for the new ACP/EC Partnership Agreement was discussed. The Council also took note of the situation with respect to the compliance of notification obligations under the provisions of the agreements in Annex IA of the WTO Agreement as well as of the periodic reports of its subsidiary bodies. The Council also took note of the statements made at various meetings regarding requests for extension of the transition period under the TRIMs Agreement by nine Members and discussed the review of the operation of the TRIMs Agreement. The Council adopted the terms of reference under which ten regional agreements are to be examined in the CRTA.

In informal meetings, the Council continued its exploratory and analytical work on trade facilitation. Areas of particular focus were national experiences by Members in the reform of trade administration, principles and measures relating to customs reform, as well as technical assistance and capacity building aspects of trade facilitation. A Chairman's report on the progress in the Council's work on trade facilitation is contained in document G/L/425.

Trade in information technology products (ITA)

The Ministerial Declaration on Trade in Information Technology Products (ITA) which was agreed to in Singapore in 1996 has been accepted by 55 WTO Members and states or separate customs territories. Ultimately, the tariffs on computers, telecommunications equipment, semiconductors, semiconductor manufacturing equipment, software, and scientific instruments will be reduced to zero; most of this occurring on 1 January 2000 for many countries. The details are contained in each schedule of commitments. During 2000, the Committee launched a non-tariff measures' (NTMs) work programme to identify NTMs that impact IT trade and to examine the economic and developmental impacts. The work is to be carried out during the course of 2001 in the Committee. Additionally, the Committee added new participants and examined classification divergences during 2000.

Customs valuation

The WTO Agreement on Implementation of Article VII of the GATT 1994, known as the Customs Valuation Agreement, entered into force on 1 January 1995. Originally, the Customs Valuation Agreement was one of the Tokyo Round Codes which resulted from the Tokyo Round negotiations. The Tokyo Round Code sought to replace the many different national valuation systems in existence at the time with a set of straightforward rules which provide a fair, uniform and neutral system and preclude the use of arbitrary or fictitious values. The Agreement gave greater precision to the provisions on customs valuation already found in Article VII of the GATT and has led to the harmonization of valuation systems and greater predictability in duties payable by traders. The WTO Customs Valuation Agreement and the Tokyo Round Customs Valuation Agreement do not differ in a substantive manner. During the period under consideration, the Committee has held six formal meetings (on 3, 9, 16 March; 12, 28 April and 10, 31 May; 14 June and 4 July; 21 July; 7, 13, 24, 29 November; and 20 December). Much of the work this year focused on implementation matters. For 29 Members, the five-year delay period in applying the Agreement under Article 20.1 expired on 1 January 2000. For another 21 Members, the period expired at various dates during the year 2000. Of these 50 Members, 20 requested extensions of the delay period, in accordance with paragraph 1, Annex III of the Agreement. Of these requests, 17 have been granted extensions and three are pending and still under negotiation among Committee Members. Six Members still maintain delays under the five-year transition period. In addition, six Members have requested derogations to continue the use of minimum values while applying the Agreement, in accordance with paragraph 2, Annex III. Five have been granted and one request is pending.

In the area of notifications, Members are to ensure that their laws, regulations and administrative procedures conform with the provisions of the Agreement, and are required to inform the Committee on Customs Valuation of any changes in this regard. Such notifications are subject to examination in the Committee. The Committee examined the national legislations of 13 Members. It concluded examination of the legislations of Bulgaria, Costa Rica, Estonia, Japan, Jordan, Malta, Poland, Slovenia, Turkey and Zambia. Those of Brazil, Kyrgyz Republic and Romania will be reverted to by the Committee for further examination.

In addition, Article 20.3 of the Agreement provides that developed-country Members furnish technical assistance to developing-country Members that so request. For this reason, the Committee has continued to focus the question of technical assistance. Various Members have informed the Committee of the technical assistance activities they had conducted or were conducting, and the Secretariat has briefed the Committee on the

45 Technical Assistance missions it has carried out. Further, the Committee began discussions on a proposal by the European Communities on technical assistance. At the end of the year the Committee reached agreement to "reinvigorate" the Committee's technical assistance activities, and towards this aim, to initiate discussions towards elaborating a work programme to guide this.

At its meeting of 7 November 2000, the Committee adopted its 2000 report to the Council for Trade in Goods. Adoption of the fourth, fifth and sixth annual reviews remains blocked by an unresolved issue concerning one Member's interpretation of paragraph 2, Annex III of the Agreement. Following a request by the General Council, at this meeting the Committee held an in-depth, technical discussion on the merits of three implementation-related proposals. The Chairman's summary of the Committee's consideration of these proposals was presented in his report to the December 2000 Special Session on Implementation of the General Council (G/VAL/36). 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 Tenth and Eleventh Sessions.

Rules of origin

The main objective of the Agreement on Rules of Origin is to harmonize non-preferential rules of origin and to ensure that such rules do not themselves create unnecessary obstacles to trade. The Agreement sets out a Harmonization Work Programme (HWP) for the harmonization of non-preferential rules of origin to be accomplished by the Committee on Rules of Origin (CRO) in conjunction with the World Customs Organization's Technical Committee on Rules of Origin (TCRO)

Much work was done in the CRO and the TCRO and substantial progress has been achieved in the three years foreseen in the Agreement for the completion of the work. However, due to the complexity of the issues the HWP could not be finalized within the foreseen deadline. The CRO continued its work in 2000. In December 2000, the General Council Special Session agreed to set, as the new deadline for completion of the remainder of the work, the Fourth Session of the Ministerial Conference, or at the latest the end of 2001. The negotiating texts are contained in documents G/RO/41 and G/RO/45.

Import licensing

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

The obligations contained in the Agreement include publication of import licensing procedures, notification to the Committee on Import Licensing, fair and equitable application and administration, simplification of procedures and provision of foreign exchange to pay for licensed imports on the same basis as for imports of goods not requiring import licences. The Agreement establishes time limits for processing of licence applications, publication of information concerning licensing procedures and notification to the Committee.¹ The Committee on Import Licensing affords Members the opportunity of consulting on matters relating to the operation of the Agreement or the furtherance of its objectives, and reviews periodically the implementation and operation of the Agreement.

During the period covered by this report, 14 Members have notified to the Committee their laws and regulations pursuant to Articles 1.4(a) and 8.2(b) of the Agreement and 32 have submitted replies to the Questionnaire on Import Licensing Procedures pursuant to Article 7.3 (counting the EC as a single Member). Seven Members have submitted notifications relating to the institution of import licensing procedures or changes in those procedures pursuant to Article 5.

The Committee held two meetings during this period, discussed the matter of the lack of compliance with notification obligations of the Agreement and how this situation could be ameliorated, carried out the third biennial review of the implementation and operation of the Agreement pursuant to Article 7.1, and reviewed notifications submitted by the following Members under various provisions of the Agreement: Argentina, Bahrain, Bangladesh,

¹See also Guide to the Uruguay Round Agreements, Part Two, Section 1.9(d), Kluwer Law International, 1999.

Bolivia, Canada, Chad, the Czech Republic, Estonia, the European Communities, Guatemala, Haiti, HongKong, China, Hungary, Iceland, India, Jamaica, the Kyrgyz Republic, Latvia, Liechtenstein, Macau, China, Madagascar, Malawi, Malaysia, Malta, Namibia, Norway, the Philippines, Romania, Singapore, South Africa, Tunisia, Turkey, the United Arab Emirates and Venezuela.

Market Access Committee

The activities of the Committee on Market Access cover market access issues related to tariffs and non-tariff measures not covered by any other WTO body, as well as matters related to the Integrated Data Base (IDB) and the Consolidated Tariff Schedules Database (CTS) project. During the period under review, the Committee on Market Access has held five formal meetings and 11 informal meetings to consider the following issues:

Schedules of concessions and harmonized system changes

The Committee took note of the factual information provided by Members under current waivers regarding the transposition of their schedules into the Harmonized System, or the renegotiation of their schedules. Additionally, the Committee took note of the requests by certain Members for further extension of the waiver to carry out possible consultations/negotiations under Article XXVIII following the introduction of Harmonized System 1996 (HS96) changes in national tariffs. In this connection, an informal process was being undertaken in the Committee to review periodically the situation of the HS96 transposition exercise. Some discussion was also held in the Committee regarding the format of future HS96 waiver decisions. The Committee agreed that existing procedures to introduce Harmonized System changes to schedules of concessions had been inadequate with respect to HS96 changes, and that improved procedures were required for future Harmonized System 2002 changes. The Committee is currently working on these procedures.

Integrated Data Base (IDB)

With reference to the modalities and operation of the IDB (which contains import and tariff information of Members having submitted such data), the Committee began its review of the operation of the IDB and IDB technical assistance activities pursuant to paragraph 19 of document G/MA/IDB/3 entitled "Dissemination of the IDB". Following a preliminary discussion at its formal meeting of 23 March 2000, the Committee agreed to hold informal consultations which have resulted in the Committee agreeing to procedures to conduct a multilateral appraisal of the operation of the IDB and related technical assistance activities. The objective of this exercise is to identify ways of improving IDB participation through a multilateral appreciation of all Members' experiences in complying with IDB notification requirements. To do this, the Committee will focus on obtaining a better understanding of why Members have not been able to either provide any submissions at all or achieve regular reporting patterns; how Members have had success in complying with IDB information requirements; and what has been the effectiveness of existing technical assistance activities. This exercise will commence in March 2001.

Consolidated Tariff Schedules (CTS) database

The CTS project consists of the setting up by the Secretariat of a database which will contain the consolidated tariff schedules of WTO Members. The Secretariat is to carry out the work necessary in respect of the schedules of developing countries. Developed-country Members are expected to prepare their own schedules. The CTS database would be established as a working tool only, without implications as to the legal status of the information stored therein. The Committee also agreed to a proposed format for inclusion of agricultural commitments in the database. During the period under review, the Committee noted that much progress had been made on the project which is targeted for completion in 2001.

Review of Paragraph 1 of the Understanding on the Interpretation of Article XXVIII Of The GATT 1994

As requested by the Council for Trade in Goods, the Committee undertook the review envisaged in paragraph 1 of the Understanding on the Interpretation of Article XXVIII of the GATT 1994 and reported that at this stage there was no basis to change the criterion contained in paragraph 1 of the aforementioned Understanding. The Committee was also of the view that any Member that so wished, could bring up the matter of a further review in the Council in the future.

Non-tariff measures

Members were urged to comply with their notification obligations pursuant to the "Decision on Notification Procedures for Quantitative Restrictions" contained in document

G/L/59. The Committee agreed to consider at its next formal meeting in 2001 the problem concerning the recording in the Quantitative Restriction Database of notifications made by some Members in the area of textiles and clothing. The Committee also agreed to review at its next formal meeting in 2001, the reverse notifications of non-tariff measures made pursuant to the decision contained in document G/L/60 entitled "Decision on Reverse Notification of Non-Tariff Measures".

Other activities

Requests for observer status in the Committee were received from the West African Economic and Monetary Union (WAEMU), from the Common Market for Eastern and Southern Africa (COMESA) and from the Gulf Organization for Industrial Consulting. The Committee agreed to revert to these requests at an appropriate time in the future. A consensus was also not possible on a request from the International Cotton Advisory Committee (ICAC) for access to the PC IDB CD-ROM Release 3. The Committee heard a statement by the representative of Australia concerning the timely completion of the work on the IDB, the CTS project and the HS96 transposition exercise, and a statement by India regarding its concern at the lack of notification by the EC and the US of a mutually agreed solution in the area of rules of origin. The representative of Hong Kong, China informed the Committee that as a result of its commitments in APEC, it would be binding another 10% of its imports at zero per cent in 2000 on an autonomous basis and would be notifying these additional tariff concessions as legally binding commitments to the WTO. Finally, the Committee took note of the tariff information available in the Secretariat as contained in document G/MA/TAR/3/Rev.5.

Textiles and clothing

The Agreement on Textiles and Clothing (ATC), which entered into force on 1 January 1995, is a ten-year transitional agreement with a programme to gradually integrate textile and clothing products fully into GATT 1994 rules and disciplines by the end of 2004. It replaced the Multifibre Arrangement (MFA) which provided the basis on which certain developed countries, through bilateral agreements or unilateral actions, established quotas on imports on textiles and clothing from several developing countries. Under the ATC, when products are integrated, they are removed from the Agreement, are freed from any quota and are then fully subject to the provisions of the GATT 1994.

The Agreement on Textiles and Clothing is built on the following main elements:

- (i) the product coverage, which comprises an extensive list of man-made fibres, yarns, fabrics, made-up textile products and clothing;
- (ii) the procedures for the integration of these products into GATT 1994 rules beginning with 16% by volume on 1 January 1995; a further 17% in 1998; 18% in 2002 and all remaining products by the end of 2004;
- (iii) automatic increases, at each stage, in the annual growth rates in the remaining quotas carried over into the ATC;
- (iv) a transitional safeguard mechanism to deal with cases of serious damage, or actual threat of serious damage to domestic industries, which is due to increased imports and which may arise during the transition period;
- (v) other provisions, which include clauses on circumvention of restrictions, quota administration, quantitative restrictions other than those inherited from the MFA, actions as may be necessary to abide by GATT 1994 rules and disciplines, and special treatment for certain categories of exporters; and
- (vi) the Textiles Monitoring Body (TMB), which is mandated to supervise the implementation of the ATC, to examine the conformity of all measures taken under it, and to report periodically to the WTO Council for Trade in Goods (CTG).

The second stage of the integration process began on 1 January 1998 with the integration into GATT 1994 rules of products representing a further 17% of the Member's imports of textiles and clothing, bringing the total level of integrated products to 33%; forty-nine Members notified the products being integrated. Through this process, some quotas were removed in Canada, EC and US. Norway had decided to use another approach, removing all of the quotas in place over a four-year period while not integrating the products. In addition, at the beginning of the second stage, the annual growth rates in all of the remaining quotas were automatically increased by a factor of 25%. For example, a 6% growth rate under the former MFA had become 6.96% in stage 1 and moved to 8.7% for stage 2, to be applied annually.

As required by the ATC, Members were to notify to the TMB their respective programmes of integration for the third stage, at least 12 months before their coming into effect. Since the third stage will begin on 1 January 2002, the deadline for these notifications was on 31 December 2000. As Members provide these notifications, they are being reviewed by the TMB.

Also in the period under review, two matters involving the application of safeguard measures under the ATC were brought before the Dispute Settlement Body with requests to establish panels. In one case involving an action taken by Argentina in respect of exports of certain fabrics from Brazil, the matter was suspended when a mutually satisfactory agreed solution was found. In the other case involving a safeguard measure by the United States on cotton yarn exports from Pakistan, the process is continuing, with the Panel's report being due early in 2001. Some other matters involving textiles and clothing trade were brought to the DSB under the provisions of other agreements. These cases are described in Section VI of this Report.

Discussions among WTO Members continued in 2000 on the best way to implement the provisions of the ATC in view of the concerns expressed by many developing countries that the current implementation programmes of the major importing countries have not brought about market liberalization, with few products of commercial interest being integrated and few quotas removed. These discussions have been held in the WTO General Council in the context of its special sessions on implementation-related issues. Developing-country Members have brought forward a number of suggestions on means to improve the implementation process within the existing structure of the ATC. Reference has also been made to actions on textile products under other WTO instruments relating to anti-dumping, rules of origin and the DSU. These discussions will continue in the coming year.

The Textiles Monitoring Body (TMB)

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

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

At the beginning of the year 2000 the following WTO Members appointed individuals to serve as member (or alternate) in the TMB: Canada (Norway); Colombia (Uruguay, Argentina); the European Community; Egypt (India); Hong Kong, China (The Republic of Korea, Bangladesh); Japan; Pakistan (Macau, China); Thailand (the Philippines); Turkey (the Czech Republic, Switzerland) and the United States.

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

The TMB adopted an annual report to the Council for Trade in Goods covering the period 14 September 1999 to 10 October 2000 and providing an overview of the issues handled by the TMB during that time.

In the period 1 February 2000 to 31 January 2001, the TMB held 11 formal sessions. The detailed reports of these meetings are contained in documents G/TMB/R/62 to 72. The TMB examined a number of notifications and communications received from WTO Members in respect of actions taken under the provisions of the ATC, including integration programmes, actions taken under the transitional safeguard mechanism and a number of issues in respect of other obligations under the ATC. As mandated in the ATC, it also exercised surveillance of the implementation of its recommendations.

More specifically, during the period covered by this report the TMB, *inter alia*, took note of two notifications made pursuant to Article 6.1 of the ATC: Mongolia stated that it did not retain the right to use the provisions of Article 6, Latvia that it wished to retain the right to use the transitional safeguard provided for in Article 6.1. The programmes for the first and second stage of the integration process (1995-1997 and 1998-2001) of Latvia were also examined.

The TMB started its review of the integration programmes for the third stage (2002-2004) submitted by several WTO Members in accordance with the ATC, which requires that notifications by Members of such programmes should be done 12 months in advance of their implementation. The TMB completed its examination of those submitted by Hungary, India and Japan, while with respect to the others the Body decided to seek additional information or clarification from the Members concerned. With respect to the notifications addressed to

the TMB after the relevant deadlines specified by the ATC, the TMB reiterated that its taking note of late notifications was without prejudice to the legal status of such notifications.

The TMB reviewed a notification made by Norway under Article 2.15 according to which, in order to contribute to the objective of integration of textiles and clothing into GATT 1994, Norway had decided to eliminate all remaining quantitative restrictions on textile imports. Therefore, the restraints applied on imports of fishing nets from Indonesia, Malaysia and Thailand would be rescinded on 1 January 2001, the Members affected having been informed in advance, in accordance with Article 2.15. The TMB commended Norway for the early elimination of all the restrictions it maintained under this Agreement.

With reference to the transitional safeguard mechanism, the TMB examined a notification by Argentina of a transitional safeguard measure, consisting of three quotas, applied with effect from 29 October 1999 and for an intended duration of three years, pursuant to the provisions of Article 6.11, on imports from the Republic of Korea of woven fabrics of synthetic filament, whether or not impregnated. With respect to the quota on special woven fabrics/other woven fabrics of mixed filaments, the TMB concluded that Argentina had not demonstrated successfully that these products were being imported into Argentina in such increased quantities as to cause serious damage to the domestic industry producing like and/or directly competitive products and, in particular, as to substantiate the highly unusual and critical circumstances where delay would cause damage that would be difficult to repair. The TMB recommended, therefore, that Argentina rescind the safeguard measure on imports of these products. With respect to the quota on woven fabrics of pure polyester filament, the TMB concluded that these products were being imported into Argentina in such increased quantities as to cause serious damage to its domestic industry producing like and/or directly competitive products. The TMB found also that the serious damage caused to the Argentine industry could be attributed, *inter alia*, to the increased imports of such products from the Republic of Korea. The TMB also found that Argentina's recourse to the provisions of Article 6.11 (i.e. provisional application of the safeguard measure, without prior consultation, in highly unusual and critical circumstances, where delay would cause damage which would be difficult to repair) had been justified. However, in view of observations made by the TMB with regard to the manner in which the quota level had been established, the TMB recommended that the restraint during its first year of application be increased to the level of actual imports from the Republic of Korea during a reference period, and that, should it remain in place for more than one year, the provisions of the ATC regarding annual growth and flexibility apply. As regards other woven fabrics of synthetic filament, the TMB concluded that Argentina had not demonstrated successfully that such products were being imported into Argentina in such increased quantities as to cause serious damage to its domestic industry producing like and/or directly competitive products. This also implied that Argentina's recourse to the procedures of Article 6.11 had not been appropriate. The TMB recommended, therefore, that Argentina rescind the provisional safeguard measure applied on imports of these products from the Republic of Korea. Also at the TMB's request, Argentina subsequently communicated to the Body a resolution implementing in full these recommendations, of which the TMB took note.

The TMB also started its consideration of a notification by Pakistan, which followed the examination by the TMB in July 1998 of two communications made by Pakistan and the United States, under different provisions of the ATC, related to a mutually satisfactory solution reached between those two Members with respect to matters related to transshipment charges for cotton bedsheets. In this new notification Pakistan requested that the TMB consider the introduction of a limit on Pakistan's exports of man-made fibre bedsheets and pillowcases, part of the mutually satisfactory solution reached, pursuant to Article 8 (in particular to paragraph 5 thereof) and recommend that the United States withdraw that limit. The Body's consideration was suspended at the request of the United States and with the agreement of Pakistan, to allow for further bilateral consultations. Such consultations took place and a mutually satisfactory solution was reached between the two Members. The TMB examined the joint communication of this new mutually satisfactory solution and took note of the withdrawal by Pakistan of its request for the TMB's review pursuant to Article 8.5 of the ATC, mentioned above. It also observed, *inter alia*, that the joint communication did not contain explanation or justification for the introduction of a restriction on imports of man-made fibre bedsheets and pillowcases and did not specify the particular provision of the ATC which would justify, in the view of the parties, the application of such a measure. The TMB reiterated that unless additional information in this regard was provided, the Body was not put in a position to determine, as required, the conformity, or lack thereof, of this measure with the ATC. At a subsequent meeting, in the continued absence of appropriate explanation and justification from the two Members, the TMB decided to put more specific questions to both parties in this regard.

In terms of exercising surveillance of the implementation of its recommendations, in addition to the actions mentioned above, the TMB received and took note of a

communication from Argentina transmitting a resolution of the Argentinian Government implementing in full the recommendations made by the TMB in January 2000. This decision, referring, *inter alia*, to the recommendations adopted by the TMB, eliminated the restraints imposed on imports from Pakistan of products of four categories, while with respect to products of another category, it brought the duration of the transitional safeguard measure to 18 months.

The TMB considered and took note of a notification made by Mongolia, with reference to Article 3.1, that it did not maintain restrictions on textile and clothing products. The TMB took also note of a communication, received jointly from the European Community and Turkey under Article 3.3 of the ATC, for the Body's information, concerning "details of changes for the year 2000 in respect of the quantitative limits applied by Turkey on its imports of certain textiles and clothing products from certain WTO Members in conformity with its commitments arising out of the customs union and with the provisions of Article XXIV of GATT 1994". This taking note was without prejudice to the rights and obligations of Members under the WTO.

Agriculture

The past year was marked by the beginning of the negotiations under Article 20 of the Agreement on Agriculture on the continuation of the reform process which began in 1995 with the progressive implementation of the Uruguay Round results on agriculture.² In early February 2000, the General Council decided that these negotiations are conducted by the Committee on Agriculture meeting in Special Sessions.

At the first Special Session, at the end of March, the Committee agreed on the programme, practical arrangements and calendar of meetings for the first phase of the negotiations. Accordingly, negotiating proposals had to be submitted by participants by the end of December 2000, with flexibility for the submission of further or more detailed proposals up to March 2001. Work related to the factors to be taken into account in the negotiations was to be based on technical papers and submissions by interested participants and papers to be prepared by the Secretariat on request of the Committee.

The negotiations started smoothly. As early as June 2000 the first proposals were submitted and by the end of the year, 28 negotiating proposals and technical papers had been tabled by Members. Many of these proposals were submitted jointly by Members with common interests, such as the Cairns Group (18 developed and developing agricultural exporters), economies in transition, and a group of non-Cairns Group developing countries. In total, 87 Members tabled negotiating proposals or other submissions in 2000, that is almost two thirds of the WTO membership.

The Special Sessions served as a forum for presentation and intense initial discussion of the proposals as well as the technical papers submitted by Members and prepared by the Secretariat. All aspects mentioned in Article 20 were addressed in one way or another. At the fourth Special Session in November, the Committee agreed to convene an additional Special Session in early February 2001 to allow time for consideration of the large number of proposals that were still in the pipeline. The first phase of the negotiations will be concluded by a stock-taking meeting at the end of March.³

In addition to conducting the negotiations, the WTO Committee on Agriculture continued, in the course of four formal meetings, to review progress in the implementation of commitments under the Uruguay Round agricultural reform programme, or resulting from WTO accession negotiations. For the purpose of the multilateral review of the implementation of commitments, Members must periodically submit notifications in the areas of market access, domestic support and export subsidies, as well as under the provision of the Agreement relating to export restrictions. Since 1995 the Committee has reviewed 1033 notifications.

In the area of market access, the Committee continued last year to review systematically Members' administration of tariff quotas and imports under these commitments. Many tariff quotas have a significant commercial value since imports are subject to relatively low customs duties, albeit for limited import volumes. Currently, 37 Members, counting the EC as one, have bound a total of 1,371 tariff quotas in their WTO Schedules. In the framework of its consideration of implementation issues, the WTO General Council decided in December that Members provide additional notifications to the Committee on Agriculture which include details on guidelines and procedures for the allotment of tariff quotas. The Committee also monitored the application of the special agricultural safeguard. Since 1995 nine Members have applied the special safeguard on a number of eligible products.

In the area of domestic support, the Committee's review of notifications focused on measures claimed by Members to be in conformity with the "Green Box". Most Members provide support to agriculture under the provisions of the Green Box and so long as they

²Article 20 of the Agreement contains a commitment by WTO Members made in the Uruguay Round which requires to initiate further negotiations one year before the end of the implementation period towards the long-term objective of substantial progressive reductions in support and protection in agriculture resulting in fundamental reform. In line with paragraphs (a), (b), (c) and (d) of Article 20, the negotiations are to take into account a variety of factors, including the experience gained from implementing the reduction commitments negotiated during the Uruguay Round, the trade consequences of these commitments, non-trade concerns, special and differential treatment for developing countries, the objective of establishing a fair and market-oriented agricultural trading system, and the commitments needed to achieve the long-term objectives.

³The negotiating proposals and other submissions, background material for the negotiations prepared by the WTO Secretariat and the summary reports of the Special Sessions of the Committee on Agriculture are available on the WTO website.

comply with the non-trade distortion and other criteria specified in Annex 2 of the Agreement, such measures are exempt from reduction commitments.

Members' performance in implementing their export subsidy commitments was also reviewed. Questions focused on cases where Members had exceeded their export subsidy commitments or export subsidy levels had increased conspicuously compared to previous implementation years.

A broad range of specific matters were addressed under Article 18.6 of the Agreement. This provision entitles Members to raise in the Committee any matter relevant to the implementation of commitments under the reform programme. Several Members were requested to provide clarification with regard to recent increases of their import duties in excess of tariff bindings or other border measures which had led to difficulties in trade. A number of Members were questioned concerning their export subsidy programmes, in particular export subsidies which appeared to result in circumvention of export subsidy commitments.

In November 2000, the Committee held, in accordance with Article 18.5 of the Agreement, its annual consultation concerning the impact of the implementation of the Uruguay Round export subsidy commitments on Members' world market shares for major commodities as well as high value agricultural products.⁴ As requested by the General Council, the Committee also held a discussion on the issue of implementation of Article 10.2 of the Agreement on Agriculture which concerns the development of internationally agreed disciplines to govern the provision of export credits, export credit guarantees or insurance programmes.

The Committee is mandated to monitor the follow-up to the Marrakesh Ministerial Decision on Measures Concerning the Possible Negative Effects of the Reform Programme on Least-Developed and Net Food-Importing Developing Countries. In November 2000, the Committee conducted its sixth annual monitoring exercise on the basis of contributions by Members, including notifications concerning actions taken by developed countries within the framework of the Decision. The FAO, the International Grains Council, the IMF, the OECD, the World Bank and UNCTAD also contributed to this process. Several developing country Members expressed disappointment about the state of implementation in the four areas covered by the Decision – level and concessionality of food aid commitments; technical and financial assistance to improve the efficiency of agriculture; special and differential treatment with respect to an agreement on export credits, and access to the resources of the international financial institutions.⁵ In this connection, the General Council decided in December that the Committee on Agriculture examine possible means to improve the effectiveness of the Decision.

Sanitary and phytosanitary measures

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

By 31 December 2000, the Committee had received close to 1900 SPS notifications since the entry into force of the WTO in 1995. One-hundred-and sixteen-Members had established and identified Enquiry Points to respond to requests for information regarding sanitary and phytosanitary measures, and 109 had identified their national authority responsible for notifications.⁶

In 2000, the SPS Committee held three regular meetings. At each of these, the Committee discussed specific trade concerns identified by Members. The Committee also focused specifically on difficulties faced by developing countries, in particular regarding recognition of equivalence (see G/L/423) and the need for special and differential treatment. The Committee developed practical guidelines to help Members achieve more consistency in their decisions regarding acceptable levels of health protection,⁷ and continued to monitor the use of international standards. A number of intergovernmental organizations have been granted observer status by the Committee, either on a regular or an ad hoc basis.⁸

The WTO Secretariat regularly provides technical assistance to developing and WTO-acceding countries to facilitate their implementation of the SPS Agreement. This assistance is

⁴For background information, see Annex II of the document referred to above.

⁵For more details concerning implementation of the Decision, see Annex III to document G/L/417 dated 20 November 2000 which can be downloaded from the WTO website.

⁶G/SPS/GEN/27/Rev.7.

⁷G/SPS/15.

⁸G/SPS/W/98/Rev.1.

usually provided either through WTO-organized programmes or through WTO presentations in programmes organized by other institutions. Most of this technical assistance is undertaken in cooperation with the relevant standard-setting organizations (Codex, OIE and IPPC), as well as with the World Bank. During 2000, the WTO Secretariat participated in SPS training workshops in Belarus, Côte d'Ivoire, Hungary, Mali, Namibia, Senegal, and the United Arab Emirates; in national workshops and seminars in Cuba, Jamaica, Malaysia, Panama, Turkey, and Uruguay; and in providing direct assistance and advice to Macedonia in the context of its accession to the WTO.

In June 2000, the WTO organized a workshop on the application of risk analysis in the context of the SPS Agreement, in conjunction with the regular meeting of the Committee. Various risk assessment methodologies were presented, and concrete examples of the use of risk assessment were given by national experts. Many capital-based experts participated in the workshop and the Committee meeting, and the WTO sponsored the participation of officials from six least-developed countries.⁹

As for dispute settlement, to date Panel and Appellate Body reports have been adopted for three distinct cases in the SPS area: EC-Hormones, Australia-Salmon and Japan-Varietals. No further panels were established on new SPS issues in 2000, although formal requests for consultations relating to alleged violations of the SPS Agreement were requested by the United States on Mexican measures affecting imports of live swine, and by Thailand on Egyptian restrictions on imports of tuna canned in soybean oil. The report of the panel considering the consistency of Australia's measures in implementing the recommendation and rulings of the DSB in the Australia-Salmon dispute was issued in February 2000. In November 2000, the United States and Australia reported that they had reached a mutually acceptable resolution to the US complaint regarding Australia's import restrictions on salmon.

Safeguards

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

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

During the period under review (i.e., calendar year 2000), the Committee established under the Agreement completed its review of national safeguard legislation which had been notified to the Committee as of mid-September 2000. To date, 87 Members have notified the Committee of their domestic safeguard legislations or made communications in this respect. Thirty-eight Members have not, as yet, made such notifications as required by Article 12.6 of the Agreement.¹⁰

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

Members are required to notify the Committee immediately upon taking any action related to safeguard measures. During 2000, the Committee reviewed notifications of the initiation of safeguard investigations received from Argentina, Brazil, Chile, Ecuador, Egypt, India, the Republic of Korea, Morocco, El Salvador, the United States, and Venezuela. The Committee reviewed notifications of application of provisional safeguard measures received from Chile, Egypt, and the Republic of Korea. The Committee reviewed notifications of

⁹The report of the workshop is G/SPS/GEN/209.

¹⁰The total of 125 Members used here reflects the fact that for this obligation, the EC submits a single notification that covers all 15 member States. The official total membership of the WTO (140) includes the EC Commission and the 15 individual member States.

findings of serious injury (or threat thereof) due to increased imports received from Argentina, Brazil, Chile, the Czech Republic, Egypt, India, the Republic of Korea, Latvia, and the United States. The Committee reviewed notifications of termination of a safeguard investigation with no safeguard measure imposed received from Chile, India, the Slovak Republic, the United States and Venezuela.

During 2000, the Committee reviewed notifications related to decisions to apply safeguard measures, and related to the exclusion from application of safeguard measures of those developing countries whose shares of imports are below the thresholds set forth in Article 9.1 of the Agreement, received from Argentina, Brazil, Chile, the Czech Republic, Egypt, India, the Republic of Korea, Latvia, and the United States.

During 2000, the Committee reviewed a notification of the results of a mid-term review of a safeguard measure in effect received from the United States.

During 2000, the Committee reviewed joint notifications regarding the proposed suspension of concessions and other obligations received from Argentina and the European Communities, Argentina and Indonesia, Brazil and the European Communities, the United States and Australia, the United States and the European Communities, and the United States and Japan.

During 2000, the Committee reviewed notifications that were received in time for consideration at the two 2000 regular meetings. Other notifications received during 2000 will be reviewed at the April 2001 regular meeting of the Committee.

Table IV.2

Notifications Submitted by WTO Members

Status as of 31 December 2000

Member	Anti-Dumping			Countervailing Duties			Subsidies (Articles 25 & XVI) (Updating 2000)	State Trading Article XVII:4(a) & XVII (Updating 2000)	Safeguards Legislation
	Legislation	Semi-Annual Reports*		Legislation	Semi-Annual Reports*				
		July-Dec. 99	Jan.-June 2000		July-Dec. 99	Jan.-June 2000			
Albania									
Angola									
Antigua and Barbuda									
Argentina	X	X	X	X	X	X			X
Australia	X	X	X	X	X	X	X		X
Bahrain	X	X	X		X	X	X	X	X
Bangladesh									
Barbados	X			X					
Belize									
Benin	X			X					X
Bolivia	X	X	X	X	X	X		X	X
Botswana	X								X
Brazil	X	X	X	X	X	X			X
Brunei Darussalam	X	X		X	X				X
Bulgaria	X	X	X	X	X	X			X
Burkina Faso	X	X	X		X	X			
Burundi									
Cameroon									
Canada	X	X	X	X	X	X			X
Central African Republic									
Chad	X			X				X	X
Chile	X	X	X	X	X	X	X	X	X
Colombia	X	X	X	X	X	X			X
Congo									
Congo, Dem. Rep.									
Costa Rica	X	X	X	X	X	X	X		X
Côte d'Ivoire	X								X
Croatia									
Cuba	X	X	X	X	X	X			X
Cyprus	X	X		X	X				X
Czech Republic	X	X	X	X	X	X		X	X
Djibouti									
Dominica	X			X					X

Table IV.2 (continued)

Notifications Submitted by WTO Members

Status as of 31 December 2000

Member	Anti-Dumping			Countervailing Duties			Subsidies	State Trading	Safeguards
	Legislation	Semi-Annual Reports*		Legislation	Semi-Annual Reports*		(Articles 25 & XVI) (Updating 2000)	Article XVII:4(a) & XVII (Updating 2000)	Legislation
		July-Dec. 99	Jan.-June 2000		July-Dec. 99	Jan.-June 2000			
Dominican Republic	X			X					X
EC	X	X	X	X	X	X	X		X
Ecuador	X	X		X					X
Egypt	X	X	X	X	X	X			X
El Salvador	X	X	X	X	X	X			X
Estonia	X	X	X	X	X	X			X
Fiji	X			X					X
Gabon									
Gambia									
Georgia									
Ghana	X	X	X	X	X	X	X		X
Grenada									
Guatemala	X	X	X	X	X	X			X
Guinea Bissau									
Guinea, Rep. of	X			X					X
Guyana									
Haiti	X	X		X	X			X	X
Honduras	X	X	X	X	X	X			X
Hong Kong, China	X	X	X	X	X	X	X	X	X
Hungary	X	X	X	X	X	X		X	X
Iceland	X	X	X	X	X	X			X
India	X	X	X	X	X	X			X
Indonesia	X		X	X	X				X
Israel	X	X	X	X	X	X	X		X
Jamaica	X	X	X	X		X			X
Japan	X	X	X	X	X	X	X		X
Jordan	X			X			X	X	X
Kenya	X			X					X
Korea, Rep. of	X	X	X	X	X	X	X		X
Kuwait									
Kyrgyz Republic	X	X	X	X	X	X			X
Latvia	X	X	X	X	X	X	X	X	X
Lesotho									X
Liechtenstein	X	X	X	X	X	X	X		X
Macau, China	X	X	X	X	X	X	X	X	X
Madagascar									
Malawi	X			X					
Malaysia	X	X	X	X	X	X			X
Maldives	X			X	X	X			X
Mali									
Malta	X	X	X	X	X	X		X	X
Mauritania									
Mauritius	X			X	X				X
Mexico	X	X	X	X	X	X	X	X	X
Mongolia	X	X	X	X	X	X		X	X
Morocco	X	X		X	X	X			X
Mozambique									
Myanmar									X
Namibia	X			X				X	X
New Zealand	X	X	X	X	X	X	X	X	X
Nicaragua	X	X	X	X					X
Niger									
Nigeria									X
Norway	X	X	X	X	X	X	X	X	X

Table IV.2 (continued)

Notifications Submitted by WTO Members

Status as of 31 December 2000

Member	Anti-Dumping			Countervailing Duties			Subsidies	State Trading	Safeguards
	Legislation	Semi-Annual Reports*		Legislation	Semi-Annual Reports*		(Articles 25 & XVI) (Updating 2000)	Article XVII:4(a) & XVII (Updating 2000)	Legislation
		July-Dec. 99	Jan.-June 2000		July-Dec. 99	Jan.-June 2000			
Oman									
Pakistan	X	X		X				X	X
Panama	X	X	X	X	X	X			X
Pap. New Guinea									
Paraguay	X			X	X				X
Peru	X	X	X	X	X	X			X
Philippines	X	X	X	X	X	X			X
Poland	X	X	X	X	X	X	X	X	X
Qatar	X	X	X	X	X	X			X
Romania	X	X	X	X	X	X		X	X
Rwanda									
Saint Kitts & Nevis									
Saint Lucia	X			X					X
Saint Vincent & Grenadines								X	
Senegal	X			X					X
Sierra Leone									
Singapore	X	X	X	X	X	X	X	X	X
Slovak Republic	X	X	X	X	X	X			X
Slovenia	X	X	X	X	X	X	X	X	X
Solomon Islands									
South Africa	X	X	X	X	X	X		X	X
Sri Lanka	X	X		X	X	X			X
Suriname	X			X					X
Swaziland	X								
Switzerland	X	X	X	X	X	X	X		X
Tanzania									
Thailand	X	X	X	X	X	X			X
Togo									
Trinidad & Tobago	X	X	X	X	X	X			X
Tunisia	X	X	X	X	X	X			X
Turkey	X	X	X	X	X	X		X	X
Uganda	X	X	X	X	X	X	X	X	X
United Arab Emirates	X			X			X		X
United States	X	X	X	X	X	X			X
Uruguay	X	X	X	X	X	X	X		X
Venezuela	X	X	X	X	X	X		X	X
Zambia	X			X		X	X		X
Zimbabwe	X	X	X	X	X	X			X
Total**	89/119	66/119	60/119	84/119	66/119	62/119	25/119	27/119	87/119

X = notification submitted

* Tally reflects semi-annual reports for the period 1 July-31 Dec. 1999, due 29 February 2000 and 1 Jan.-30 July 2000, due 31 August 2000.

** The denominator used here (119) reflects the fact that for each obligation, the EC submits a single notification that covers all 15 Member States. The official total membership of the WTO (140) includes the EC Commission plus the 15 individual EC Member States.

Subsidies and countervailing measures

The Agreement on Subsidies and Countervailing Measures ("Agreement"), which entered into force on 1 January 1995, regulates the provision of subsidies and the imposition of 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.¹¹ Part V of the Agreement contains detailed rules regarding the conduct of countervailing duty investigations and the application of countervailing measures by Members. Parts VIII and IX of the Agreement provide special and differential treatment, respectively, for developing-country Members and for Members in transformation to a market economy.

Notification and review of subsidies

Transparency is essential for the effective operation of the Agreement. To this end, Article 25 of the Agreement requires that Members make a new and full notification of specific subsidies every third year, (the most recent such notification was due on 30 June 1998), and that Members submit an updating notification on 30 June of the intervening years. As of 31 December 2000, 49 Members (counting the EC as a single Member) had submitted a 1998 new and full notification, of which 18 notified that they provided no specific subsidies. Thirty-five Members had submitted 1999 updating notifications, and 25 Members had submitted 2000 updating notifications. The Committee continued its review of subsidy notifications at its regular meetings in May and November 2000.

Notification and review of countervailing legislation

Pursuant to Article 32.6 of the Agreement and a decision of the Committee, Members were required to notify their countervailing duty legislation and/or regulations (or the lack thereof) to the Committee by 15 March 1995. As of 31 December 2000, 84 Members (counting the EC as a single Member) had submitted such a notification. Of these, 29 Members notified new legislation designed to implement the Marrakesh Agreement, 23 Members notified pre-existing legislation, and 32 Members notified that they had no countervailing duty legislation. Forty-one Members had not submitted a notification. During 2000 the Committee continued the task of reviewing notifications of legislation at its regular meetings. Both new notifications of legislation and notifications that had previously been the subject of review were reviewed at the Committee's regular meetings in May and November 2000.

Permanent Group of Experts

The Agreement provides for the establishment of a Permanent Group of Experts ("PGE"), composed of five independent persons highly qualified in the fields of subsidies and trade relations. The role of the PGE involves the provision of assistance to panels with respect to whether a subsidy is prohibited, as well as the provision of advisory opinions at the request of the Committee or a Member.¹² Although the PGE has drafted Rules of Procedure and submitted them to the Committee for its approval, the draft Rules have not yet been approved by the Committee.

Countervailing actions

Countervailing actions taken during the period 1 July 1999–30 June 2000 are summarized in Tables IV.3 and IV.4. The tables are incomplete because certain Members have not submitted one or both of their semi-annual reports on countervailing actions or have not provided all of the information required by the format adopted by the Committee. The data available indicate that 21 new countervailing duty investigations were initiated in the review period. As of 30 June 2000, Members reported 95 countervailing measures (including undertakings) in force.

Articles 6.1, 8 and 9 of the Agreement

Article 31 of the Agreement provides that Articles 6.1 (presumption of serious prejudice), 8 and 9 (non-actionable subsidies) applied for a period of five years from the date of entry into force of the WTO Agreement (i. e., until 31 December 1999), and that not later than 180 days before the end of this period the Committee was to review their operation, with a view to determining whether to extend their application, either as presently drafted or in modified form, for a further period. As of 31 December 1999 the Committee had not reached a consensus as to the extension of these provisions, and the provisions therefore lapsed effective 1 January 2000.

Anti-dumping practices

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

¹¹ The provisions of Part IV of the Agreement, on non-actionable subsidies, lapsed on 1 January 2000, as there was no consensus in the Committee on Subsidies and Countervailing Measures pursuant to SCM Article 31, to extend these provisions. (See below).

¹² The current membership of the PGE is as follows: Mr. Okan Aktan, Chairman, Department of Economics at Hacettepe University, Ankara; Mr. Marco Bronckers, private attorney in the trade law area and Professor of Law at the University of Leyden; Mr. Renato Galvao Flores Junior, Professor of Law at Universidade Federal do Rio de Janeiro and Mr. Gary Horlick, private attorney in the trade law area.

Table IV.3

**Exporters subject to initiations of countervailing investigations,
1 July 1999-30 June 2000¹**

Affected country	Initiations	Affected country	Initiations
Brazil	1	Korea, Rep. of	2
Chinese Taipei	3	Malaysia	1
Czech Republic	1	Pakistan	1
European Community	1	South Africa	1
France	1	Thailand	2
India	4	United States	1
Indonesia	2	Total	21

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

Table IV.4

Summary of countervailing duty actions, 1 July 1999-30 June 2000¹

Reporting party	Initiations	Provisional measures	Definitive duties	Undertakings	Measures in force on 30 June 2000
Argentina	0	0	0	0	3
Australia	1	0	1	0	5
Brazil	0	0	0	0	6
Canada	5	5	3	0	7
Chile	4	4	0	0	0
European Community	8	1	9	1	13
Mexico	0	0	0	0	10
New Zealand	0	0	0	0	2
South Africa	2	0	0	0	0
United States	1	7	6	0	46
Venezuela	0	0	0	0	3
Total	21	17	19	1	95

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

investigations. It also clarifies the role of dispute settlement panels in disputes concerning anti-dumping actions taken by WTO Members.

Notification and review of anti-dumping legislation. WTO Members are under a continuing obligation to notify their anti-dumping legislation and/or regulations (or the lack thereof). Thus, Members who enact new legislation or amend existing legislation are required to notify the new text or amendment. As of 31 December 2000, 89 Members (counting the EC as a single Member) had submitted notifications regarding anti-dumping legislation or regulations. Of these, 34 Members had notified new legislation designed to implement the WTO Agreement, 29 Members had notified pre-existing legislation, and 26 Members had notified that they had no anti-dumping legislation or regulations. 36 Members have not yet submitted a notification. The status of notifications pursuant to Article 18.5 may be found in Table V.5. The Committee continued the on-going review of Members' notifications of legislation at its regular meetings in April and November 2000, based on written questions and answers.

Subsidiary bodies. The Ad Hoc Group on Implementation considers, principally, technical issues concerning the Agreement, and seeks to develop agreement concerning implementation issues for consideration by the Committee. At its meetings in April and October 2000, the Ad Hoc Group continued discussing a series of topics referred to it by the Committee in April 1999, as well as continuing discussions from earlier meetings. 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 Ministerial Decision on Anti-Circumvention. The Informal

Group met in April and October 2000, and continued discussions on the first two topics under the agreed framework for discussions, "what constitutes circumvention", and "what is being done by Members confronted with what they consider to be circumvention".

Anti-dumping actions. Anti-dumping actions taken during the period 1 July 1999 – 30 June 2000 are summarized in Tables V.5 and V.6. The tables are incomplete because certain Members have not submitted the required semi-annual report of anti-dumping actions for this period or have not provided all the information required by the format adopted by the Committee. The data available indicate that 236 investigations were initiated during the period. The most active Members during this period, in terms of initiations of anti-dumping investigations, were the European Community (49), the United States (29), India (27), Argentina (23) Australia (18), Brazil (17), Indonesia (13), and Canada and South Africa (11) each). As of 30 June 1999, 23 Members reported anti-dumping measures (including undertakings) in force. Of the 1121 measures in force reported, 27% were maintained by the United States, 17% by the European Community, 9% by South Africa, 8 percent each by India and Canada, and 7% by Mexico. Other Members reporting measures in force each accounted for 5% or less of the total number of measures in force. Products exported from the European Community or its member States were the subject of the most anti-dumping investigations initiated during the year (32), followed by products exported from China (30), the Republic of Korea (23), Indonesia (15), Chinese Taipei (13), Thailand (12), India, Japan, and Russia (11 each), and the United States (10).

Table IV.5

Summary of Anti-Dumping Actions, 1 July 1999-30 June 2000¹

	Initiations	Provisional measures	Definitive Duties	Price undertakings	Measures in force on 30 June
2000 ²					
Argentina	23	7	10	10	45
Australia	18	4	4	0	48
Brazil	17	6	12	0	42
Canada	11	12	18	0	88
Chile	1	0	0	0	0
Colombia	3	0	2	0	12
Czech Republic	1	0	0	0	n.a. ³
Ecuador	0	1	0	0	n.a. ³
Egypt	4	0	10	0	10
EC	49	31	15	13	190
India	27	44	32	0	91
Indonesia	13	4	0	0	n.a. ³
Israel	1	1	3	0	3
Japan	0	0	0	0	1
Korea, Rep. of	4	4	0	2	27
Malaysia	1	1	2	0	9
Mexico	7	6	5	0	80
New Zealand	6	0	0	0	13
Peru	4	3	6	0	14
Philippines	4	5	1	0	n.a. ³
Poland	0	0	0	0	1
Singapore	0	0	0	0	2
South Africa	11	9	16	0	104
Thailand	0	0	0	0	4
Trinidad and Tobago	0	5	1	0	5
Turkey	2	0	8	0	13
United States	29	38	37	4	300
Venezuela	0	5	3	0	19
Total	236	189	185	20	1121

¹The reporting period covers 1 July 1999-30 June 2000. The table is based on information from Members having submitted a semi-annual report for that period and is incomplete due to missing reports and/or missing information in reports.

²Includes definitive price undertakings.

Table IV.6

Exporters subject to two¹ or more initiations of anti-dumping investigations, 1 July 1999-30 June 2000²

Affected country	Total	Affected country	Total
EC and/or its member States	32	Czech Republic	5
China	30	Turkey	5
Korea, Rep. of	23	Ukraine	5
Chinese Taipei	13	Australia	4
Indonesia	15	Poland	4
Thailand	12	Chile	3
India	11	Mexico	3
Japan	11	Singapore	3
Russia	11	South Africa	3
United States	10	Brazil	2
Malaysia	8	Lithuania	2
Brazil	7	Venezuela	2
		Total	222³

¹Countries the subject of only one initiation of an anti-dumping investigation were: Argentina; Hong Kong, China; Hungary; Iran; Kazakhstan; Malawi; New Zealand; Pakistan; Peru; Philippines; Romania; Saudi Arabia; United Arab Emirates; and Uruguay.

²The reporting period covers 1 July 1999 - 30 June 2000. The table is based on information from Members having submitted a semi-annual report for that period and is incomplete due to missing reports and/or missing information in reports.

³Does not include exporters subject to only one initiation (see note 4 above). The total number of initiations was 236.

Technical barriers to trade

The Agreement on Technical Barriers to Trade is aimed at ensuring that activities relating to mandatory technical regulations, voluntary standards and their conformity assessment procedures do not create unnecessary obstacles to trade. For the purpose of transparency, WTO Members are required to fulfil notification obligations and establish national enquiry points.

During the year 2000, The Committee held five meetings where statements were made on the implementation and administration of the Agreement. A number of Members informed the Committee of measures taken to ensure the implementation and administration of the Agreement. Several measures were brought to the attention of the Committee by Members who raised concerns about the potential adverse trade effects or inconsistency with the Agreement of those measures (G/TBT/M/18-22).

The Committee conducted the Second Triennial Review of the Operation and Implementation of the Agreement, and the following elements were discussed: (i) implementation and administration of the Agreement; (ii) notifications and procedures for information exchange, (iii) international standards, guides and recommendations; (iv) conformity assessment procedures; (v) technical regulations; (vi) technical assistance and special and differential treatment; and (vii) other elements (G/TBT/9).

State trading enterprises

The Working Party on State Trading Enterprises was established in accordance with paragraph 5 of the Understanding on the Interpretation of Article XVII of the GATT 1994 and held its first meeting in April 1995. Since the 2000 Annual Report, the Working Party has held two formal meetings: in July and in November 2000. The Working Party's main task is to review the notifications and counter-notifications submitted by Members on their state trading activities.

The Working Party was also charged with two other tasks by the Ministers at Marrakesh: (i) to examine, with a view to revising, the questionnaire on state trading adopted in November 1960; and (ii) to develop an illustrative list of the kinds of relationships between governments and state trading enterprises and the kinds of activities engaged in by these enterprises. As reported previously, the illustrative list of state trading relationships and activities (contained in document G/STR/4) – approved by the Working Party at its July 1999 meeting – was adopted by the Council for Trade in Goods at its October 1999 meeting. As also reported previously, a revised questionnaire (contained in document G/STR/3) – approved by the Working Party at its April 1998 meeting – was adopted by the Council for Trade in Goods at its own April 1998 meeting. This questionnaire has been in use since then as the format for notifications by Members.

Reviews of the notifications submitted are conducted in formal meetings of the Working Party. The first series of new and full notifications on state trading enterprises was required of all Members by the deadline of 30 June 1995, and subsequent new and full notifications are required every third year, also by the deadline of 30 June. Updating notifications must be submitted in each of the intervening two years; thus, updating notifications were due by 30 June 1996, by 30 June 1997, by 30 June 1999, and by 30 June 2000. All notifications must be made by all Members, regardless of whether the Member maintains any state trading enterprises and regardless of whether an existing state trading enterprise has conducted any trade during the period under review.

With regard to the main task of the Working Party – the review of notifications – at its meeting of July 2000, the Working Party conducted a review of 23 notifications: 2000 updating notifications of Bolivia; Haiti; Hong Kong, China; Hungary; Macau, China; Malta; Mongolia; and Slovenia; the 1999 updating notifications of Argentina; Chile; Guatemala; Haiti; Hungary; Mongolia; Singapore; and Turkey; the 1998 new and full notifications of Argentina; Chile; Guatemala; Haiti; and Singapore; and the 1996 and 1997 updating notifications of Guatemala. At its meeting of November 2000, the Working Party conducted a review of 26 notifications: 2000 updating notifications of Bahrain; Chad; Chile; the Czech Republic; Mexico; Namibia; New Zealand; Norway; Turkey; and Venezuela; 1999 updating notifications of Australia; Bahrain; Chad; the Czech Republic; Liechtenstein; Mexico; Switzerland; and Venezuela; 1998 new and full notifications of Australia; Bahrain; Chad; the Czech Republic; Liechtenstein; and Switzerland; 1997 updating notification of the Czech Republic; and 1996 updating notification of the Czech Republic.

Trade-related investment measures

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

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

The TRIMs Agreement provides that the Council for Trade in Goods may extend the transition period at the request of an individual developing or least-developed country Member which demonstrates particular difficulties in implementing the provisions of the Agreement. As of 31 December 2000, Argentina, Chile, Colombia, Malaysia, Mexico, Pakistan, the Philippines, Romania and Thailand had submitted such requests. Consideration of the requests is pending.

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

IV. Trade in services

Mandated negotiations on services

The year 2000 was marked by the beginning of the negotiations under Article XIX of the General Agreement on Trade in Services. On 7 February 2000, the General Council decided that these negotiations would be conducted by the Council for Trade in Services in Special Sessions back-to-back with the regular meetings of the Council, and that the Council would report on a regular basis to the General Council. It was also decided that the Chairman of the Council for Trade in Services would chair the Special Sessions.

Special Session of the Council for Trade in Services

The Council held six formal meetings in Special Session in 2000 and one special meeting devoted entirely to the issue of modalities for the treatment of autonomous liberalization. Reports of the meetings are contained in documents S/CSS/M/1 to 7. The Special Session addressed the following matters:

Assessment of trade in services

Paragraph 3 of Article XIX of the GATS calls upon the Services Council to carry out an assessment of trade in services in overall terms and on a sectoral basis, with reference to the objectives of the Agreement, including those set out in paragraph 1 of Article IV.

At the regular Council meeting held on 25 February it had been decided that the assessment of trade in services would be moved to the agenda of the Special Session, where it would figure as a standing item. It had been agreed that the assessment should be regarded as an on-going process, rather than a one-off exercise. Accordingly, starting with the meeting of 25 February, Members addressed this item in the Special Session, on the basis of papers submitted by delegations and requested of the Secretariat.

Delegations noted the importance of solidifying the services statistical basis. At the meeting held in July, Members agreed to hold a half-day seminar on how services statistics were collected and how that related to trade negotiators' needs. The seminar took place on 3 October.

Tourism services

At its regular meeting held on 25 February, the Council had agreed to place the discussion of a proposal presented by three delegations on tourism services on the agenda of the Special Session.

Accordingly, starting with the Special Session meeting on 25 February, Members took up discussion of the proposal; additional papers submitted by delegations were also addressed. A proposal that a symposium on tourism be held as a way of deepening Members' understanding of the sector was met with broad support. At its meeting in May, the Council agreed that the Secretariat would prepare a note putting forward ideas on the organization and substantive content of such a symposium. The note and a draft agenda for the symposium were discussed at the meetings in July and October. Members agreed that the symposium would be held in February 2001.

Elements of a proposed first phase of the services negotiations mandated under Article XIX of the GATS

At the meeting in April, two proposals were tabled on "Elements of a Proposed First Phase for the Services Negotiations Mandated under Article XIX". Members discussed the submissions, and the Secretariat was asked to prepare an informal paper bringing together the two proposals and taking into account comments made by Members at the meeting. A first draft was circulated with an invitation to Members to submit comments. Following several rounds of informal consultations and a number of revisions to the draft, the text was finally adopted at the Special Session meeting of 26 May.

Negotiating guidelines and procedures pursuant to Article XIX of the GATS

Article XIX of the GATS requires that, for each round of negotiations, negotiating guidelines and procedures shall be established. At its meeting on 26 May 2000, the Special Session began discussions on how to proceed with the preparation of negotiating guidelines and procedures. Members held detailed discussions throughout the year, on the basis of the numerous submissions tabled and of a list of possible elements for inclusion in the guidelines prepared by the Secretariat. At the meeting held in December, Members agreed to task the Secretariat with producing a first draft text of the guidelines, to provide a common basis for further work. The first draft text would draw from all inputs, both oral and written, while noting that one submission, tabled by a number of delegations, was helpful in that it was an advanced proposal.

Special meeting on the treatment of autonomous liberalization

At the meeting held in October, widespread support was expressed for the proposal that a Special Session meeting be devoted to the issue of the treatment of autonomous liberalization, for which Article XIX of the GATS requires that modalities be established. The meeting was held on 1 December. The discussion focused on the basic concepts involved, including that of "autonomous liberalization". It was agreed that the subject would be taken up as a separate item on the agenda of the Special Session.

Other matters relating to negotiations under Article XIX of the GATS

At the meeting held in April, Members agreed that the agenda of the Special Session would contain a standing item on "Other matters relating to negotiations under Article XIX of the GATS", to provide an opportunity for Members to raise matters relating to the negotiations which were not covered by the other items on the agenda.

At its meeting on 26 May, the Special Session began discussion of two submissions on clusters. The Secretariat was asked to prepare a paper to assist the discussion on the issue, which was taken up at the meeting in October. At the Special Session meeting in October, Members discussed two submissions on the scope and coverage of the services negotiations. The Special Session also held initial discussions of a joint communication on the negotiations on maritime transport services. At the meeting in December, submissions were tabled on the movement of natural persons, on telecommunication services and on the overall approach to

the negotiations. The Secretariat introduced a note on the incorporation into the GATT of successive schedules of concessions on goods, which had been requested at a previous meeting.

Council for Trade in Services

The Council for Trade in Services held six formal meetings in 2000. Reports of the meetings are contained in documents *S/C/M/41* to *43*, *S/C/M/46*, *S/C/M/48* and *S/C/M/50*. The Council also held three special meetings devoted to the review of Article II (MFN) Exemptions, the reports of which are contained in documents *S/C/M/44*, *45* and *47*, and two special meetings dedicated to the review of the Annex on Air Transport Services, the reports of which are contained in documents *S/C/M/49* and *S/C/M/51*. The Council addressed the following matters:

Assessment of trade in services – Article XIX:3 of the GATS

Paragraph 3 of Article XIX of the GATS calls upon the Council to carry out an assessment of trade in services in overall terms and on a sectoral basis with reference to the objectives of the GATS, including those set out in paragraph 1 of Article IV.

At the meeting of 25 February 2000, Members agreed that the discussion on the assessment of trade in services be moved to the agenda of the Special Session of the Council for Trade in Services.

Tourism services

At the meeting held on 25 February, the Council began discussions of a paper presented by three delegations on tourism services and agreed to place the item on the agenda of the Special Session of the Council for Trade in Services.

Review of Article II (MFN) exemptions

At the Council meetings held in February and April, the Council continued discussions on how to conduct the review of MFN exemptions as mandated by paragraph 3 of the Annex on Article II (MFN) Exemptions. The Secretariat was tasked with constructing a compilation of MFN exemptions along sectoral lines, as a basis for the review.

The first session of the review was held on 29 May, and the Council examined exemptions listed for "All sectors", "Business services", "Communication services", "Construction and related-engineering services" and "Distribution services". The second session, which took place on 5 July, examined exemptions pertaining to "Financial services", "Tourism and travel-related services", "Recreational, cultural and sporting services" and "Transport services". In the third session of the review on 5 October, Members addressed outstanding points arising from the previous sessions and continued discussions on the determination of the date of any further review. The review was placed as an item on the agenda of the regular meeting of the Council in December, when Members carried on with the discussion.

Article II (MFN) exemptions – general issues arising from the review

In the course of the review of MFN Exemptions, it had been agreed that an item would be placed on the agenda of the regular Council to provide an opportunity for Members to raise issues of a general nature that had arisen during the review. Accordingly, at the Council meetings of 6 October and 1 December, Members held initial discussions on the basis of a paper submitted by three delegations.

Review of the Annex on Air Transport Services under paragraph 5 of the Annex

At the Council meetings held in February, April and May, Members continued discussions on how to conduct the review of the Annex on Air Transport Services pursuant to paragraph 5 of the Annex. Members agreed to schedule two sessions for the review in 2000, in September and December. The Secretariat was tasked with the updating of the information it had previously provided and produced the notes contained in documents *S/C/W/163*, Addendum 1 and 2; a number of delegations also submitted papers. Members engaged in substantive discussions and agreed to schedule a third session of the review in 2001.

Review of the Understanding on accounting rates

At the meeting held on 25 February, the Council began discussions on the review of the Understanding on accounting rates, as provided for in paragraph 7 of the Report of the Group on Basic Telecommunications contained in document *S/GBT/4*. The Secretariat had produced an informal note providing a brief factual background of the circumstances which had led to the adoption of the Understanding.

At the meeting held on 26 May, the International Telecommunication Union (ITU) provided a report on their work on reforming the accounting rates system, as a means of

facilitating the Council's work in the review. At its meetings of 6 October and 1 December the Council also heard progress reports from the ITU Secretariat on the meeting of the World Telecommunications Standardization Assembly.

Procedures for the certification of rectifications or improvements to schedules of specific commitments

Article XXI:5 of the GATS calls upon the Council for Trade in Services to establish procedures for the certification of rectifications or improvements to schedules of specific commitments. The Council had decided to refer this task to the Committee on Specific Commitments in 1997. At its meeting on 14 April 2000, the Council received the draft procedures from the Committee, contained in document *S/CSC/W/26/Rev.1*, as well as a draft Decision by the Council adopting such procedures in document *S/C/W/133*. The Council adopted the decision and the procedures, which are contained in documents *S/L/83* and *S/L/84*, respectively.

Negotiations under Article X of the GATS on emergency safeguards

At the meeting of 1 December, the Council received a proposal from the Chairperson of the Working Party on GATS Rules to extend the deadline for the negotiations under Article X of the GATS on the question of emergency safeguards measures until 15 March 2002. The Council adopted the decision, which is contained in document *S/L/90*.

Draft cooperation agreement between the WTO and the ITU

On 22 March 1999, the Council had approved the text of a cooperation agreement between the International Telecommunication Union (ITU) and the WTO. The text had been forwarded to the ITU for consideration by its Council, which had suggested further changes. Amended versions of the draft were discussed at the meetings of 14 April and 26 May. The Council adopted the revised draft contained in document *S/C/9/Rev.1*. The text was approved by the ITU Council at its annual session on 19-28 July. The Agreement, contained in document *S/C/11*, was then submitted to the General Council and approved on 10 October.

Re-opening of the Fourth Protocol for acceptance

At the meeting of 26 May, following a request from Dominica, the Council adopted the decision contained in document *S/L/86*, re-opening the Fourth Protocol to the GATS relating to basic telecommunications for acceptance by Dominica.

Re-opening of the Fifth Protocol for acceptance

At the meeting of 26 May, following a request from Ghana, the Council adopted the decision contained in document *S/L/87*, re-opening the Fifth Protocol to the GATS relating to financial services for acceptance by Ghana. At the meeting of 1 December a similar decision, contained in document *S/L/89*, was adopted for Kenya and Nigeria.

Work programme on electronic commerce

On 17 July 2000, the General Council had agreed to invite the Goods, Services and TRIPS Councils and the Committee on Trade and Development to pick up where they had left off in their work on electronic commerce within their respective spheres of competence, to identify cross-sectoral issues and to report back to the General Council at its regular meeting in December 2000.

Accordingly, at its meeting on 6 October, the Council for Trade in Services began discussions on this issue. At its December meeting, the Chairman presented the report, reflecting the thrust of the discussion, which he would present orally at the meeting of the General Council in December. The report is contained in document *S/C/13*.

Requests for observer status

In the course of 2000, the Council noted requests for observer status from the Islamic Development Bank, the League of Arab States, the Common Market for Eastern and Southern Africa, the Gulf Organization for Industrial Consulting and the Universal Postal Union, and agreed to add them to the list of all outstanding requests. The Council also noted requests from the World Health Organization and the World Tourism Organization and decided to grant the two organizations observer status on an ad hoc basis, which implied inviting them to meetings of the Council when the agenda contained an item of interest to them.

Working Party on Domestic Regulation

The Working Party on Domestic Regulation (WPDR), which had been established by the Services Council on 26 April 1999, is mandated to develop disciplines to ensure that

measures relating to licencing requirements, technical standards and qualification requirements do not constitute unnecessary barriers to trade in services. It also took over the tasks that had been assigned to the Working Party on Professional Services, including the development of general disciplines for professional services.

The Working Party held six formal meetings and one informal meeting in the period under review. Minutes of the formal meetings are found in WTO documents S/WPDR/M/4 to M/9.

Discussions of the Working Party continued to focus primarily on issues related to the development of horizontally applicable disciplines. This, however, did not rule out the possibility of developing sector-specific disciplines. At the request of Members, a checklist of substantive issues relating to the development of horizontal disciplines was drawn up to help focus and structure discussions.

Observing the mandate of the Working Party to also develop general disciplines for professional services, Members consulted on a voluntary basis with their domestic organizations concerning the potential applicability of the accountancy disciplines, adopted in December 1998, to other professions. They reported that initial responses, although limited in number, were generally positive. Some professions requested additional disciplines to cover the specificities of their particular sector. The Secretariat compiled an informal synthesis of Member responses to date. The Working Party has also agreed in principal that the Secretariat should carry out similar consultations with international professional services organizations. The list of such organizations to be consulted is still under consideration by Members.

Committee on Trade in Financial Services

The Committee on Trade in Financial Services is mandated to discuss matters relating to trade in financial services and formulate proposals or recommendations for consideration by the Council. It is responsible, inter alia, for the continuous review and surveillance of the application of the GATS with respect to this sector, and serves as a forum for technical discussions and examination of regulatory developments. The Committee held 5 formal meetings during the period under consideration. The reports of these meetings are contained in documents S/FIN/M/25-29. The annual report of the Committee to the Council for Trade in Services (covering the period between 1 January and 31 October 2000) is contained in document S/FIN/5 of 24 November 2000.

During the year 2000, the Committee focused on monitoring the acceptance of the Fifth Protocol to the GATS, embodying the results of the 1997 financial services negotiations, and identifying issues for future discussion. With respect to the former, the Committee noted at its first meeting of the year that 10 Members, i.e. Bolivia, Brazil, Dominican Republic, Ghana, Jamaica, Kenya, Nigeria, Philippines, Poland and Uruguay, had yet to accept the Protocol. All of those Members provided progress reports on the status of their domestic procedures in various meetings. By the end of the year, the Committee noted that three more Members, i.e. Ghana, Kenya and Nigeria, had accepted the Protocol, bringing down to 7 the number of outstanding acceptances. As to issues for future discussion, proposals were made for looking at classification issues, e.g. examining the coverage of the Classification in the Annex on Financial Services and the harmonization of the classification in the sector; issues related to prudential regulation; and general regulatory issues in financial services. The Committee continues to consider possible items for its agenda in the light of the current round of services negotiations.

Committee on Specific commitments

The Committee on Specific Commitments (CSC) oversees the implementation of services commitments as well as the application of the procedures for the modification of schedules. It is also responsible for examining ways to improve the technical accuracy and coherence of schedules of commitments and lists of MFN exemptions. It has concentrated its work on the second part of this mandate and more specifically on the classification of services and scheduling of commitments, with a view to assisting the current round of negotiations on trade in services.

During the period under review, the Committee on Specific Commitments held 6 formal meetings. The reports of these meeting are contained in documents S/CSC/M/13 to 18. The Committee's discussions addressed the following: First, the drafting of procedures for the certification of rectifications or improvements to schedules of specific commitments (resulting text subsequently adopted by the Council for Trade in Services, documents S/L/84 and S/L/83). Second, establishment of a non-binding electronic compilation of schedules of commitments. Third, classification issues on five services sectors, namely, environmental services, energy services, legal services, postal and courier services and construction services. Discussion of the sectors, based on proposals submitted by Members, focused on possible

amendments to sectoral descriptions in the existing classification list (document MTN.GNS/W/120). Members also engaged in the discussion of a cross-sectoral issue relating to "production services", on the basis of an informal paper prepared by the Secretariat. Fourth, the revision of the guidelines for the scheduling of specific commitments in services (document MTN.GNS/W/164 and Add.1). This work has been advanced and discussions, based on a draft revised scheduling guidelines, are expected to be concluded by March 2001.

The Committee also held a number of informal meetings in this period, mainly devoted to advancing work on classification and revision of the scheduling guidelines. The Annual Report of the Committee on Specific Commitments to the Council for Trade in Services (covering the period between 1 January and 31 October 2000) is contained in document S/CSC/5 of 23 November 2000.

Working Party on GATS Rules

The Working Party on GATS Rules is mandated to carry out negotiations on emergency safeguard measures (GATS Article X), government procurement (GATS Article XIII) and subsidies (GATS Article XV). In 2000, it held five formal meetings during which these three topics were discussed. In November 2000, Members decided to extend the negotiating deadline for emergency safeguard measures until 15 March 2001. Differing views continued to be expressed regarding the desirability of an emergency safeguard mechanism in services, but Members agreed to leave this question aside for the time being and to concentrate on the feasibility of such a mechanism. On government procurement, discussions focused on the context of possible multilateral disciplines. The Working Party discussed the need for and possible scope of disciplines on subsidies which may have trade-distortive effects. The annual report of the Working Party on GATS Rules to the Council for Trade in Services is contained in document S/C/12 (23 November 2000).

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

The WTO Agreement on Trade-Related Aspects of Intellectual Property Rights, the so-called TRIPS Agreement, is based on a recognition that increasingly the value of goods and services entering into international trade resides in the know-how and creativity incorporated into them. The TRIPS Agreement provides for minimum international standards of protection for such know-how and creativity in the areas of copyright and related rights, trademarks, geographical indications, industrial designs, patents, layout-designs of integrated circuits and undisclosed information. It also contains provisions aimed at the effective enforcement of such intellectual property rights, and provides for multilateral dispute settlement. It gives all WTO Members transitional periods so that they can meet their obligations under it. Developed-country Members have had to comply with all of the provisions of the Agreement since 1 January 1996. For developing countries and certain transition economies, the general transitional period ended on 1 January 2000. For least-developed countries, the transitional period is 11 years (i.e. until 1 January 2006).

At the end of their transition period, Members are obliged to notify their implementing legislation. Given the difficulty of examining legislation relevant to many of the enforcement obligations in the Agreement, Members have undertaken, in addition to notifying legislative texts, to provide information on how they are meeting these obligations by responding to a Checklist of Questions. This information is being used as the basis for reviews of implementing legislation carried out by the Council for TRIPS. The reviews of the national implementing legislation of developing and transition economy Members are taking place in 2000 and 2001. The Council conducted such reviews in June 2000 with regard to the legislation of Belize; Cyprus; El Salvador; Hong Kong, China; Indonesia; Israel; the Republic of Korea; Macau, China; Malta; Mexico; Poland; Singapore; and Trinidad and Tobago. It completed ten of these reviews in September; the other three reviews were completed in November. In November, the Council took up the reviews of the legislation of Chile; Colombia; Estonia; Guatemala; Kuwait; Paraguay; Peru; and Turkey. The remaining reviews are scheduled to be taken up at three Council meetings in 2001.

The Council was informed that three new issues of alleged non-compliance with TRIPS obligations had become the subject of an invocation of the dispute settlement procedure. In seven of the 23 disputes that have been initiated in the TRIPS area to date, panels have been established; five other disputes have been settled through a mutually agreed solution.

The Council has afforded Members the opportunity of consulting on a number of matters related to the trade-related aspects of intellectual property rights, including questions relating to the protection of geographical indications in certain Members, questions relating

to the protection of trademarks and trade names in a certain Member, and compliance with the so-called "mail-box" and exclusive marketing rights provisions of Articles 70.8 and 70.9.

Technical cooperation has been a prominent issue in the TRIPS Council. Article 67 of the Agreement obliges each developed-country Member to provide, on request and on mutually agreed terms, technical and financial cooperation in favour of developing and least-developed Member countries. In order to ensure that information on available assistance is readily accessible and to facilitate the monitoring of compliance with the obligation of Article 67, developed-country Members update annually descriptions of their technical and financial cooperation programmes. For the sake of transparency, intergovernmental organizations observers to the TRIPS Council also present, on the invitation of the Council, information on their activities. In addition, the WTO Secretariat provides information on its technical cooperation in the TRIPS area. In 2000, the information was updated in time for the Council's meeting in September, which had a special focus on technical cooperation. The regular discussion in the Council on the basis of this material provides an opportunity for developing countries to identify their needs, in particular any gaps in the assistance available. Developed-country Members have also notified contact points in their administrations which can be addressed by developing countries seeking technical cooperation on TRIPS.

In November, the delegations of Australia; Bangladesh; the European Communities and their member States; Hong Kong, China; Norway; and Zambia launched an initiative to assist other Members in notifying their intellectual property laws to the Council for TRIPS in a transparent fashion and preparing for the review of these laws by the Council.

The Secretariat cooperates with a number of intergovernmental organizations, notably with WIPO pursuant to the Agreement Between WIPO and the WTO, which entered into force on 1 January 1996 and the joint initiative on technical cooperation of the Directors-General of the two Organizations of July 1998.

The Council continued to discuss the implementation of Article 66.2 of the Agreement, which requires developed-country Members to provide incentives to enterprises and institutions in their territories for the purpose of promoting and encouraging technology transfer to least-developed country Members in order to enable them to create a sound and viable technological base. In June, the Council considered a Secretariat note setting out the types of incentive measures that had been notified by developed country Members, with cross-references to where further details could be found in their notifications. At that time, the Council also received a proposal from Zambia relating to special and differential treatment in respect of technology transfer, which has been under discussion in the Council since.

In October, the Special Session of the General Council on Implementation invited the Council for TRIPS to give consideration, with a view to facilitating full implementation of Article 66.2, to drawing up an illustrative list of incentives of the sort envisaged by Article 66.2 as well as to putting on a regular and systematic basis its procedure for the notification and monitoring of measures in accordance with the provisions of Article 66.2 and, in doing so, to give consideration to avoiding unnecessary burdens in notification procedures. Some representatives of least-developed countries have indicated their intention to come forward with proposals for an illustrative list and a systematic notification and monitoring procedure. The Special Session of the General Council on Implementation also requested the Council for TRIPS to invite other intergovernmental organizations to provide information on their activities aimed at technology capacity-building. In this connection, the Council for TRIPS agreed to invite the secretariats of UNCTAD, WIPO, UNIDO, the World Bank and the CBD to provide written information on their activities on technology capacity building prior to the Council's meeting in April 2001.

During the period covered by the report, the Council has held discussions on various aspects of the TRIPS Agreement's built-in agenda. It continued its discussion on issues relevant to the negotiations specified in Article 23.4 of the Agreement concerning the establishment of a multilateral system of notification and registration of geographical indications for wines, and on issues relevant to a notification and registration system for spirits. These discussions are taking place on the basis of two proposals, one from the European Communities and their member States and the other from Canada, Chile, Japan and the United States. In the period covered by the report, the Council also received two other papers addressing specific aspects of these proposals, one from Hungary and the other from New Zealand; and information provided orally by WIPO, at the Council's meeting in September, on the work that had commenced in July 2000 in that Organization in relation to the Lisbon Agreement.

In September, the Council received a paper outlining the views of the delegations of Bulgaria, the Czech Republic, Egypt, Iceland, India, Kenya, Liechtenstein, Pakistan, Slovenia, Sri Lanka, Switzerland and Turkey on the implementation of Article 24.1, in particular in regard to the extension of additional protection for geographical indications to products

other than wines and spirits, and making reference to paragraph 26 of the Council's report (1996). Two papers circulated previously by India also address this matter. The Council also considered the matter in November.

As regards its review of the application of the Agreement's provisions on geographical indications under Article 24.2, the Council received, in 2000, responses to the Checklist of Questions adopted in 1998 from four additional Members and has now received responses from 36 Members. In September, the Secretariat circulated a preliminary version of the paper that the Council had requested it to prepare summarizing, on the basis of an agreed outline, the responses to the Checklist, in order to facilitate an understanding of the more detailed information that had been provided in these responses. At the same time, the delegations of Australia and New Zealand each submitted a paper on the subject of geographical indications and the Article 24.2 review. In November, the Council had a further exchange of views as to how the work under this built-in agenda item should be pursued and initiated a detailed review of experience and practice with the application of the provisions in the TRIPS Agreement on geographical indications.

In regard to the review of the provisions of Article 27.3(b), Members discussed extensively both a number of substantive issues and a number of procedural questions relating to how the Council should handle its further work on this matter. The latter issues included those of seeking additional information on how this provision was being implemented by Members other than the 35 which had replied to the questionnaire on this issue, in particular since little information was as yet available from developing country Members in this regard; requesting various intergovernmental organizations, including WIPO, the FAO, the CBD Secretariat and UPOV to provide updated information; and considering ways of organizing the topics that had been raised in the discussions so far. In September and November, the Council received nine communications addressing matters under discussion from six Members, i.e. Brazil, India, Japan, Mauritius on behalf of the African Group, Singapore and the United States.

In October, the Special Session of the General Council on Implementation invited the Council for TRIPS to continue its on-going work concerning the relationship between the TRIPS Agreement and the CBD, with a view to clarifying this relationship. In November, building on the work that the Council had previously done on the relationship between the TRIPS Agreement and the CBD, Members had a detailed exchange of views on this matter, which touched also on some other matters in connection with the Council's work on the review of Article 27.3(b) of the TRIPS Agreement. The Special Session of the General Council also requested the Council for TRIPS to give positive consideration to granting observer status to the CBD Secretariat on an ad hoc basis pending the conclusion of the wider discussions on observer status for intergovernmental organizations in the General Council. The Council discussed this matter in November, but was unable to reach a consensus.

Article 71.1 requires the Council for TRIPS to review the implementation of the Agreement after the end of the five-year transition period provided for in Article 65.2. Throughout the period under review, the Council discussed how it should approach this general review of the implementation of the Agreement. It has received papers on the matter from Cuba, Honduras, Paraguay and Venezuela, jointly, as well as from Australia and India. In November, the Council agreed on a target date of end February, prior to the Council's meeting in April 2001, for the submission of suggestions both on the approach that it should take to the review and the specific issues that delegations would wish to see taken up in the review, so as to allow the Council to work out, at its meeting in April 2001, a way of initiating the actual review. It was understood that the target date would not prevent subsequent submissions.

Following a request of the delegation of the European Communities, the issue of the examination of the scope and modalities for non-violation complaints was placed on the agenda of the Council's meeting in March and, as a result of the discussions at that meeting, the Council also addressed the issue of non-violation complaints at the other meetings in the period under review. It has received communications on the matter from Canada, the Czech Republic, the European Communities and their member States, Hungary and Turkey, jointly, as well as from Australia, the Republic of Korea and the United States.

In July, the General Council agreed to invite the TRIPS Council and three other subsidiary bodies, namely the Council for Trade in Goods, the Council for Trade in Services and the Committee on Trade and Development, to pick up where they had left off in their work on e-commerce within their respective spheres of competence, to identify cross-sectoral issues, and to report back to the General Council at its regular meeting in December 2000. The Council heard an update from WIPO in September on the work of that Organization in this area. In November, it received two papers, one from Australia and the other from the European Communities and their member States. The Chairperson submitted a second Progress Report to the General Council on his own responsibility.

Since February 1997, the following organizations have regular observer status in the TRIPS Council: the Food and Agriculture Organization (FAO), the International Monetary Fund (IMF), the International Union for the Protection of New Varieties of Plants (UPOV), the Organization for Economic Cooperation and Development (OECD), the United Nations (UN), the United Nations Conference on Trade and Development (UNCTAD), the World Bank, the World Customs Organization (WCO) and the World Intellectual Property Organization (WIPO). In June 2000, the Council granted ad hoc observer status to the World Health Organization (WHO), subject to certain conditions. Requests from the African Regional Industrial Property Organization (ARIPO), the Conférence des Ministres de l'Agriculture de l'Afrique de l'Ouest et du Centre (CMA/AOC), the Cooperation Council for the Arab States of the Gulf (GCC), the European Free Trade Association (EFTA), the International Plant Genetic Resources Institute (IPGRI), the International Vaccine Institute, the Islamic Development Bank (IsDB), the Latin American Economic System (SELA), the Office International de la Vigne et du Vin (OIV), the Organization of American States (OAS), the Organization of the Islamic Conference (OIC), the Secretariat of the Convention on Biological Diversity (CBD), the Secretariat of the General Treaty on Central American Economic Integration (SIECA), the South Centre and the United Nations Environment Programme (UNEP) are pending.

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

Overview

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

Dispute settlement activity in 2000

In the year 2000, the DSB received 33 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, concerning 11 distinct matters, and adopted panel and/or Appellate Body reports in 17 cases, concerning 14 distinct matters. In addition, mutually agreed solutions were notified in three cases, and the authority of a panel lapsed in one case (involving two complaints on the same matter).

The following sections briefly describe the procedural history and, where available, the substantive outcome of these cases. They also describe the implementation status of adopted reports where new developments occurred in the covered period. In order to provide the most up-to-date information available at the time of writing concerning cases which were active in 2000, developments until 20 February 2001 are reflected. New cases initiated in 2001 are not reflected here. Additional information on each of these cases can be found on the WTO's website at www.wto.org.^{1,3}

Appellate Body and/or Panel reports adopted

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

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

¹ Documents relating to a particular dispute can easily be found through the "Documents online" facility of the WTO website by using the document series reference indicated in brackets after the title of each dispute (WT/DSxxx, where xxx is the number of the dispute). All documents concerning a specific dispute are issued under that symbol. Panel reports normally are issued under the symbol "WT/DSxxx/R", and Appellate Body reports are normally issued under the symbol "WT/DSxxx/AB/R". The full text of the DSU is also available on the WTO website.

At its meeting on 26 July 1999, the DSB established a panel. The Panel found that the export measure did not constitute a de facto export restriction contrary to Article XI:1 of the GATT 1994. The Panel considered that the EC had failed to show that the measure in question was the cause of the low export levels. The EC asserted, inter alia, that the Argentinian tanners were operating in a cartel and thus were able to exert pressure on exporters of hides due to the fact that they could allegedly become aware of the identity of exporters by participating in the Customs process. The Panel rejected this claim as unproven. The Panel nevertheless found that the export measure amounted to an unreasonable and partial administration contrary to Article X:3 (a) of the GATT 1994. This finding was based on the fact that the tanners did not need to have access to certain business confidential information in order to perform the role which the measure assigns to them.

Regarding the import measures, the Panel found that they constituted internal tax measures applied to products and upheld the European Communities' claim that they discriminated against imports contrary to Article III:2, first sentence, of the GATT 1994. The Panel agreed with Argentina that those measures are necessary to secure compliance with Argentina's value-added tax and income tax and thus fell within the terms of Article XX(d). The Panel also found, however, that those measures, in their application, constituted a means of unjustifiable discrimination against imports contrary to the chapeau of Article XX. The Panel noted that Argentina could compensate importers for the extra tax burden imposed on them without putting in doubt the usefulness of the measures in question for combatting tax evasion. The Panel therefore considered that the measures in question were not justified by Article XX as a whole.

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

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

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

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

The Panel, however, also concluded that the United States acted consistently with its obligations under the Anti-Dumping Agreement when engaging in currency conversions for the purpose of determining normal value in the plate investigation. The Panel recommended that the United States be required to bring the two Anti-Dumping measures at issue into conformity with their obligations under the Anti-Dumping agreement, but declined the Republic of the Republic of Korea's request to suggest that the United States revoke such measures.

The report of the Panel was circulated to WTO Members on 22 December 2000. It was adopted by the DSB on 1 February 2001.

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

This dispute concerns definitive safeguard measures imposed by the United States on imports of wheat gluten from the European Communities. By a Proclamation of 30 May 1998, and a Memorandum of the same date, by the United States President, the United States imposed definitive safeguard measures in the form of a quantitative limitation on imports of wheat gluten from the European Communities, effective as of 1 June 1998. The European Communities considered these measures to be in violation of Articles 2, 4, 5 and

12 of the Agreement on Safeguards; Article 4.2 of the Agreement on Agriculture; and Articles I and XIX of GATT 1994. At its meeting on 26 July 1999, the DSB established a panel. Australia and New Zealand reserved their third party rights. The report of the Panel was circulated to WTO Members on 31 July 2000.

The Panel found that the United States had not acted inconsistently with Articles 2.1 and 4 of the Safeguards Agreement or with Article XIX:1(a) of the GATT 1994 in redacting certain confidential information from the published USITC Report or in determining the existence of imports in "increased quantities" and of serious injury. The Panel found, however, that the definitive safeguard measure imposed by the United States on certain imports of wheat gluten, based on the United States investigation and determination, was inconsistent with Articles 2.1 and 4 of the Safeguards Agreement for two reasons. First, the causation analysis applied by the USITC did not ensure that injury caused by other factors was not attributed to imports; and second, imports from Canada (a NAFTA partner) were excluded from the application of the measure after imports from all sources, including Canada, were included in the investigation for the purposes of determining serious injury. The Panel further concluded that the United States failed to notify immediately the initiation of the investigation and the finding of serious injury, as required under Articles 12.1(a) and 12.1(b) of the Safeguards Agreement. The Panel also concluded that, in notifying its decision to adopt the measure only after the measure was implemented, the United States did not make timely notification of its decision to apply a safeguard measure, under Article 12.1(c) of the Safeguards Agreement. For the same reason, the United States violated the obligation to provide adequate opportunity for prior consultations on the measure as required by Article 12.3 of the Safeguards Agreement. In the view of the Panel, the United States therefore also violated its obligation under Article 8.1 of the Safeguards Agreement to endeavour to maintain a level of concessions and other obligations substantially equivalent to that existing under the GATT 1994 between it and the exporting Members which would be affected by such measures.

The United States appealed certain issues of law covered in the Panel report and certain legal interpretations developed by the Panel. The Appellate Body circulated its report on 22 December 2000. The Appellate Body upheld the Panel's finding that the United States had acted inconsistently with its obligations under Articles 2.1 and 4.2 of the Safeguards Agreement, but in so doing, it reversed the Panel's interpretation of Article 4.2(a) of the Safeguards Agreement that the competent authorities are required to evaluate only the "relevant factors" listed in Article 4.2(a) of that Agreement and any other "factors" which were clearly raised before the competent authorities as relevant by the interested parties in the domestic investigation. The Appellate Body also reversed the Panel's interpretation of Article 4.2(b) of the Safeguards Agreement that increased imports "alone", "in and of themselves", or "per se", must be capable of causing "serious injury", as well as the Panel's conclusions on the issue of causation. The Appellate Body upheld the Panel's findings that the United States had acted inconsistently with its obligations under Articles 12.1(a) and 12.1(b) of the Safeguards Agreement. It reversed, however, the Panel's finding that the United States did not notify "immediately" its decision to apply a safeguard measure under Article 12.1(c). The Appellate Body also upheld the Panel's findings under Articles 8.1 and 12.3 of the Safeguards Agreement. The Appellate Body found, however, that the Panel acted inconsistently with Article 11 of the DSU in finding that "the USITC Report provides an adequate, reasoned and reasonable explanation with respect to 'profits and losses'" and, therefore, reversed this finding.

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

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

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

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

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

The Panel then went on to find that the "dual retail" system (including the obligation for department stores and supermarkets authorized to sell imported beef to hold a separate display and the obligation for foreign beef shops to bear a special sign) was in violation of Article III:4 of the GATT 1994, and could not be justified under Article XX(d) of the GATT 1994. The Panel further found that the more stringent record-keeping requirements imposed on purchasers of imported beef and certain other regulations dealing with the importation and distribution of imported beef violated Article III:4. The Panel also found that lack of and delays in calling for tenders and some practices between November 1997 and the end of May 1998 constituted import restrictions contrary to Article XI:1 of the GATT 1994 and Article 4.2 of the Agreement on Agriculture.

The panel found, in addition, that the Republic of Korea's domestic support for beef for 1997 and 1998 was not correctly calculated and exceeded the *de minimis* level, contrary to Article 6 of the Agreement on Agriculture, and was not included in the Republic of Korea's Current Total AMS, contrary to Article 7.2(a) of the Agreement on Agriculture. Finally, the Republic of Korea's total domestic support (Current Total AMS) for 1997 and 1998 exceeded the Republic of Korea's commitment levels, as specified in Section 1, Part IV of its Schedule, contrary to Article 3.2 of the Agreement on Agriculture.

The report of the Panel was circulated to WTO Members on 31 July 2000. The Republic of Korea appealed certain issues of law and legal interpretations developed by the panel. With respect to the total AMS amount actually provided by the Republic of Korea in 1997 and 1998, the Appellate Body concluded that the Panel had failed to carry out its calculations in accordance with Article 1(a)(ii) and Annex 3 of the Agreement on Agriculture. Furthermore, as there were insufficient factual findings by the Panel, the Appellate Body was unable to calculate the correct level of Total AMS provided by the Republic of Korea in 1997 and 1998, and therefore was not able reach a conclusion as to whether the Republic of Korea's total domestic support for 1997 and 1998 exceeded the Republic of Korea's commitment levels for those years. With respect to the dual retail system, the Appellate Body upheld the Panel's ultimate conclusion that the Republic of Korea's system is inconsistent with the national treatment obligations of Article III:4 of the GATT 1994, because it modifies the conditions of competition in favour of domestic beef as compared to like imported beef. The Appellate Body disagreed, however, with the Panel's ruling that "any measure that is based exclusively on criteria relating to the nationality or the origin of the products is incompatible with Article III:4". The Appellate Body clarified that for a violation of Article III:4 to be found, the measure at issue must modify the conditions of competition to the detriment of the imported product, as compared to the domestic like product. As the dual retail system resulted in imported beef having access to far fewer points of sale than domestic beef, the Appellate Body concluded that the dual retail system modified conditions of competition to the detriment of imported beef, as compared to like domestic beef, contrary to Article III:4 of the GATT 1994. Finally, the Appellate Body upheld the Panel's conclusion that the measure could not be justified under Article XX(d) of the GATT 1994.

The report of the Appellate Body was circulated to WTO Members on 11 December 2000. At its meeting of 10 January 2001, the DSB adopted the Appellate Body Report and the report of the Panel, as modified by the Appellate Body's report.

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

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

The European Communities contended that the 3 March 1999 measure was inconsistent with Articles 3, 21, 22 and 23 of the DSU, and Articles I, II, VIII and XI of the GATT 1994. The European Communities also alleged nullification and impairment of benefits under GATT

1994, as well as the impediment of the objectives of the DSU and GATT 1994. The European Communities requested urgent consultations pursuant to Article 4.8 of the DSU.

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

The Panel further found that the United States had violated its obligations under Articles I and II of the GATT 1994 (one panelist dissented, considering that the bonding requirements rather violated Article XI:1 of the GATT 1994). In light of these conclusions, the 3 March measure constituted a suspension of concessions or other obligations within the meaning of Articles 3.7, 22.6 and 23.2(c) of the DSU imposed without DSB authorization and during the ongoing Article 22.6 arbitration process. In suspending concessions in those circumstances, the United States did not abide by the DSU and thus violated Article 23.1 together with Articles 3.7, 22.6 and 23.2(c) of the DSU. The report of the Panel was circulated to WTO Members on 17 July 2000.

Both the United States and the European Communities appealed certain issues of law and legal interpretations developed by the panel. However, the Panel's key conclusion that the United States had acted inconsistently with Article 23.1 of the DSU was not appealed. The United States' appeal was focussed primarily on the Panel's finding of inconsistency with Articles 21.5 and 23.2(a) of the DSU as well as Articles II:1(a) and II:1(b), first sentence of the GATT 1994. The European Communities' appeal focused on the Panel's finding with regard to the determination of the measure at issue in this dispute and the Panel's statement that the WTO-consistency of measures taken to implement recommendations and rulings of the DSB can be determined by arbitrators appointed under Article 22.6 of the DSU.

The Appellate Body upheld the panel's finding that the 3 March measure is the measure at issue in this dispute and is no longer in existence. With regard to the Panel's statements that the determination of whether measures taken to implement recommendations and rulings of the DSB are WTO-consistent can be performed by arbitrators appointed under Article 22.6 of the DSU, the Appellate Body found that this issue was not, and could not have been, relevant to the Panel's examination of the claims relating to the 3 March measure, since this measure was taken before the decision of the Article 22.6 arbitrators. In fact, this issue could only be relevant to the measure taken by the United States on 19 April, a measure taken after the decision of the Article 22.6 arbitrators. The Appellate Body found, therefore that the Panel erred in making statements on the mandate of the arbitrators appointed under Article 22.6 of the DSU, and consequently found that the Panel's statements on this issue had no legal effect. In coming to this conclusion, the Appellate Body observed that "it is certainly not the task of either panels or the Appellate Body to amend the DSU or to adopt interpretations within the meaning of Article IX.2 of the WTO Agreement. Only WTO Members have authority to amend the DSU or to adopt such interpretations."

The Appellate Body reversed the Panel's findings that the 3 March measure is inconsistent with Articles II:1 (a) and II:1(b), first sentence of the GATT 1994. The Panel's findings of inconsistency with Articles I and II:1(b), second sentence, of the GATT 1994 were not appealed and therefore, stand. Finally, the Appellate Body reversed the Panel's finding that by adopting the 3 March measure, the United States acted inconsistently with Article 23.2(a) of the DSU, because the European Communities did not make such a claim of inconsistency. The Appellate Body upheld, however, the Panel's finding of inconsistency of the 3 March measure at a time when the WTO-consistency of the implementing measure had not yet been determined.

The report of the Appellate Body was circulated to WTO Members on 11 December 2000. At its meeting of 10 January 2001, the DSB adopted the Appellate Body Report and the report of the Panel, as modified by the Appellate Body's report.

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

This dispute concerns the imposition, on 23 January 1998, of definitive anti-dumping duties by Mexico on imports of high-fructose corn syrup from the United States. The United States raised claims concerning the initiation of the investigation conducted by the Mexican authorities, as well as the final determination imposing the measure. In particular, the United

States contended that the manner in which the application for an anti-dumping investigation was made, as well as the manner in which the determination of threat of injury was made, was inconsistent with Articles 2, 3, 4, 5, 6, 7, 9, 10 and 12 of the Anti-Dumping Agreement.

The DSB established a panel at its meeting on 25 November 1998. Jamaica reserved its third party rights. The Panel found no violation of the Anti-Dumping Agreement in the initiation of the investigation, rejecting the United States' arguments regarding the need to make certain underlying determinations specific and to publish notice of them at the time of initiation. The Panel found, however, that Mexico acted inconsistently with its obligations under the Anti-Dumping Agreement in its determination of threat of material injury and in the imposition of the definitive anti-dumping measure on imports of HFCS from the United States. With respect to the final determination of threat of material injury, the Panel concluded that each of the injury factors set for the in the Anti-Dumping Agreement must be specifically addressed in the analysis. The Panel also concluded that the threat of injury must be to the entire domestic industry, and not only that portion of it that directly competes with imports. (See also Annual Report 2000, "Panel reports circulated to WTO Member States", p.75).

The report of the Panel was circulated to WTO Members on 28 January 2000. The DSB adopted the Panel report at its meeting on 24 February 2000. (For subsequent developments see the section on "Implementation of adopted reports" below).

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

This dispute concerns tax exemptions and special administrative pricing rules contained in Sections 921-927 of the United States "Foreign Sales Corporations" (FSC) scheme of the Internal Revenue Code. In November 1997, the European Communities contended that these provisions were inconsistent with United States obligations under Articles III:4 and XVI of the GATT 1994, Articles 3.1(a) and (b) of the Agreement on Subsidies Agreement (SCM Agreement), and Articles 3 and 8 of the Agreement on Agriculture.

At its meeting on 22 September 1998, the DSB established a panel. Barbados, Canada and Japan reserved their rights as third parties to the dispute. The Panel found that, through the FSC scheme, the United States acted inconsistently with its obligations under Article 3.1(a) of the Subsidies Agreement and under Article 3.3 of the Agreement on Agriculture (and consequently with its obligations under Article 8 of that Agreement). The report of the Panel was circulated to WTO Members on 8 October 1999 (for a more detailed description of the Panel report, see also WTO Annual Report 2000, "Panel reports pending before the Appellate Body", p.73).

The United States appealed certain issues of law covered in the Panel report and legal interpretations developed by the panel. The Appellate Body upheld the panel's finding that the FSC measure constituted a prohibited subsidy under Article 3.1(a) of the SCM Agreement. However, it reversed the Panel's finding that the FSC measure involved "the provision of subsidies to reduce the costs of marketing exports" of agricultural products under Article 9.1(d) of the Agreement on Agriculture and, in consequence, reversed the panel's findings that the United States acted inconsistently with its obligations under Article 3.3 of the Agreement on Agriculture concerning export subsidies. The Appellate Body found that the United States acted inconsistently with its obligations under Articles 10.1 and 8 of the Agreement on Agriculture by applying export subsidies, through the FSC measure, in a manner which results in, or threatens to lead to, circumvention of its export subsidy commitments with respect to agricultural products. In reaching these conclusions, the Appellate Body emphasized that "a Member of the WTO may choose any kind of tax system it wishes" and also that a Member "has the sovereign authority to tax any particular categories of income it wishes". However, whatever system of taxation a Member chooses, it must respect its commitments under the WTO Agreement.

The report of the Appellate Body was circulated to WTO Members on 24 February 2000. The DSB adopted the Appellate Body report and the Panel report, as modified by the Appellate Body report, at its meeting on 20 March 2000 (for subsequent developments see the section on "Implementation of adopted reports" below).

The Republic of Korea – Measures affecting government procurement, complaint by the United States (WT/DS163)

This dispute relates to the Incheon International Airport (IIA) project in the Republic of Korea. At issue was whether the entities that had procurement responsibility for the project since its inception were "covered entities" under the plurilateral Agreement on Government Procurement (GPA).¹⁴ The United States argued that the procurement practices of these entities were or had been inconsistent with the Republic of Korea's obligations under the GPA. At its meeting of 16 June 1999, the DSU established a panel. The European Communities and Japan reserved their third party rights in the proceedings.

¹⁴As a plurilateral agreement, the GPA applies only to the Parties that have specifically acceded to it. By contrast, the multilateral WTO Agreements apply to all Members. Korea's accession to the GPA dates from 1 January 1997.

The panel found that the text of the Republic of Korea's GPA Schedule did not include the entities which were conducting procurement for the IIA project, and that these entities were independent from the Ministry of Construction and Transportation, which is a "covered entity". In addition, the panel examined the United States claim of non-violation nullification or impairment. It found that the traditional approach to non-violation could not be sustained in a situation where there was no actual concession granted. The Panel also examined the non-violation claim in the context of an error in treaty negotiation. It concluded that, based on less than complete Korean answers to certain questions by the United States during negotiations on the Republic of Korea's accession to the GPA, there had initially been an error on the part of the United States as to which Korean authority was in charge of the project at issue. However, in light of all the facts, the panel considered that there was notice of this error and that it was not reasonable or justifiable. The panel, therefore, found that the United States had not demonstrated that benefits reasonably expected to accrue to it under the GPA, or in the negotiations in the Republic of Korea's accession to the GPA, were nullified or impaired by measures taken by the Republic of Korea (whether or not in conflict with the provisions of the GPA), within the meaning of ArticleXXII:2 of the GPA.

The report of the Panel was circulated to WTO Members on 1 May 2000. The DSB adopted the Panel report at its meeting on 19 June 2000.

Guatemala – Definitive anti-dumping measures on grey Portland cement, complaint by Mexico (WT/DS156)

On 22 September 1999, the DSB established a panel in order to evaluate the consistency with WTO law of the definitive anti-dumping measure imposed by the authorities of Guatemala on imports of grey Portland cement from Mexico and the proceedings leading thereto, in particular the anti-dumping investigation against imports of grey Portland cement from Cruz Azul, a Mexican exporter. Mexico alleged that the definitive anti-dumping measure was inconsistent with Articles 1, 2, 3, 5, 6, 7, 12 and 18 of the Anti-dumping Agreement and its Annexes I and II, as well as with Article VI of GATT 1994. The European Communities, Ecuador, Honduras and the United States reserved their third party rights.

The Panel concluded that Guatemala's initiation of an investigation, the conduct of the investigation and imposition of a definitive anti-dumping measure on imports of grey Portland cement from Mexico's Cruz Azul was inconsistent with the requirements in the Anti-Dumping Agreement. With regard to the initiation of the investigation, the Panel found *inter alia* that the evidence on dumping, threat of injury or causation was insufficient to justify initiation of the investigation and that Guatemala should have rejected the application for anti-dumping duties. With respect to the conduct of the investigation, the Panel found several violations of Mexico's rights of due process. Regarding the final determination of injury caused by dumped imports, the Panel concluded that Guatemala acted inconsistently with the Anti-Dumping Agreement in that the investigating authority failed to properly assess the increase in the volume of dumped imports relative to domestic consumption in Guatemala, and failed to examine other known factors than the dumped imports that may have been causing injury. The Panel also rejected some of Mexico's claims, and refrained from examining claims which it considered to be subsidiary to the principal claims put forward by Mexico and on which a ruling would not provide additional guidance on the implementation of the Panel's recommendations.

The report of the Panel was circulated to WTO Members on 24 October 2000. The DSB adopted it at its meeting on 17 November 2000.

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

This dispute concerns the term of protection for patents in Canada. The United States contended that the TRIPS Agreement obligates Members to grant a term of protection for patents that runs at least until 20 years after the filing date of the underlying protection, and requires each Member to grant this minimum term to all patents existing as of the date of the application of the Agreement to that Member. The United States alleged that under the Canadian Patent Act, the term granted to patents issued on the basis of applications filed before 1 October 1989 was 17 years from the date on which the patent is issued. The United States contended that this situation was inconsistent with Articles 33, 65 and 70 of the TRIPS Agreement. At its meeting on 22 September 1999, the DSB established a panel.

The Panel first found that, pursuant to Article 70.2 of the TRIPS Agreement, Canada was required to apply the relevant obligations of the TRIPS Agreement to inventions protected by patents that were in force on 1 January 1996, i.e. the date of entry into force for Canada of the TRIPS Agreement. The Panel further found that Section 45 of Canada's Patent Act does not make available in all cases a term of protection that does not end before 20 years from the date of filing as mandated by Article 33 of the TRIPS Agreement, thus rejecting – *inter alia* – Canada's argument that the 17-year statutory protection under its Patent Act was

effectively equivalent to the 20-year term prescribed by the TRIPS Agreement because of average pendency periods for patents, informal and statutory delays etc.

The report of the Panel was circulated to WTO Members on 5 May 2000. Canada appealed certain issues of law covered in the Panel report and legal interpretation developed by the Panel. The Appellate Body, however, upheld all of the findings and conclusions of the panel that were appealed. The Appellate Body report was circulated to WTO Members on 18 September 2000. The DSB adopted the Appellate Body report and the Panel report, as upheld by the Appellate Body report, on 12 October 2000.

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

This dispute concerns the United States Anti-dumping Act of 1916 (“1916 Act”). This Act allows, under certain conditions, civil actions and criminal proceedings to be brought against importers who have sold foreign-produced goods in the United States at prices which are “substantially less” than the prices at which the same products are sold in a relevant foreign market. An importer found criminally liable is subject to a fine and/or imprisonment, and private complainants may seek treble damages if they suffered injury as a result of a violation of the 1916 Act.

The European Communities and Japan separately challenged the 1916 Act on the ground that the Act authorizes remedies for “dumping” other than the imposition of anti-dumping duties, and does not respect the procedural requirements or the injury test set out in the relevant provisions of the Anti-Dumping Agreement (AD Agreement) and Article VI of the GATT 1994. The European Communities and Japan also argued that the 1916 Act is inconsistent with Article III:4 of the GATT 1994 and Article XVI:4 of the WTO Agreement, and Japan claimed that the 1916 Act is inconsistent with Article XI of the GATT 1994 and Article 18.4 of the AD Agreement.

At its meeting on 1 February 1999, the DSB established a panel at the request of the European Communities. India, Japan and Mexico reserved their third party rights. At its meeting on 26 July 1999, the DSB established a second panel at the request of Japan. The European Communities and India reserved their third party rights. Both panels had the same composition and are therefore referred to as the Panel in these disputes.

In two separate reports, circulated to WTO Members on 31 March 2000 and 29 May 2000, respectively, the Panel found that it had jurisdiction to consider the claims made by the European Communities and Japan and rejected the arguments made by the United States concerning the “discretionary” nature of the 1916 Act. The Panel also found that the 1916 Act falls within the scope of application of Article VI of the GATT 1994 and the AD Agreement, and that the 1916 Act violates Articles VI:1 and VI:2 of the GATT 1994, as well as certain provisions of the AD Agreement.

The United States, the European Communities and Japan all appealed certain legal findings and conclusions of the Panel. The Appellate Body upheld all the findings and conclusions of the Panel that were appealed. In particular, the Appellate Body upheld the Panel’s findings on its jurisdiction; the Appellate Body did not accept the United States’ argument that Members may not challenge the consistency of legislation with the AD Agreement and Article VI of the GATT 1994 unless one of the specific anti-dumping measures listed in Article 17.4 of the AD Agreement has been adopted. The Appellate Body also upheld the Panel’s findings on the applicability of Article VI of the GATT 1994 and the AD Agreement to the 1916 Act; the Appellate Body determined that Article VI and the AD Agreement apply to action taken in response to situations involving “dumping”, as that concept is defined in WTO law. Furthermore, the Appellate Body upheld the Panel’s findings that the 1916 Act is inconsistent with Article VI of the GATT 1994, because this provision, read in conjunction with the AD Agreement, limits the permissible responses to dumping to definitive anti-dumping duties, provisional measures and price undertakings. The Appellate Body also confirmed the Panel’s findings that the 1916 Act is inconsistent with the AD Agreement because the Act does not incorporate the injury test or the procedural requirements applicable to anti-dumping investigations set out in that Agreement.

The Appellate Body report was circulated to WTO Members on 28 August 2000. The DSB adopted the Appellate Body report and the Panel reports, as upheld by the Appellate Body report, on 26 September 2000.

Canada – Patent protection of pharmaceutical products, complaint by the European Community and their member States (WT/DS114)

This dispute concerns the protection of inventions by Canada in the area of pharmaceuticals. The European Communities contended that Canada’s Patent Act is not compatible with its obligations under the TRIPS Agreement, because this legislation does not provide for the full protection of patented pharmaceutical inventions for the entire duration of the term of protection envisaged by Articles 27.1, 28 and 33 of the TRIPS Agreement. At

its meeting on 1 February 1999, the DSB established a panel. Australia, Brazil, Colombia, Cuba, India, Israel, Japan, Poland, Switzerland, and the United States reserved their third party rights.

The Panel found that the “regulatory review exception” provided for in Canada’s Patent Act (Section 55.2(1)) – the first aspect of the Patent Act challenged by the European Communities – was not inconsistent with Article 27.1 of the TRIPS Agreement as it was covered by the exception in Article 30 of the Agreement. Under the “regulatory review exception”, potential competitors of a patent owner are permitted to use the patented invention, without the authorization of the patent owner during the term of the patent, for the purposes of obtaining government marketing approval, so that they will have regulatory permission to sell in competition with the patent owner by the date on which the patent expires. Regarding the second aspect of the Patent Act challenged by the European Communities, the “stockpiling exception” (Section 55.2(2)), the Panel found a violation of Article 28.1 of the TRIPS Agreement that was not covered by the exception in Article 30. Under the “stockpiling exception”, competitors are allowed to manufacture and stockpile patented goods during a certain period before the patent expires, but the goods cannot be sold until after the patent expires. The Panel considered that, unlike the “regulatory review exception”, the “stockpiling exception” constituted a substantial curtailment of the exclusionary rights required to be granted to patent owners under Article 28.1 to such an extent that it could not be considered to be a limited exception within the meaning of Article 30 of the TRIPS Agreement.

The report of the Panel was circulated to WTO Members on 17 March 2000. The DSB adopted the Panel report at its meeting on 7 April 2000.

United States – Imposition of countervailing duties on certain hot-rolled lead and bismuth carbon steel products originating in the United Kingdom, complaint by the European Communities (WT/DS138)

This dispute concerns countervailing duties imposed by the United States on certain hot-rolled lead and bismuth carbon steel products (lead bars), from the United Kingdom. The lead bars subject to countervailing duties were produced and exported to the United States by United Engineering Steels Limited (UES) and British Steel Engineering Steels (BSES). These companies had acquired, directly or indirectly, lead bar producing assets that were previously owned by British Steel Corporation (BSC), a state-owned company. Between 1977 and 1986, BSC received subsidies from the British Government.

The United States originally imposed countervailing duties on imports of lead bars from the United Kingdom in 1993. The US Department of Commerce subsequently conducted annual administrative reviews of the countervailing duties. In those reviews, the Department of Commerce presumed, notwithstanding the changes in ownership of the assets of BSC used in the production of lead bars, that the subsidies granted to BSC had “passed through” to the “benefit” of UES and BSES. In this dispute, the European Communities complained that the countervailing duties imposed on lead bars imported in 1994, 1995 and 1996 as a result of the administrative reviews conducted in 1995, 1996 and 1997 violated the obligations of the United States under Articles 1.1(b), 10, 14 and 19.4 of the SCM Agreement.

The Panel concluded that by imposing countervailing duties on 1994, 1995 and 1996 imports of lead bars produced by UES and BSES respectively, the United States violated Article 10 of the SCM Agreement. The Panel found that the US Department of Commerce should have examined whether there was a continuing “benefit” to UES and BSES from the subsidies previously granted by the British Government to BSC. The US Department of Commerce was wrong to presume the existence of a continuing “benefit”. Moreover, the Panel found that, since the changes in the ownership of the lead bar producing assets of BSC had occurred at arm’s length and for fair market value, UES and BSES could not have received any “benefit” from the subsidies previously granted to BSC. The report of the Panel was circulated to WTO Members on 23 December 1999 (for a more detailed description of the Panel report, see also WTO Annual Report 2000, p.75).

The United States appealed certain legal findings and conclusions of the Panel. The Appellate Body upheld all of the findings of the Panel that were appealed while modifying some of the reasoning. The Appellate Body stressed that an investigation authority conducting a review of countervailing duties must determine, in the light of all the facts before it, whether there is a continuing need for the application of these duties. As the Panel had made factual findings that UES and BSES paid fair market value when they acquired the assets of BSC, the Appellate Body held that the Panel did not err in finding that UES and BSES received no “benefit” from the subsidies granted.

At the outset of the appeal, the Appellate Body received two amicus curiae briefs, in support of the position of the United States, from the American Iron and Steel Institute and the Speciality Steel Industry of North America. The Appellate Body determined that it has the

legal authority, under the DSU, to accept and consider amicus curiae briefs in a case in which it is pertinent and useful to do so. The Appellate Body emphasized, however, that individuals and organizations, which are not Members of the WTO, have no legal right to make submissions to or to be heard by the Appellate Body. Furthermore, the Appellate Body has no legal duty to accept and consider unsolicited amicus curiae briefs. In this appeal, the Appellate Body did not find it necessary to take the two amicus curiae briefs into account in rendering its decision.

The Appellate Body report was circulated to WTO Members on 10 May 2000. The DSB adopted the Appellate Body report and the Panel report, as upheld by the Appellate Body report, on 7 June 2000. (For subsequent developments, see the section on "Implementation of adopted reports" below).

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

This dispute concerns a Canadian measure which provides for an import duty exemption for the importation of certain motor vehicles. Since the conclusion of the Canada – United States Auto Pact in 1965, Canada has granted duty-free treatment to motor vehicles imported by certain manufacturers established in Canada which meet three main conditions. First, the manufacturer must have a manufacturing presence in Canada with respect to motor vehicles of the class imported. Second, the sales value of the motor vehicles produced in Canada, as a proportion of the sales value of all motor vehicles sold in Canada by that manufacturer, must be equal to or higher than a specified ratio. Third, the "Canadian value-added" in the production of motor vehicles in Canada must be equal to or greater than either a specified amount or, in some cases, a designated percentage of the cost of sales or the cost of production. Both Japan and the European Communities argued that the Canadian measure at issue is inconsistent with Articles I:1 and III:4 of the GATT 1994, Article 2 of the Agreement on Trade-Related Investment Measures (TRIMs Agreement), Article 3 of the Agreement on Subsidies and Countervailing Measures (SCM Agreement) and Articles II, VI and XVII of the General Agreement on Trade in Services (GATS). In addition, Japan also claimed a violation of Article XXIV of GATT 1994.

At its meeting on 1 February 1999, the DSB established a single panel to examine both the complaint by Japan (DS139) and the complaint by the European Communities (DS142). India, the Republic of Korea, and the United States reserved their third party rights. The Panel found that the conditions under which Canada granted its import duty exemption were inconsistent with Article I:1 of GATT 1994 and not justified under Article XXIV of GATT 1994. It further found the application of the "Canada value-added" requirements to be inconsistent with Article III:4 of GATT 1994. The panel also found that the import duty exemption constitutes a prohibited export subsidy in violation of Article 3.1(a) of the SCM Agreement. In addition, the Panel found that the manner in which Canada conditioned access to the import duty exemption is inconsistent with Article II of GATS and could not be justified under Article V of GATS. Finally, the Panel found that the application of the "Canada value-added" requirements constitutes a violation of Article XVII of the GATS.

The report of the Panel was circulated to WTO Members on 11 February 2000. Canada appealed certain issues of law covered in the Panel report and legal interpretations developed by the Panel. The Appellate Body upheld the findings of the Panel that the Canadian import duty exemption is inconsistent with Article I:1 of the GATT 1994 and Article 3.1(a) of the SCM Agreement. However, the Appellate Body reversed the Panel's finding that Article 3.1(b) of the SCM Agreement does not extend to subsidies contingent "in fact" upon the use of domestic over imported products. The Appellate Body further considered that the panel had failed to examine whether the measure at issue affected trade in services as required under Article I:1 of the GATS. In addition, the Appellate Body reversed the panel's conclusion that the import duty exemption was inconsistent with the requirements of Article II:1 of the GATS as well as the panel's findings leading to that conclusion. The Appellate Body found that the Panel had failed to demonstrate how the import duty exemption granted to certain manufacturers affects the supply of wholesale trade services and the suppliers of wholesale trade services of motor vehicles.

The Appellate Body report was circulated to WTO Members on 31 May 2000. The DSB adopted the Appellate Body report and the Panel report, as modified by the Appellate Body report, on 19 June 2000.

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

This dispute concerns Section 110(5) of the US Copyright Act, as amended by the Fairness in Music Licensing Act, which was enacted on 27 October 1998. The European Communities contended that Section 110(5) of the US Copyright Act permits, under certain conditions, the

playing of radio and television music in public places (bars, shops, restaurants, etc.) without the payment of a royalty fee. The European Communities considered that this statute is inconsistent with United States obligations under Article 9(1) of the Agreement on Trade-Related Aspects of Intellectual Property rights (TRIPS Agreement), which requires Members to comply with Articles 1 to 21 of the Berne Convention.

The dispute centered on the compatibility of two exemptions provided for in Section 110(5) of the US Copyright Act with Article 13 of the TRIPS Agreement, which allows certain limitations or exceptions to exclusive rights of copyright holders, subject to the condition that such limitations are confined to certain special cases, do not conflict with a normal exploitation of the work in question and do not unreasonably prejudice the legitimate interests of the right holder. The so-called "business" exemption, provided for in sub-paragraph (B) of Section 110(5), essentially allows the amplification of music broadcasts, without an authorization and a payment of a fee, by food service and drinking establishments and by retail establishments, provided that their size does not exceed a certain square footage limit. It also allows such amplification of music broadcasts by establishments above this square footage limit, provided that certain equipment limitations are met. The so-called "homestyle" exemption, provided for in sub-paragraph (A) of Section 110(5), allows small restaurants and retail outlets to amplify music broadcasts without an authorization of the right holders and without the payment of a fee, provided that they use only homestyle equipment (i.e. equipment of a kind commonly used in private homes).

At its meeting of 26 May 1999, the DSB established a panel. Australia, Japan and Switzerland reserved their third party rights. The Panel found that the "business" exemption provided for in sub-paragraph (B) of Section 110(5) of the US Copyright Act did not meet the requirements of Article 13 of the TRIPS Agreement and was thus inconsistent with Articles 11bis(1)(iii) and 11(1)(ii) of the Berne Convention (1971) as incorporated into the TRIPS Agreement by Article 9.1 of that Agreement. The panel noted, inter alia, that a substantial majority of eating and drinking establishments and close to half of retail establishments were covered by the business exemption. The Panel further found that the "homestyle" exemption provided for in sub paragraph (A) of Section 110(5) of the US Copyright Act met the requirements of Article 13 of the TRIPS Agreement and was thus consistent with Articles 11bis(1)(iii) and 11(1)(ii) of the Berne Convention (1971) as incorporated into the TRIPS Agreement by Article 9.1 of that Agreement. Here, the Panel noted certain limits imposed on the beneficiaries of the exemption, permissible equipment and categories of works as well as the practice by United States courts.

The report of the Panel was circulated to WTO Members on 15 June 2000. The DSB adopted the Panel report at its meeting on 27 July 2000. (For subsequent developments see the section on "Implementation of adopted reports" below).

The Republic of Korea – Definitive safeguard measure on imports of certain dairy products, complaint by the European Communities (WT/DS98)

This dispute concerns a safeguard measure imposed by the Republic of Korea, in the form of quantitative restrictions on imports of skimmed milk powder preparations. The European Communities claimed that the Republic of Korea's safeguard measure was imposed inconsistently with the provisions of Articles 2, 4, 5 and 12 of the Agreement on Safeguards. The European Communities also claimed that the safeguard measure violated Article XIX:1(a) of the GATT 1994, in that the Republic of Korea had not demonstrated that its alleged increase in imports was "a result of unforeseen developments". On 23 July 1998, the DSB established a panel to examine the European Communities complaint. The United States reserved its third party rights.

In its report circulated to WTO Members on 21 June 1999, the Panel found that the Republic of Korea imposed its safeguard measure inconsistently with certain provisions of the Agreement on Safeguards. The Panel found that by not sufficiently addressing the factors in Article 4.2 of the Agreement on Safeguards, the Republic of Korea's safeguard investigation did not comply with its obligations under that Agreement. The Panel also considered that the measure at issue was inconsistent with Article 5.1 of the Agreement on Safeguards which establishes rules for the application of safeguard measures. While the Panel rejected the claim of the European Communities that the content of the Republic of Korea's notifications did not meet the requirements of Article 12, the Panel found that the Republic of Korea had violated its obligation to make timely notifications under Article 12. The Panel rejected the European Communities' claim that the phrase "under such conditions" in Article 2 of the Agreement on Safeguards imposes a requirement which the Republic of Korea should have demonstrated before it could impose its safeguard measure. The Panel also rejected the claim of the European Communities relating to Article XIX:1 (a) of the GATT 1994, as the Panel considered that the phrase "as a result of unforeseen developments" in that Article did not add any conditions to be met by a Member imposing a safeguard measure.

Both the Republic of Korea and the European Communities appealed certain legal findings and conclusions of the Panel. With respect to the claim of the European Communities under Article XIX:1(a) of the GATT 1994, agreed with the panel that there is no conflict between Article XIX of GATT and the safeguard agreement since all obligations of the WTO are generally cumulative and members must comply with them simultaneously. However, the appellate body disagreed with the conclusion of the Panel that the phrase in that Article – “as a result of unforeseen developments and the effect of obligations incurred by a Member under this agreement, including tariff concessions” – does not specify anything additional as to the conditions under which measures pursuant to Article XIX may be applied. The Appellate Body found that the ordinary meaning of this phrase in its context and in the light of the object and purpose of Article XIX of the GATT 1994 and the Agreement on Safeguards, is that a Member imposing a safeguard measure must demonstrate, as a matter of fact, that these were unexpected developments that led to the increased import which caused or threatened to cause serious injury to the domestic industry. With respect to Article 5.1 of the Agreement on Safeguards, the Appellate Body agreed with the Panel that a Member has an obligation to apply a safeguard measure only to the extent necessary to meet the objectives in that provision. The Appellate Body, however, modified the Panel’s reasoning with respect to the requirement to give a reasoned explanation for the choice of measure selected. On Article 12.2 of the Agreement on Safeguards, the Appellate Body reversed the Panel’s finding that the Republic of Korea’s notification in this case satisfied the requirement to provide “all pertinent information” to the Committee on Safeguards (for a more detailed description of the Panels and Appellate Body reports, see also WTO Annual Report 2000, p.64).

The report of the Appellate Body was circulated to WTO Members on 14 December 1999. The DSB adopted the Appellate Body report and the Panel report, as modified by the Appellate Body report, on 12 January 2000.

Argentina – Safeguard measures on imports of footwear, complaint by the European Communities (WT/DS121)

This dispute concerns a complaint by the European Communities regarding safeguard measures that were imposed by Argentina on imports of footwear. The European Communities contended that the provisional and definitive safeguard measures adopted by Argentina, as well as certain modifications to those measures, were inconsistent with Articles 2, 3, 5, and 6 of the Agreement on Safeguards and with Article XIX of the GATT 1994. The European Communities also alleged that these measures had not been properly notified to the Committee on Safeguards in accordance with Article 12 of the Agreement on Safeguards. On 23 July 1998, the DSB established a panel to examine the complaint by the European Communities. Indonesia, Paraguay, Uruguay, Brazil and the United States reserved their third party rights.

In its report circulated to WTO Members on 25 June 1999, the Panel found Argentina’s investigation and determinations of increased imports, serious injury and causation to be inconsistent with Articles 2.1 and 4.2 of the Agreement on Safeguards, which set out the conditions that must be demonstrated before a Member may apply a safeguard measure. After examining Article 2 of the Agreement on Safeguards, as well as Article XXIV of the GATT 1994, the Panel furthermore concluded that a Member that is a party to a customs union may not apply a safeguard measure only to imports from third countries outside the customs union, when the safeguard investigation was conducted and the determination of serious injury was made on the basis of imports from all sources, including from other members of the customs union. The Panel also found that safeguard investigations, conducted and safeguard measures imposed after the entry into force of the WTO Agreement which satisfy the requirements of the Agreement on Safeguards also satisfy the requirements of Article XIX of the GATT 1994. The Panel rejected the European Communities’ claims that Argentina had not properly notified its safeguard measures, and declined to make findings on the European Communities’ claims under Articles 5 and 6 of the Agreement on Safeguards relating to the application of the safeguard measures and to the provisional safeguard measures.

Argentina and the European Communities appealed certain legal findings and conclusions of the Panel. The Appellate Body reversed the Panel’s finding that safeguard investigations conducted and safeguard measures imposed after the entry into force of the WTO Agreement which meet the requirements of the Agreement on Safeguards satisfy the requirements of Article XIX of the GATT 1994. The Appellate Body found that in order to apply a safeguard measure, a Member must apply the provisions of both the Agreement on Safeguards and Article XIX of the GATT 1994, and that, pursuant to Article XIX, a Member imposing a safeguard measure must demonstrate, as a matter of fact, that there were unexpected developments that led to the increased imports which caused or threatened to cause serious injury to the domestic industry. The Appellate Body upheld the Panel’s conclusion that under

the Agreement on Safeguards, Argentina could not justify the imposition of safeguard measures only on imports from non-MERCOSUR member states when it had conducted a safeguards investigation and made its determinations on the basis of footwear imports from all sources, including its MERCOSUR partners. However, the Appellate Body reversed the Panel's legal reasoning with respect to footnote 1 to Article 2.1 of the Agreement on Safeguards and Article XXIV of the GATT 1994. The Appellate Body also upheld the Panel's findings that the safeguard investigation conducted by Argentina, and Argentina's determinations of increased imports, serious injury, and causation, were not consistent with the requirements contained in Articles 2 and 4 of the Agreement on Safeguards.

The report of the Appellate Body was circulated to WTO Members on 14 December 1999. The DSB adopted the Appellate Body report and the Panel report, as modified by the Appellate Body report, on 12 January 2000.

United States – Sections 301-310 of the Trade Act of 1974, complaint by the European Communities (WT/DS152)

This dispute concerns a complaint by the European Communities regarding certain elements of Sections 301-310 of the US Trade Act of 1974. The European Communities claimed that Sections 301-310, in particular Sections 304, 305 and 306, call for unilateral action by the United States in a way that makes the legislation as such inconsistent with the multilateral dispute settlement provisions in the DSU, in particular Articles 3, 21 and 23 thereof, as well as with certain provisions of the GATT 1994 and Article XVI:4 of the WTO Agreement.

On 2 March 1999, the DSB established a panel to examine the European Communities complaint. Brazil, Canada, Cameroon, Colombia, Costa Rica, Cuba, Dominica, Dominican Republic, Ecuador, Hong Kong, China, India, Israel, Jamaica, Japan, the Republic of Korea, St. Lucia and Thailand reserved their third party rights.

The main European Communities claim was that Section 304 is WTO-inconsistent because it mandates the United States Trade Representative (USTR), in certain circumstances, to unilaterally decide whether another WTO Member has violated WTO rules before the completion of multilateral DSU procedures on the matter. The Panel found that looking only at the statutory language of Section 304 there is, indeed, a serious threat of such unilateral decision being taken, even though nothing forces the USTR to do so. This threat – with its apparent “chilling effect” on other Members and, indirectly, the market-place and individual economic operators within it – was found to constitute a prima facie violation of the DSU. As the Panel put it, “merely carrying a big stick is, in many cases, as effective a means to having one's way as actually using the stick” or “the threat of unilateral action can be as damaging on the market-place as the action itself”. However, the Panel then considered the other elements of Section 304, in particular statements by the United States Administration adopted by Congress and confirmed by United States undertakings before the Panel, in which the USTR's discretion to take unilateral action before exhaustion of DSU procedures has been curtailed. The Panel regarded these United States undertakings as effectively guaranteeing that under United States law the USTR cannot make a unilateral decision that another WTO Member has violated its WTO obligations until completion of DSU procedures. The Panel concluded that these undertakings had thereby removed the prima facie inconsistency of Section 304 with the DSU.

The Panel also considered European Communities claims that Sections 305 and 306 – dealing with USTR decisions in respect of whether a WTO Member has implemented DSB recommendations and what action to take in response – are inconsistent with the DSU. The Panel did not decide the controversy of how to sequence Article 21.5 and Article 22.6. The Panel concluded that under both the United States and the European Communities view, Sections 305 and 306 are not inconsistent with Article 23 of the DSU. In part, this conclusion was again based on United States decisions and statements that effectively curtailed the USTR's discretion to take unilateral action in respect of the implementation of DSB recommendations as well as the suspension of concessions under Sections 305 and 306. Finally, the Panel also rejected the European Communities claim that Section 306 violates certain provisions of the GATT 1994. The Panel did so because the success of these GATT claims depended on the acceptance of the claims under the DSU.

The report of the Panel was circulated to WTO Members on 22 December 1999. The DSB adopted the Panel report at its meeting on 27 January 2000.

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

This dispute concerns the tax treatment of certain distilled alcoholic beverages in Chile. Under its legislation on taxation of alcoholic beverages, enacted in 1997, Chile adopted two tax systems, the first, known as the Transitional System, effective until 1 December 2000; and a second, known as the New Chilean System, to be applied from 1 December 2000. The

European Communities contended that both tax systems are inconsistent with Chile's obligations under the second sentence of Article III:2 of the GATT 1994.

On 25 March 1998, the DSB decided that the Panel established to examine a previous claim by the European Communities concerning Chile's taxation regime on alcoholic beverages (DS87) should examine this complaint by the European Communities. Peru, Canada and the United States reserved their third party rights.

In its report circulated to WTO Members on 15 June 1999, the Panel found that pisco, whisky, brandy, rum, gin, vodka, tequila, liqueurs and several other distilled alcoholic beverages are "directly competitive or substitutable" products. It concluded that, under both the Transitional System and the New Chilean System, domestic and imported beverages are "not similarly taxed" and that this dissimilar taxation is applied "so as to afford protection to domestic production", contrary to Article III:2, second sentence, of the GATT 1994.

Chile appealed certain legal findings and conclusions of the Panel regarding the New Chilean System. The Appellate Body upheld the Panel's overall conclusion that domestic and imported distilled alcoholic beverages are "not similarly taxed" under the New Chilean System, and that this dissimilar taxation is applied "so as to afford protection to domestic production". The Appellate Body, however, modified the reasoning followed by the panel on some points. The Appellate Body noted that Members are free to tax alcoholic beverages according to their alcohol content and price, so long as the tax classification is not applied so as to afford protection.

The report of the Appellate Body was circulated to WTO Members on 13 December 1999. The DSB adopted the Appellate Body report and the Panel report, as modified by the Appellate Body report, on 12 January 2000.

Implementation of adopted reports

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

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

At its meeting of 24 February 2000, the DSB adopted the Panel report, finding that Mexico's imposition of the definitive anti-dumping measure on imports of HFCS from the United States was inconsistent with Articles 3.1, 3.2, 3.4, 3.7 and 3.7(i); Article 7.4, Article 10.2; Article 10.4 and Articles 12.2 and 12.2.2 of the Anti-Dumping Agreement (see also section "Appellate Body and/or Panel reports adopted" above).

On 19 April 2000, the parties informed the DSB that they agreed on a reasonable period of time to be granted to Mexico to implement the recommendations and rulings of the DSB. That period expired on 22 September 2000.

At the DSB meeting of 26 September 2000, Mexico stated that it had published on 20 September 2000 the revised final resolution of the anti-dumping investigation, based on the recommendations and rulings of the DSB, and that with this resolution, Mexico had fully complied with the DSB's recommendations and rulings. The United States stated that it would examine Mexico's final determination. On 12 October 2000, the United States requested that the DSB refer the matter to the original panel, pursuant to Article 21.5 of the DSU.

At its meeting of 23 October 2000, the DSB referred the matter to the original panel. The European Communities, Jamaica and Mauritius reserved their third party rights. The United States and Mexico informed the DSB that they were discussing mutually agreeable procedures under Articles 21 and 22 of the DSU in relation to this matter.

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

At its meeting of 20 March 2000, the DSB adopted the Appellate Body report and the Panel report, as modified by the Appellate Body, finding that the tax exemption measure at issue, the FSC measure, constitutes a prohibited subsidy under Art. 3.1(a) of the SCM Agreement and Article 10.1 and 8 of the Agreement on Agriculture (see also section "Appellate Body and/or Panel reports adopted" above).

The United States informed the DSB on 7 April 2000 of its intention to implement the recommendations and rulings of the DSB in a manner consistent with its WTO obligations.

At the request of the United States, at its meeting of 12 October 2000, the DSB modified the time-period for implementation to the effect that it would expire on 1 November 2000. On 17 November 2000, the United States stated that, with the adoption on 15 November 2000 of the FSC Repeal and Extraterritorial Income Exclusion Act, it had implemented the recommendations and rulings of the DSB. On the same date, the European Communities stated that, in its view, the United States had failed to comply with the DSB recommendations and rulings, and requested the United States to enter into consultations with the European Communities pursuant to Articles 4 and 21.5 of the DSU, Article 4 of the SCM Agreement, Article 19 of the Agreement on Agriculture and Article XXIII:1 of GATT 1994. Also on 17 November 2000, the European Communities requested authorization from the DSB to take appropriate countermeasures and suspend concessions pursuant to Article 4.10 of the SCM Agreement and Article 22.2 of the DSU. On 27 November 2000, the United States requested arbitration under Article 22.6 of the DSU regarding the level of suspension of concessions or other obligations proposed by the European Communities.

On 7 December 2000, the European Communities notified the DSB that consultations to settle the dispute had failed and that it was requesting the establishment of a panel pursuant to Article 21.5 of the DSU. At its meeting of 20 December, the DSB agreed to refer the matter to the original panel. On 21 December 2000, pursuant to an agreement between the parties, the United States and the European Communities jointly requested the arbitrator to suspend the arbitration proceeding until adoption of the Panel report or, if there is an appeal, adoption of the Appellate Body report. The arbitration of the level of suspension of concessions or other obligations was accordingly suspended.

Guatemala – Definitive anti-dumping measures on grey Portland cement, complaint by Mexico (WT/DS156)

At its meeting of 17 November 2000, the DSB adopted the Panel report finding that Guatemala's initiation of an investigation, the conduct of the investigation and the imposition of a definitive measure on imports of grey Portland cement from Mexico was inconsistent with the requirements of the Anti-Dumping Agreement (see also "Appellate Body and/or Panel reports adopted", above).

At the DSB meeting of 12 December 2000, Guatemala informed the DSB that, in October 2000, it had removed its anti-dumping measure and had thus complied with the DSB recommendations and rulings. Mexico welcomed Guatemala's implementation in this case.

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

At its meeting of 12 October 2000, the DSB adopted the Appellate Body report and the Panel report, as upheld by the Appellate Body report, recommending that Canada bring Section 45 of its Patent Act into conformity with its obligations under the TRIPS Agreement.

At the DSB meeting of 23 October 2000, Canada stated that it was its intention to implement the DSB's recommendations and rulings. Canada said that it would require a reasonable period of time for implementation and that it would consult with the United States on this matter. On 15 December 2000, the United States requested that the reasonable period of time for implementation by Canada be determined through binding arbitration pursuant to Article 21.3(c) of the DSU.

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

At its meeting of 27 July 2000, the DSB adopted the Panel report recommending that the United States bring sub-paragraph (B) of Section 110(5) of the US Copyright Act into conformity with its obligations under the TRIPS Agreement.

The United States informed the DSB on 24 August 2000 that it would implement the recommendations of the DSB. The United States proposed 15 months as a reasonable period of time within which to implement those recommendations. On 23 October 2000, the European Communities requested that the reasonable period of time for implementation through binding arbitration as provided for in Article 21.3(c) DSU. In an award circulated on 15 January 2001, the arbitrator determined that the reasonable period for the United States to implement the DSB's recommendations would expire on 27 July 2001.

United States – Anti-dumping Act of 1916, complaints by the European Communities and Japan (WT/DS136 and 162)

At its meeting of 26 September 2000, the DSB adopted the Appellate Body report and the Panel report, as upheld by the Appellate Body report, recommending that the United States bring the Anti-dumping Act of 1916 into conformity with its obligations under the AD Agreement.

At the DSB meeting of 23 October 2000, the United States stated that it was its intention to implement the DSB recommendations and rulings. The United States also stated that it would require a reasonable period of time for implementation and that it would consult with the European Communities and Japan on this matter. On 17 November 2000, the European Communities and Japan requested that the reasonable period of time be determined through binding arbitration pursuant to Article 21.3(c) of the DSU.

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

At its meeting of 19 June 2000, the DSB adopted the Appellate Body and the Panel report, as modified by the Appellate Body report, recommending that Canada bring the measure at issue in this dispute into conformity with its obligations under the GATT 1994, the GATS and the SCM Agreement.

Pursuant to Article 21.3 of the DSU, Canada informed the DSB on 19 July 2000 that it would comply with the recommendations and rulings of the DSB. On 4 August 2000, Japan and the European Communities requested, pursuant to Article 21.3(c) of the DSU, that the reasonable period of time be determined through binding arbitration. The arbitrator determined that the reasonable period of time for Canada to implement the recommendations and rulings of the DSB relating to Article I:1 and Article III:4 of the GATT 1994 and Article XVII of the GATS in this case is 8 months from the date of adoption of the Appellate Body report and the Panel report, as modified by the Appellate Body report. The reasonable period of time will thus expire on 19 February 2001.

Canada – Measures affecting the export of civilian aircraft, complaint by Brazil (WT/DS70)

At its meeting of 20 August 1999, the DSB adopted the Appellate Body report and the Panel report, as modified by the Appellate Body report, recommending that Canada bring its subsidies to support the export of civilian aircraft into conformity with its obligations under the SCM Agreement.

At the DSB meeting of 19 November 1999, Canada announced that it had withdrawn the measures at issue within 90 days and thus had implemented the recommendations and rulings of the DSB. On 23 November 1999, Brazil requested the establishment of a panel under Article 21.5 because it believed that Canada had not taken measures to comply fully with the recommendations and rulings of the DSB. Brazil and Canada reached an agreement concerning the procedures to be applicable pursuant to Articles 21 and 22 of the DSU and Article 4 of the SCM Agreement.

At its meeting on 9 December 1999, the DSB agreed to reconvene the original panel pursuant to Article 21.5 of the DSU (compliance panel). Australia, the European Communities and the United States reserved their third party rights. The report of the compliance panel was circulated to WTO Members on 9 May 2000. The compliance panel found that: (i) Canada had implemented the recommendation of the DSB that Canada withdraw Technology Partnership Canada (TPC) assistance to the Canadian regional aircraft industry within 90 days; and (ii) Canada had failed to implement the recommendation that it withdraw the Canada Account assistance to the Canadian regional aircraft industry within 90 days. With regard to the latter finding, the panel considered that the measures taken by Canada were not sufficient to ensure that future Canada Account transactions in the Canadian regional aircraft sector would be in conformity with the interest rate provisions of the OECD Arrangement and would thereby qualify for the safe haven in item (k) of Annex I of the Subsidies Agreement. The compliance panel therefore concluded that Canada's measures did not ensure that such Canada Account transactions would not be prohibited export subsidies.

Brazil appealed certain legal findings and conclusions of the compliance panel. The Appellate Body found that the compliance panel erred in declining to examine one of Brazil's arguments to the effect that the revised TPC programme is inconsistent with Article 3.1(a) of the Subsidies Agreement. The Appellate Body also found, however, that Brazil had failed to establish that the revised TPC programme is inconsistent with Article 3.1(a) of the Subsidies Agreement and, accordingly, that Brazil had failed to establish that Canada has not implemented the recommendations and rulings of the DSB.

The report of the Appellate Body was circulated to WTO Members on 21 July 2000. The DSB adopted the Appellate Body report and the Panel report, as modified by the Appellate Body report, at its meeting on 4 August 2000. Canada stated its intention to implement the recommendations of the DSB in respect of the Canada Account Programme.

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

At its meeting of 20 August 1999, the DSB adopted the Appellate Body report and the Panel report, as modified by the Appellate Body report, recommending that Brazil bring the

export subsidies for regional aircraft under PROEX into conformity with its obligations under the SCM Agreement.

At the DSB meeting of 19 November 1999, Brazil announced that it had withdrawn the measures at issue within 90 days and had thus implemented the recommendations and rulings of the DSB. Nevertheless, on 23 November 1999, Canada requested the establishment of a panel under Article 21.5 arguing that Brazil had not taken measures to comply fully with the recommendations and rulings of the DSB. Canada and Brazil reached an agreement concerning the procedures to be applicable pursuant to Articles 21 and 22 of the DSU and Article 4 of the Subsidies Agreement.

At its meeting on 9 December 1999, the DSB agreed to reconvene the original panel pursuant to Article 21.5 of the DSU (compliance panel). Australia, the European Communities and the United States reserved their third party rights. The report of the compliance panel was circulated to WTO Members on 9 May 2000. The compliance panel found that Brazil's measures to comply with the recommendations and rulings of the DSB either did not exist or were not consistent with the Subsidies Agreement. In reaching this conclusion, the compliance panel notably rejected Brazil's defence that PROEX payments were permitted under item (k) of Annex I of the Subsidies Agreement, adding that if a WTO Member encountered an export credit that had been provided on terms that it could not meet consistent with the SCM Agreement, the proper response was to challenge that export credit in WTO dispute settlement.

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

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

Brazil stated its intention to bring future PROEX operations in line with the recommendations and rulings of the DSB. The decision by the arbitrators on the appropriateness of the countermeasures proposed by Canada was circulated to WTO Members on 28 August 2000. The arbitrators found that the subsidy on which the calculation of the countermeasures should be based was the full amount of PROEX payments and that appropriate countermeasures in this case amounted to Can\$344.2 million per year and was spread over six years to give the annual average present value of the subsidy per aircraft model. The arbitrators also found that Canada may request authorization by the DSB to suspend tariff concessions or other obligations under GATT 1994, the Agreement on Textiles and Clothing and the Agreement on Import Licensing Procedures. At the DSB meeting of 12 December 2000, Canada requested, and received authorization from the DSB to suspend the application to Brazil of tariff concessions or other obligations under GATT 1994, the Agreement on Textiles and Clothing and the Agreement on Import Licensing Procedures covering trade in a maximum amount of Can\$344.2 million per year.

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

The DSB adopted the Appellate Body report and the panel Report, as modified by the Appellate Body report, on 12 January 2000, recommending that Chile bring its Transitional System and its New System for taxation of distilled alcoholic beverages into conformity with its obligations under the second sentence of Article III:2 of the GATT 1994.

On 15 March 2000, Chile requested, pursuant to Article 21.3(c) of the DSU, that the reasonable period of time for implementation of the DSB's recommendations and rulings be determined through binding arbitration. The report of the arbitrator was circulated to WTO Members on 23 May 2000. The arbitrator determined that the reasonable period of time for Chile to implement the recommendations and rulings of the DSB is not more than 14 months and 9 days from 12 January 2000, i.e. Chile has until 21 March 2001 to enact and put into effect a law appropriately amending the relevant tax legislation.

The Republic of Korea – Definitive safeguard measure on imports of certain dairy products, complaint by the European Communities (WT/DS98)

The DSB adopted the Appellate Body report and the panel Report, as modified by the Appellate Body report, on 12 January 2000 recommending that the Republic of Korea bring its safeguard measure into conformity with its obligations under the Agreement on Safeguards.

The Republic of Korea informed the DSB on 11 February 2000 that it was studying ways in which to implement the recommendations and rulings of the DSB. On 21 March 2000, the parties notified the DSB that they had agreed on a reasonable period of time for the Republic of Korea's implementation of the DSB's recommendations and rulings. Pursuant to that agreement, the reasonable period expired on 20 May 2000. At the DSB meeting of 26 September 2000, the Republic of Korea informed the DSB that it had lifted its safeguard measure on 20 May 2000 and stated that it thereby had completed the implementation of the DSB's recommendations and rulings.

Australia – Subsidies provided to producers and exporters of automotive leather, complaint by the United States (WT/DS126)

At its meeting of 16 June 1999, the DSB adopted the Panel report in this case, recommending that Australia bring its measures into conformity with the Agreement on Subsidies and Countervailing Measures.

On 17 September 1999, Australia informed the DSB that it had implemented the recommendations and rulings of the DSB. On 4 October 1999, the United States informed the DSB that it believed that the measures taken by Australia to comply with the recommendations and rulings of the DSB were not consistent with the Subsidies Agreement and the DSU, and therefore requested that the original panel be reconvened pursuant to Article 21.5 of the DSU (compliance panel).

The United States and Australia reached an agreement concerning the procedures to be applicable pursuant to Articles 21 and 22 of the DSU. That agreement provided, inter alia, that Australia would not raise any procedural objection to the establishment of a panel in accordance with Article 21.5 of the DSU, while the United States would not request authorization to suspend concessions pursuant to Article 22.2 of the DSU until after the compliance panel has circulated its report. Also, it was agreed that neither party would appeal the compliance panel's report.

At its meeting on 14 October 1999, the DSB agreed to reconvene the original panel pursuant to Article 21.5 of the DSU. The European Communities and Mexico reserved their third party rights. The report of the compliance panel was circulated to WTO Members on 21 January 2000. The compliance panel determined that Australia had failed to withdraw the prohibited subsidies within 90 days, and thus had not taken measures to comply with the recommendations and rulings of the DSB in this dispute. The Panel found that that the recommendation to withdraw the subsidy as required by Article 4.7 of the SCM Agreement encompassed the possibility of repayment in full of a prohibited subsidy, and that the particular facts and circumstances of this case led it to find that full repayment was necessary to withdraw the subsidy in this case.

The DSB adopted the compliance panel report on 11 February 2000. On 24 July 2000, the parties notified the DSB that they had reached a mutually satisfactory solution in regard to implementation of the findings of the compliance panel.

United States – Anti-dumping duty on dynamic random access memory semiconductors (DRAMs) of one megabit or above from the Republic of Korea, complaint by the Republic of Korea (WT/DS99)

At its meeting of 19 March 1999, the DSB adopted the Panel report, recommending that the United States bring its measures into conformity with its obligations under the Anti-Dumping Agreement.

At the DSB meeting on 26 July 1999, the two parties notified the DSB that they had agreed on a reasonable period of time for implementation of eight months effective from the date of adoption of the report. This period expired on 19 November 1999.

On 27 January 2000, the United States stated that it considered to have implemented the recommendations and rulings by the DSB. The United States recalled that the Commerce Department had amended Section 351.222(b) by deleting the "not likely" standard and incorporating the "necessary" standard of the Anti-Dumping Agreement. The Commerce Department then issued a revised Final Results of Redetermination in the Third Administrative Review on 4 November 1999, concluding that, because a resumption of dumping was likely, it was necessary to leave the anti-dumping order in place.

On 9 March 2000, the Republic of Korea informed the DSB that it believed that the measures taken by the United States to comply with the recommendations and rulings of the DSB were not consistent with the Anti-Dumping Agreement and Article X:1 of the GATT

1994. The Republic of Korea therefore requested that this matter be referred to the original panel pursuant to Article 21.5 of the DSU. At its meeting on 25 April 2000, the DSB agreed to reconvene the original panel pursuant to Article 21.5 of the DSU. The European Communities reserved its third party rights. On 19 September 2000, the Republic of Korea requested the Panel to suspend its work, including the issuance of the interim report, "until further notification" pursuant to Article 12.12 of the DSU. The Panel, in a letter sent to the parties on 21 September 2000, agreed to this request.

On 20 October 2000, the parties notified the DSB of a mutually satisfactory solution to the matter, involving the revocation of the anti-dumping order at issue as the result of a five-year "sunset" review by the US Department of Commerce.

Argentina – Safeguard measures on imports of footwear, complaint by the European Communities (WT/DS121)

At its meeting of 12 January 2000, the DSB adopted the Appellate Body report and the Panel report, as modified by the Appellate Body report, recommending that Argentina bring its measures into conformity with its obligations under the Agreement on Safeguards.

Argentina informed the DSB on 11 February 2000 that it was studying ways in which to implement the recommendations and rulings of the DSB.

Canada – Patent protection of pharmaceutical products, complaint by the European Communities and their member States (WT/DS114)

At its meeting of 7 April 2000, the DSB adopted the Panel report, recommending that Canada bring its measures into conformity with its obligations under the TRIPS Agreement.

Canada informed the DSB on 25 April 2000 that it would require a reasonable period of time in order to implement the recommendations and rulings of the DSB. On 20 June 2000, Canada and the European Communities notified the DSB that they had agreed that the duration of the reasonable period of time for implementation should be determined through binding arbitration. The arbitrator determined that the reasonable period of time for Canada to implement the recommendations and rulings of the DSB was six months from the date of adoption of the Panel report and that the reasonable period would thus end on 7 October 2000. At the DSB meeting of 23 October 2000, Canada informed Members that, effective from 7 October 2000, it had implemented the DSB's recommendations and rulings.

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

At its meeting of 19 March 1999, the DSB adopted the Appellate Body report and the Panel report, as modified by the Appellate Body report, recommending that Japan bring its varietal testing requirements into conformity with its obligations under the SPS Agreement.

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

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

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

At the DSB meeting of 19 November 1999, Canada stated its intention to comply with the recommendations and rulings of the DSB. On 23 December 1999, Canada informed the DSB that the United States and New Zealand reached an understanding on four discrete periods of time to be accorded to Canada for a staged implementation process. According to the implementation agreement, Canada was to complete the last stage of the implementation process no later than 31 December 2000. On 11 December 2000, Canada, the United States and New Zealand informed the DSB that they had agreed to extend the reasonable period of time until 31 January 2001. On 2 February 2001, the United States and

New Zealand requested consultations with Canada on the measures taken by Canada to implement the recommendations and rulings of the DSB.

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

At its meeting of 22 September 1999, the DSB adopted the Appellate Body report and the Panel report, as upheld by the Appellate Body report, recommending that India bring its quantitative restrictions for balance-of-payments purposes into conformity with its obligations under the GATT 1994 and the Agreement on Agriculture.

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

At the DSB meeting of 27 July 2000, India stated that it had notified to the United States those tariff items for which the reasonable period is to expire on 1 April 2001 and that for all other items India had implemented the recommendation of the DSB by 1 April 2000.

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

At its meeting of 19 November 1999, the DSB adopted the Appellate Body report and the Panel report, as modified by the Appellate Body report, recommending that Turkey bring its quantitative restrictions on imports of textile and clothing products into conformity with its obligations under the GATT 1994 and the Agreement on Textiles and Clothing.

At the DSB meeting of 19 November 1999, Turkey stated its intention to comply with the recommendations and rulings of the DSB. On 7 January 2000, the parties informed the DSB that they had agreed that the reasonable period of time for Turkey to implement the DSB's recommendations and rulings would expire on 19 February 2001.

Pursuant to the agreement reached, Turkey also is to refrain from making more restrictive the arrangements concerning imports of specified textile and clothing products from India, to increase the size of the quotas of India on certain specified textile and clothing products and to treat India no less favourably than any other Member with respect to the elimination of or modification of quantitative restrictions affecting any product covered by the agreement.

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

At its meeting of 6 November 1998, the DSB adopted the Appellate Body report and the Panel report, as modified by the Appellate Body report, recommending that the United States bring its measures into conformity with its obligations under GATT 1994.

At the DSB meeting on 25 November 1998, the United States informed the DSB that it was committed to implementing the recommendations and rulings of the DSB and was looking forward to discussing with the complainants the question of implementation. The parties to the dispute announced that they have agreed on an implementation period of 13 months from the date of adoption of the Appellate Body and Panel reports, i.e. a period expiring on 6 December 1999. On 22 December 1999, Malaysia and the United States informed the DSB that they had reached an understanding regarding possible proceedings under Articles 21 and 22 of the DSU.

At the DSB meeting of 27 January 2000, the United States stated that it had implemented the DSB's recommendations and rulings. The United States noted that it had issued revised guidelines implementing its Shrimp/Turtle law which were intended to (i) introduce greater flexibility in considering the comparability of foreign programmes and the United States programme and (ii) elaborate a timetable and procedures for certification decisions. The United States also noted that it had undertaken and continued to undertake efforts to initiate negotiations with the governments of the Indian Ocean region on the protection of sea turtles in that region. Finally, the United States stated that it offered and continued to offer technical training in the design, construction, installation and operation of "Turtle Excluding Devices" to any government that requested it.

On 12 October 2000, Malaysia requested that the matter be referred to the original panel pursuant to Article 21.5 of the DSU (compliance panel), considering that by not lifting the import prohibition and not taking the necessary measures to allow the importation of certain shrimp and shrimp products in an unrestrictive manner, the United States had failed

to comply with the recommendations and rulings of the DSB. At its meeting of 23 October 2000, the DSB referred the matter to the original panel pursuant to Article 21.5 DSU. Australia, Canada, the European Communities, Ecuador, India, Japan, Mexico, Pakistan, Thailand and Hong Kong, China reserved their third party rights to participate in the compliance panel's proceedings.

Australia – Measures affecting importation of salmon, complaint by Canada (WT/DS18)

At its meeting of 6 November 1998, the DSB adopted the Appellate Body report and the Panel report, as modified by the Appellate Body report, recommending that Australia bring its measures into conformity with its obligations under the Agreement on Sanitary and Phytosanitary measures (SPS Agreement).

The reasonable period of time for Australia to implement the DSB recommendations and rulings was determined through binding arbitration and expired on 6 July 1999. On 15 July 1999, Canada announced its intention to request authorization from the DSB to suspend the application to Australia of tariff concessions and related obligations under the GATT 1994, pursuant to Article 22.2 of the DSU, in an amount of Can\$45 million.

At the meeting of the DSB held on 27 and 28 July 1999, Australia informed the DSB that it had fully implemented the DSB recommendations and rulings through an Australian Quarantine and Inspection Service (AQIS) decision of 19 July 1999. At the same meeting, Canada requested the establishment of a panel pursuant to Article 21.5 of the DSU (compliance panel). The DSB agreed that the Article 21.5 request be referred to the original Panel. The DSB also agreed, at the request of Australia, that the matter of the level of suspension of concessions proposed by Canada would be referred to arbitration under Article 22.6 of the DSU. Canada and Australia agreed that the arbitration proceedings would be held in abeyance until after the circulation of the compliance panel report. If the compliance panel found that Australia had acted inconsistently with its WTO obligations, then Australia and Canada would request the immediate resumption of the Article 22.6 arbitration, regardless of whether either party appealed the compliance panel report. The European Communities, Norway and the United States reserved their third party rights in the Article 21.5 panel proceedings.

The compliance panel found that, although access for Canadian salmon was considerably improved by Australia's new import measures, Australia was still violating several of its obligations under the SPS Agreement. The panel found delays in the entry into force of several implementation measures, which extended beyond the reasonable period of time within which Australia had to implement the DSB recommendations. As a result, during those periods, Australia failed to bring its measure into conformity with the SPS Agreement. The panel also found that, although Australia carried out a risk assessment which meets the requirements set out in the SPS Agreement (Article 5.1), Australia was maintaining sanitary measures that were not based on a risk assessment, since they required that only salmon product that is "consumer-ready" could be imported into its borders and released from quarantine. In addition, Australia's definition of what constitutes consumer-ready product is very limited. The panel also considered that Australia's measures were more trade-restrictive than required to achieve Australia's desired level of health protection (Article 5.6). Finally, a measure introduced by the Government of Tasmania, which effectively prohibits importation of Canadian salmon into most parts of Tasmania, was found to be in violation of the SPS Agreement since it was not based on a risk assessment (Article 5.1).

The report of the compliance panel circulated to WTO Members on 18 February 2000. At its meeting of 20 March 2000, the DSB adopted the report of the Panel.

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

At its meeting of 25 September 1997, the DSB adopted the Appellate Body report and the Panel reports, as modified by the Appellate Body report, recommending that the European Communities bring its regime for the importation, sale and distribution of bananas into conformity with its obligations under the GATT 1994 and the GATS. The reasonable period of time for the European Communities to implement the DSB recommendations and rulings was determined through binding arbitration and expired on 1 January 1999. With a view to implementing the DSB recommendations and rulings, the European Communities enacted a revised banana import regime consisting of Regulation 1637/98 of 20 July 1998 and Regulation 2362/98 of 28 October 1998.

The original panel, reconvened pursuant to Article 21.5 of the DSU at the request of Ecuador, found that the implementation measures taken by the European Communities were inconsistent with its obligations under Article XIII of GATT 1994 and Articles II and XVII of

GATS. The original panel was also reconvened at the request of the European Communities and was unable to find that the European Communities implementing measures could be presumed to be in conformity with the WTO agreements if their conformity had not been duly challenged under the appropriate DSU procedures. Both reports were circulated on 12 April 1999 (see also WTO Annual Report 2000, p.69).

Following arbitration on the level of suspension of concessions proposed by the United States pursuant to Article 22.6 of the DSU, the DSB, on 19 April 1999, authorized the United States to suspend concessions to the European Communities equivalent to US\$191.4 million.

On 8 November 1999, Ecuador requested authorization from the DSB to suspend the application to the European Communities of concessions or other obligations under the TRIPS Agreement, GATS and GATT 1994, in an amount of US\$450 million. At the request of the European Communities, the DSB referred the issue of the level of suspension to the original panel for arbitration. The decision of the arbitrators was circulated to WTO Members on 24 March 2000. The arbitrators found that the level of nullification or impairment suffered by Ecuador amounted to US\$201.6 million per year. The arbitrators found that Ecuador may request authorization by the DSB to suspend concessions or other obligations under the GATT 1994 (not including investment goods or primary goods used as inputs in manufacturing and processing industries); under the GATS with respect to "wholesale trade services" (CPC 622) in the principal distribution services; and, to the extent that suspension requested under GATT 1994 and GATS was insufficient to reach the level of nullification and impairment determined by the arbitrators, under TRIPS in a number of sectors of that Agreement. After Ecuador had modified its request in conformity with the arbitrator's findings, the DSB authorized Ecuador, on 18 May 2000, to suspend concessions to the European Communities equivalent to US\$201.6 million.

At the DSB meeting of 27 July 2000, the European Communities stated with respect to implementation of the recommendations and rulings of the DSB that it had begun examining the possibility of managing the proposed tariff rate quotas on a first come, first served basis because negotiations with interested parties on tariff rate quota allocation on the basis of traditional trade flows had reached an impasse. The European Communities also said that its examination would include a tariff only system and its implications. At the DSB meeting of 23 October 2000, the European Communities stated that it was finalizing its internal decision-making process with a view to implementing the new banana regime. To this effect, the European Communities considered that, during a transitional period of time, its new banana regime should be regulated by the establishment of tariff-rate quotas and managed on the basis of a "first-come, first-served" (FCFS) system. Before the end of transitional period of time, the European Communities would initiate Article XXVIII negotiations with a view to establishing a tariff-only system.

The Republic of Korea – Definitive safeguard measure on imports of certain dairy products, complaint by the European Communities (WT/DS98)

At its meeting of 12 January 2000, the DSB adopted the Appellate Body report and the Panel report, as modified by the Appellate Body report, recommending that the Republic of Korea bring its safeguard measure on imports of skimmed milk powder into conformity with its obligations under the Agreement on Safeguards.

The Republic of Korea informed the DSB on 11 February 2000 that it was studying ways in which to implement the recommendations and rulings of the DSB. On 21 March 2000, the parties notified the DSB that they had agreed on a reasonable period of time for the Republic of Korea's implementation of the recommendations and rulings of the DSB. Pursuant to that agreement, the reasonable period expired on 20 May 2000. At the DSB meeting of 26 September 2000, the Republic of Korea informed the DSB that it had lifted its safeguard measure on 20 May 2000 and stated that it thereby had completed the implementation of the DSB recommendations and rulings.

The Republic of Korea – Taxes on alcoholic beverages, complaints by the European Communities and the United States (WT/DS75 and WT/DS84)

At its meeting of 17 February 1999, the DSB adopted the Appellate Body report and the Panel report, as upheld by the Appellate Body report, recommending that the Republic of Korea bring the Liquor Tax Law and the Education Tax Law into conformity with its obligations under the GATT 1994. The reasonable period of time for the Republic of Korea to implement the DSB recommendations and rulings was determined through binding arbitration and expired on 31 January 2000.

At the DSB meeting on 27 January 2000, the Republic of Korea stated that it considered to have fully implemented the DSB recommendations and rulings by amending its Liquor Tax Law and Education Tax Law to impose flat rates of 72% liquor tax and 30% education tax on all distilled alcoholic beverages on a non-discriminatory basis.

Panel reports pending before the Appellate Body as of 31 January 2001

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

This dispute concerns a French Decree of 24 December 1996 prohibiting the manufacture, processing, sale, import, etc. of asbestos and products containing asbestos. Canada claimed that this Decree violates Articles 2 and 5 of the SPS Agreement, Article 2 of the TBT Agreement and Articles III and XI of GATT 1994. Canada also argued, under Article XXIII:1(b) nullification and impairment of benefits accruing to it under the various agreements cited.

The DSB established a panel at its meeting of 25 November 1998. Brazil, the United States and Zimbabwe reserved their third party rights. The Panel found that the “prohibition” part of the Decree of 24 December 1996 does not fall within the scope of the TBT Agreement. Whereas the part of the Decree relating to “exceptions” does fall within the scope of the TBT Agreement. However, as Canada had not made any claim concerning the compatibility with the TBT Agreement of the part of the Decree relating to exceptions, the Panel refrained from reaching any conclusion with regard to the latter. The Panel then found that chrysotile asbestos fibres as such and fibres that can be substituted for them as such are like products within the meaning of Article III:4 of the GATT 1994. Similarly, the Panel concluded that the asbestos-cement products and the fibro-cement products for which sufficient information had been submitted to the Panel are like products within the meaning of Article III:4 of the GATT 1994. With respect to the products found to be like, the Panel found that the Decree violates Article III:4 of the GATT 1994. However, the Panel concluded that the Decree, insofar as it introduces a treatment of these products that is discriminatory under Article III:4, is justified under Article XX (b) of the GATT 1994. Finally, the Panel concluded that Canada has not established that it suffered non-violation nullification or impairment of a benefit within the meaning of Article XXIII:1(b) of the GATT 1994. The report of the Panel was circulated to WTO Members on 18 September 2000.

On 23 October 2000, Canada notified the Dispute Settlement Body of its decision to appeal certain issues of law covered in the Panel report and legal interpretations developed by the panel.

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

This dispute concerns the imposition of anti-dumping duties by the European Communities on imports of cotton-type bed-linen from India. India argued that the European Communities acted inconsistently with various obligations under Articles 2, 3, 5, 6, 12 and 15 of the Anti-Dumping Agreement.

At its meeting on 27 October 1999, the DSB established a panel. Egypt, Japan and the United States reserved their third party rights. The panel concluded that the European Communities did not act inconsistently with its obligations under Articles 2.2, 2.2.2, 3.1, 3.4, 3.5, 5.3, 5.4, and 12.2.2 of the Anti-Dumping Agreement in: (a) calculating the amount for profit in constructing normal value; (b) considering all imports from India (and Egypt and Pakistan) as dumped in the analysis of injury caused by dumped imports; (c) considering information for producers comprising the domestic industry but not among the sampled producers in analyzing the state of the industry; (d) examining the accuracy and adequacy of the evidence prior to initiation; (e) establishing industry support for the application; and (f) providing public notice of its final determination. The panel, however, also concluded that the European Communities acted inconsistently with its obligations under Articles 2.4.2, 3.4, and 15 of the AD Agreement in: (a) determining the existence of margins of dumping on the basis of a methodology incorporating the practice of zeroing; (b) failing to evaluate all relevant factors having a bearing on the state of the domestic industry, and specifically all the factors set forth in Article 3.4; (c) considering information for producers not part of the domestic industry as defined by the investigating authority in analyzing the state of the industry; and (d) failing to explore possibilities of constructive remedies before applying anti-dumping duties.

The Panel report was circulated to WTO Members on 30 October 2000. On 1 December 2000, the European Communities notified the DSB of its intention to appeal certain issues of law covered in the Panel report and legal interpretations developed by the Panel.

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

This dispute concerns the imposition of final anti-dumping duties on imports of certain steel products from Poland. Poland alleges that provisional anti-dumping duties were imposed by Thailand on 27 December 1996, and a final anti-dumping duty of 27.78% of CIF

value for these products, produced or exported by any Polish producer or exporter, was imposed on 26 May 1997. Poland further alleges that Thailand refused two requests by Poland for disclosure of findings. Poland contends that these actions by Thailand violate Articles 2, 3, 5 and 6 of the Anti-Dumping Agreement (AD Agreement).

At its meeting on 19 November 1999, the DSB established a panel. The EC, Japan and the United States reserved their third party rights. The panel concluded that Poland failed to establish that Thailand's initiation of the anti-dumping investigation on imports of H-beams from Poland was inconsistent with the requirements of Articles 5.2, 5.3 and 5.5 of the AD Agreement or Article VI of the GATT 1994. The Panel concluded that Poland failed to establish that Thailand had acted inconsistently with its obligations under Article 2 of the AD Agreement or Article VI of the GATT 1994 in the calculation of the amount for profit in constructing normal value. The Panel also concluded, however, that Thailand's imposition of the definitive anti-dumping measure on imports of H-beams from Poland is inconsistent with the requirements of Article 3 of the AD Agreement in that: (1) inconsistently with the second sentence of Article 3.2 and Article 3.1, the Thai authorities did not consider, on the basis of an "objective examination" of "positive evidence" in the disclosed factual basis, the price effects of dumped imports; (b) inconsistently with Articles 3.4 and 3.1, the Thai investigating authorities failed to consider certain factors listed in Article 3.4, and failed to provide an adequate explanation of how the determination of injury could be reached on the basis of an "unbiased or objective evaluation" or an "objective examination" of "positive evidence" in the disclosed factual basis; and (c) inconsistently with Articles 3.5 and 3.1, the Thai authorities made a determination of a causal relationship between dumped imports and any possible injury on the basis of (i) their findings concerning the price effects of dumped imports, which the Panel had already found to be inconsistent with the second sentence of Article 3.2 and Article 3.1; and (ii) their findings concerning injury, which the Panel had already found to be inconsistent with Article 3.4 and 3.1. Finally, the Panel concluded that, under Article 3.8 of the DSU, in cases where there is infringement of the obligations assumed under a covered agreement, the action is considered *prima facie* to constitute a case of nullification or impairment of benefits under that agreement, and that, accordingly, to the extent Thailand has acted inconsistently with the provisions of the AD Agreement, it has nullified or impaired benefits accruing to Poland under that Agreement.

The report of the Panel was circulated to WTO Members on 28 September 2000. On 23 October 2000, Thailand notified the Dispute Settlement Body of its decision to appeal certain issues of law covered in the panel Report and legal interpretations developed by the Panel.

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

This dispute concerns a safeguard measure in the form of a tariff rate quota imposed by the United States in July 1999 on imports of fresh, chilled, or frozen lamb meat, primarily from New Zealand and Australia, for a duration of three years. New Zealand and Australia raised a number of claims against this measure under Articles 2, 3, 4, 5, 8, 11 and 12 of the Agreement on Safeguards and Articles I, II and XIX of GATT 1994. The DSB established a panel on 19 November 1999.

The Panel found that inclusion by the United States International Trade Commission (USITC) of input producers (such as growers and feeders of live lamb) as producers of the like product at issue (i.e., lamb meat) is inconsistent with the definition of the domestic industry in Article 4.1(c) of the Agreement on Safeguards. The Panel also found that the United States had failed to demonstrate the existence of unforeseen developments and therefore had acted inconsistently with Article XIX:1(a). The Panel found no fault with the USITC's analytical approach to determining the existence of a threat of serious injury, especially with respect to the prospective analysis and the time-period used. It ruled that the complainants failed to establish a violation of Article 4.1(b) of the Agreement on Safeguards which defines the concept of "threat of serious injury". The Panel also found no fault with the USITC's analytical approach to evaluating all the injury factors which must be examined when determining whether increased imports threatened to cause serious injury. It thus ruled that the complainants failed to establish a violation of Article 4.2(a) of the Agreement on Safeguards. However, the Panel found that the data collected by the USITC in this investigation did not represent a major proportion of the producers forming the domestic industry as defined in the investigation. The Panel thus ruled that the United States, by failing to collect representative data, violated Article 4.1(c) of the Agreement on Safeguards. The USITC applied the United States "substantial cause" standard (i.e., "increased imports are an important cause and no less than any other cause") in the lamb investigation. The Panel found that the USITC's application of the "substantial cause" standard in the lamb meat investigation violated Article 4.2(b) of the Agreement on Safeguards because (i) that determination did not establish that increased imports were by themselves a necessary and

sufficient cause of threat of serious injury and because (ii) it did not ensure that threat of serious injury caused by factors other than increased imports was not attributed to those imports.

The Panel also found that by violating the more detailed requirements of paragraphs 1(c) and 2(b) of Article 4 of the Agreement on Safeguards, the United States also violated the general requirements of Article 2.1 of the Agreement on Safeguards.

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

Panels established by the DSB

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

This request, dated 18 November 1999, is in respect of the preliminary and final determinations of the US Department of Commerce and the US International Trade Commission on the anti-dumping investigation of Certain Hot-Rolled Steel Products from Japan issued on 25 and 30 November 1998, 12 February 1999, 28 April 1999 and 23 June 1999. Japan considers that these determinations are erroneous and based on deficient procedures under the United States Tariff Act of 1930 and related regulations. The Japanese complaint also concerns certain provisions of the Tariff Act of 1930 and related regulations. Japan claims violations of Articles VI and X of the GATT 1994 and Articles 2, 3, 6 (including Annex II), 9 and 10 of the Anti-Dumping Agreement. On 24 February 2000, Japan requested the establishment of a panel. At its meeting on 20 March 2000, the DSB established a panel. Brazil, Canada, Chile, the European Communities and the Republic of Korea reserved their third party rights in the proceedings.

Argentina – Transitional safeguard measures on certain imports of woven fabrics of cotton and cotton mixtures originating in Brazil, complaint by Brazil (WT/DS190)

This request concerns transitional safeguard measures applied by Argentina, as of 31 July 1999, against certain imports of woven fabrics of cotton and cotton mixtures originating in Brazil. The measures at issue were applied through Resolution MEyOSP 861/99 of the Ministry of the Economy and Public Works and Services of Argentina.

In accordance with Article 6.11 of the Agreement on Textiles and Clothing, Brazil had referred the matter to the Textiles Monitoring Body (TMB) for review and recommendations, after consultations requested earlier by Argentina had failed to produce a mutually satisfactory solution. At its meeting of 18-22 October 1999, the TMB conducted a review of the measures implemented by Argentina, having recommended that Argentina rescind the safeguard measures applied against imports from Brazil. On 29 November 1999, in accordance with Article 8.10 of the Agreement on Textiles and Clothing, Argentina notified the TMB that it considered itself unable to conform with the recommendations issued by the TMB. At its meeting of 13-14 December 1999, the TMB conducted a review of the reasons given by Argentina and recommended that Argentina reconsider its position. The TMB's recommendations notwithstanding, the matter remained unresolved. Brazil is of the view that the transitional safeguards applied by Argentina are inconsistent with Argentina's obligations under Articles 2.4, 6.1, 6.2, 6.3, 6.4, 6.7, 6.8, 6.11, 8.9 and 8.10 of the Agreement on Textiles and Clothing and should, therefore, be rescinded forthwith.

At its meeting on 20 March 2000, the DSB established a panel. The EC, Pakistan, Paraguay and the United States reserved their third party rights. In a communication dated June 2000, the parties notified a mutually agreed solution to this dispute. Pursuant to the agreement reached, Brazil retains the right to resume the procedures for the composition of the panel from the point where they stood at the time the agreement was reached.

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

This request concerns a transitional safeguard measure applied by the United States, as of 17 March 1999, on combed cotton yarn (United States category 301) from Pakistan (see United States Federal Register of 12 March 1999, document 99-6098).

In accordance with Article 6.10 of the Agreement on Textiles and Clothing (ATC), the United States had notified the TMB on 5 March 1999 that it had decided to unilaterally impose a restraint, after consultations as to whether the situation called for a restraint had failed to produce a mutually satisfactory solution. In April 1999, the TMB examined the United States restraint pursuant to Article 6.10 of the ATC and recommended that the United States restraint should be rescinded. On 28 May 1999, in accordance with Article 8.10 of the ATC, the United States notified the TMB that it considered itself unable to

conform to the recommendations issued by the TMB. Despite a further recommendation of the TMB pursuant to Article 8.10 of the ATC that the United States reconsider its position, the United States continued to maintain its unilateral restraint and thus the matter remained unresolved. Pakistan is of the view that the transitional safeguards applied by the United States are inconsistent with the United States' obligations under Articles 2.4 of the ATC and not justified by Article 6 of the ATC.

Pakistan considers that the United States restraint does not meet the requirements for transitional safeguards set out in paragraphs 2, 3, 4 and 7 of Article 6 of the ATC. At its meeting on 19 June 2000, the DSB established a panel. India and the European Communities reserved their third party rights.

Nicaragua – Measures affecting imports from Honduras and Colombia (I), complaint by Colombia (WT/DS188)

This request relates to Nicaragua's Law 325 of 1999, which provides for the imposition of charges on goods and services from Honduras and Colombia, as well as regulatory Decree 129-99. Colombia claims that these measures are inconsistent, inter alia, with Articles I and II of GATT 1994.

On 27 March 2000, Colombia requested the establishment of a panel. At its meeting on 18 May 2000, the DSB established a panel. Canada, Costa Rica, the EC, Honduras and the United States reserved their third party rights.

India – Measures relating to trade and investment in the motor vehicle sector, complaint by the United States (WT/DS175)

This request is in respect of certain Indian measures affecting trade and investment in the motor vehicle sector. The United States contends that the measures in question require manufacturing firms in the motor vehicle sector to: (i) achieve specified levels of local content; (ii) achieve a neutralization of foreign exchange by balancing the value of certain imports with the value of exports of cars and components over a stated period; and (iii) limit imports to a value based on the previous year's exports. According to the United States, these measures are enforceable under Indian law and rulings, and manufacturing firms in the motor vehicle sector must comply with these requirements in order to obtain Indian import licenses for certain motor vehicle parts and components. The United States considers that these measures violate the obligations of India under Articles III and XI of GATT 1994, and Article 2 of the TRIMS Agreement.

On 15 May 2000, the United States asked for the establishment of a panel. At its meeting on 27 July 2000, the DSB established a panel. The EC, Japan and the Republic of Korea reserved their third party rights.

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

This request concerns certain measures affecting the automotive sector being applied by India. The European Communities states that the measures include the documents entitled "Export and Import Policy, 1997-2002", "ITC (HS Classification) Export and Import Policy 1997-2002" ("Classification"), and "Public Notice No. 60 (PN/97-02) of 12 December 1997, Export and Import Policy April 1997-March 2002", and any other legislative or administrative provision implemented or consolidated by these policies, as well as MoUs signed by the Indian Government with certain manufacturers of automobiles. The European Communities alleges violations of Articles III and XI of GATT 1994, and Article 2 of the TRIMS Agreement.

On 12 October 2000, the European Communities requested the establishment of a panel. At its meeting of 17 November 2000, the DSB established a panel and decided that this would be a single panel under Article 9.1 of the DSU with the panel already established under WT/DS175 (see above). Japan reserved its third party rights.

Philippines – Measures affecting trade and investment in the motor vehicle sector, complaint by the United States (WT/DS195)

This request, dated 23 May 2000, is in respect of certain measures in the Philippines' Motor Vehicle Development Programme ("MVDP"), including the Car Development Programme, the Commercial Vehicle Development Programme, and the Motorcycle Development Programme.

The United States asserts that the MVDP provides that motor vehicle manufacturers located in the Philippines who meet certain requirements are entitled to import parts, components and finished vehicles at a preferential tariff rate. The United States also asserts that foreign manufacturers' import licenses for parts, components and finished vehicles are conditioned on compliance with these requirements. Among the requirements referred to by the United States are the requirement that manufacturers use parts and components

produced in the Philippines and that they earn a percentage of the foreign exchange needed to import those parts and components by exporting finished vehicles. The United States considers that these measures are inconsistent with the obligations of the Philippines under Articles III:4, III:5 and XI:1 of the GATT 1994, Articles 2.1 and 2.2 of the TRIMS Agreement, and Article 3.1(b) of the SCM Agreement.

On 12 October 2000, the United States requested the establishment of a panel. At its meeting of 17 November 2000, the DSB established a panel.

Chile – Measures affecting the transit and importation of swordfish, complaint by the European Communities (WT/DS193)

This request concerns the prohibition on unloading of swordfish in Chilean ports established on the basis of Article 165 of the Chilean Fishery Law (Ley General de Pesca y Acuicultura), as consolidated by the Supreme Decree 430 of 28 September 1991, and extended by Decree 598 of 15 October 1999.

The European Communities asserts that its fishing vessels operating in the South East Pacific are not allowed under Chilean legislation to unload their swordfish in Chilean ports either to land them for warehousing or to transship them onto other vessels. The European Communities considers that, as a result, Chile makes transit through its ports impossible for swordfish. The European Communities claims that the above-mentioned measures are inconsistent with the GATT 1994, and in particular Articles V and XI thereof.

On 6 November 2000, the European Communities requested the establishment of a panel. At its meeting of 12 December 2000, the DSB established a panel. Australia, Canada, Ecuador, India, New Zealand, Norway, Iceland and the United States reserved their third party rights.

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

This request concerns the definitive safeguard measure imposed by the United States on imports of circular welded carbon quality line pipe (line pipe). The Republic of Korea notes that on 18 February 2000 the United States proclaimed a definitive safeguard measure on imports of line pipe (subheadings 7306.10.10 and 7306.10.50 of the Harmonized Tariff Schedule of the United States). In that proclamation, the United States announced that the proposed date of introduction of the measure was 1 March 2000 and that the measure was expected to remain in effect for 3 years and 1 day.

The Republic of Korea considers that the United States procedures and determinations that led to the imposition of the safeguard measure as well as the measure itself contravene various provisions contained in the Safeguards Agreement and the GATT 1994. In particular, the Republic of Korea considers that the measure is inconsistent with the United States' obligations under Articles 2, 3, 4, 5, 11 and 12 of the Safeguards Agreement; and Articles I, XIII and XIX of the GATT 1994.

On 14 September 2000, the Republic of Korea requested the establishment of a panel. At its meeting on 23 October 2000, the DSB established a panel. Australia, Canada, EC, Japan and Mexico reserved their third party rights.

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

This request is in respect of Section 211 of the United States Omnibus Appropriations Act. The European Communities and their member States allege that Section 211, which was signed into law on 21 October 1998, has the consequence of making impermissible the registration or renewal in the United States of a trademark, if it was previously abandoned by a trademark owner whose business and assets have been confiscated under Cuban law. The European Communities and its member States further allege that this law provides that no United States court shall recognize or enforce any assertion of such rights. The European Communities and its Member state contend that Section 211 United States Omnibus Appropriations Act is not in conformity with United States obligations under the TRIPS Agreement, especially Article 2 in conjunction with Articles 3, 4, 15 to 21, 41, 42 and 62 of the Paris Convention.

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

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

This request is in respect of Argentina's definitive anti-dumping measures on imports of carton-board from Germany imposed on 26 February 1999 as well as Argentina's definitive

anti-dumping measures on imports of ceramic floor tiles from Italy imposed on 12 November 1999.

The European Communities claims that the Argentinian investigating authority rejected without justification a request by European Communities exporters for confidential treatment with respect to highly sensitive business information, disregarded without explanation most of the information presented by the European Communities exporters and failed to disclose the essential facts under consideration which formed the basis of the decision to impose anti-dumping measures. The European Communities considers that these measures are inconsistent with the Anti-Dumping Agreement, and in particular, Articles 2; 6.5; 6.9; 6.10; and 6.8 in conjunction with paragraphs 3, 5, 6, and 7 of Annex II of the Anti-Dumping Agreement.

On 14 September 2000, the European Communities requested the establishment of a panel. At its meeting on 17 November 2000, the DSB established a panel on the basis of the EC's reduced complaint which relates only to definitive anti-dumping measures on imports of ceramic floor tiles from Italy (WT/DS189/3). Japan, Turkey and the United States reserved their third party rights.

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

This request concerns United States measures that treat a restraint on exports of a product as a subsidy to other products made using or incorporating the restricted product if the domestic price of the restricted product is affected by the restraint. The measures at issue include provisions of the Statement of Administrative Action (SAA) accompanying the Uruguay Round Agreements Act (URAA) (H.R. 5110, H.R. Doc. 316, Vol. 1, 103d Cong., 2d Sess., 656, in particular at 925-926 (1994)) and the Explanation of the Final Rules, US Department of Commerce, Countervailing Duties, Final Rule (63 Federal Register 65,348 at 65,349-51 (Nov. 25, 1998)) interpreting section 771(5) of the Tariff Act of 1930 (19 U.S.C. § 1677(5)), as amended by the URAA.

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

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

Mutually agreed solutions

Australia – Measures affecting the importation of salmonids, complaint by the United States (WT/DS21)

This request concerns the same regulation alleged to be in violation of the WTO Agreements in WT/DS18, in respect of which the reports of the panel and Appellate Body have already been adopted and are awaiting implementation (See above, "Implementation of Adopted Reports").

On 11 May 1999, the United States requested the establishment of a panel. At its meeting on 16 June 1999, the DSB established a panel. Canada, the EC, Hong Kong, China, India and Norway reserved their third party rights. At the request of the complainants, the Panel agreed on 8 November 1999 to suspend its work pursuant to Article 12.12 of the DSU, until such time as the panelists have completed their work in the ongoing proceeding requested by Canada pursuant to Article 21.5 of the DSU (WT/DS18) or for eleven months, whichever is the earlier. On 29 March 2000, the panel agreed to a request by the United States, pursuant to Article 12.12 of the DSU, to suspend its work for a period of one month, i.e. until 29 April 2000. On 12 May 2000, the panel agreed to a request by the United States to suspend its work for an additional period of time, which expired on 17 July 2000.

On 27 October 2000, the parties to the dispute notified a mutually satisfactory solution on the matter to the DSB.

United States – Measures Affecting Textiles and Apparel Products, complaint by the European Communities (WT/DS151)

This dispute concerns changes allegedly introduced by the United States to its rules of origin for textiles and apparel products, which entered into force on 1 July 1996, which changes, in the view of the EC, adversely affect exports of European Communities textile products to the United States, in that as a result of these changes European Communities products are allegedly no longer recognized in the United States as being of European

Communities origin. The European Communities alleges violations of Articles 2.4, 4.2 and 4.4 of the ATC, Article 2 of the Agreement on Rules of Origin, Article III of GATT 1994, and Article 2 of the TBT Agreement.

The European Communities indicated that this issue was the subject of an earlier request for consultations (DS85), in respect of which a mutually agreed solution was notified to the DSB. However, the European Communities contended that the United States has not implemented its commitments as contained in that agreement with the result that, in the European Communities view, the United States was still acting in a manner inconsistent with its obligations under the WTO. In a communication dated 21 July 2000, the parties notified a mutually agreed solution to this dispute.

Argentina – Transitional safeguard measures on certain imports of woven fabrics of cotton and cotton mixtures originating in Brazil, complaint by Brazil (WT/DS190)

This case concerns transitional safeguard measures applied by Argentina, as of 31 July 1999, against certain imports of woven fabrics of cotton and cotton mixtures originating in Brazil. The measures at issue were applied through Resolution MEyOSP 861/99 of the Ministry of the Economy and Public Works and Services of Argentina.

In accordance with Article 6.11 of the Agreement on Textiles and Clothing, Brazil had referred the matter to the Textiles Monitoring Body (TMB) for review and recommendations, after consultations requested earlier by Argentina had failed to produce a mutually satisfactory solution. At its meeting of 18-22 October 1999, the TMB conducted a review of the measures implemented by Argentina, having recommended that Argentina rescind the safeguard measures applied against imports from Brazil. On 29 November 1999, in accordance with Article 8.10 of the Agreement on Textiles and Clothing, Argentina notified the TMB that it considered itself unable to conform with the recommendations issued by the TMB. At its meeting of 13-14 December 1999, the TMB conducted a review of the reasons given by Argentina and recommended that Argentina reconsider its position.

The TMB's recommendations notwithstanding, the matter remained unresolved. Brazil was of the view that the transitional safeguards applied by Argentina were inconsistent with Argentina's obligations under Articles 2.4, 6.1, 6.2, 6.3, 6.4, 6.7, 6.8, 6.11, 8.9 and 8.10 of the Agreement on Textiles and Clothing and should, therefore, be rescinded forthwith. At its meeting on 20 March 2000, the DSB established a panel. The EC, Pakistan, Paraguay and the United States reserved their third party rights. In a communication dated June 2000, the parties notified a mutually agreed solution to this dispute. Pursuant to the agreement reached, Brazil retains the right to resume the procedures for the composition of the panel from the point where they stood at the time the agreement was reached.

Panel whose authority has lapsed

United States – Measure affecting government procurement, complaints by the European Communities and Japan (WT/DS88 and 95)

These complaints are in respect of an Act enacted by the Commonwealth of Massachusetts on 25 June 1996, entitled Act regulating State Contracts with companies doing Business with Burma (Myanmar). The Act provides, in essence, that public authorities of the Commonwealth of Massachusetts are not allowed to procure goods or services from any persons who do business with Burma.

The European Communities contended that, as Massachusetts is covered under the United States schedule to the GPA, this violates Articles VIII(B), X and XIII of the GPA Agreement. The European Communities also contended that the measure also nullifies benefits accruing to it under the GPA, as well as impeding the attainment of the objectives of the GPA, including that of maintaining balance of rights and obligations. Following requests by the European Communities and Japan, At its meeting on 21 October 1998, the DSB established a panel. The DSB agreed that pursuant to Article 9.1 of the DSU, a single panel would examine the EC's and Japan's requests together.

At the request of the complainants, dated 10 February 1999, the Panel agreed, pursuant to Article 12.12 of the DSU, to suspend the panel proceedings. Since the panel was not requested to resume its work, pursuant to Article 12.12 of the DSU, the authority for establishment of the panel lapsed as of 11 February 2000.

Composition of the Appellate Body

On 7 April 2000, the DSB appointed Mr. G.Abi-Saab (Egypt) and Mr. A.V. Ganesan (India) to serve on the Appellate Body to replace Mr. El Naggar and Mr. Matsushita, following the expiration of their terms. On 19 March 2000, Mr. C.Beeby passed away and on 25 May 2000, the DSB appointed Mr. Y.Taniguchi (Japan) to serve on the Appellate Body for the remainder of the term of Mr. Beeby.

Table IV.7

New requests for consultations in 2000¹

Dispute	Complainant	Date of Request
European Communities – Anti-dumping duties on malleable cast iron tube or pipe fittings from Brazil (WT/DS219)	Brazil	21 December 2000
United States – Countervailing duties on certain carbon steel products from Brazil (WT/DS218)	Brazil	21 December 2000
United States – Continued Dumping and Subsidy Offset Act of 2000 (WT/DS217)	Australia, Brazil, Chile, European Communities, India, Indonesia, Japan, Korea, Rep. of and Thailand	21 December 2000
Mexico – Provisional anti-dumping measure on electric transformers (WT/DS216)	Brazil	20 December 2000
Philippines – Anti-dumping measures regarding polypropylene resins from Korea, Rep. of (WT/DS215)	Korea, Rep. of	15 December 2000
United States – Definitive safeguard measures on imports of steel wire rod and circular welded carbon quality line pipe (WT/DS214)	European Communities	1 December 2000
United States – Countervailing duties on certain corrosion-resistant carbon steel flat products from Germany (WT/DS213)	European Communities	10 November 2000
United States – Countervailing measures concerning certain products from the European Communities (WT/DS212)	European Communities	10 November 2000
Egypt – Definitive anti-dumping measures on steel rebar from Turkey (WT/DS211)	Turkey	6 November 2000
Belgium – Administration of measures establishing customs duties for rice (WT/DS210)	United States	12 October 2000
European Communities – Measures affecting soluble coffee (WT/DS209)	Brazil	12 October 2000
Turkey – Anti-dumping duty on steel and iron pipe fittings (WT/DS208)	Brazil	9 October 2000
Chile – Price band system and safeguard measures relating to certain agricultural products (WT/DS207)	Argentina	5 October 2000
United States – Anti-dumping and countervailing measures on steel plate from India (WT/DS206)	India	4 October 2000
Egypt – Import prohibition on canned tuna with soybean oil (WT/DS205)	Thailand	22 September 2000
Mexico – Measures affecting telecommunications services (WT/DS204)	United States	17 August 2000
Mexico – Measures affecting trade in live swine (WT/DS203)	United States	10 July 2000
Nicaragua – Measures affecting imports from Honduras and Colombia (II) (WT/DS201)	Honduras	6 June 2000
United States – Section 306 of the Trade Act of 1974 and amendments thereto, (WT/DS200)	European Communities	5 June 2000
Brazil – Measures affecting patent protection (WT/DS199)	United States	30 May 2000
Romania – Measures on minimum import prices (WT/DS198)	United States	30 May 2000
Brazil – Measures on minimum import prices (WT/DS197)	United States	30 May 2000
Argentina – Certain measures on the protection of patents and test data (WT/DS196)	United States	30 May 2000
Ecuador – Definitive anti-dumping measure on cement from Mexico (WT/DS191)	Mexico	15 March 2000
Trinidad and Tobago – Provisional anti-dumping measure on macaroni and spaghetti from Costa Rica (WT/DS187)	Costa Rica	17 January 2000
United States – Section 337 of the Tariff Act of 1930 and amendments thereto (WT/DS186)	European Communities and member States	12 January 2000

¹These cases appear in order of date requested. More information on these requests can be found on the WTO website. The list does not include those disputes where a panel was established.

VII. Trade Policy Review Mechanism

The objectives of the Trade Policy Review Mechanism (TPRM), as established in Annex 3 of the Marrakesh Agreement, are to contribute to improved adherence by all Members of the WTO to its rules, disciplines and commitments, and thus to the smoother functioning of the multilateral trading system. The TPR reviews aim to achieve greater transparency in, and understanding of, the trade policies and practices of Members. The Mechanism enables the regular collective appreciation and evaluation of the full range of individual Members' trade policies and practices in all areas covered by the WTO Agreements, and their impact on the functioning of the multilateral trading system. Reviews take place against the background of the wider economic and developmental needs, policies and objectives of the Member concerned, as well as the external trading environment. They are not intended to serve as a basis for the enforcement of obligations, for dispute settlement procedures, or to impose new policy commitments.

Reviews are conducted in the Trade Policy Review Body (TPRB), a full-membership body of equal ranking to the General Council and the Dispute Settlement Body. During 2000, the TPRB was chaired by Ambassador Iftekhar Ahmed Chowdhury (Bangladesh).

Under the TPRM, the four largest trading entities (the European Union (EU), the United States, Japan and Canada – the "Quad") are reviewed every two years; the next 16 largest trading partners every four years; and the remaining WTO Members every six years, with a longer interval envisaged for least-developed countries. It has been agreed that these intervals may, if necessary, be applied with a flexibility of six months' extension; and that every second review of the "Quad" countries should be an interim review, while remaining comprehensive in scope.

By the end of 2000, a total of 135 reviews had been conducted, covering 74 WTO Members (counting EU-15 as one), with Canada having been reviewed six times; the EU, Japan, and the United States five times; nine Members (Australia; Brazil; Indonesia; Hong Kong, China; the Republic of Korea; Norway; Singapore; Switzerland; and Thailand) three times and 24 Members twice. During 2000, the TPRB carried out reviews of 16 Members: Bahrain, Liechtenstein, and Tanzania (first reviews); Bangladesh, Iceland, Kenya, Peru, and Poland (second reviews); Brazil, the Republic of Korea, Norway, Singapore, and Switzerland (third reviews); EU and Japan (fifth reviews); and Canada (sixth review). The Chairperson's concluding remarks for these reviews are included in Annex II. The programme for the year 2001 includes 15 reviews covering 20 Members.

Over the past few years, greater focus has been placed on reviews of least-developed countries (LDCs), as encouraged by the November 1997 High-Level Meeting on Integrated Initiatives for Least-Developed Countries' Trade Development. By the end of 2000, TPR reviews had covered 12 of the 30 LDCs that are WTO Members.

As required in Annex 3 of the Marrakesh Agreement establishing the Mechanism, the TPRB undertook in 1999 an appraisal of the operation of the Trade Policy Review Mechanism. Overall, Members found that the TPRM was functioning effectively and that its mission and objectives remained important. The results of the Appraisal were presented to the Third Ministerial Conference in Seattle.

The TPRB is also responsible for carrying out the Annual Overview of developments in the international trading environment which have an impact on the multilateral trading system, on the basis of an Annual Report by the Director-General.

Substantial progress has continued to be made in enhancing awareness of the TPRM. Documents distributed for reviews are available to all delegations of WTO Members in electronic format through the Secretariat's Document Management System. Press briefings are held regularly by the Chair and in some cases by the Member under review. The Summary Observations of the Secretariat Report, the WTO press release, and the Concluding Remarks by the Chair are available immediately on the WTO website. TPR reports are published on behalf of the WTO by Bernan Associates. This commercial arrangement aims to ensure a wide and efficient distribution of the reports. A CD-ROM of all Trade Policy Reviews is also made available by Bernan Associates.

VIII. Committee on Balance-of-Payments Restrictions

During 2000, the Committee held consultations with four Members maintaining import restrictions for balance-of-payments purposes: Bangladesh, Pakistan, the Slovak Republic and Romania.

The consultation with **Bangladesh** on 4 May was the first for Bangladesh under "regular", as opposed to "simplified", procedures. The consultations were suspended on the

understanding that, with technical assistance from the Secretariat, Bangladesh would notify a comprehensive phase out plan for the removal of its remaining balance-of-payments restrictions by December 2000 and resume consultations shortly thereafter. On December 15, the Committee resumed consultations and approved the phase out plan, effective from 1 January 2002 to 1 January 2005, for a number of the restricted products. Members agreed to resume in June 2001 to discuss the remaining restrictions for which Bangladesh would seek justification under other WTO provisions.

The Committee met with **Pakistan** on 5 May and accepted a commitment from Pakistan to present a full notification regarding the status of implementation of its phase out plan by the end of June and any other measures taken for balance-of-payments purposes. Resuming on 20 and 21 November, the Committee took note of Pakistan's commitment to remove the first tranche of balance-of-payments restrictions within the next two weeks and remove in two tranches all the remaining restrictions by the end of June 2001 and 2002, respectively, in accordance with the scheduled phase out; on this understanding, the Committee concluded that Pakistan was in conformity with its obligations under Article XVIII:B and the Understanding on the Balance of Payments Provisions of the GATT 1994. Members noted that Pakistan was willing to accelerate its phase out plan should market access for its exports, and the sustainability of its balance-of-payments, improve.

The Committee met with the **Slovak Republic** and **Romania** on 18 September. Members congratulated the Slovak Republic on adhering to its phase out schedule and the elimination of its surcharge by the end of the year. Members welcomed Romania's adherence to the phase-out schedule and appreciated that, in spite of existing conditions, it would terminate the import surcharge by the end of the year. In both cases, the Committee concluded that the consulting countries were in conformity with the provisions of Article XII of the GATT 1994.

IX. Committee on Regional Trade Agreements

The Committee on Regional Trade Agreements (CRTA) held three formal sessions and a number of informal meetings during the period under review. Much of the Committee's time was devoted to the examination of regional trade agreements (RTAs). At the end of 2000, the Committee had a total of 86 agreements under examination. The factual examination of 62 RTAs had been completed; a further 17 were undergoing factual examination; the factual examination of the remaining seven RTAs had not yet started.¹⁵

A series of informal consultations was held in the course of 2000 in an effort to reach convergence on an acceptable format for the Committee's examination reports which would respect the individual integrity of each agreement and allow for the expression of differences in views. These consultations have not yet achieved the desired result.

The Committee also considered 20 biennial reports on the operation of agreements which had been submitted to the WTO in accordance with the schedule for submission of biennial reports on RTAs.

In complying with its mandate to analyze the systemic implications of RTAs for the multilateral trading system, the Committee continued its debate on systemic issues related to GATS Article V, based on a new submission by a Member. Views differed as to whether clarification could be made of certain key provisions of GATS Article V, or whether the Committee should restrict itself to the basic obligations, such as notification.

Two background papers prepared by the Secretariat during the period under review were the subject of some debate. One provided a synopsis of the systemic issues related to RTAs which had been discussed during the Committee's existence; the other provided a "mapping" of regional trade agreements. Finally, the Committee took stock of the fact that the systemic debate had generated extensive debate on legal aspects and agreed to redirect its focus based on horizontal studies on the treatment of various policy provisions to be prepared by the Secretariat.

X. Committee on Trade and Development

The Committee on Trade and Development examined the following topics over the year 2000: special and differential treatment in favour of developing countries; participation of developing countries in world trade; implementation of WTO Agreements; technical cooperation and training; concerns and problems of small economies; development dimension of electronic commerce; market access for least-developed countries; notifications under the Enabling Clause of modifications to the Generalized System of Preferences; notifications under the Enabling Clause of Regional Trade Agreements; Financing for

¹⁵A detailed list of all notified RTAs can be found on the WTO website.

Development – Contribution to UN High-level Event to be held in 2002; and the Work Programme for 2001. The CTD also took note of the annual report of the Joint Advisory Group on the ITC. On the issue of Observership, the CTD awaited the completion of the General Council's work on the subject; and in the meantime extended ad hoc observer status on a meeting by meeting basis to the UNEP. Requests from the League of Arab States, the OPEC and the Gulf Organization for Industrial Consulting were pending.

The Committee held four formal sessions: on March 10; on June, 28 June 2000 (continued on 10 July 2000), on 22 September 2000; and on 27 October 2000 (continued on 8 November 2000). The first of these was chaired by Ambassador Diallo of Senegal; the following three by Ambassador Ransford Smith of Jamaica. One innovation in the work programme of the CTD in 2000 was the holding of seminars for the in-depth treatment of selected topics in an informal setting. The seminars drew on the expertise of WTO staff, staff of other agencies, representatives of Members countries, and experts from the academic community. Seminars were held on special and differential treatment; implementation; and small economies. Following each seminar, the chairperson presented a report under her/his own responsibility to the CTD, and delegations proceeded to have further formal discussions on the subjects covered at the seminar. The question of special and differential treatment was also considered on the basis of a Secretariat paper giving an overview of the implementation of the whole range of special and differential treatment provisions in the WTO agreements.

A series of informal meetings was held on technical cooperation, beginning with two "informal days of reflection" on 18 and 19 July. Subsequently, informal sessions of the CTD were devoted to the drafting of a "Strategy for Technical Assistance" in the WTO. A draft strategy paper was also discussed in formal meetings, along with the report on WTO Technical Cooperation Activities for the year 1999; the WTO Three-Year Plan for Technical Cooperation; and the WTO Three-Year Plan for Training. The strategy paper has been revised in the light of comments and will be further discussed in 2001. At different meetings of the CTD, the European Communities and Japan respectively, presented specific proposals on the subject of technical cooperation, while the United States drew attention to information on its initiatives to build trade-related capacity. A statement was also made by a representative of the UNIDO.

The notification and consideration of market access, principally under the Enabling Clause, continues to be an important part of the CTD's work. In the year 2000, the CTD received a notifications from Norway and Japan to their respective GSP schemes. Canada also announced its intention to notify modifications to its GSP scheme, in regard to market access for least-developed countries. Regarding least-developed countries, the CTD took note of a notification by the Republic of Korea made under the 1999 waiver for preferential tariff treatment by least-developed countries by developing countries.

The CTD also received and took note of notifications, under the Enabling Clause, of two regional trade agreements: the West African Economic and Monetary Union; and the East African Community.

The CTD discussed the participation of developing countries in international trade on the basis of a Secretariat paper, which examined trade patterns and trends over the medium and long terms, as well as in the period of the recent macroeconomic and financial crises. Special attention was also paid to the trade of least-developed countries.

Following the reinvigoration of the work programme on electronic commerce, the CTD held an informal briefing session which drew on the expertise of invited organizations, including the UNCTAD, the WIPO, the ITC and the ITU. Members' discussions revealed that there was an interest in a continuation of work on electronic commerce in the CTD, and this was duly reported to the General Council.

The General Council also requested that the CTD be the focal point to coordinate the WTO's input into the United Nations High Level Event on Financing for Development to be held in 2002. This will be taken up as part of the work programme for 2001.

Major elements in the Committee's Work Programme for 2001 include special and differential treatment; technical cooperation; the participation of developing countries in international trade; electronic commerce; and financing for development. Discussions are underway on how to take forward work on small economies. The CTD will also continue with its practice of holding informal seminars on selected subjects, with the discussions then taken up at formal sessions of the CTD. Topics selected for 2001 year are: Technology, Trade and Development; Electronic Commerce; and Policies and Strategies for Trade and Development. The CTD will continue its routine work regarding notifications, and also in receiving the report of the Joint Advisory Group of the ITC.

Sub-Committee on Least-Developed Countries

The Sub-Committee on Least-Developed Countries is a subsidiary body to the Committee on Trade and Development with the mandate of giving special attention to issues of

particular importance to the least-developed countries (LDCs). During the year 2000, the Sub-Committee held four formal meetings under the chairmanship of Ambassador Benedikt Jónsson (Iceland). The principal themes addressed by the Sub-Committee included: the follow-up to the 1997 High-Level Meeting on Integrated Initiatives for LDCs' Trade Development, market access for products originating in LDCs, difficulties faced by LDCs in implementing WTO Agreements, and the Third United Nations Conference on LDCs (LDC-III).¹⁶

Follow-up to the high-level meeting on integrated initiatives for Least-Developed Countries' trade development

Under this standing Agenda-Item, the Sub-Committee continued monitoring and contributing to the progress in the Integrated Framework for trade-related technical assistance to LDCs (IF). Particular emphasis was placed on discussions on the mandated review of the IF,¹⁷ the decisions thereafter by the six Heads of Agency to improve the functioning of the IF,¹⁸ and the follow-up to the Heads of Agency decisions. The Sub-Committee was briefed by the Secretariat at each meeting on the activities undertaken by the Inter-Agency Working Group which coordinated trade-related technical assistance to LDCs amongst the six IF agencies.¹⁹

Market access

The Sub-Committee considered a Secretariat's compilation of existing information on market access barriers faced by the exports of the LDCs.²⁰ Following the report by the Director-General at the 3 May General Council on his consultations with the main trading partners on improvements on market access opportunities for LDCs,²¹ the Sub-Committee recognized the importance of notifications to be made on existing measures or improvements made, particularly in the view of the forthcoming LDC-III to be held in Brussels in May 2001.

Difficulties faced by least-developed countries in implementing WTO Agreements

The Sub-Committee considered a Secretariat's working report "Implementation of WTO Agreements: Possible Assistance to Least-Developed Countries".²² The Sub-Committee also discussed whether its work on implementation, including possible recommendations for assistance to LDCs, would be forwarded to the CTD or to the General Council.

Third United Nations Conference on Least-Developed Countries (LDC-III)

The Sub-Committee invited UNCTAD, Executive Secretariat for LDC-III, to provide a briefing on the preparatory process for the Conference. The Sub-Committee also held a joint meeting with the Trade and Development Board of UNCTAD for a briefing on the results of the first Predatory Committee for LDC-III held in July 2000. The Sub-Committee decided on four areas of WTO contribution to LDC-III, which included: (i) the effective implementation of the Integrated Framework; (ii) a report on mainstreaming, based on the joint IF core Agency seminar held on 29-30 January 2001; (iii) a factual study on current market access opportunities for LDCs; and, (iv) a status report on LDCs' accession to the WTO.

XI. Committee on Trade and Environment

The WTO conducted several regional training seminars on Trade and Environment for South American, Mediterranean and African countries. The idea behind the seminars was to have trade officials meet their environmental counterparts and exchange views, and gain a better understanding of trade and environment discussions in the WTO and their implications for their regions. The seminars attempted to increase awareness of the WTO's role and activities in this area and to prepare participants for future discussions in the WTO.

The Secretariat invited other intergovernmental organizations to participate in each of the activities. UNEP, UNCTAD and other MEAs contributed actively to these regional seminars.

The seminars contributed to:

- The understanding that greater coordination between trade and environmental policy makers is vital for policy coherence at both the national and international levels. Trade officials were exposed to the views of their environmental counterparts (and vice versa). Through concrete case studies, e.g. on the relationship between multilateral environmental agreements (MEAs) and WTO rules, it was demonstrated how a lack of proper coordination in the past has sometimes resulted in the negotiation of what are potentially conflicting international obligations;

¹⁶See documents WT/COMTD/LDC/M/19 to 22 for full reports of the meetings.

¹⁷WT/LDC/SWG/IF/1.

¹⁸WT/LDC/SWG/LDC/IF/2.

¹⁹Reports of the IAWG meetings are contained in WTO documents WT/COMTD/LDC/6, WT/COMTD/LDC/8, WT/LDC/SWG/IF/3, and WT/LDC/SWG/IF/5.

²⁰WT/COMTD/LDC/W/16 and 17.

²¹WT/GC/M/55.

²²WT/COMTD/LDC/W/19.

- Having government officials from both the trade and the environmental sides meet with their regional counterparts and exchange country experiences and views. They reflected both formally and informally on the implications of WTO trade and environment discussions on their region as a whole.

XII. Plurilateral Agreements

Agreement on Government Procurement

The following WTO Members are Parties to the plurilateral Agreement on Government Procurement of 1994: Canada; the European Community and its 15 member States; Hong Kong, China; Israel; Japan; the Republic of Korea; Liechtenstein; the Kingdom of the Netherlands with respect to Aruba; Norway; Singapore; Switzerland; and the United States. Twenty-one WTO Members have observer status: Argentina, Australia, Bulgaria, Chile, Cameroon, Colombia, Croatia, the Czech Republic, Estonia, Georgia, Iceland, Jordan, the Kyrgyz Republic, Latvia, Mongolia, Oman, Panama, Poland, the Slovak Republic, Slovenia and Turkey. Three non-WTO Members, Lithuania, Chinese Taipei and Moldova and three intergovernmental organizations, the IMF, the ITC and the OECD, also have observer status. Pursuant to a decision of the Committee of 29 September 2000, Iceland may accede to the Agreement on the basis of the terms attached to that Decision (GPA/43). Bulgaria, Estonia, Jordan, the Kyrgyz Republic, Latvia, Panama and Chinese Taipei are currently negotiating their accession to the Agreement.

Further to its review of the government procurement legislation of the European Community and Switzerland in 1999, the Committee completed, in 2000, the reviews of the legislation of Canada; Hong Kong, China; the Republic of Korea; and Norway. National implementing legislation was also notified by Israel, Liechtenstein, Japan, Singapore and the United States.

Since February 1997, the Committee has been carrying out work relating to negotiations provided for under Article XXIV:7 of the Agreement covering, in particular, the following elements: simplification and improvement of the Agreement, including, where appropriate, adaptation to advances in the area of information technology; expansion of the coverage of the Agreement; and elimination of discriminatory measures and practices which distort open procurement. Following an agreed time-frame and work programme, Parties pursued actively their consultations in 2000 on the basis of an informal note reflecting the numerous draft texts proposed by various Parties relating to modifications to the Articles of the Agreement. An objective of the negotiations is the expansion of the membership of the Agreement by making it more accessible to non-Parties. WTO Members, not Parties to the Agreement, and other observer governments to Agreement have been invited to participate in the work.

Other matters considered by the Committee during the period have been: statistical reporting, the notification of threshold figures in national currencies, modifications to the Appendices to the Agreement and the circulation of the Appendices to the Agreement in the form of a loose-leaf system through the government procurement section of the WTO website.

Agreement on Trade in Civil Aircraft

This Agreement entered into force on 1 January 1980.

As of 1 February 2001, there were 27 Signatories to the Agreement: Bulgaria, Canada, the European Communities, Austria, Belgium, Denmark, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden, the United Kingdom, Egypt, Georgia, Japan, Latvia, Macau, Malta, Norway, Romania, Switzerland and the United States. Those WTO Members with observer status in the Committee are: Argentina, Australia, Bangladesh, Brazil, Cameroon, Colombia, the Czech Republic, Estonia, Finland, Gabon, Ghana, India, Indonesia, Israel, the Republic of Korea, Mauritius, Nigeria, Poland, Singapore, the Slovak Republic, Sri Lanka, Trinidad and Tobago, Tunisia and Turkey. In addition, China, Chinese Taipei, the Russian Federation and Saudi Arabia have observer status in the Committee. The IMF and UNCTAD are also observers.

The Agreement eliminates all customs duties and other charges on imports of civil aircraft products and repairs, binds them at zero level, and requires the adoption or adaptation of end-use customs administration. The Agreement prohibits Signatories from requiring, or exerting pressure on, purchasers to procure civil aircraft from a particular source, and provides that purchasers of civil aircraft products should be free to select suppliers on the basis of commercial and technical factors only. The Agreement regulates Signatories'

participation in, or support for, civil aircraft programmes, and prohibits Signatories from requiring or encouraging sub-national entities or non-governmental bodies to take actions inconsistent with its provisions. Although the Agreement is part of the WTO Agreement, it remains outside the WTO framework.

During the meetings of the Committee on Trade in Civil Aircraft in 2000, the Committee again reverted to the status of the Agreement in the WTO framework, but Signatories remained unable to adopt the Draft Protocol (1999) Rectifying the Agreement on Trade in Civil Aircraft that was proposed by the Chairperson in April 1999. They were nevertheless of the view that it was useful for the Committee to continue to revert to this item with a view to making progress.

The Committee also discussed the draft revised Protocol (2000) Amending the Annex to the Agreement on Trade in Civil Aircraft relating to the update of Harmonized System ("HS") headings to the HS 1996 and the extension of product coverage of the Product Coverage Annex to include "aircraft ground maintenance simulators". In connection with the extension of product coverage, the Committee considered the proposal by one Signatory to amend Article 1.1 of the Agreement. While Signatories were unable formally to adopt the Protocol (2000) Amending the Annex to the Agreement on Trade in Civil Aircraft, or to agree to amend Article 1.1 of the Agreement, the Committee decided to urge Signatories to apply, on an interim basis, duty-free treatment to the goods of the proposed product coverage Annex outlined in WTO document TCA/W/5/Rev.3, including aircraft ground maintenance simulators. In addition, Signatories agreed to instruct the Secretariat to produce, for review by Signatories, a further draft revision of the Product Coverage Annex incorporating changes to the HS that will enter into effect on 1 January 2002.

In 2000, the Committee also addressed, inter alia, the European Communities' regulation on aircraft engine noise; the certification in Europe of United States civil aircraft; government support for the development of large civil aircraft; and Belgian aircraft industry supports. Signatories were reminded that they should update information concerning civil/military identification for domestic customs purposes, and the Committee discussed the system of "end-use" customs administration of several Signatories, including the proposal by one Signatory concerning the definition of "civil" vs. "military" aircraft based on initial certification.

The Committee also addressed the utility of statistical reporting of trade data by Signatories.

PART II

I. Technical cooperation

Significant progress was achieved during 2000: (i) A seminar on the implementation of WTO Agreements was held on 26 June 2000; (ii) two days of reflection on technical cooperation took place on 18-19 July 2000; (iii) a seminar on small economies was held on 21 October 2000 under the auspices of the Committee on Trade and Development; (iv) an African Ministerial Conference on the WTO was organized from 13 to 15 November 2000 in Libreville. The seminar on the implementation of WTO Agreements took the form of a series of panels covering an overview of implementation issues; policy perspectives on implementation; practical aspects of implementation focusing on TRIPS, Customs Valuation and TRIMs; as well as difficulties of developing countries in the pursuit of their rights under the WTO. The objective of the two days of reflection on technical cooperation was to review WTO's technical cooperation activities in the light of their objectives and the needs for capacity building in relation to the WTO Agreements, and to provide a constructive input for discussions in the Committee on Trade and Development itself. The seminar on small economies, which was considered to be part of the Geneva Week for non-resident Members and Observers of the WTO, addressed two basic questions: the nature of the problems facing small economies and the possible solutions to those problems. In the Libreville meeting, African Ministers reaffirmed their support for the WTO and the multilateral trading system.

During the year under review, the Technical Cooperation Division produced a strategy paper on WTO technical cooperation which provides insights into the myriad of issues involved in the conduct of WTO technical cooperation more generally and specifically at the country level. With the generous support of extra-budgetary contribution from the Government of the United Kingdom, an expert on evaluation was engaged to develop a framework for monitoring and evaluating technical assistance activities. A Guide was also

prepared for use by the Secretariat staff dealing with technical assistance activities. These initiatives were presented in documents WT/COMTD/W/73 and WT/COMTD/W/74 and are both dated 21 June 2000.

Another important development in year 2000 was the agreement by the General Council to increase the budget for technical cooperation to Swiss francs 1.5 million for the budget year 2001. In November 2000, the Secretariat produced a CD-ROM and a paper copy of a "Guide to sources of trade-related technical assistance". In addition to serving the immediate purpose of providing a single reference source for potential beneficiaries of trade-related technical assistance, the Guide should also be helpful in ensuring adequate coordination and cooperation among providers of technical assistance. The Guide contains four chapters: the first one explains the main features of WTO technical assistance; the second chapter identifies the joint programmes in which WTO is involved; and the remaining two chapters identify other sources of trade-related technical assistance categorized into multilateral organizations, regional organizations and bilateral assistance.

To facilitate a quick grasp of the different WTO Agreements by delegates during the African Ministerial Conference held in Libreville in November 2000, a synopsis of each WTO Agreement was prepared by the Secretariat. These were well received by the delegates at the conference and were inter alia a main component to the success of the meeting. Moreover the year 2000 saw the establishment of a further 27 WTO Reference Centres mainly in regional and sub-regional organizations, bringing the total to ninety-five. Follow-up activities included the replacement and/or procurement of computer equipment and computer accessories for a number of least-developed countries in Africa. A survey conducted in May 2000 to assess the functioning and effectiveness of the Reference Centres produced useful inputs into the triennial planning of technical assistance for the Reference Centres.

II. Training

Trade Policy Courses

Introduction

In the period under review, the WTO Secretariat organized three regular Trade Policy Courses and one six-week Special Course on Accession to the WTO for Eastern and Central European and Central Asian Countries.

Regular Courses

The three regular Courses, two in English and one in Spanish respectively, were held for developing country officials who are involved in the formulation and implementation of trade policy. Each regular Course lasted for 12 weeks and took place at the WTO in Geneva. Course participants (24 places on each regular Course) were financed by WTO fellowship awards which cover expenses for the duration of the Course.

The Course objective is to widen participants' understanding of trade policy matters, the multilateral trading system, international trade law and the functioning of the WTO. The knowledge acquired in the Course is expected to allow participants to improve the effectiveness of their work in their own administrations and to promote a more active participation of their countries in the work of the WTO.

III. Cooperation with other international organizations and relations with civil society

Since its establishment, the WTO has had extensive contacts with other inter-governmental organizations (IGOs) interested in its activities. Forty-two IGOs attended the first Ministerial Meeting in Singapore in 1996, 40 IGOs in Geneva in 1998 and 50 IGOs in Seattle in 1999. Relations have been established with relevant organizations in the United Nations system, the Bretton Woods organizations, or various regional bodies to ensure that the resources and expertise of the international community remain focused, coordinated and, most important, relevant to the most pressing global needs. In the year 2000, the General Council approved the agreement on arrangements for effective cooperation between the International Telecommunications Union and the WTO.

Many of the organizations have observer status in one or more of the various WTO Committees, Councils or working groups.

Cooperation with the IMF and the World Bank

The “Coherence” mandate from Marrakesh provides an opportunity to take a broader view than usual of the importance of the multilateral trading system to global economic policy. The great strength of our cooperation agreements with the World Bank and the IMF is that while each organization continues to focus on its core responsibilities, we are able to explore ways of leveraging our collective resources in areas where our activities converge. By placing the WTO’s work in the context of the inter-actions between trade, structural, macroeconomic, financial and development aspects of economic policy-making, the WTO can help ensure that in these areas we are following consistent and mutually supportive policies.

Over the past 12 months, the WTO’s cooperation with the World Bank and the IMF has focused in particular on assisting developing and least-developed countries to take greater advantage from their involvement in international trade, and from their participation in the multilateral trading system. This has coincided closely with the attention that the IMF and the World Bank have been giving to steps that must be taken to rid the world of the problem of widespread poverty. Poverty alleviation is the predominant development challenge for our generation, and it is one of the main benchmarks against which the success of economic globalization is to be measured.

A tangible reflection of this cooperation was the result of the IMF/World Bank Development Committee meeting last April. A central focus of discussion was the issue of “Trade, Development and Poverty Reduction”. Finance and Development Ministers endorsed the commitment of the World Bank and the IMF to use their programmes to support countries’ efforts to expand trade within a comprehensive framework for development that includes the necessary complementary reforms and investment in institutions, infrastructure and social programmes. They reiterated their call on the World Bank, the IMF and the WTO to cooperate with other parties in developing effective programmes of capacity-building for trade, including through an improved Integrated Framework for Trade-Related Assistance for the Least-Developed Countries. And they urged the World Bank to mainstream trade in its country assistance programmes by providing greater financial and technical support to improve trade-related infrastructure and institutions.

The WTO Secretariat is cooperating with the staff of the IMF and World Bank as they develop strategies to support developing countries’ efforts to expand their trade, to integrate trade into the IMF/World Bank Poverty Reduction Strategy papers, and, in the case of the World Bank, to mainstream trade in its country assistance programmes. In this regard, the Secretariat’s work on Trade Policy Reviews, on the IF, and on technical assistance generally, are all making a contribution. The IF, in particular, can be a useful complement to the Poverty Reduction Strategy, providing a focal point for helping countries to determine their trade priorities and a channel through which trade issues can be highlighted in broader poverty reduction discussions.

As part of the WTO’s on-going collaborative research with the IMF and the World Bank, three seminars were organized in Geneva which benefited from World Bank participation. They covered “Special and Differential Treatment for Developing Countries”, “Implementation of the WTO Agreements”, and “Small Economies in the Multilateral Trading System”.

United Nations Conference on Trade and Development

The WTO and the United Nations Conference on Trade and Development (UNCTAD) have continued to develop their important relationship, reflecting their shared interest in advancing the cause of global trade liberalization within the framework of the multilateral system. WTO Director-General Mr. Mike Moore attended UNCTAD X held in Bangkok, Thailand, from 12-19 February 2000. In accordance with the overall objective of across-the-board coordination and making better use of collective resources for the benefit of all developing countries, the major focus of WTO-UNCTAD joint efforts has been to assist least-developed countries, and African countries in particular, in integrating more fully and effectively into the world trading system.

The WTO Secretariat is a member of the task force convened by the UNCTAD Secretariat in preparation for the Third United Nations Conference on Least-Developed Countries (LDC-III), scheduled to take place in Brussels in May 2001. WTO and UNCTAD staff continue to participate in each others meetings held in Geneva on a regular basis and are in frequent contact to exchange information. The two organizations and the International Trade Centre (see following section on ITC) continued to collaborate in the establishment of an unprecedented Technical Assistance Programme, designed to target specific African countries and help them expand and diversify their trade, and ease their integration into the multilateral trading system. Collaboration also continued with UNCTAD as well as the IMF, UN, OECD and EUROSTAT, on preparing an international manual on concepts and definitions on trade in services, within the context of the Inter-Agency Task Force on Statistics of International Trade in Services.

The International Trade Centre UNCTAD/WTO

Established by GATT in 1964, the International Trade Centre UNCTAD/WTO (ITC) is a joint subsidiary organ of the WTO and the United Nations, the latter acting through the UN Conference on Trade and Development (UNCTAD). The WTO General Council and the UNCTAD Trade and Development Board determine the broad policy guidelines of ITC's programme and the two contribute equally to ITC's regular budget.

Implementation of the Joint ITC/UNCTAD/WTO Integrated Technical Assistance Programme in Selected Least-Developed Countries and other African Countries (JITAP) continued to deepen. Early monitoring and ensuing modifications have led to a decentralized implementation and improved performance and results in terms of local training and dissemination activities. In late 1999, a capacity building assessment was initiated and this has yielded further suggestions for enhancing. As requested by its parent bodies WTO and UNCTAD, ITC has agreed to assume day-to-day management responsibility for the programme.

ITC continued to give vigorous support to the IF which lays down a mechanism for closer coordination of the trade-related technical assistance activities of the IMF, ITC, UNCTAD, UNDP, the World Bank and the WTO. In 2000, the IF was independently reviewed and lead agencies decided on steps to improve the delivery of trade-related technical assistance, including by establishing a trust fund, which now needs donor support.

Relations with non-governmental organizations/civil society

Although NGOs have been interested in the GATT since its inception in 1947, the period since the creation of the WTO has vividly demonstrated that the multilateral trading system is being scrutinized by public opinion like never before.

Relations with Non-Governmental Organizations (NGOs) are specified in Article V:2 of the Marrakesh Agreement and further clarified in a set of guidelines (WT/L/162) which were adopted by the General Council in July 1996 and which "recognizes the role NGOs can play to increase the awareness of the public in respect of WTO activities". Relations with NGOs essentially focus on attendance at Ministerial Conferences, participation in issue-specific symposia, and the day-to-day contact between the WTO Secretariat and NGOs. The WTO Secretariat receives a large and increasing number of requests from NGOs from all over the world and Secretariat staff meet NGOs on a regular basis – both individually and as a part of NGO organized events.

Since the adoption of the 1996 guidelines, several steps have been taken to enhance the dialogue with civil society. The WTO Secretariat provides regular briefings for NGOs and has established a special NGO Section on the WTO website with specific information for civil society, e.g. announcements of registration deadlines for ministerial meetings and symposia. In addition, a monthly list of NGO position papers received by the Secretariat is compiled and circulated for the information of Members. Since April 2000 a monthly electronic news bulletin is available to NGOs, facilitating access to publicly available WTO information. It is open to all organizations and/or individuals, subscription requests should be sent by e-mail to the following address: ngobulletin@wto.org.

Ministerial Conferences

NGO attendance at WTO Ministerial Conferences is based on a basic set of registration procedures: (i) NGOs are allowed to attend the Plenary Sessions of the Conference and (ii) NGO applications to register would be accepted by the WTO Secretariat on the basis of Article V:2, i.e. NGOs have to demonstrate that their activities are "concerned with matters related to those of the WTO". Information on these procedures is posted on the WTO website, as was the case for Seattle and will be the case for the Fourth Ministerial Conference to be held in Qatar from 9 to 13 November 2001.

Symposia

In March 1999, the WTO held two High-Level Symposia in Geneva, which represented an important step forward in WTO's dialogue with civil society. They demonstrated that governments and civil society alike, can engage in open and constructive dialogue, and on issues where differences may exist, move towards identifying solutions.

Along the same lines, a symposium was held on 29 November 1999 in Seattle. The Seattle Symposium on International Trade Issues in the First Decades of the Next Century provided a further opportunity to enhance this dialogue. A wide range of important issues were discussed, such as the role of international trade in poverty elimination, the effects of globalization on developing countries, the integration of Least-Developed countries into the multilateral trading system, increasing public concerns with the trading system, trade and sustainable development, and trade and technological development.

Annex I – Recent publications

The World Trade Organization's publications are available in print or electronic versions, in English, French and Spanish. They cover legal texts and agreements, country and product studies, analytical economic data, special trade-related studies and histories of various trade negotiations and agreements. An increasing number of these publications are produced under co-publishing agreements with commercial publishers. Listed below is a selection of some of our newest and most popular publications. For details on pricing, availability and on all other titles, contact WTO Publications or consult the complete listing on our website: http://www-dev.wto.org/english/res_e/booksp_e/booksp_e.htm. Internet customers are now able to shop for WTO publications using our secure on-line bookshop. All major credit cards are accepted and customers are provided with confirmation and a summary of the order within seconds. Bernan Press can be contacted at 4611-F Assembly Drive, Lanham, MD 20706-4391, Toll Free: 1-800-274-4888. Kluwer Law International can be contacted at 675 Massachusetts Avenue, Cambridge, MA 02139, USA, tel. (617) 354-0140, fax (617) 354-8595, e-mail sales@kluwerlaw.com.

Free publications

Three basic information brochures about the WTO are now available in English, French and Spanish, providing short introductions to the WTO, its agreements and how it works: "The WTO in brief" – a starting point for essential information about the WTO; "10 benefits of the WTO trading system" – the WTO and the trading system offer a range of benefits, some well-known, others not so obvious; and "10 common misunderstandings about the WTO" – criticisms of the WTO are often based on fundamental misunderstandings of the way the WTO works. These three brochures are complemented by "Trading into the Future" – a lengthier introduction to the WTO and its agreements already available in all three languages. A charge will be made for requests exceeding 25 copies of these publications.

The WTO website

The WTO website (www.wto.org) in English, French and Spanish offers access to over 11,000 pages of information that is updated on a daily basis. In addition, users can use the website to access "Documents online" which contains over 60,000 WTO working documents in English, French and Spanish. New documents are added daily. The site also hosts the WTO broadcasting service which enables users to view and hear highlights of key WTO events, some of which are broadcast live on the Internet. Over the past year the number of users accessing the site had continued increase, reaching an average of 200,000 users in a single month. The volume of information that is retrieved by users varies from 15 to 25 gigabytes per month (25 gigabytes is equivalent to about 15 million pages of text). The WTO also maintains a joint website with the World Bank (www.itd.org) focusing on trade and development.

WTO video – Solving trade disputes

How can trade disputes between governments end in harmony? WTO members have designed a system to help them solve their differences through the rule of law. When a government believes that another has violated WTO rules, or has acted in a way which deprives businesses of their trading benefits, it can lodge a complaint before the WTO. The video explains in simple terms how these disputes are resolved, illustrated through two concrete cases: When the two sides find an amicable solution: a dispute over sound recording copyright, involving the United States, European Union and Japan. When the case goes through the full litigation process: a dispute between Venezuela, Brazil and the United States over gasoline and environmental protection. The video also looks at the possible future evolution of the dispute settlement system. It is a tool for information and for training, for governments, universities, lawyers, businessmen and for a wider public interested in widening their knowledge of the WTO.

Length: 30 minutes. In English, French and Spanish.

WTO Agreements Series

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

Volumes 1-4 are already available, the remaining volumes will be available over the coming months in English, French and Spanish.

The volumes in this series (the sequence follows their order of appearance in the WTO Agreement):

1. Agreement Establishing the WTO
2. GATT 1994 and 1947
3. Agriculture
4. Sanitary and Phytosanitary Measures
5. Textiles and Clothing
6. Technical Barriers to Trade
7. Trade-Related Investment Measures
8. Anti-dumping
9. Customs Valuation
10. Preshipment Inspection
11. Rules of Origin
12. Import Licensing Procedures
13. Subsidies and Countervailing Measures
14. Safeguards
15. Services
16. Trade-Related Intellectual Property Rights
17. Dispute Settlement
18. Trade Policy Reviews
19. Trade in Civil Aircraft
20. Government Procurement

WTO Computer Based Training

This is the first in a series of, trilingual, easy-to-use interactive guides to WTO Agreements on CD-ROM.

Each CD-ROM module is designed to guide the user through the complex WTO agreements in a simple step-by-step manner. This module, which covers the WTO Agreement on Textiles and Clothing, includes text, video and audio material and is complemented by a multiple-choice test to enable users to monitor their individual progress. The complete text of the Agreement is also included.

A module on sanitary and phytosanitary measures will be available during 2001.

Special Study No. 6 – Market Access: Unfinished Business. Post-Uruguay Round Inventory and Issues

This study has two closely related objectives: to evaluate post-Uruguay Round market access conditions and to contribute to a clarification of the stakes in the ongoing process of multilateral trade negotiations in the market access area. Section II discusses obstacles to trade in industrial products, focusing on tariffs. Section III addresses distortionary measures affecting trade in agricultural products and Section IV discusses the degree of market access guaranteed by commitments under the GATS, the relative importance of the different trading modes and the main obstacles to trade for specific services.

May 2001.

Special Study No. 5 – Trade, Income Disparity and Poverty

This study, which is based on two expert reports commissioned by the WTO Secretariat, aims to clarify the interface between trade, global income disparity, and poverty. Professor Dan Ben-David of Tel Aviv University, takes an in-depth look at the linkages between trade, economic growth, and income disparity among nations. Professor L Alan Winters of University of Sussex, discusses the various channels by which trade may affect the income opportunities of poor people. The publication also includes a non-technical overview of the two expert reports.

June 2000.

International Trade Statistics 2000

The WTO annual report International Trade Statistics 2000 provides comprehensive, comparable and up-to-date statistics on trade in merchandise and commercial services for an assessment of world trade flows by country, region and main product groups or service categories. Some 240 tables and charts are depicting trade developments from various perspectives and providing a number of long-term time series as additional information. Major trade developments are summarized and discussed in the first part of the report under Overview. This volume has been produced by a team of statisticians from the Statistics Division in collaboration with the Economic Research and Analysis Division. For 1999, the report gives detailed figures for merchandise and commercial services trade by region, by country and by product category.

November 2000.

Guide to the WTO and Developing Countries

Developing countries comprise two thirds off the WTO membership. In order to ensure equitable participation of these countries in the benefits of the global trading system, the GATT Uruguay Round Agreements that created the WTO accorded special and differential treatment to developing countries. The provisions are covered in the guide and include: market access, dispute settlement, trade policy reviews, foreign direct investment, environment and labour issues and technical assistance. The guide also includes case studies on how WTO members are making progress in working with the obligations and the benefits of the WTO Agreements.

Trade, Development and the Environment

In recent years the relationships between trade and the environment, and trade and development, have become increasingly complex. The need to reconcile the competing demands of economic growth, economic development, and environmental protection has become central to the multilateral trade agenda. In this volume various commentators debate the role of the 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.

The Internationalization of Financial Services

The internationalization of financial services is an important issue for the strengthening and liberalizing of financial systems in developing countries. There has been considerable support for the view that internationalization can assist countries in building financial systems that are more stable and efficient by introducing international standards and practices. At the same time, there have been concerns about the risks that internationalization may carry for some countries, particularly in the absence of adequate regulatory structures. The chapters in this book examine different aspects of this debate, the relative benefits and costs of internationalization, and together provide an insight into the diversity and significance of the effects of internationalization on domestic financial systems.

Co-published with Bernan Associates

Trade Policy Reviews series

The Trade Policy Review Mechanism was launched in 1989 to improve transparency by enabling GATT members collectively to examine the full range of trade policies and practices of individual members. This process has continued under the WTO in much the same format. The evaluation is conducted on the basis of two reports: one presented by the government of the country concerned, and the other prepared by the GATT/WTO Secretariat. The four largest traders – Canada, Japan, the United States and the EC (as a single entity) – are reviewed every two years. Other countries are reviewed every four or six years, depending on their relative importance in world trade.

CD-ROM: Trade Policy Review Series

The WTO Trade Policy Review are now also available on CD-ROM. The 1999 version contains member countries reviewed from 1995-1998, including the United States, Japan, the EU and Canada in English, as well as member countries reviewed between 1995-1997 in French and Spanish. Each CD-ROM contains these reports, with links, bookmarks, and search facilities, using Folio 4 software. A new, updated disk will be released every year to include the new reviews that have become available.

The 2000 edition containing member countries 1995-1999 in English and 1995-1998 in French and Spanish will be available shortly.

CD-ROM: GATT Basic Instruments and Selected Documents

The entire GATT Basic Instruments and Selected Documents (BISD)-all 42 volumes in English, French and Spanish on one CD-ROM. This disk uses Folio 4 software turning the large library of documents into a highly accessible and useful tool for research and also allowing the user to conduct sophisticated research quickly and efficiently.

International Trade Statistics 2000 on CD-ROM

The WTO's 2000 trade statistics enables you to analyze international trade patterns between countries and regions, extract and export extensive trade statistics and graphics to spreadsheet or database through the technology of CD-ROM.

Areas covered include, trade by region, country or commodity data are compiled and presented by WTO's leading economic statisticians with great detail and reliability, charts, graphs and tables present the information in an easy-to-access, easy-to-read style.

WTO Dispute Settlement Procedures – 2nd Edition

This volume contains a collection of the legal texts related to the settlement of disputes under the Agreement Establishing the World Trade Organization (WTO). To facilitate their use, the texts have been grouped by subject matter, and cross-references and a subject index have been added by the WTO Secretariat. These additions do not form part of the legal texts and therefore should not be used as sources of interpretation.

The Legal Texts – The Results of the Uruguay Round of Multilateral Trade negotiations

First published in 1994 by the GATT Secretariat and reprinted by the WTO in 1995, this title has now been reprinted by Cambridge University Press.

This book contains the legal texts of the agreements negotiated in the Uruguay Round, now the legal framework of the World Trade Organization. The agreements will govern world trade into the 21st century. They cover:

Goods: the updated General Agreement on Tariffs and Trade (GATT) that includes new rules on agriculture, textiles, anti-dumping, subsidies and countervailing measures, import licensing, rules of origin, standards, and pre-shipment inspection. (The original GATT text is also included in this volume).

Services: the General Agreement on Trade in Services (GATS)

Intellectual property: the Agreement on Trade-Related Intellectual Property Rights (TRIPS)

Disputes: the new dispute settlement mechanism

The legal framework for the World Trade Organization

ISBN 0521 78094 2 – Hardback

Price: SFr 150

ISBN 0521 78580 4 – Paperback

Price: SFr 62.50

French and Spanish versions are available from the WTO.

Dispute Settlement Reports

The Dispute Settlement Reports of the World Trade Organization (the “WTO”) include panel and Appellate Body reports, as well as arbitration awards, in disputes concerning the rights and obligations of WTO Members under the provisions of the Marrakesh Agreement Establishing the World Trade Organization. The Dispute Settlement Reports are available in English, French and Spanish. 1996, 1 volume, 1997, 3 volumes, 1998, 9 volumes, 1999, 6 volumes.

Annex II – Trade Policy Review Body – Concluding remarks by the Chair of the Trade Policy Review Body

Kenya – 26 and 28 January 2000

We have had a comprehensive and very interesting review of Kenya’s trade policies, which provided valuable insight into the significant trade reforms and structural adjustment undertaken since the previous Review, with a view to achieving Kenya’s orientation to competitive markets. This was made possible both by the detailed information provided by Ambassador Rana and his delegation on recent and ongoing reforms, and by the high quality of comments made by the discussant and the participants in this TPRB. The large number of questions and comments reflected the widespread interest of Members in recent developments in Kenya as well as the importance they attached to Kenya’s role in the region and in the WTO.

Members were unanimous in congratulating Kenya for the actions undertaken towards trade liberalization, particularly as Kenya is an important player in the region. These steps included the progressive dismantling of quantitative restrictions, the rationalization of the tariff structure, and the lowering of the average tariff rate. Members recognized the social impact of these reforms and, it is my impression, were appreciative of Kenya’s efforts in this regard, in particular the introduction of social safety nets. In this regard and on a more general level, some Members noted the importance of coherence both in policies and in the work of international organizations, particularly the WTO and the IMF. They congratulated Kenya for fully implementing the WTO Agreement on Customs Valuation and for its determination to implement all WTO obligations.

On the other hand, most Members expressed concern over recent tariff increases for some agricultural products. They also noted that “suspended duties” made the tariff regime

more distortive and less transparent. They encouraged Kenya to consider elimination of such duties and to pursue further trade policy reforms, as well as to accelerate the privatization programme to enhance its macroeconomic stability and facilitate foreign investment inflows. They further encouraged Kenya to increase the coverage of its tariff bindings, and bring the bound rates into line with applied rates with a view to increasing tariff predictability for trading partners.

At the same time, Members recognized the large number of legislative changes already implemented to improve transparency and accountability. Members expressed particular interest in areas where WTO-related technical assistance might be useful.

Members also asked for details in a number of more specific areas including:

- plans to incorporate WTO Agreements into Kenyan law;
 - customs valuation, transparency and predictability of customs procedures, and plans to facilitate customs clearance;
 - conditions for granting exemptions to compulsory standards;
 - main provisions of the new anti-dumping and countervailing legislation;
 - legislation on government procurement and any plans to become a signatory to the WTO Agreement on Government Procurement;
 - recent progress on amendments to intellectual property legislation, including its coverage and enforcement activities;
 - implementation of competition policy, including number of appeals, and transborder anti-competitive behaviour;
 - ratification of the Fifth Protocol to the GATS, and further liberalization and privatization of the telecommunications sector;
 - progress in regional trade liberalization under COMESA and the EAC, as well as the impact of such agreements on economic growth and public revenue;
 - foreign investment legislation, efforts to increase transparency and stability of the investment regime, in particular criteria for approval of investment projects, any discrimination in the granting of incentives, and bilateral investment treaties;
 - marketing boards in the agricultural sector;
 - the industrialization strategy, as well as the situation of the textiles and clothing sector;
- and
- access to export markets for Kenyan products.

Members appreciated the frank and comprehensive responses provided by the Kenyan delegation, noting in particular the assurance that ongoing reforms were designed to reduce barriers to foreign participation in the Kenyan economy, based on the belief that an open trade and investment regime contributed to sustainable development, and thereby to the reduction of poverty; the reform programme, which would not be relaxed, should add further transparency, public accountability and predictability to the business environment.

In conclusion, it is my feeling that this has been a most successful Review of Kenya's trade policies. Members appreciate Kenya's determined efforts to improve its economic environment, and the central role of trade policy in this respect, so as to be fully able to benefit from its favourable resource base and achieve sustainable growth to the benefit of all its people, alleviating poverty. Kenya's active participation in the WTO seems to me to be central to this effort and I urge all Members to support Kenya in its ongoing efforts. In this respect, I think we should pay particular attention to Kenya's request to the Membership for technical assistance and for improved access to markets.

Iceland – 2 and 4 February 2000

We have had positive and open discussions on Iceland's trade policies and measures. Members of the TPRB were clearly impressed by Iceland's outstanding economic recovery since its first Review in 1994, due in good part to Iceland's generally liberal trade regime, disciplined macroeconomic management and continued structural reforms. Those policies and the deft exploitation of its fish and energy resources have permitted Iceland to reap the benefits of international specialization and freer trade, thus achieving one of the world's highest living standards. In the current favourable conjuncture, Iceland major short-term challenge was preventing the economy from overheating.

Members commended Iceland's strong support for an open multilateral trading system and its commitment to liberal trade policies, evidenced by its generally low tariffs. Iceland was also commended for its leadership in the ongoing efforts to commence work in the WTO concerning subsidies in fisheries. Noting Iceland's applications for accession to the WTO Plurilateral Agreement on Government Procurement, Members expressed their hope that the negotiations be completed soon.

Members noted the important changes already implemented in the agricultural sector but encouraged Iceland to introduce further trade-liberalization and restructuring measures to reduce protection and assistance to that sector. Concern was expressed with respect to

Iceland's over-reliance on earnings from exports of fisheries to finance imports and Iceland was encouraged to seek diversification of its export basket. The increasing complexity of Iceland's trade regime, resulting from the increasing number of preferential agreements subscribed by EFTA, was noted. Members also noted the existence of investment restrictions on strategic sectors and enquired whether Iceland intended to relax these restrictions.

While noting the effort undertaken to reform and liberalize its trade regime, Members encouraged Iceland to examine areas where further liberalization could be implemented, to review and simplify its system of indirect taxes, and to narrow the gap between applied and bound tariff rates.

- Members also asked for details in a number of more specific areas including:
- measures affecting the importation, distribution and retail sales of alcoholic beverages;
- duty suspension schemes;
- legislation on government procurement and market access and national treatment for foreign enterprises;
- some aspects of trade-related intellectual property rights, particularly regarding patents and geographical indications;
- certain aspects of competition policy, including the non-application of national legislation to export cartels;
- MFN exemptions in audio visual and air transport services;
- national treatment limitations to non-EEA enterprises under the GATS;
- integration of textiles under the ATC;
- customs tariff bindings;
- the allocation and effects of tariff quotas in agriculture;
- the allocation of fish quotas;
- the import licensing regime; and
- support programmes and measures taken to achieve self-sufficiency in agriculture.

Members appreciated the comprehensive oral and written responses provided by the Icelandic delegation in the context of this meeting, as well as Iceland's undertaking to respond in writing to some additional specific questions as soon as possible.

In conclusion, it is my sense that Members fully acknowledged Iceland's recent success in managing a specialized, resource-based economy, and trusted that current efforts to bring it to a "soft landing" would do well. They recognized Iceland's structural reforms over the past few years and encouraged it to continue in this path as to secure the flexibility necessary to ride out future external shocks. Members welcomed Iceland commitment to trade liberalization; they pointed out the arguments in favour of non-discriminatory liberal policies to secure Iceland's past gains.

Tanzania – 2 and 3 March 2000

We have had open and positive discussion on Tanzania's trade policies and measures. Members of the TPRB have been clearly impressed by Tanzanian's progress on economic reform begun in 1985, and pursued with renewed focus and vigour since 1995. These policies have seen real growth of Tanzania's GDP in the past few years. However, it has been acknowledged by all Members that, as one of the poorest nations in the global economy, Tanzania still has difficult challenges ahead, in particular a large foreign debt whose servicing poses a constraint on its economic development.

The large number of questions and comments from Members is a testimony to the importance of Tanzania in the region. It is also an indication of the level of interest in Tanzania's process of economic reforms.

Members commended Tanzania for its strong support of the multilateral trading system. They were unanimous in commending Tanzania for its process of economic reform and liberalization. These steps have included the dismantling of import and export license procedures, the simplification of the tariff structure, the elimination of foreign exchange controls, and the broad efforts by the Government to create an environment more conducive to both foreign and domestic investment. Particular note was made of Tanzania's natural endowments. It was felt that its recent successes in attracting significant levels of investment to its mining sector, which, it was anticipated, would provide notable benefits to the economy.

Members expressed concern in a number of areas, focusing both on the growth of imports and particularly on Tanzania's supply side constraints which prevents it from taking advantage of export opportunities. Mention was also made of governance issues and other regulatory obstacles which still impede activities of the private sector. Several Members referred to problems related to standards and to Tanzania's delay in implementing the WTO Agreement on Customs Valuation. Appreciation was, however, expressed of the fact that Tanzania had provided Members an early indication regarding this matter.

Members noted that the difficulties faced by Tanzania in implementing some of its WTO undertakings are not unique to Tanzania, but are shared by many Members. As a

consequence, there was unanimous agreement that more attention needs to be given to the provision of technical assistance regardless of whether such assistance come directly from the WTO, through the mechanism of the Integrated Framework, or through other efforts such as the JITAP.

Members also asked for details in a number of more specific areas including:

- Tanzania's participation in regional integration agreements, and in particular, its decision to withdraw from COMESA;
- issues related to Tanzania's agricultural sector and plans for further diversification and export development;
- reasons for the underdeveloped nature of the manufacturing sector and its significant decline in 1997;
- Tanzania's ongoing process of privatizing its parastatal sector and the timetable for further privatizations, particularly in its financial services and telecommunications sector;
- the escalatory tariff structure and, in particular, the suspension or exemption of a very high percentage of collectable duties;
- the extent of tariff bindings and the significant gap that exists between applied and bound rates;
- aspects of trade-related intellectual property rights, particularly the implementation of Tanzania's TRIPS commitments and enforcement efforts;
- government procurement procedures and any plans to become a signatory to the WTO Agreement on Government Procurement;
- the transparency and implementation of the investment regime and further efforts to improve the business environment;
- implementation of safeguards and other trade remedy legislation;
- Tanzania's intention to make further services commitments under GATS, particularly with respect to telecommunications and financial services; and
- implementation of competition policy.

Plaudits are owed to Minister Simba for the frank and comprehensive responses provided by him often made against the broad socio-economic matrix. Also Ambassador Mchumo is to be thanked for his role in this exercise. Members look forward to further responses to those questions which could not be specifically addressed during these two days. Tanzania's assurances of continued economic reforms and improvements in efficiency have been noted with satisfaction. Members also acknowledged the importance of coherence among institutions that provide advice related to trade issues and economic development.

In conclusion, it is my feeling that this has been a most successful Review of Tanzania's trade policies. Members welcomed Tanzania's determined efforts to improve its economic performance as well as the quality of life of its people through the alleviation of poverty and other measures. Tanzania is to be commended for its commitment to WTO principles and its leadership in both this institution as well as those in which it participates in its region. I encourage all Members to continue their support for Tanzania's efforts.

Singapore – 29 and 31 March 2000

The Trade Policy Review of Singapore, which generated enormous enthusiasm among the Member countries, was most useful to all participants in a variety of ways. To the Singapore delegation, so ably led by Permanent Secretary Khaw Boon Wan, it provided a helpful assessment of how their trade and investment policies are perceived by us; to all others it demonstrated how sound macroeconomic fundamentals, wise socio economic management, continued liberalization and bold regulatory reforms helped sustain growth for a couple of years after the last Review and thereafter assisted recovery in the aftermath of the economic crisis that hit the Asian region in 1997. The size of Singapore has come up; we all know that Singapore in low tide is larger than at high tide but Singapore has shown that small can be beautiful.

It was acknowledged by several that the example of Singapore merited emulation. Many others saw lessons to learn. Particularly noted was Singapore's swift and flexible response to the crisis, without taking protectionist measures, at the same time accelerating liberalization in key services as financial and telecommunications, as also planning the same in the energy sector. They observed that Singapore was one of the most open economies in the world with zero tariffs for most lines, a liberal foreign investment regime and on-going reform programmes in the services sector which went beyond its GATS commitments. Singapore's steadfast faith in the multilateral trading system was appreciated, as was its prompt implementation of WTO Agreements including those for which it has a transition period. Members also noted Singapore's active involvement in regional arrangements under a policy of open regionalism.

Some concerns were expressed. One was over an apparent decline, or threat thereof, in Singapore's external competitiveness in certain activities. Suggestions were made that efforts

to encourage innovation as well as further liberalization and deregulation should be continued. Some Members also queried why Singapore had left almost 30% of its tariff lines unbound, and asked why it maintained a sizeable gap between bound and applied rates; this tended to lend a degree of unpredictability and uncertainty to its tariff regime. Details were sought on bilateral trade agreements currently under negotiations with Japan, Mexico and New Zealand, and their status in terms of notifications to the WTO.

Furthermore, Members asked for details in a number of more specific areas including:

- the relationship between Singapore's multilateral liberalization commitments and regional and bilateral agreements; in particular, the rationale of negotiating bilateral preferential agreements given that Singapore was already a substantially open market economy;
- the reason for imposing tariffs as well as excise duties on certain alcoholic products;
- the ban maintained on imports of cars of three years and older for environmental reasons, given the already stringent environmental compliance standards imposed by Singapore on all cars;
- the rationale for providing investment incentives;
- harmonization of standards and details on new guidelines being developed on the labelling of genetically modified organisms;
- the consistency of the Major Exporter's Scheme (MES) with the WTO Agreement on TRIMs;
- enforcement of intellectual property rights, particularly at the retail level and the success of self-policing of alleged infringements of intellectual property rights;
- the role of Government in the economy, in particular through the holding company Temasek and the Government linked corporations;
- intentions to develop an economy wide competition policy;
- transparency in government procurement and the 2.5% preference granted for ASEAN members;
- the possibility of increasing Singapore's services commitments under the GATS and scheduling services not already included in Singapore's GATS schedule; and
- market access in some services, including professional services.

Members greatly appreciated the clarification and responses provided by the Singapore delegation.

Singapore's impressive results, flowing from its prudent policies, are self evident. Its stated desire to be the hub of some identified economic activities, both regionally and globally, is being supported by a variety of well-designed efforts.

Singapore's continued commitment to trade liberalization and the multilateral trading system is to be applauded. In conclusion I cannot help but observe that what another City State, Athens was long ago to the Age of Pericles, Singapore has become, in contemporary times, to the Age of dot Com.

Bangladesh – 2 and 4 May 2000

We have had open and useful discussion on Bangladesh's trade and related policies. Members of the TPRB have been impressed both by Bangladesh's economic growth since its previous TPR and by its pursuit of trade liberalization in the context of wider structural reforms. The economic growth and progress on structural reforms have been accomplished despite immense difficulties facing Bangladesh, including devastating floods and political instability.

Impressive though its recent economic growth has been, it had not been sufficient to make much, if any, of a dent in the poverty that pervades Bangladesh. Moreover, Members felt that the full benefits of the structural reforms, including trade and investment liberalization, that Bangladesh has taken could not be realized without further steps to improve the provision of essential infrastructure services, notably power, telecommunications, transport and port facilities, and strengthen the banking sector as well as measures to enhance governance. Inadequate infrastructure and other essential services together with weak governance increased the costs of doing business in Bangladesh.

Members commended Bangladesh for its strong support of the multilateral trading system, particularly its efforts as a leading LDC to ensure that the specific needs and concerns of LDCs are addressed. Members expressed their appreciation of Bangladesh's efforts to pursue trade liberalization, including large tariff reductions, rationalization and simplification of the tariff structure, the elimination of some quantitative restrictions and the opening-up of state-dominated services to the private sector. Members also commended Bangladesh for its liberal foreign investment regime.

At the same time, Members voiced a number of concerns, referring inter alia to: the relatively few tariff bindings; the large discrepancy between the applied and bound tariff rates; the complexity of the border tax regime, which involved numerous tariff concessions

and additional charges; the lack of transparency, and the need to streamline, both customs and tax administration; the Government's weak revenue base necessitating its heavy reliance on border taxes; Bangladesh's narrow export base, which is dominated by ready-made garments; and an inefficient banking sector. Members also encouraged Bangladesh to make use of the GATS framework for making its liberalization efforts credible in the state-dominated services sectors, thereby fostering investment in these sectors.

In addition, Bangladesh was encouraged to ensure that any future regional arrangements do not interfere with or diminish the value and role of the multilateral trading system.

Members noted the difficulties faced by Bangladesh in implementing WTO agreements, including notification obligations; these are not unique to Bangladesh, but are shared by many developing countries. Consequently, there was unanimous agreement that more technical assistance ought to be provided to Bangladesh and other LDCs, particularly through the Integrated Framework, in order to strengthen its institutional and technical capacity in the trade policy area. It was recognized, however, that assistance would not address all Bangladesh's problems.

Members requested clarification on a number of more specific matters, including:

- measures to improve the fiscal situation and raise the quality of public spending;
- steps to speed up structural reforms;
- the adoption of the WTO Agreement on Customs Valuation and the use of mandatory pre-shipment inspection;
- the changing role of the Bangladesh Tariff Commission;
- import clearance requirements, including radioactivity tests for food imports;
- import prohibition on grey cloth and other textile products;
- government procurement procedures;
- measures to improve public accountability and administrative competence;
- proposed amendments to Bangladesh's legislation protecting intellectual property rights;
- pre-clearance requirement for investment in ready-made garment and financial services sectors;
- steps to liberalize and thereby improve essential infrastructure services, notably power, telecommunications and transportation;
- measures to liberalize and thereby strengthen the financial sector;
- actions to broaden Bangladesh's export base; and
- Bangladesh's strategy for developing its natural gas sector.

Members greatly appreciated the clarification and responses provided by the Bangladesh delegation.

In conclusion, it is my feeling that this has been a successful Review of Bangladesh's trade policies. Members encouraged Bangladesh to persist in its economic reforms; these will improve the quality of life of its people, including through the alleviation of poverty. Bangladesh is to be commended for its commitment to WTO principles and its leadership in this institution. We look forward to Bangladesh's continued active participation in, and integration into, the multilateral trading system. I encourage all Members to continue their support for Bangladesh's efforts; Bangladesh's reform efforts need and warrant the full support of the multilateral trading system.

Peru – 30 and 31 May 2000

We have had very open and constructive discussions. Members commended Peru for the consolidation of its economic stabilization and liberalization programme implemented since the early 1990s. Despite external shocks, including El Niño and international financial crises, Peru has achieved significant growth, sharply reduced inflation and attracted considerable foreign capital. No doubt major factors in this performance have been sound macroeconomic policies, continued liberalization of Peru's trade and investment regimes, the privatization process and efforts to develop a reliable regulatory framework.

Members viewed Peru's trade and investment regimes as relatively open. They noted that the average applied tariff has been reduced since the previous Review and that the use of non-tariff barriers remained confined. The liberalization of investment rules and the establishment of a favourable legal framework for the promotion and protection of investment have had impressive results, with foreign direct investment increasing five fold since 1993. Members welcomed Peru's strong commitment to the multilateral trading system. In particular they noted Peru's full implementation of the Agreement on Customs Valuation in April 2000. They also welcomed Peru's efforts to liberalize services activities, in particular the financial and telecommunication sectors.

Against this positive assessment, Members raised some concerns. Members noted that the application of tariff surcharges and variable specific duties on several agricultural

products acted as a disincentive to trade. Members also invited Peru to consider undertaking new multilateral engagements to close the wide gap between applied and bound tariff rates. Some urged Peru to sign the plurilateral Agreement on Government Procurement. In relation with the latter, Members noted that despite the recent adoption of a new legal framework, some provisions departed from the national treatment principle.

Peru provided orally and in writing detailed clarifications on a number of additional features of its trade and investment regime, including:

- importance of concessions granted under preferential regimes such as the EU Generalized System of Preferences and the U.S. Andean Trade Preference Act;
- customs valuation and the pre-shipment inspection regime;
- revision of final anti-dumping duties, and non-preferential certificates of origin for goods subject to these measures;
- fiscal incentives, in particular under the new free zones regime;
- lower excise tax on used vehicles imported through the new free zones;
- local content and trade-related investment measures;
- INDECOPI's responsibilities, including the Commission on Technical and Trade Regulations;
- competition policy practices, in particular with respect to interconnection rates to the fixed telephony;
- participation in regional fora;
- the intellectual property regime;
- problems faced by the fishing industry;
- suspension of rice imports;
- schedule of commitments under the GATS Agreement;
- conditions applying to professional services provided by foreigners.

Members appreciated the clarifications and responses provided by the delegation of Peru.

In conclusion, it is my feeling that this has been a very successful second Review of Peru's trade policies. Economic reform has paid off in the form of growing GDP, trade and investment. Nevertheless, this has only been sufficient to bring real GDP per capita back to its relatively modest level of the mid 1960s. I believe that the view of several Members that there is need to achieve further improvements in the quality of life of the Peruvian people deserves Peru's attention. I am pleased to note that this has met with concurrence from the Peruvian delegation. It was to this end and to secure the flexibility necessary to withstand and ride out future external shocks that led Members to encourage Peru to press on with its domestic reform process including further trade liberalization. As Peru pursues such policies, I hope that other Members will be able to support Peru's efforts by extending open access for its exports.

Norway – 21 and 23 June 2000

We have had a positive and open discussion on Norway's trade policies. Members of the TPRB were clearly impressed by Norway's solid economic performance and the high standard of living. This was achieved, due in good part to a liberal trade regime, disciplined macroeconomic policies and the deft management of its natural resources. In this respect, Members highlighted the creation of a special fund to help the inter-generational distribution of oil and gas income. Members commended Norway for its support to developing and least developed countries, including through both direct aid and tariff preferences. They unequivocally welcomed Norway's active and constructive participation in the WTO, not the least through the leadership of the General Council by Ambassador Bryn.

On trade policies, Members expressed divergent views on Norway's position. They acknowledged Norway's overall commitment to liberal trade and investment policies. However, several questioned the high level of support granted to the agricultural sector.

Members recognized that Norway maintains low MFN tariffs on manufactured products. Moreover, in practice those products often enjoy duty free access under the several preferential agreements Norway maintains. In this respect, Norway was invited to extend this treatment to all WTO Members. Members also noted that Norway does not make use of trade defence measures. They observed that it is the only country to have eliminated ahead of time virtually all quantitative restrictions maintained under the Agreement on Textile and Clothing.

Members pointed out that although investment and ownership are generally open to foreigners some restrictions persist. In some cases, there is preferential treatment for EEA investors. They encouraged Norway to relax these restrictions and multilateralize the preferential treatment granted to EEA investors. Members stressed the high degree of liberalization already achieved in the services sector.

The concept of multifunctionality lay at the heart of the discussion on Norway's high level of assistance to agriculture. While some Members stated support for such concept, others gave priority to the principle of non-discrimination across sectors. Members also raised

numerous questions on the specific instruments used to protect and assist agriculture, particularly Norway's application of tariffs, tariff quotas, SPS measures and export subsidies.

Members also asked for details in a number of other areas including:

- measures to encourage and diversify trade;
- the gap between applied and bound rates for certain manufactures including textiles and motor vehicles;
- import charges and environmental levies;
- importation of patent protected products;
- review of competition legislation;
- activities of state enterprises, particularly in tobacco and alcoholic beverages;
- state role and privatization in banking, telecommunications, postal and petroleum activities;
- regulation of and activity in maritime transport;
- assistance to shipbuilding; and
- regulatory framework for financial services.

Members appreciated the comprehensive oral and written responses provided by the Norwegian delegation in the context of this meeting, as well as Norway's undertaking to provide written responses to some additional specific questions as soon as possible.

In conclusion, it is my sense that Members fully acknowledged Norway's success in prudently managing an economy richly endowed with natural resources. Appreciation was also expressed for the enlightened policy Norway follows with regard to support to developing, including least developed countries. There was recognition of the liberalization and deregulation effort undertaken by Norway since its last Trade Policy Review and encouragement for it to continue in this path. In this regard, several Members believed that liberalization should also include the agricultural sector both to bring it in line with Norway's policies in other areas, as well as to strengthen the multilateral trading system as a whole.

Poland – 3 and 5 July 2000

We have had an open and informative discussion of Poland's trade policies. TPRB Members were clearly impressed by Poland's economic transformation to a market economy. The economy is performing robustly and future growth prospects are favourable. This has been achieved by generally prudent macroeconomic policies combined with structural reforms, particularly trade and investment liberalization. Members acknowledged the remarkable results of the Polish transition process, including in the privatization of state-owned enterprises; this has undoubtedly played a significant role in attracting foreign investment. Members commented favourably on Poland's priority target of accession to the EU which would create the opportunity for further reform as Poland increasingly harmonized its policies with EU requirements. This was to be expected given Poland's cultural and political ties.

On trade-related policies, Members appreciated Poland's active efforts within the WTO and noted its support for a broad-based round of multilateral negotiations. Members also appreciated Poland's overall commitment to liberal trade and investment policies. Some Members expressed divergent views on the net trade-creating effects of Poland's regional liberalization to date and of EU accession. While some Members justified Poland's high and increasing level of agricultural support on the grounds of multifunctionality and food security, others questioned the adverse impact these policies were having on Polish efficiency and consumers. These Members encouraged Poland to reduce market distortions on such commodities, including the use of high tariffs, price support and direct outlays, such as export subsidies and deficiency payments. Poland's application of strict SPS measures were also questioned as being overly restrictive.

Members appreciated that Poland's tariffs were generally low. Nevertheless, some Members noted that Poland's preferential rates were well below MFN levels, thereby raising concerns of possible trade diverting effects, for example, on motor vehicles. Members invited Poland to reduce the gap between preferential and MFN tariffs. They also commented on the wide tariff disparities, including high tariff peaks, and the advantages to Poland of also simplifying its tariff structure by reducing the high number of different MFN and preferential rates. Members also invited Poland to facilitate imports from developing countries, and from LDCs in particular.

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

- the balance of Poland's regional trade objectives within its multilateral goals;
- effects of EU accession on other trading partners;
- recent increases in tariffs, especially on agricultural products;
- the absence of bindings on certain products, such as motor vehicles;
- preferential tariffs, including product coverage, for developing trading partners;
- possible discriminatory impact on imports of domestic excise and other taxes;
- technical standards and conformity testing procedures;

- delays in customs clearances, including imposition of fees;
 - privatization plans for difficult areas, such as hard-coal mining, steel and chemicals;
 - intellectual property protection, including enforcement;
 - subsidies;
 - liberalization of services under GATS, and progress on ratification of the Fifth Protocol;
- and
- preference margins on government procurement, and Poland's intended membership of the WTO Agreement on Government Procurement.

Members appreciated the comprehensive written and oral responses provided by the Polish delegation at the meeting and its undertaking to follow up with written responses as soon as possible.

In conclusion, it is my view that Members were very appreciative of Poland's successful economic transformation, and were greatly impressed by its economic performance since the last Review in 1992. Members now have a much greater understanding of Poland's trade and trade-related policies, and encouraged Poland to continue with the reforms. While Members accepted the beneficial impact on Poland of its regional arrangements, they encouraged Poland to pursue a vigorous multilateralization of regional preferences. This would benefit not only Poland's long term economic interests but also the overall multilateral trading system.

European Union – 12 and 14 July 2000

We have had very informative discussions on the trade policy regime of the European Union. I am pleased to note the large number of delegations – representing developed and developing countries, including least-developed – that submitted questions and made statements to assist the process of review, drawing on the extensive documentation prepared for the exercise. I also thank the Commission for its statements and the efforts it made to provide detailed answers to the many questions it received, some on short notice. This very high level of participation has permitted a comprehensive collective review of the trade policy regime of the European Union, which we know to be a market of key interest to all our Members. Synthesizing this vast body of commentary is no easy task, but several key elements emerge to which I will draw your attention in my remarks.

We all agree that the improving economic environment in the Community is of great importance to the WTO membership. Many developing country delegations noted the singular importance of the EU as a destination market for their exports. We also heard from a number of delegations the importance they attach to the health of a market where their enterprises have located to manufacture goods or supply services to EU consumers. There was a consensus that the recovery of economic activity had been assisted by the deeper integration of the Single Market, brought about by the advent of the euro and further deregulation, in particular of service sectors. The EU was encouraged to make further progress towards the Single Market, including by reducing non-transposed directives, which would make a contribution to sustaining the EU's growth in the future.

There was also a wide appreciation of the leading role of the EU in the WTO. The EU was commended on the generally broad scope of its commitments and the attention it gives to its notification obligations. On dispute settlement however the EU was urged to speedily resolve the outstanding implementation problems in the bananas and hormones cases. We also heard divergent views on the EU's multi-faceted approach to trade policy, combining multilateral with regional and bilateral initiatives. There was in particular interest on the nature of the commitments exchanged on agricultural products and services in the recently concluded agreements with South Africa and Mexico, as well as a number of comments on the Partnership Agreement of Cotonou. It was noted that the EU imports on an MFN basis only from eight WTO Members; may I add that the EU's own exports benefit from MFN treatment in the markets of WTO Members except for the 17 non-EU Members with which free trade or customs unions are in place. There is no better testimony to the EU's commercial interest in the bedrock principle of MFN.

We also heard comments on the planned enlargement of the Community to countries in Central and Eastern Europe. Members are following the Intergovernmental Conference with interest, in particular with regard to the competencies of the Community and of the Member States over policies in trade-related areas, which directly affects the modus operandi of the EU in the WTO. And a number of Members that are exporters of agricultural products have a keen interest in further progress on Agenda 2000, beyond the agreement reached last year in Berlin, to reconcile the operation of the Common Agricultural Policy with the advent of new members. In the period ahead, leading up to accession, third countries hoped the candidate countries would maintain open markets and avoid the adoption of policies – whether in agriculture, other products or service sectors – that adversely impact on their conditions of market access. Finally, upon accession itself, the need to minimize trade diversion was underscored.

It is also fair to say that, while Members appreciate the generally open character of the EU market, there remain a number of specific concerns regarding the conditions of access to the EU market. The EU received a number of comments on the above average tariffs and quotas in the textiles and clothing sectors. The disappointing pace of integration of the sector under the first and second phases of integration under the ATC was mentioned. Hope was expressed that the EU would do more to lift restrictions in the third phase. The operation of the CAP was also of concern, both in terms of limiting market access on the Community market and the spill-over effects on world markets of the heavy use of export subsidies. Concerns were raised with respect to the complexity and protective effects of the import regime for agricultural products. The operation of the Community's anti-dumping and anti-subsidy instruments was also of concern, including the rising incidence of such measures and their effect on exports of developing countries. There were a number of remarks to the effect that technical regulations and standards, as well as SPS measures, and conformity assessment procedures, had become a more significant aspect of market access, in some instances a barrier, and that policies to ensure a higher level of food safety in the EU might develop in the same direction.

With respect to market access on services, several delegations indicated their interest in better conditions of access for natural persons, both in terms of making existing GATS commitments on temporary movement of business persons more effective, as well as broadening the scope of the EU's commitments on such movement. The EU also received a number of questions on its plans for regulatory harmonization in the sectors of financial services, telecommunications and transportation. And a number of Members have views on the policies the EU is elaborating on electronic commerce. With respect to the protection of intellectual property rights, there was considerable interest among the membership on plans to develop a Community-wide framework on patent rights.

I should also like to draw your attention to the stimulating discussion we had on the future of our organization, a process in which the EU is playing a key role. We heard from the Commission that the EU advocates a wider scope for the remit of the WTO, encompassing investment, competition policy, environment and dialogue on issues of social concern. The EU also advocates a more open and transparent institution. These changes, the EU argues, will better enable the organization to harness the process of globalization and make it work for the citizens of its Members.

On some of these points, however, I noted divergent views. Several delegations urged the EU to focus its attention on the negotiations on the built-in agenda, rather than await the outcome of consensus-building on a new round. On agriculture, we heard support from some quarters for the EU's approach of multifunctionality, while other delegations favoured an exclusively market-oriented agricultural policy. A number of delegations firmly rejected integrating a social dimension – or indeed non-trade concerns more broadly – in the conduct of trade policy, whether in the WTO or through the GSP.

We also heard from the Commission that another component of the EU's vision of the future of the WTO is a better integration of developing countries into the MTS, by devoting resources to technical assistance and capacity-building, and enacting market-opening initiatives for the least-developed among them. In this respect some delegations urged upon the EU on the need for duty-free quota-free access for all products originating in LDCs. I detected a wide appreciation for the EU's support for a WTO that is more inclusive of developing countries, to assist their integration into the world economy, and facilitate their development.

The Republic Korea, Rep. of – 26 and 28 September 2000

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

Members expressed their appreciation for the Republic of Korea's active participation in the work of the WTO. Many Members underlined that their bilateral trade and investment

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

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

On sectoral policies, Members noted the wide range of measures used to protect and assist agriculture as well as the increasing level of spending on domestic support. Some sympathized with the Republic of Korea's high and increasing level of agricultural support on the grounds of multifunctionality and food security. However, other Members expressed concern over the adverse impact of these policies on domestic efficiency and consumers as well as on developing countries; they encouraged the Republic of Korea to reduce market distortions in agriculture. Members recognized that weaknesses in the financial system had contributed to the 1997 crisis and unanimously welcomed the remarkable opening of this and other service sectors. Nevertheless, they believed that further action to open up the markets in non-life insurance, telecommunications and transportation was needed.

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

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

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

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

Bahrain – 11 and 13 October 2000

We have had a frank and most informative discussion of Bahrain's trade policies and practices. Members noted that Bahrain's liberal policies have played a role in helping it to

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

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

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

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

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

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

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

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

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

Brazil – 30 October and 1 November 2000

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

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

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

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

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

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

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

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

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

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

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

Japan – 14 and 16 November 2000

We have had an open and informative discussion of Japan's trade policies. Members were encouraged by signs of economic recovery in Japan, whose economic prosperity is important for the continued recovery of the region, for the health of the world economy and the expansion of trade. Members attributed this nascent recovery largely to Japan's macroeconomic policies and structural reforms. At the same time, Members recognized that the multilateral trading system had contributed to the improved economic outlook for Japan, by keeping foreign markets open to Japan's exports. In commending Japan's recent efforts to implement deregulation and other structural measures, including the removal of barriers to foreign businesses, Members strongly urged Japan to continue its reform process and improve access to its markets for goods and services.

Members expressed their appreciation of Japan's active participation in the work of the WTO. Many Members underlined that their bilateral trade and investment ties with Japan had been strengthened over the recent period. Noting Japan's increased willingness to explore bilateral trade agreements, they sought (and received) assurance that such agreements would be WTO-consistent.

On trade and trade-related policies, Members remarked in particular on Japan's complex tariff (and tariff quota) structure and the fact that the use of non-ad valorem tariffs appeared to conceal high applied rates. Some Members also voiced concern about the complexity and seeming lack of transparency of government procurement practices. Furthermore, many Members were concerned about the complexity of Japan's sanitary and phytosanitary regulations, including quarantine procedures. In addition, pointing to the low level of inflows of foreign direct investment (FDI) into Japan, Members welcomed Japan's efforts to open further its FDI regime.

On sectoral policies, Members noted that the level of domestic support for agriculture was disproportionate to its share in GDP. While Members generally recognized that non-trade concerns did arise in agriculture, some urged Japan (among the world's largest importers of agricultural products) to address these concerns in a manner that would not unduly distort trade. While recognizing that substantial reforms had been undertaken in the financial services and telecommunications sectors, Members expressed their belief that reform should continue with a view to enhancing competition in these sectors. They also urged Japan to extend reforms to other sectors, such as agriculture, transport, legal services and education services.

Members also sought further clarification in a number of areas, including:

- matters concerning tariff classification and high tariff rates for certain goods;
- the opacity and complexity of tariff quotas and quantitative restrictions;
- alignment of national standards with international standards;
- reform of standards and environment-related regulations;
- competition policy;
- the new agricultural policy embodied in the Basic Law on Food, Agriculture and Rural Areas;
- impediments to market access for certain items, such as rice, leather, and forestry products;
- Japan's initiative to promote information technology;
- restrictive business practices in Japanese ports;

- independence of regulatory authorities in some areas, such as telecommunications, electricity.

Members expressed their appreciation to the Japanese delegation for their oral and written responses to the large number of questions posed by them, and for the Japanese delegation's undertaking to provide written responses as soon as possible to any outstanding queries.

In conclusion, it is my view that this Review has provided Members with a much better understanding of Japan's trade and trade-related policies, particularly regulatory and other structural reforms. Members were pleased to see signs of Japan's economic recovery; they strongly urged Japan to maintain the momentum of structural reform so as to ensure that the recovery is sustained. It is my sense that Members were reassured by Japan's commitment to multilateralism; nonetheless, they urged Japan to ensure that bilateral and regional arrangements were WTO-consistent. Members also looked to Japan for strong leadership in pursuing future multilateral trade liberalization, including in any new round of negotiations at the WTO.

Switzerland and Liechtenstein – 4 and 6 December 2000

We have had a comprehensive, open and informative discussion of the trade policies and practices of Switzerland and Liechtenstein. Members were encouraged by the good performance of the Swiss and Liechtenstein economies since 1997. They attributed this performance largely to sound macroeconomic policies and structural reforms, which have contributed to a better allocation of resources and further exploitation of the comparative advantages of both Switzerland and Liechtenstein. Noting that growth, particularly in its early stages, had been export led, Members pointed to the important role of the multilateral system in keeping markets open to Swiss and Liechtenstein products. They urged Switzerland and Liechtenstein to continue the reforms, mainly in the highly protected sectors (agriculture, and electrical and gas utilities in particular), in order to reduce costs and market rigidities to the benefit of their economies and of the multilateral trading system.

Members commended Switzerland and Liechtenstein for their active participation in the multilateral trading system, with several welcoming their support for the launching of a new round of negotiations with a broad agenda; they appreciated the continued role played by Switzerland as the host country for the WTO. Pointing to the increasing participation of Switzerland and Liechtenstein in preferential trade agreements, Members sought assurance that such agreements would be WTO-consistent. The functioning of the Swiss-Liechtenstein customs union, including the Market Control and Surveillance Mechanism (MCSM) established by Liechtenstein following its EEA membership, also attracted interest.

Members noted that the tariff consisted exclusively of specific duties, with high-ceiling bindings in agriculture and clothing. They asked about prospects for a simplification of the tariff, including a move to ad valorem rates. Questions were also raised about customs valuation practices, particularly for internal taxation purposes. Most Members posed questions about standards and technical regulations, including labelling, sanitary and phytosanitary requirements, and on the links between environmental protection and international competitiveness of locally-produced goods. The need for greater market access to developing countries and LDCs was stressed. In the area of competition policy, some concern was expressed about the tolerance of dominant positions and about the lack of automatic sanctions against unlawful restraints.

On sectoral policies, Members recognized the liberalization initiatives taken by Switzerland and Liechtenstein under the "Agricultural Policy 2002". However, many Members were concerned about the high level of tariff protection and government support (including export subsidies) for agriculture, which they deemed disproportionate to the share of the sector in GDP and employment. They suggested that legitimate non-trade concerns in agriculture be addressed through measures that would not unduly distort production and trade.

Members also sought further clarification on a number of issues, including:

- pursuit of macroeconomic reforms;
- lack of economic data for Liechtenstein;
- regulations on foreign direct investment, including residency requirements;
- tariff quotas on agricultural imports and their administration through non-automatic licensing, including the "Prise en charge" system;
- non-use of contingency trade remedies;
- protection of intellectual property, including geographical indications;
- government procurement, including regulations on threshold values, and on purchases by cantons and municipalities;
- further structural reforms in the services sector, including professional services; and
- consultation with "civil society".

Members appreciated the comprehensive responses provided by the Swiss and Liechtenstein delegations to most questions raised during the meeting.

In conclusion, it is my feeling that this joint Review has allowed us much better understanding of the customs union between Switzerland and Liechtenstein. We have come, I think, to a deeper appreciation of Switzerland and Liechtenstein's trade policies and practices, and the environment in which they are framed and conducted. The large number of questions and comments reflected the widespread interest of Members in this regard. Members were encouraged by the ongoing economic performance in both countries. The active participation of Switzerland and Liechtenstein in the WTO seems to me to be central to their trade liberalization efforts. Members encouraged Switzerland and Liechtenstein to maintain the momentum of the reforms, even on an unilateral basis. They urged both countries to ensure that their

Canada – 13 and 15 December 2000

We have had an open and stimulating discussion on the trade policies and practices of Canada. Members were impressed by Canada's sustained, strong economic performance, attributing this to its generally liberal trade regime, sound macroeconomic policies and the U.S. cyclical lead. Trade had been an important element in this performance, the share of exports to GDP rising from some 25% to 45% over the last decade and imports following a similar path. However, the high and growing share of exports destined for the United States was seen as a source of potential vulnerability.

In this, its sixth Review, Canada's continued commitment to, and active participation in the work of the WTO was again fully acknowledged, with several Members welcoming its support for the launching of a new round of negotiations with a broad agenda. Canada has also been an active promoter of both greater internal and external transparency in the WTO. On the other hand, some Members reiterated concerns that Canada's growing number of preferential arrangements might cause net trade diversion and questioned the exclusion of some agri-food products from such arrangements. Relative to FTA partners, preferences to developing countries and LDCs appeared modest; it was urged that access be improved.

Participants once more recognized that access to the Canadian market is generally liberal although barriers have persisted in a few but important sectors. Thus, Members expressed concerns about a few remaining unbound tariff lines, and tariff peaks still affecting items such as food products, textiles and clothing, footwear, and shipbuilding. It was noted that several of these products are of particular export interest to developing countries. Market access in textiles and clothing was restricted by quotas, while certain import regulations for example the NAFTA rules of origin, favoured particular trading partners.

The number and duration of anti-dumping measures in force, and their concentration in the steel sector, were of particular concern to many Members. Foreign access restrictions in the supply-managed dairy, poultry and egg sectors had not abated, including through high out-of-quota rates that acted as de facto quantitative restrictions. Also queried was the recent increase in financial support to the agri-food sector. Information was sought on subsidies under the new dairy export regime and on the exports of the Canadian Wheat Board. Interest was expressed in reforms to the Export Development Corporation.

Investment and ownership are generally open to foreigners but some restrictions continue. Participants asked about the scope for additional foreign market access under Canada's new bank branching regime. In air transport, Members noted the links between foreign entry conditions and the degree of competition in Canada's airline market. Members asked about recent pro-competitive developments in the telecommunications sector and when restrictions on foreign investment might be lifted. They took note of the importance Canada attaches to protecting its cultural, health and educational sectors.

Members asked about further progress in removing inter-provincial trade barriers in areas such as standards, wine and other alcoholic beverage marketing. Questions were also asked with respect to the role of provinces in Canada's trade policy. Several Members asked if there were plans to include government procurement at sub-federal level under the rules of the WTO Agreement on Government Procurement, and about a number of federal and provincial assistance programmes.

Questions were also asked regarding:

- Canada's review of foreign acquisitions;
- its support for a multilateral agreement on investment;
- protection of IPRs including geographical indications;
- its ratification of the Cartagena Protocol on Biosafety; and
- Canada's experience on consultations with civil society.

Members clearly appreciated the comprehensive responses provided by Canada to most questions raised during the Review and looked forward to receiving the outstanding

answers. I thank in particular the Canadian delegation for the efforts it made to provide written answers to advance questions at the start of our first session on Wednesday.

In conclusion, it is clear that this Body appreciates Canada's commitment to a strong rules-based multilateral trading system. Members concurred in characterizing Canada's trade regime as transparent and liberal, although a number of concerns remain. In this respect, several Members believed that liberalization should also extend to those sensitive areas that to date lag the process of reform. This would bring them in line with Canada's generally liberal policies in other areas to the benefit of both Canada's economy and of the multilateral trading system.

Chapter Five

ORGANIZATION,
SECRETARIAT
AND BUDGET

Organization, secretariat and budget

The organization

The World Trade Organization came into being in 1995, as the successor to the General Agreement on Tariffs and Trade (GATT), which had been established (1947) in the wake of the Second World War. The WTO's main objective is the establishment of rules for Members' trade-related policies 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.

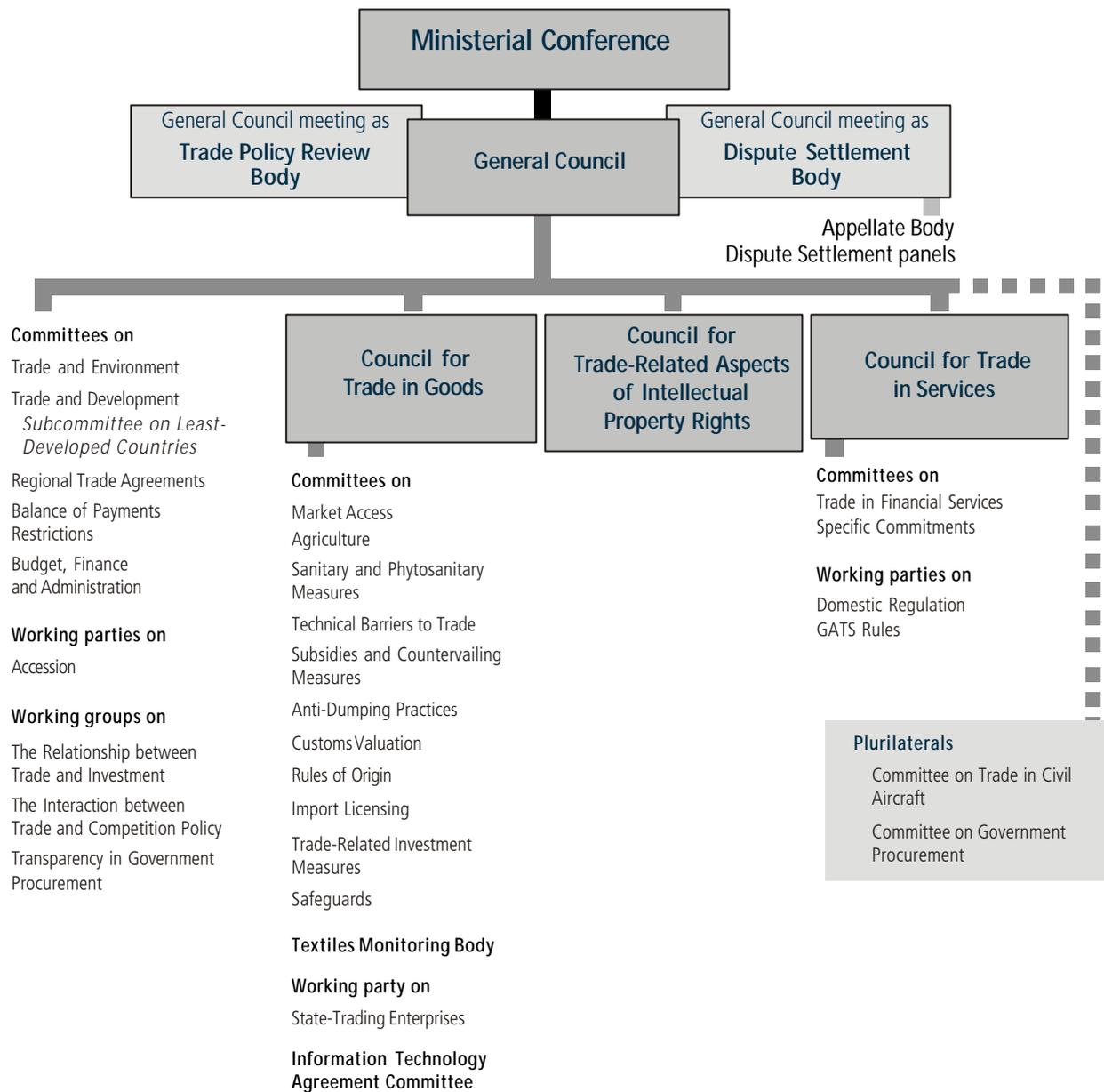
The WTO has 140 Members, accounting for 90% of world trade. Members are predominantly governments but can also be customs territories. More than 30 applicants are negotiating to become Members of the WTO. Decisions in the WTO are made by the entire membership, typically by consensus.

The WTO's top level decision-making body is the Ministerial Conference, which meets at least once every two years. In the intervals between sessions of the Ministerial Conference, the highest-level WTO decision-making body is the General Council where Members are usually represented by ambassadors or heads of delegations. The General Council also meets as the Trade Policy Review Body and the Dispute Settlement Body. At the next level, the Goods Council, Services Council and Trade-Related Aspects of Intellectual Property (TRIPS) Council report to the General Council.

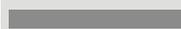
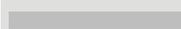
Numerous specialized committees, working groups and working parties deal with the individual agreements and other important areas such as the environment, development, membership applications, regional trade agreements, trade and investment, trade and competition policy and transparency in government procurement. Electronic commerce is being studied by various councils and committees.

WTO structure

All WTO members may participate in all councils, committees, etc, except Appellate Body, Dispute Settlement panels, Textiles Monitoring Body, and plurilateral committees.



Key

-  Reporting to General Council (or a subsidiary)
-  Reporting to Dispute Settlement Body
-  Plurilateral committees inform the General Council of their activities although these agreements are not signed by all WTO members

The General Council also meets as the Trade Policy Review Body and Dispute Settlement Body

For the current negotiations, the Services Council and Agriculture Committee meet in "special sessions" and report directly to the General Council

The WTO Secretariat, with offices only in Geneva, has 552 regular staff and is headed by a Director-General. Since decisions are taken by Members only, the Secretariat has no decision-making powers. Its main duties are to supply technical and professional support for the various councils and committees, to provide technical assistance for developing countries, to monitor and analyze developments in world trade, to provide information to the public and the media and to organize the ministerial conferences. The Secretariat also provides some forms of legal assistance in the dispute settlement process and advises governments wishing to become Members of the WTO.

The Secretariat staff of 552 includes individuals representing about 60 nationalities. The professional staff is composed mostly of economists, lawyers and others with a specialization in international trade policy. There is also a substantial number of personnel working in support services, including informatics, finance, human resources and language services. The total staff complement is composed almost equally of men and women. The working languages of the WTO are English, French and Spanish.

The Appellate Body was established by the Understanding on Rules and Procedures Governing the Settlement of Disputes to consider appeals to decisions by Dispute Settlement panels. The Appellate Body has its own Secretariat. The seven-member Appellate Body consists of individuals with recognized standing in the fields of law and international trade. They are appointed to a four-year term, and may be reappointed once.

Table V.1

Distribution of staff positions within the WTO's various divisions 2001

Division	Regular staff	Directors	Senior management	Total
Senior management	5		5	10
Office of the Director-General	11.5	1		12.5
Accessions Division	7	1		8
Administration & General Services Division	84.5	1		85.5
Agriculture & Commodities Division	15	1		16
Council Division	7.5	1		8.5
Development Division	8	1		9
Economic Research & Analysis Division	10.5	1		11.5
External Relations Division	7	1		8
Informatics Division	15.5	1		16.5
Information & Media Relations Division	28.5	1		29.5
Intellectual Property Division	12	1		13
Language Services & Documentation Division	137	1		138
Legal Affairs Division	16	1		17
Market Access Division	14	1		15
Ministerial Sessions Division	6	1		7
Rules Division	15	1		16
Statistics Division	24.5	1		25.5
Technical Cooperation Division	13.5	1		14.5
Technical Cooperation Audit		1		1
Textiles Division	3.5	1		4.5
Textiles Monitoring Body	1		1	2
Trade & Environment Division	9	1		10
Trade and Finance Division	5	2		7
Trade in Services Division	15	1		16
Trade Policies Review Division	28.5	1		29.5
Training Division	7	1		8
Sub-total	507	26	6	539
Appellate Body	12	1		13
Total	519	27	6	552

**WTO Secretariat
Organization Chart**

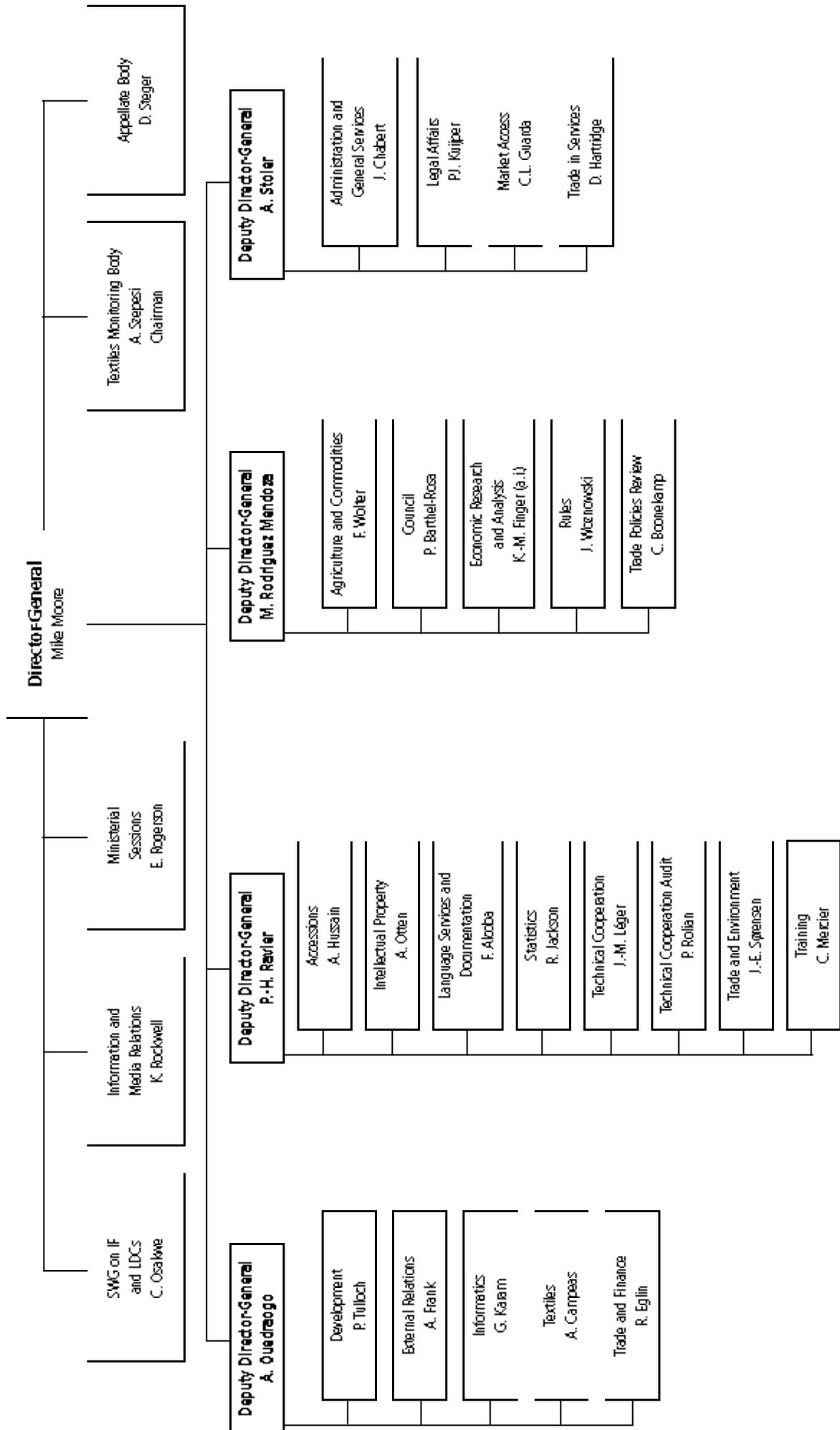


Table V.2

Table of regular staff by nationality

Country	M	F	Total
Argentina	2	4	6
Australia	5	4	9
Austria	1	1.5	2.5
Belgium	3	1	4
Benin	1		1
Bolivia	1	1	2
Brazil	1	1.5	2.5
Burkina Faso	1		1
Canada	17	9	26
Chile	3	2	5
Colombia	5		5
Costa Rica		1	1
Cote d'Ivoire	1		1
Cuba		1	1
Denmark	1	1	2
Egypt	2	1	3
Ethiopia	1		1
Finland	2	1	3
France	63	66	129
Germany	7	6	13
Ghana	1		1
Greece	2	2	4
Honduras		1	1
Hungary	1		1
India	5	5	10
Ireland	2	11	13
Italy	9	7	16
Japan	2	1	3
Lebanon	1		1
Malawi	1		1
Malaysia	1	0.5	1.5
Mauritius	1		1
Mexico	2		2
Morocco		1	1
Netherlands	6	1	7
New Zealand	4	1	5
Nigeria	1		1
Norway	3		3
Paraguay		1	1
Peru	4	3	7
Philippines	2	3	5
Poland	3	1	4
Portugal	2		2
Republic of Korea	2		2
Romania	1	2	3
Senegal	1		1
Spain	16	20	36
Sri Lanka	2	2	4
Sweden	2	5	7
Switzerland	13	18.5	31.5
Hong Kong, China		1	1
Thailand	1	1	2
Tunisia	3	1	4
Turkey		2	2
United Kingdom	16	55	71
United States	8	15.5	23.5
Uruguay	6	2	8
Venezuela	3	2	5
Zaire	1		1
Zimbabwe		1	1
Sub-total 2001	245	267.5	512.5
Vacant posts and posts under recruitment			39.5
Total number of posts for 2001			552

The WTO Secretariat is organized into Divisions with functional, information and liaison and support roles. Divisions are normally headed by a Director who reports to a Deputy-Director General or directly to the Director-General.

Functional divisions

Accessions Division

The work of the division is to facilitate the negotiations between WTO Members and states and entities requesting accession to the WTO by encouraging their integration into the multilateral trading system through the effective liberalization of their trade regimes in goods and services; and to act as a focal point in widening the scope and geographical coverage of the WTO. There are at present 30 Accession Working Parties in operation.

Agriculture and Commodities Division

The division provides effective assistance in all matters related to new negotiations on agriculture. This includes contributing actively to the effective implementation of the existing WTO rules and commitments on agriculture, assisting to enhance the quality of implementation, and ensuring that the work of the Committee on Agriculture in all areas, including in particular the process for multilaterally reviewing these commitments, is organized and conducted in an efficient manner. The work of the Division encompasses ensuring effective implementation of the Agreement on the Application of Sanitary and Phytosanitary Measures; support for implementation of the Ministerial Decision on Measures Concerning the Possible Negative Effects of the Reform Programme on Least-Developed and Net Food-Importing Developing Countries; providing effective services for dispute settlement in the area of agriculture; providing technical assistance, and cooperation with other international organizations and the private sector.

Council Division

The role of the division is to ensure the management of the General Council and the Dispute Settlement Body by providing assistance, advice and professional support to ensure the observance of Rules of Procedure and provide information and clarification thereof for the General Council and the DSB and through them to other WTO bodies; to maintain and update the Indicative List of Governmental and Non-Governmental Panelists for the DSB.

Development Division

The division ensures servicing of the Committee on Trade and Development and the Committee on Regional Trade Agreements. It assists senior management and the Secretariat as a whole on issues relating to developing countries' participation in the WTO agreements and the impact of regional trade agreements on the multilateral system.

Economic Research and Analysis Division

The division provides economic analysis and research in support of the WTO's operational activities, including monitoring and reporting on current economic news and developments. It carries out economic research on broader policy-related topics in connection with the WTO's work programme, as well as on other WTO-related topics of interest to delegations arising from the on-going integration of the world economy, the spread of market-oriented reforms, and the increased importance of economic issues in relations between countries. The Division contributes to regularly scheduled annual publications, including key parts of the Annual Report. Other major activities include work related to cooperation with other international organizations and the academic community through conferences, seminars and courses; preparation of special research projects on policy-related topics in the area of international trade; preparation of briefings to senior management.

Intellectual Property and Investment Division

The Division provides service to the TRIPS Council and to dispute settlement panels; service to any negotiations that may be launched on intellectual property matters; provides assistance to WTO Members through technical cooperation, in particular in conjunction with the World Intellectual Property Organization (WIPO), and through the provision of information/advice more generally; maintains and develops lines of communication with other intergovernmental organizations, the NGO community, intellectual property practitioners and the academic community so that they have an adequate understanding of the TRIPS Agreement and of the WTO processes. In the area of competition policy it provides

service to work in the WTO on the interaction between trade and competition policy; provides technical cooperation, in conjunction with UNCTAD and other intergovernmental organizations, and information/advice more generally to WTO Members. In the area of government procurement the division provides service to work in the WTO on transparency in government procurement; provides service to the Committee established under the plurilateral Agreement on Government Procurement and to dispute settlement panels that may arise; provides technical cooperation and information/advice more generally to WTO Members.

Legal Affairs Division

The principal mission of the Legal Affairs Division is to provide legal advice and information to WTO dispute settlement panels, other WTO bodies, WTO Members and the WTO Secretariat. The division's responsibilities include providing timely secretarial and technical support and assistance on legal, historical and procedural aspects of disputes to WTO dispute settlement panels; providing regular legal advice to the Secretariat, and in particular to the Dispute Settlement Body and its Chairman, on interpretation of the Dispute Settlement Understanding (DSU), WTO agreements and on other legal issues; providing legal information to WTO Members on the DSU and WTO agreements; providing legal support in respect of accessions; providing training in respect of dispute settlement procedures and on WTO legal issues through special courses on dispute settlement, regular WTO training courses and WTO technical cooperation missions; attend meetings of other organizations with WTO-related activities (e.g., IMF, OECD, Energy Charter).

Market Access Division

The division works with a number of WTO bodies, including:

Council for Trade in Goods: Servicing the Council includes the organization of formal meetings. The division also arranges informal meetings/consultations prior to formal meetings.

Committee on Market Access: Providing a forum for the discussion of tariff matters; provide technical assistance to Members for the transposition into HS and renegotiation of pre-Uruguay Round concessions; providing technical assistance for the preparation of Harmonized Schedule96 and loose-leaf schedules documentation; monitoring the operation of the Integrated Data Base (IDB); developing a loose-leaf schedules database containing the consolidated schedules of all Members

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 programme for technical assistance on customs valuation for developing countries that have invoked the five-year delay; cooperating with the World Customs Organization Secretariat on providing technical assistance to developing countries having requested a five-year delay in the implementation of the Agreement.

Committee on Rules of Origin: 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 on Information Technology: 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.

Committee on Preshipment Inspection: Monitoring the implementation of the Agreement on Preshipment Inspection; ensure the efficient operation of the Independent Review Entity under Article4 of the Agreement in cooperation with the International Chamber of Commerce and the International Federation of Inspection Agencies.

Ministerial Sessions Division

The division coordinates preparatory work for WTO Ministerial Conferences, as well as the follow-up of decisions and work programmes arising from these Conferences. In particular, the division assists in the establishment and operation of whatever negotiating structure may be agreed by Ministers; promotes communication and teamwork within the Secretariat in pursuance of these objectives; advises and supports senior management and the Chairman of General Council (or other relevant WTO officers) in connection with their responsibilities in these areas.

The division has a continuous workload involving regular meetings at formal or informal general council level or the equivalent, numerous informal consultations, frequent contact with delegations and an important co-ordination and communication function within the Secretariat. In addition, the division contributes to the Secretariat's efforts to promote transparency and dialogue with the public, for example by providing speakers for meetings and by contributing to speeches for senior management.

Rules Division

The role of the division is to facilitate on-going negotiations and consultations in all WTO bodies serviced by the division and to ensure their smooth functioning. This includes 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; provides secretaries and legal officers to WTO dispute settlement panels involving the rules-area Agreements; active participation in the WTO technical assistance programme.

The bodies serviced by the Rules Division are: Committee on Anti-Dumping Practices, Committee on Subsidies and Countervailing Measures, Committee on Safeguards, Committee on Trade in Civil Aircraft, Working Party on State-Trading Enterprises, Informal Group of Experts on the Calculations of Subsidies under Article 6.1 of the Subsidies Agreement, Permanent Group of Experts, Informal Group on Anti-Circumvention, Ad-Hoc Group on Implementation of the Agreement on Anti-Dumping and Working Group on Trade and Competition (co-secretary).

Statistics Division

The Statistics division supports WTO Members and the Secretariat with quantitative information in relation to economic and trade policy issues. The division is the principal supplier of WTO trade statistics through the annual "International Trade Statistics" report and Internet and Intranet sites. The division is responsible for the maintenance and development of the Integrated Data Base which supports the market access Committee's information requirements in relation to tariffs. The division's statisticians also provide Members with technical assistance in relation to the Integrated Data Base. 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.

Secretariat Working Group on the Integrated Framework and LDC Issues

The division coordinates the Integrated Framework (IF) and other LDC-related activities with core agencies and development partners. Part of the division's responsibilities includes servicing of the Sub-Committee on LDCs., delivery of trade-related technical assistance to LDCs, preparation of Background documents, carrying out analysis and trends on LDCs' trade and participation in the multilateral trading system.

Technical Cooperation Division

The division's mission is to contribute to the fuller participation of beneficiary countries in the multilateral trading system through human resource development, institutional capacity building, and increased public awareness of the multilateral trading system. The division delivers technical cooperation through activities including training; advisory missions; seminars and workshops on a country or regional basis, and/or technical notes on issues of interest to beneficiary countries. The aim is to develop better understanding of WTO rights and obligations, adaptation of national legislation and increased participation of these countries in the multilateral decision-making process. Legal advice is also be made available under Article 27.2 of the DSU. The division also delivers basic training on the multilateral trading system through the use of information technology tools such as CD-ROMs and Internet; increased use of video-conferencing, video cassettes and e-mail in technical cooperation activities to supplement paper-based documentation and face-to-face interaction. Related activities include establishing and supporting WTO Reference Centres with Internet connectivity and with training provided on how to track down trade-related sources on the Internet, particularly the WTO website; and how to use information technology tools to meet notification requirements. The Division manages use of technical cooperation trust funds provided by individual donor countries.

Textiles Division

The division provides technical advice and guidance on the implementation of the WTO Agreement on Textiles and Clothing (ATC) and on textile trade matters in general to WTO

Members and countries in the process of accession; contributes to the servicing of the Textiles Monitoring Body; provides service to DSU panels, in cooperation with the Legal Division; participates in WTO training and technical cooperation functions; maintains a broad knowledge based on developments in world textiles and clothing trade and government policies and actions in this area; provides information and advice to intergovernmental and non-governmental organizations, trade associations and academics.

The division ensures the efficient functioning of the Textiles Monitoring Body (TMB) by providing full service to it in carrying out its tasks to supervise the implementation of the Agreement on Textiles and Clothing (ATC), to examine all measures taken under the ATC and their conformity therewith and to take the actions specifically required of it by the ATC. It assists the TMB in preserving and further increasing transparency on matters related to its activities, in particular by providing detailed rationale in the TMB's reports on the Body's findings and recommendations.

Trade and Environment Division

The division provides service and support to WTO committees dealing with trade and environment and technical barriers to trade. For Trade and Environment, it supports the work of the Committee on Trade and Environment (CTE) by providing technical assistance to WTO Members; reporting to senior management and WTO Members on discussions in other intergovernmental organizations (IGOs), including negotiation and implementation of trade-related measures in multilateral environmental agreements. The division maintains contacts and dialogue with NGOs and the private sector on issues of mutual interest in the area of trade and environment.

Its work in the area of technical barriers to trade includes providing service to the Working Group on Technical Barriers to trade (WGTBT), if the TBT Committee so decides; providing technical assistance to WTO Members; providing Secretariat support to dispute panels and accessions examining aspects of the TBT Agreement. The division follows and reports on matters related to the TBT Agreement, and maintains contacts with the private sector on issues of mutual interest in this area.

Trade and Finance Division

The division's main objective is to service the needs of WTO Members and WTO management particularly in supporting the work of the Committees on Balance-of-Payment Restrictions and on Trade-Related Investment Measures, the Working Group on Trade and Investment, and informal General Council meetings on "Coherence in Global Economic Policy-making with the IMF and the World Bank". The division contributes to the work of dispute panels addressing matters falling under its responsibility; provides technical assistance and expert advice to Members in Geneva and in capitals, including joint activities with UNCTAD in the area of trade and investment; develops collaboration with the staff of the IMF and World Bank in work relating to coherence in international policy-making.

Trade in Services Division

The year 2000 was the first year in the new round of negotiations on services. This involves negotiations on new commitments in all services sectors as well as negotiations on new disciplines under the GATS including the clarification of some aspects of the Agreement itself. The Services Division provides support for these negotiations. It also continues to provide support for the Council for Trade in Services and other bodies established under the GATS including the Committee on Financial Services; the Working Party on Domestic Regulation; disciplines under Article VI:4; the Working Party on GATS Rules; disciplines relating to safeguards, subsidies, government procurement; the Committee on Specific Commitments; any additional bodies set up under the Council; any dispute settlement panels involving services.

Other work includes providing support for the Committee on Regional Trade Agreements in its work relating to Article V of the GATS, and for working parties on accession of new Members in relation to services; facilitating the implementation of the results of negotiations on basic telecommunications, financial services and professional services; participating actively in technical cooperation and other forms of public explanation of the GATS, and providing a continuing service of advice and assistance to Geneva delegations; monitoring implementation of the GATS in terms of notifications and implementation of existing and new commitments.

Trade Policies Review Division

The principal task of the TPR Division is, pursuant to Annex 3 of the WTO Agreement, to prepare reports for meetings of the Trade Policy Review Body (TPRB), at which reviews of Members are carried out. The division provides a secretariat for the TPRB meetings. The division also prepares the Director-General's Annual Overview of trade policy developments

and plays a significant role in the preparation of the WTO Annual Report. During 2001, the division will be working on trade policy reviews of the following Members (in chronological order): Mozambique, Madagascar, Ghana, Macau, China, Costa Rica, Brunei, WTO Members of the Organization of East Caribbean States (OECS) (Antigua and Barbuda, Dominica, Grenada, Saint Kitts and Nevis, Saint Lucia, and Saint Vincent and the Grenadines), Gabon, Cameroon, United States, Pakistan, Czech Republic, Mauritius, Slovak Republic, Malaysia and Uganda.

Training Division

WTO Training activities aim to assist recipient countries in their understanding and implementation of agreed international trade rules and to contribute towards human resource development. This objective is achieved by the organization of 12-week Trade Policy Courses in Geneva for officials from developing countries. Regular Trade Policy courses aim to widen the participating officials' understanding of the multilateral trading system and international trade law, and of the activities, scope and structure of the WTO, in order to allow them to improve the effectiveness of their work in their own administrations. The Courses consist of lectures given by Training Division and other WTO officials, invited experts from other International Organizations, various simulation exercises conducted by outside consultants, and study tours in Switzerland. The Training Division is also responsible for supervising the participants' research work.

Information and liaison divisions

Information and Media Relations Division

As mandated by Member Governments the focus of the division is to use all the means at its disposal to better inform the public about the World Trade Organization. The division offers the public clear and concise information through frequent and regular press contact, a wide range of relevant publications and an ever-improving Internet service. Its work includes providing publications which delegations and the public deem necessary to their understanding of trade and the WTO.

The Internet is becoming an increasingly important vehicle for distributing WTO information. The "Newsroom" feature on the WTO website (www.wto.org) is accessible by journalists from around the world, while the main Internet site is accessed by over 250,000 individual users every month from more than 170 countries. Webcasting on the Internet is used to increase public access to special events such as Ministerial meetings and High-Level Symposia. IMRD, working closely with the Technical Cooperation Division, continues to follow-up the mandate established at the October 1997 High-Level Meeting on the Least-Developed Countries, including the establishment of a computerized network of WTO Reference Centres in LDC and developing countries. The division continues to expand its private sector partnerships in the publication and distribution of WTO material both through electronic and printed formats with the objective of increasing worldwide distribution of these materials in the three WTO working languages of English, French and Spanish.

The WTO library contains a unique collection of materials from the GATT and the WTO as well as a range of works about the multilateral trading system. It is accessible to the public and will soon offer access to its catalogue through the WTO Internet site.

External Relations Division

The division is the focal point for relations with Non-Governmental Organizations, International Intergovernmental Organizations, with parliaments and parliamentarians. It also carries out responsibilities in regard to protocol and the maintenance of the WTO registry of documents. Its principle activities are to organize and develop dialogue with the civil society and its various components; to maintain liaison with the UN system, and in particular with UN New York HQ and with UNCTAD and the ITC. The division maintains liaison with OECD, particularly with the Trade Directorate regarding substantive issues. The division acts as the focal point in the Secretariat to ensure coordination of attendance at relevant meetings, attends meetings on behalf of the WTO and delivers lectures and speeches. It is also in charge of official relations with Members including host country and protocol matters in close liaison with the Office of the Director-General and it maintains the WTO Directory.

Support divisions

Administration and General Services Division

Its work focuses on ensuring the efficient functioning of services in (a) all financial matters, including budget preparation and control, accounting, and payroll, (b) human resources matters relating to recruitment, contract, staff counselling, development and implementation of personnel policies and training programmes for the staff, (c) logistical

issues related to the physical facilities, and (d) missions and other travel arrangements. This includes monitoring the decentralized budget as well as the Extra-budgetary Funds and providing timely information to divisions; ensuring the administrative functioning of the Committee on Budget, Finance and Administration; managing the WTO-specific salary and pension arrangements; providing information to senior management; and assisting the host country in the preparation of the 2001 Ministerial Conference.

Informatics Division

The division ensures the efficient operation of the information technology (IT) infrastructure as well as the necessary support to cover the information technology needs of Members and Secretariat. This includes implementation of the IT security policy. The division works to constantly enhance IT services and procedures to better facilitate dissemination of WTO information to Members and the public through the Internet and specialized databases.

The division supports a complex desktop and network environment covering 552 staff members, temporary staff and interns and a multitude of services (office automation, e-mail, Intranet, Internet, mainframe, client/server systems, etc.). In relation with the creation of WTO Reference Centres in the capitals of LDC and developing countries, the division provides IT expertise and participates in technical cooperation missions.

Language Services and Documentation Division

The division provides a range of language and documentation services to Members and to the Secretariat, including translation, documentation, printing and related tasks. The advent of the Internet has provided the Secretariat with a powerful vehicle to disseminate its documentation. The vast majority of people consulting WTO's homepage visit the LSDD's documentation facilities. Consultation is growing at a rate of 15% per month. LSDD ensures WTO documents, publications and electronic materials are available to the public and to Members in the three WTO working languages – English, French and Spanish.

WTO Appellate Body and its secretariat

The WTO Appellate Body

The Appellate Body was established pursuant to the Understanding on Rules and Procedures Governing the Settlement of Disputes (the "DSU"), which is contained in Annex 2 to the Marrakesh Agreement Establishing the World Trade Organization. The function of the Appellate Body is to hear appeals arising from panel reports pursuant to Article 17 of the DSU. The Appellate Body comprises seven Members, recognized authorities in law, international trade and the WTO Agreements generally, who reside in different parts of the world and are required to be available at all times and on short notice to hear appeals. Individual members of the Appellate Body are sometimes called upon to act as arbitrators under Article 21 of the DSU.

WTO budget 2001

The WTO derives most of the income for its annual budget from contributions by its 140 Members. These are established according to a formula based on their share of international trade. The list of Members' contributions for 2001 can be found in Table V.5. The balance of the budget is financed from miscellaneous income.

Miscellaneous income is earned from rental fees and sales of WTO print and electronic publications. The WTO also manages a number of trust funds, which have been contributed by Members. These are used in support of special activities for technical cooperation and training meant to enable least-developed and developing countries to make better use of the WTO and draw greater benefit from the multilateral trading system. The active trust funds are listed in Table V.6. The WTO's total budget for the year 2001 is as follows:

- 2001 Budget for the WTO Secretariat: CHF 131,305,610 (Table V.3);
- 2001 Budget for the Appellate Body and its Secretariat: CHF 2,778,000 (Table V.4);
- Total WTO Budget for the year 2001: CHF 134,083,610.

Table V.3

WTO Secretariat budget for 2001

Section	Swiss Francs
1. Staff (Work/years)	
(a) Salary	60,646,860
(b) Pensions	11,891,440
(c) Other common staff costs	10,946,000
2. Temporary assistance	11,443,050
3. Communications	
(a) Telecommunications	568,000
(b) Postage charges	1,227,000
4. Building facilities	
(a) Rental	39,600
(b) Utilities	1,601,500
(c) Maintenance and insurance	907,000
5. Permanent equipment	3,474,750
6. Expendable equipment	1,264,670
7. Contractual Services	
(a) Reproduction	1,217,000
(b) Office automation/Informatics	2,213,540
(c) Other	244,000
8. Staff overhead costs	
(a) Training	408,000
(b) Insurance	1,079,900
(c) Joint services	519,000
(d) Miscellaneous	46,500
9. Missions	
(a) Official	1,205,100
(b) Technical Cooperation	1,163,200
10. Trade policy training courses	1,490,000
11. Contribution to ITC	14,361,500
12. Various	
(a) Representation and hospitality	258,000
(b) Dispute settlement panels	1,337,000
(c) Permanent Group of Experts/Arbitration under GATS	30,000
(d) Appellate Body	
(e) Library	567,000
(f) Publications	203,000
(g) Public information activities	260,000
(h) External auditors	70,000
(i) Ministerial meeting	400,000
(j) I S O	60,000
(k) Other	63,000
13. Unforeseen expenditure	100,000
Total	131,305,610

Table V.4

Appellate Body and its Secretariat's budget for 2001

Section	Swiss Francs
1. Staff (Work/ years)	
(a) Salary	1,253,900
(b) Pensions	244,600
(c) Other Common staff costs	381,400
2. Temporary Assistance	108,500
3. Communications	
(a) Telecommunications	6,500
(b) Postal Charges	
4. Building Facilities	
(a) Rental	
(b) Utilities	11,000
(c) Maintenance and Insurance	10,000
5. Permanent Equipment	89,100
6. Expendable Equipment	17,700
7. Contractual Services	
(a) Reproduction	15,000
(b) Office automation/Informatics	3,000
(c) Other	
8. Staff Overhead Costs	
(a) Training	
(b) Insurance	2,400
(c) Joint Services	
(d) Miscellaneous	6,000
9. Missions	9,300
10. Trade Policy Training Courses	
11. Contribution to ITC	
12. Various	
(a) Representation and Hospitality	1,000
(b) Dispute Settlement Panels	
(c) Permanent Group of Experts/Arbitration under GATS	
(d) Appellate Body Members	615,200
(e) Library	3,400
(f) Publications	
(g) Public Information Activities	
(h) External Auditors	
(i) Ministerial Meeting	
(j) ISO	
(k) Other	
13. Unforeseen Expenditure	
Total	2,778,000

Table V.5

Members' contributions to the WTO budget and the budget of the Appellate Body for 2001

Members	2001 contributions	
	%	Swiss Francs
Albania	0.015	19,935
Angola	0.061	81,069
Antigua and Barbuda	0.015	19,935
Argentina	0.534	709,686
Australia	1.292	1,717,068
Austria	1.522	2,022,738
Bahrain	0.075	99,675
Bangladesh	0.103	136,887
Barbados	0.02	26,580
Belgium	2.774	3,686,646

Table V.5 (continued)

Members, contributions to the WTO budget and the budget of the Appellate Body for 2001

Members	2001 contributions	
	%	Swiss Francs
Belize	0.015	19,935
Benin	0.015	19,935
Bolivia	0.027	35,883
Botswana	0.039	51,831
Brazil	1.047	1,391,463
Brunei Darussalam	0.046	61,134
Bulgaria	0.099	131,571
Burkina Faso	0.015	19,935
Burundi	0.015	19,935
Cameroon	0.029	38,541
Canada	3.892	5,172,468
Central African Republic	0.015	19,935
Chad	0.015	19,935
Chile	0.335	445,215
Colombia	0.254	337,566
Congo	0.026	34,554
Costa Rica	0.095	126,255
Côte d'Ivoire	0.074	98,346
Croatia	0.155	205,995
Cuba	0.054	71,766
Cyprus	0.069	91,701
Czech Republic	0.532	707,028
Democratic Republic of the Congo	0.025	33,225
Denmark	1.001	1,330,329
Djibouti	0.015	19,935
Dominica	0.015	19,935
Dominican Republic	0.12	159,480
Ecuador	0.092	122,268
Egypt	0.271	360,159
El Salvador	0.052	69,108
Estonia	0.062	82,398
European Communities	0	0
Fiji	0.018	23,922
Finland	0.711	944,919
France	5.766	7,663,014
Gabon	0.036	47,844
Gambia	0.015	19,935
Georgia	0.016	21,264
Germany	9.716	12,912,564
Ghana	0.035	46,515
Greece	0.329	437,241
Grenada	0.015	19,935
Guatemala	0.06	79,740
Guinea	0.015	19,935
Guinea-Bissau	0.015	19,935
Guyana	0.015	19,935
Haiti	0.015	19,935
Honduras	0.038	50,502
Hong Kong, China	3.605	4,791,045
Hungary	0.396	526,284
Iceland	0.045	59,805
India	0.828	1,100,412
Indonesia	0.929	1,234,641
Ireland	0.952	1,265,208
Israel	0.554	736,266
Italy	4.699	6,244,971
Jamaica	0.06	79,740
Japan	7.163	9,519,627

Table V.5 (continued)

Members, contributions to the WTO budget and the budget of the Appellate Body for 2001

Members	2001 contributions	
	%	Swiss Francs
Jordan	0.071	94,359
Kenya	0.052	69,108
Korea, Republic of	2.549	3,387,621
Kuwait	0.216	287,064
Kyrgyz Republic	0.015	19,935
Latvia	0.051	67,779
Lesotho	0.015	19,935
Liechtenstein	0.028	37,212
Luxembourg	0.297	394,713
Macau, China	0.064	85,056
Madagascar	0.015	19,935
Malawi	0.015	19,935
Malaysia	1.465	1,946,985
Maldives	0.015	19,935
Mali	0.015	19,935
Malta	0.05	66,450
Mauritania	0.015	19,935
Mauritius	0.044	58,476
Mexico	1.962	2,607,498
Mongolia	0.015	19,935
Morocco	0.163	216,627
Mozambique	0.015	19,935
Myanmar, Union of	0.033	43,857
Namibia	0.031	41,199
Netherlands, Kingdom of the	3.44	4,571,760
New Zealand	0.29	385,410
Nicaragua	0.018	23,922
Niger	0.015	19,935
Nigeria	0.222	295,038
Norway	0.927	1,231,983
Oman	0.105	139,545
Pakistan	0.196	260,484
Panama	0.132	175,428
Papua New Guinea	0.039	51,831
Paraguay	0.075	99,675
Peru	0.148	196,692
Philippines	0.663	881,127
Poland	0.711	944,919
Portugal	0.622	826,638
Qatar	0.063	83,727
Romania	0.182	241,878
Rwanda	0.015	19,935
Saint Lucia	0.015	19,935
Senegal	0.024	31,896
Sierra Leone	0.015	19,935
Singapore	2.302	3,059,358
Slovak Republic	0.213	283,077
Slovenia	0.177	235,233
Solomon Islands	0.015	19,935
South Africa	0.564	749,556
Spain	2.477	3,291,933
Sri Lanka	0.096	127,584
St. Kitts and Nevis	0.015	19,935
St. Vincent and the Grenadines	0.015	19,935
Suriname	0.015	19,935
Swaziland	0.018	23,922
Sweden	1.542	2,049,318
Switzerland	1.621	2,154,309

Table V.5 (continued)

Members, contributions to the WTO budget and the budget of the Appellate Body for 2001

Members	2001 contributions	
	%	Swiss Francs
Tanzania	0.027	35,883
Thailand	1.131	1,503,099
Togo	0.015	19,935
Trinidad and Tobago	0.047	62,463
Tunisia	0.138	183,402
Turkey	0.838	1,113,702
Uganda	0.019	25,251
United Arab Emirates	0.533	708,357
United Kingdom of Great Britain and Northern Ireland	5.991	7,962,039
United States	15.631	20,773,599
Uruguay	0.068	90,372
Venezuela	0.335	445,215
Zambia	0.022	29,238
Zimbabwe	0.034	45,186
Total	100	132,900,000

Table V.6

List of main active extra-budgetary funds donated for technical cooperation and training activities

Donor	Fund	Project	Balance 1/1/01	Pledged for 2001	Total
Trust Funds					
Netherlands	T0006	WTO trainee programme	561,605	1,050,000	1,611,605
Hong Kong, China	T0024	Technical cooperation activities	27,428		27,428
JITAP	T0027	Technical cooperation activities in selected African countries	105,472		105,472
United States	T0028	WTO reference centres	11,041		11,041
Switzerland	T0030	Technical cooperation activities	334,718		334,718
United Kingdom	T0037	Technical cooperation activities	173,854		173,854
Switzerland	T0039	Consultant for the Trade Policy Course	-	25,000	25,000
Nordic countries	TAD01	Anti-dumping seminars	17,707		17,707
Germany	TDE01	Trade Policy Reviews	64,841	100,000	164,841
Germany	TDE02	Global trust fund for technical cooperation	-	350,000	350,000
Denmark	TDK02	Global trust fund for technical cooperation	629,021		629,021
Finland	TFI01	Global trust fund for technical cooperation	96,864	800,000	896,864
France	TFR01	Seminars on SPS	230,122		230,122
France	TFR02	Global trust fund for technical cooperation	-	235,000	235,000
Ireland	TIE01	Global trust fund for technical cooperation	86,500		86,500
Japan	TJP05	WTO seminars in Asia	313,297		313,297
Netherlands	TNL03	Global trust fund for technical cooperation	592,138	900,000	1,492,138
Norway	TNO02	Global trust fund for technical cooperation	503,072		503,072
Norway	TNO03	Workshop on patented drugs pricing	-	300,000	300,000
New Zealand	TNZ03	Seminars on WTO in Asia/Pacific	288,898		288,898
Sweden	TSE02	Global trust fund for technical cooperation	735,560		735,560
United Kingdom	TUK04	Workshop on competition policy	-	520,000	520,000
United States	TUS04	Global trust fund for technical cooperation	-	1,050,000	1,050,000
		Total	4,772,137	5,330,000	10,102,137
Other extra-budgetary funds					
WTO Members	TGTF1	Global trust fund for technical cooperation	35,771		35,771
WTO Members	ES962	1996 surplus for technical cooperation	11,153		11,153
WTO Members	EPSF1	Programme support fund	903,468		903,468
		Total	950,393	-	950,393
		Total	5,722,529	5,330,000	11,052,529