

## Financial services talks resume

**W**TTO members have resumed negotiations on liberalizing trade in financial services—the third and final sectoral talks scheduled for completion this year. Agreements on basic telecommunications and on information technology products were reached successfully in February and March, respectively.

At the meeting of the Committee on Trade in Financial Services marking the resumption of negotiations in the sector on 10 April, participants underlined their commitment to conclude the talks successfully by 12 December 1997. Chairman Yoshio Okubo (Japan) reminded governments that the Singapore Ministerial Declaration called on WTO Members to achieve “significantly improved market access commitments with a broader level of participation”. The Declaration also looked forward to the application of results to all WTO members (m.f.n. basis).

Many governments said that since the last round of talks in July 1995, significant liberalization had taken place in the financial service sector. The progressive liberalization in the

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### **High Level LDC Meeting slated for October**

**T**rade Ministers and senior officials will meet in Geneva on 27-28 October to consider ways of assisting the trade development of the least-developed countries (LDCs), based on integrated initiatives from agencies and “wish lists” of individual LDCs for trade-related assistance. The WTO Sub-Committee on Least-Developed Countries, on 18 April, agreed on these dates.

The October meeting is the result of the Ministerial Decision and the WTO Plan of Action for LDCs adopted at the Singapore Ministerial Conference. The High Level Meeting is being organized by the WTO together with UNCTAD and ITC as well as with UNDP and with the participation of the World Bank

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*WTO Director-General Renato Ruggiero (centre) looks at a cargo ship docked in the bustling port of Shanghai as part of his official visit aimed at facilitating China's accession to the WTO (see page 6).*

### **Singapore Working Groups become operational**

**T**he three working groups on the so-called “new issues” established at the Singapore Ministerial Conference are now set to hold their first meetings. The General Council, on 24 April, agreed to the appointments of the following chairpersons:

- » *Ambassador Kirk-Krai Jirapaet* of Thailand for the **Working Group on the Relationship between Trade and Investment**;
- » *Professor Frédéric Jenny* of France for the **Working Group on the Interaction between Trade and Competition Policy**; and
- » *Ambassador Werner Corrales Leal* of Venezuela for the **Working Group on Transparency in Government Procurement**.

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## Working Groups

*(Continued from page 1)*

### **BOP consultations**

The new Chairman of the Committee on Balance-of-Payments Restrictions, Mr Peter R. Jenkins (United Kingdom), reported on consultations with Nigeria held in March. He said that the Committee had recalled that members considered that Nigeria's import prohibitions could no longer be justified under the the BOP provisions of GATT 1994. The Committee took note of the Nigeria's reaffirmation of its commitment to phase out the import restrictions and called on Nigeria to consult with members and draw up a timetable for the elimination of WTO-incompatible measures. The Committee's consultations with Nigeria will resume in July.

Regarding the Committee's report on consultations with India, the following members said they looked forward to the country's submission of a detailed plan to phase out BOP restrictions: Australia, the European Communities, Japan, New Zealand and the United States.

### **WTO Secretariat**

With respect to the WTO Secretariat, the General Council:

- » Requested the Director-General to submit by October a report on how to enhance the efficiency of the Secretariat, including through a rationalization of the senior management structure in the light of the members' intention to reduce significantly the number of Deputy Directors-General.
- » Heard a report by Ambassador Kamel Morjane of Tunisia, Chairman of the Working Group on Conditions of Service of WTO Staff, who said that certain delegations were still not in a position to support the establishment of the WTO Secretariat outside the UN common system. He said that "cost neutrality" was central to the debate. Many delegations reiterated their support for an independent Secretariat; three members reaffirmed their preference for a solution within the common system. The WTO Director-General, Mr Renato Ruggiero, urged delegations to focus first on making a political decision in conformity with the status of the organization as an agency independent from the UN system.
- » Noted that the Director-General, in accordance with current procedures, had extended the contracts of the current Deputy Directors-General (Mr Anwarul Hoda, Dr Chulsu Kim, Mr Warren Lavorel and Mr Jesús Seade) until 30 April 1999, which would also be the end of his term. Mr Ruggiero explained that the four formed a "good team," and stressed that his decision gave governments full flexibility in reviewing the WTO management structure.

### **Other matters**

- » The General Council Chairman, Ambassador Celso Lafer of Brazil, reported that there was widespread support for holding the next WTO Ministerial Conference in the first half of 1998. He said that he would intensify consultations in order that a decision on the date of the Conference could be made quickly.
- » The EC and the United States reiterated their concerns over the "frugality campaign" in Korea. Korea said the government was not involved in targeting imports. □

## **Congo is 131st member**

**T**he Republic of Congo, on 27 March, became the 131st member of the WTO. With Congo's accession, all contracting parties to the GATT are now WTO members.

Two other countries have joined the WTO since the beginning of the year: Zaire (1 January) and Mongolia (29 January). □

## **The official WTO logo**

**T**he General Council accepted with deep appreciation Singapore's offer to transfer to the WTO for its use the logo of the first WTO Ministerial Conference held in Singapore last December, along with the copyright, free of charge. □

## **LDCs**

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and the IMF.

One of the objectives of the High Level Meeting is for these six agencies to design and apply a coherent and integrated approach to support LDCs in their trade activities. This exercise will be based on comprehensive needs assessments for trade-related technical assistance, drawn up by the LDCs to ensure that the whole exercise is fully driven by the LDCs themselves.

The Sub-Committee also agreed to hold a joint meeting of the WTO and UNCTAD in June to review preparations for the High Level Meeting.

Many LDC delegations underlined that the High Level Meeting would be a highlight of the WTO calendar for this year, and urged thorough and timely preparations to ensure its success.

The EC said that it was considering extending its most favourable trade preferences to all LDCs, and challenged other members to do the same. □

## Japan asks for panel on Indonesia's car programme

At the Dispute Settlement Body (DSB) meeting on 30 April, Japan requested a panel to examine what it described as discriminatory and WTO-inconsistent measures taken by Indonesia in establishing a national car programme.

In its formal request, Japan said that in February 1996, Indonesia promulgated measures to provide benefits to an Indonesian company that would be given "pioneer status". The designated Indonesian company, in August 1996, began importing cars produced in Korea, which were given exemption from the luxury sales tax and customs tariff. Japan claimed that the measures were inconsistent with the m.f.n. provision of the WTO (Article I of GATT 1994), the requirements for prompt publication and impartial administration (Article X); and constituted subsidies prohibited in the WTO Agreement on Subsidies and Countervailing Measures. It added that the local-content requirements in the measures were inconsistent with the WTO Agreement on Trade-Related Investment Measures (TRIMs).

Japan said that it understood Indonesia's desire to build its national car but believed this could be carried out in conformity with the WTO. It added that a panel would not foreclose further consultations to resolve the dispute.

The European Communities supported Japan's request, noting it had conducted dispute-settlement consultations with Indonesia on the same matter.

Indonesia did not agree to the panel request, and expressed regret that Japan had not chosen to continue with the bilateral consultations. It maintained that the car programme was consistent with the WTO.

The DSB agreed to revert to Japan's request.

### US drafts gasoline amendments

The United States announced that the US Environmental Protection Agency (EPA) had issued for comment proposed rules that were intended to implement the recommendations of the Appellate Body and the panel regarding US standards for reformulated and conventional gasoline. It hoped that the draft rules would meet both the concerns of the complainants and its own on protecting the environment.

Venezuela and Brazil welcomed the US announcement but stressed that under the DSU, the United States needed to implement fully the recommendations by August 1997.

### Hong Kong cites textiles dispute with Brazil

Under "Other Business", Hong Kong said that no solution in its dispute with Brazil had emerged after a recent review of the case by the Textiles Monitoring Body (TMB). It said it was awaiting Brazil's response to the affirmation by the TMB of a previous recommendation for Brazil to terminate its safeguard action against imports of artificial filament fabrics from Hong Kong by December 1997.

Brazil said that it had already implemented a TMB recommendation to rescind its safeguard action on imports of shirts from Hong Kong. Regarding the fabric case, it was carefully following developments in the industry.

On other matters, the Chairman, Ambassador Wade Armstrong of New Zealand, announced that the United States had withdrawn its current and previous panel requests on EC's duties on imports of grain, and that Canada had

| WTO dispute-settlement panels<br>(As of 5 May 1997)     |   |
|---|---|
| Complainants  | Subject (Date panel established)  |
| Ecuador, Guatemala, Honduras, Mexico, United States     | European Communities - Regime for the importation, sale and distribution of bananas (8.5.96)  |
| United States   | European Communities - Measures affecting meat and meat products (hormones) (20.5.96)   |
| Canada  | European Communities - Measures affecting livestock and meat (hormones) (16.10.96)  |
| United States   | Japan - Measures affecting consumer photographic film and paper (16.10.96)  |
| European Communities                                    | United States - The Cuban Liberty and Democratic Solidarity Act (20.11.96 - panel work suspended on 25.4.97 at request of the EC)   |
| United States   | India - Patent protection for pharmaceutical and agricultural chemical products (20.11.96)  |
| Argentina, Australia, Canada, New Zealand, Thailand, US | Hungary - Export subsidies in respect of agricultural products (25.2.97)  |
| United States   | Turkey - Taxation of foreign film revenues (25.2.97)  |
| United States   | Argentina - Certain measures affecting imports of footwear, textiles, apparel and other items (25.2.97)   |
| India, Malaysia, Pakistan and Thailand                  | United States - Import prohibition of certain shrimp and shrimp products (25.2.97; for India's complaint, 10.4.97)  |
| United States   | (a) EC - Customs classification of certain computer equipment; (b) United Kingdom - Customs classification of certain computer equipment; (c) Ireland - Customs classification of certain computer equipment (25.11.97 for (a); (b) and (c) incorporated 20.3.97) |
| Mexico  | Guatemala - Anti-dumping investigation regarding imports of portland cement from Mexico (20.3.97)   |
| Canada  | Australia - Measures affecting the importation of salmon (10.4.97)  |

decided to appeal the panel report on Canadian measures concerning periodicals

### DSB establishes two panels

At its previous meeting, on 14 April, the DSB established the following dispute-settlement panels:

» **United States - Import prohibition of certain shrimp and shrimp products.** The DSB agreed to consolidate this panel requested by India with the panel on the US measure established on 25 February at the request of Malaysia, Thailand and Pakistan.

» **Australia - Measures affecting importation of salmon.** The complainant, Canada, and Australia would be consulting on the panel's terms of reference. The United States and the European Communities reserved their third-party rights to participate in this panel.

Under "Other Business", the United States informed the DSB that the quota restraint on imports of underwear from Costa Rica was allowed to expire, and thus it had complied with the DSB recommendations on this matter. □

**Russia: aiming for early accession**

The Working Party on Russia's accession to the WTO is aiming to complete the detailed examination of Russia's trade regime by the end of the year. Members, at their fifth meeting on 16 April, agreed to a proposal by Chairman William Rossier (Switzerland) to intensify their work and hold two more meetings this year to try to address a number of outstanding issues. Ambassador Rossier said he hopes that once the detailed multilateral examinations of the various subject areas is completed, members of the Working Party could start work on a draft Working Party report. He stressed the need for all delegations to redouble their efforts to intensify bilateral contacts and negotiations.

Vice-Minister of External Economic Relations Georgy Gabuniya, headed the Russian delegation, reaffirmed Russia's intent to join the WTO and for Russia to achieve full integration into the world's trading system. He said also that Russia is keen to accelerate the accession process and that full-scale negotiations and intensified bilateral consultations could start before the end of the year. □



*First Deputy Minister of Economy and Trade Zhanat Dzh. Ertlesova (centre) explained in detail Kazakhstan's economic and trade reforms. (Photo by Tania Tang/WTO).*

**Kazakhstan: first WP meeting**

At the first meeting of the working party examining its WTO application on 19 March, Kazakhstan pledged to align its trade laws to WTO rules and submit shortly market-opening offers on goods and services. Many WTO members welcomed Kazakhstan's serious interest in joining the organization, in its continuing economic reforms and its comprehensive memorandum on its foreign trade regime.

First Deputy Minister of Economy and Trade Zhanat Dzh. Ertlesova told the working party that her government has continued to pursue wide-ranging economic reforms, including privatization and abolition of state monopolies. She said that in January 1997, Kazakhstan reduced its average weighted tariffs on goods from 12 to 11 per cent. Mrs. Ertlesova invited interested WTO members to start bilateral negotiations with Kazakhstan, adding that her country would be submitting concrete market-opening offers on goods in May and on services in June. □

**Oman: prepared for commitments**

Commerce and Industry Minister Maqbool Ali Sultan said that as an old trading crossroads, Oman understands the importance of rules for the conduct of world trade, at the first meeting of the Working Party examining his

country's accession to the WTO on 30 April. He said that Oman has an open economy but that more time was needed to bring a number of laws and regulations such as those on customs valuation and intellectual property into conformity with the WTO. He said his country is prepared to make concessions and accept commitments in line with his country's economic status as a developing country. □

**Accession Working Parties (28)**

| Government                        | WP established (GATT/WTO) | Chairperson                         |
|-----------------------------------|---------------------------|-------------------------------------|
| Albania                           | 2 Dec. 1992               | Mr. A. Pinto de Lemos (Portugal)    |
| Algeria                           | 17 June 1987              | Amb. M. Sanchez Arnau (Argentina)   |
| Armenia                           | 17 Dec. 1993              | Amb. D. Kenyon (Australia)          |
| Belarus                           | 27 Oct. 1993              | Amb. C. Manhusen (Sweden)           |
| Cambodia                          | 21 Dec. 1994              | Mr. A. Meloni (Italy)               |
| China                             | 4 March 1987              | Amb. P.-L. Girard (Switzerland)     |
| Croatia                           | 27 Oct. 1993              | Ms. A.-M. Plate (Netherlands)       |
| Estonia                           | 23 March 1994             | Amb. D. Kenyon (Australia)          |
| Georgia                           | 18 July 1996              | Amb. E.L. Herfkens (Netherlands)    |
| Jordan                            | 25 Jan. 1994              | Amb. K. Kesavapany (Singapore)      |
| Kazakhstan                        | 6 Feb. 1996               | Amb. B. Ekblom (Finland)            |
| Kyrgyz Republic                   | 16 April 1996             | Mr. J.-M. Metzger (France)          |
| Latvia                            | 17 Dec. 1993              | Amb. F. Theilgaard (Denmark)        |
| Lithuania                         | 22 Feb. 1994              | Mr. Peter Witt (Germany)            |
| Former Yugoslav Rep. of Macedonia | 21 Dec. 1994              | Amb. T. Johannessen (Norway)        |
| Moldova                           | 17 Dec. 1993              | Mr. M. Kumar (India)                |
| Nepal                             | 21-22 June 1989           | Amb. G. Fortune (New Zealand)       |
| Oman                              | 26 June 1996              | Amb. Munir Akram (Pakistan)         |
| Russian Federation                | 16-17 June 1993           | Amb. W. Rossier (Switzerland)       |
| Saudi Arabia                      | 21 July 1993              | Amb. J. Weekes (Canada)             |
| Seychelles                        | 11 July 1995              | Amb. J. Ravaloson (Madagascar)      |
| Sudan                             | 25 Oct. 1994              | Mr. A. Lecheheb (Morocco)           |
| Chinese Taipei                    | 29 Sept. 1992             | Amb. M. R. Morland (United Kingdom) |
| Tonga                             | 15 Nov. 1995              | Mr. S. Harbinson (Hong Kong)        |
| Ukraine                           | 17 Dec. 1993              | Mr. A. L. Stoler (United States)    |
| Uzbekistan                        | 21 Dec. 1994              | Amb. M. Ennaceur (Tunisia)          |
| Vanuatu                           | 11 July 1995              | Amb. S. Syahrudin (Indonesia)       |
| Vietnam                           | 31 Jan. 1995              | Amb. Seung Ho (Korea)               |

*Renato Ruggiero*

## *China and the world trading system*

*In April, the WTO Director-General, Mr Renato Ruggiero, paid a visit to China to discuss with officials ways to facilitate the successful completion of China's accession into the WTO. In a speech at the Beijing University on 21 April, Mr Ruggiero highlighted the benefits to China as well as to the organization of WTO membership. Excerpts from his speech:*

**T**here is a simple reality which lies at the heart of our current negotiations and the real challenges of adjustment we all face: the reality that China is already a leading power in an ever more interdependent global economy. China increasingly needs the opportunities and security of the WTO system to fulfil its huge potential for growth and development. And the WTO increasingly needs China as a full and active member to be a truly universal system.

This reality is emphasized by the sheer force of China's rise in the world. During the last decade, output has been expanding by an average of 10% a year, while merchandise export volume has been growing even faster, at about 15%. In two decades, the value of China's merchandise exports has expanded more than twenty-fold, reaching US\$151 billion last year. China is already the world's fifth largest trading power, and the second largest recipient of foreign investment. Today the Chinese economy represents between 5 to 10% of global output, depending on the method used to calculate national production.

Joining the WTO means assuming binding obligations in respect of import policies—obligations which will necessitate an adjustment in China's trade policies and, in most cases, economic restructuring. But, in turn, China will benefit from the extension to it of all the advantages that have been negotiated among the 130 members of the WTO. It will be entitled to export its products and services to the markets of other WTO members at the rates of duty and levels of commitment negotiated in the Uruguay Round—this includes tariff bindings benefiting nearly 100 per cent of China's exports of industrial products to developed countries, with almost one-half of these products being subject to duty-free treatment. These tremendous market access opportunities will be underpinned and reinforced by the two cardinal principles of most-favoured-nation and non-discrimination.

Equally importantly, China will have recourse to a multilateral forum for discussing trade problems with its WTO partners and, if necessary, to a binding dispute settlement procedure if its rights are impaired. This greater level of security will benefit China immensely—encouraging even greater business confidence, and attracting even greater levels of investment.

There is a third major reason for China's participation in the multilateral system. Only inside the system can China take part in writing the trade rules of the 21st century. This will be an unprecedented set of rights and obligations negotiated internationally by consensus.

An outward-looking China cannot afford to stand on the sidelines while others write the rules of the game. A China with growing export interests cannot afford to be left without secure and expanding access to global markets—security

which only the multilateral system provides. And perhaps most important, a China dependent upon technology and modernization cannot afford to fall behind the fast-moving pace of globalization—particularly in sectors like information technologies, telecommunication, or financial services which will be the key building blocks of the new economy.

China's economic success so far is directly linked to its impressive domestic reforms, including trade and investment liberalization. China has already benefited from the unilateral tariff reductions offered in the context of its accession negotiations; one study puts the gains at US\$22 billion. But this is not the end of the road. Further liberalization—undertaken on the basis of WTO rules, and in exchange for benefits from other WTO partners—could prove the biggest stimulus yet to China's economic growth. And, by extension, a giant stimulus to the world economy.

I am not suggesting that joining the WTO is a simple step. Just the opposite. But many other countries that are already members of the WTO share a comparable level of development with China. They have subscribed to its rights and obligations and enjoy its benefits. The other accession candidates are also showing they have made the same choice.

### *Getting the process right*

It is because China's accession to the WTO will profoundly shape the future evolution and direction of global economic relations that we must get the process right. China is too

### *"Sustained momentum"*

**A**t the close of the meeting of the Working Party on the Accession of China on 23 May, the Chairman, Ambassador Pierre-Louis Girard (Switzerland), said that the "good progress" made in consultations held during the week indicated that the momentum in the negotiations was being sustained. He said that substantial progress was made on issues relating to goods subject to price controls and export tariffs. Additional consensus was reached with respect to the draft protocol provisions on "judicial review" and "non-discrimination". However, he said little progress was achieved on the issue of market access and urged China and WTO members to address it as priority in the bilateral negotiations.

China's Vice Minister for Foreign Trade and Economic Cooperation, Mr. Long Yongtu, said that progress showed that "everything is on the right track". He said that the discussions had increased his delegation's understanding of how to work within WTO's "unique framework" and provided useful guidance for China in implementing international rules and practices. He said that his delegation would translate China's political commitment into positions that would accelerate the market-access negotiations. However, Mr. Long said that the level of China's economic and social development should be taken into consideration. □

large and important an economic player—and its entry into the WTO will have too great an impact on the system—to compromise these negotiations.

We have recently seen important signs of momentum and creative flexibility we have recently seen in these negotiations—in difficult areas like trading rights, non discrimination, non tariff barriers, state trading, investment, and intellectual property where the negotiators have made quite remarkable progress, especially in recent months. None of this progress would have been possible without the vital—if time-consuming—technical groundwork that all parties to this negotiation have laid over the previous decade. But what is really driving this process forward is a shared recognition of the rewards that are riding on success.

### *Crucial issues*

My purpose is not to underestimate the work before us, especially as we approach the next negotiating session scheduled in May this year. Like all negotiations, much of the important work—and the toughest issues—have been left to the end. My purpose instead is to urge all concerned to redouble their efforts—and to stretch their imaginations—now that we can claim to be entering the final phase and there is a widely shared need to move forward with urgency. There still remain crucial issues pertaining to China's terms of accession to the WTO. Equally important, there are the bilateral market accession negotiations with China's major trading partners which, as you know, are a critical and essential element of any successful negotiation. Once again we should recall that China's position as the fifth world exporter reinforces the need for its own market to be accessible to others. These are all important issues that will need to be resolved to everyone's satisfaction before China can be brought into the WTO.

Throughout the period of China's accession process, the GATT/WTO Secretariat has been ready to facilitate negotiations and to render any assistance which may be needed on all possible fronts. I need hardly add that this commitment of the Secretariat stands equally firm as we approach the final stages of the accession process.

The challenges ahead do not alter the basic reality that no aspect of China's economic and trade relations will be easier to handle outside the multilateral system. On the contrary, everything would be more difficult, for China and its partners—more arbitrary, discriminatory and power-based. No one can want such a scenario.

The international debate about globalization vividly illustrates this last point. China is moving to the very centre of this debate. The wonder is not that the accession negotiations have been so long and so complex. The wonder is that this immense country has moved so far into the mainstream of the global economy in so short a time.

The walls that divided us are falling down; but some still see disparities and differences, rather than our common interests. Globalization is weaving the world together as never before; but it is a world of different cultures, different systems, and different levels of development.

Interdependence demands that we respect our unique cultures and civilizations. Interdependence also demands that we find common solutions to our common problems. These include the concerns of China's major trading partners about its persistent trade surpluses. Equally, the world

will have to understand the immense challenge China faces in transforming itself with a modern and competitive society—and all in a matter of decades. China is not alone in making this effort of restructuring. Globalization obliges all nations, small or large, rich or poor, to take part in a continuous process of adjustment. More than ever before, the world's problems will be China's problems; and China's problems will be the world's.

Yet our world of dramatic change is also a world of dramatic possibilities. China's living standards have doubled in the last decade, and will no doubt double and triple again. New opportunities are opening up for Chinese workers and Chinese entrepreneurs. New choices are opening up for Chinese consumers. And out of this economic opening springs new hope. I would argue, from the evidence of the huge success of reform so far, that the real cost would lie in keeping doors closed, in slowing the restructuring process, and in maintaining inefficient public structures.

What is true for China is true for the world. The global economy could easily double by 2020, raising global living standards by almost two-thirds—among the greatest advances in world history. Technology and communications are weaving together an interconnected planet, spreading the tools of economic and social progress, and equalizing the human condition. And we are breaking down the barriers, not just between economies, but between people, giving us a shared interest in prosperity and peace.

### *More than trade*

We must be clear about what is at stake: China's entry into the global trading system is about more than trade. It is about China's future rôle as a world economic leader. And it is about the future direction of the global economy and our global community.

I began by saying that we are at a turning point in China's relations with the world. One of those moments in history, which come but rarely, when the choices we make shape the course of events for years and even decades to come. The Cold War landscape has been swept away, as if by an historical earthquake. The next era of globalization has yet to take shape. We have a unique opportunity—between eras as well as between centuries—to lay the foundations of a new kind of international system, one which offers the best chance yet of lasting world prosperity and peace. For the first time we have in our grasp the possibility of creating a universal system based on rights and obligations agreed by consensus and binding all its members.

I repeat—the successful integration of China into the global economy is the key to many of the international challenges we face. We will need creativity in the days ahead. We will need resolve. And we will need vision. Change will come whether we like it or not. We can either engage it positively and steer it to positive ends or ignore it to our peril. The choice before us is an obvious one.

I have come to China, not as a negotiator, but as a man with one interest—to help build a truly global trading system which can bear the weight of the twenty-first century. I leave you with the message that China must be a central pillar of this system—otherwise we risk building the new century on the foundations of economic instability and an even more uncertain peace. I am confident China will bring an equally great breadth of vision to this task. □

TPRB: Fiji

# Committed to open trade

*At its first meeting of the year on 9-10 April, the Trade Policy Review Body (TPRB) conducted its first review of Fiji's trade policies. Excerpts from the Chairperson's concluding remarks:*

Members welcomed Fiji's moves since 1989 to more outward-oriented policies, with elimination of quantitative restrictions and reductions in the average level of tariffs. Some members drew attention to the slowing pace of tariff reform and import liberalization; they encouraged Fiji to continue progress on this front and in relation to deregulation. Members also noted the escalation of tariffs through stages of processing, remaining tariff peaks on such products as processed rice and motor vehicles, and the application of duties on beverages and tobacco that exceeded bound levels; they sought information on the future direction of tariff reforms and any particular sectoral focus.

Some members asked about the importance of tariff revenue for Fiji in the light of its fiscal imbalance. In this context, some sought information on Fiji's policy regarding tariff exemptions and concessions, noting that there was substantial leakage of revenue through such measures, which could introduce additional distortions in the structure of protection.

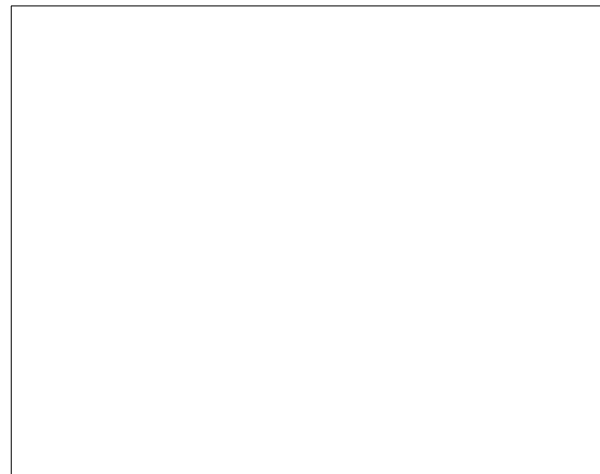
Questions were asked about industrial promotion measures, including the use of subsidies and export credits; questions were also posed regarding conditions of operation of Export Processing Zones, Tax-Free Zones and Tax-Free Factories.

Questions were asked regarding Fiji's growing participation in regional trading arrangements, including SPARTECA and the Melanesian Spearhead Group. The question was asked whether Fiji expected such agreements to compensate for the loss of preferential access in other markets. Particular attention was also paid to the application of rules of origin under regional and preferential agreements and their effects on Fiji's trade.

One Member and a discussant raised questions regarding the application of internationally recognized core labour standards in Fiji. A number of others stressed that, consistent with the Singapore Ministerial Declaration, such questions should properly be addressed in the ILO.

In reply, the representative of Fiji stated that in past number of years Fiji had concentrated its efforts on trade liberalisation through the removal of licences and the reduction in tariffs. Tariff reform had slowed in recent years, in recognition of the fact that trade liberalisation needed to take place in concurrence with reforms in other sectors in the economy, including in labour and capital markets and the public sector. For the present, further tariff reductions would await the outcome of the Deregulation Policy Review, which had been commissioned following recommendations of the 1994 National Economic Summit.

On more specific matters, the representative noted that the application of specific rates of duties on some commodi-



*Minister for Youth, Employment Opportunities and Sports James Ah Koy led Fiji's delegation to the first WTO review of the country's trade regime. (Photo by Tania Tang/WTO)*

ties were an attempt to protect against revenue evasion by importers. All applied agricultural tariffs were below bound rates, with most at 22.5 per cent. The matter of reducing applied rates on alcohol and tobacco to their bound levels needed to be considered in the context of health, revenue and WTO timeframes. The high rates of duty on motor vehicles had been introduced to raise revenue, but were being reduced. Fiji intended to eliminate the disparity in the excise duty on locally manufactured cigarettes with imported tobacco and those with domestically grown tobacco. Licence control on butter was removed in 1995 and in 1997 Fiji removed concessions and import quota restrictions on powdered milk.

On regional and preferential arrangements, Fiji had sought a relaxation of SPARTECA rules of origin but had been unsuccessful. A bilateral arrangement with Australia and New Zealand was now being explored and was intended to assist Fiji's companies to ultimately adjust to an open, non-preferential trading environment. Fiji's bilateral arrangements with other South Pacific island countries were part of its overall policy to harmonize and liberalize trade on a regional basis. On wider regional interests, Fiji was watching developments with a view to aligning its trade reform with APEC policies.

In respect of core labour standards, he emphasized that the ILO was recognized in the Singapore Ministerial Declaration as the competent body to set and deal with such standards; questions raised in this meeting should therefore be dealt with by the ILO.

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Overall, Members welcomed the participation by Fiji in the review process, with a strong delegation led at Ministerial level. They welcomed the steps already taken by Fiji toward greater transparency in trade policy and the authorities' stated commitment to free and open trade, and encouraged Fiji to continue along the path of liberalization and deregulations. They emphasized the importance of diversification of the economy and the need for development to be pursued on a sustainable basis. The TPRB welcomed the answers given by Fiji to questions and looked forward to written replies on outstanding issues. □

## Financial services

(Continued from page 1)

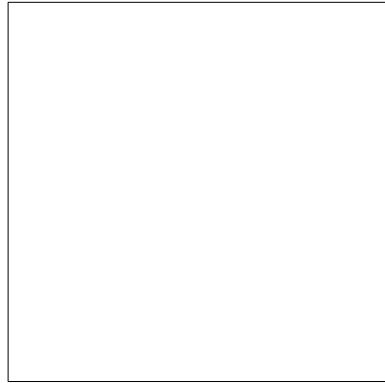
sector could help pave the way for better offers at the end of the year. Furthermore, the recently concluded WTO agreements on telecommunications services and on lowering tariffs to zero for information technology products were cited as evidence that single sector negotiations could indeed produce results.

The United States, which did not sign on to the 1995 financial services agreement, said it was hoping to table an m.f.n. based offer, with full market access and national treatment provisions, at the earliest possible date. It said that new and significant market access opportunities must be reflected in the offers of other countries, even though it recognized that some governments may need transition periods because they can not immediately open their markets to foreign financial service providers.

### Legislation update

Several participants announced changes in their domestic regulatory regimes for foreign banks. The United States said that since September 1995, interstate banking by acquisition had been in effect in all 50 states. Any bank holding company, including foreign ones, may acquire a bank in any state. Canada said it had completed a review of its financial sector legislation concerning measures to reduce the regulatory burden in this sector as well as measures to facilitate foreign access to the Canadian financial services market. Switzerland said that as of 1 January 1997 two new pieces of securities and banking legislation had entered into force. The previous obligation to deposit part of the assets of foreign bank branches in Switzerland has been abolished as well as authorization requirements for the acceptance of deposits by foreign banks.

Japan outlined the results of the Japan-US insurance talks and its financial system reform initiative. It said the initiative aimed at reviving the Japanese financial market through various reform measures based on three principles; namely free, fair and global. This initiative encompassed a comprehensive review of regulations and improvements in financial market



*Chairman Yoshio Okubo (Japan) reminded delegations of the two goals of the resumed talks: improved market access and broader participation. (Photo by Tania Tang/WTO)*

infrastructure.

Brazil said it was reducing the role of the state in its banking sector and that wide scale privatization of state banks was now underway. Several other countries including India, Thailand and Venezuela reported on recent developments and expressed their intentions to participate in the negotiations.

### Timetable

Participants agreed that there was limited time to conclude the talks and decided to meet on a near-monthly basis beginning 5 June. The aim now is to have initial draft offers submitted by participants before a meeting scheduled in July. This would allow governments time to evaluate the offers and engage in further bilateral consultations in September, October and November. According to a provisional timetable, final draft schedules would then be submitted by 1 December and the negotiations would conclude on 12 December 1997.

The current talks represent the second time after the Uruguay Round that governments are negotiating to improve their market-opening commitments in financial services.

The initial commitments were made at the end of the Uruguay Round in 1993 when 82 governments made offers to open their markets to foreign financial service providers.

The second set of commitments were made at the end of July 1995 when 43 governments agreed to improve their Uruguay Round offers. The new agreement extended the improved market access to all WTO

## Philippines, Poland join ITA

The Philippines and Poland, on 25 April, became participants to the WTO Ministerial Declaration on Trade in Information Technology Products (ITA) with the approval of their tariff schedules on IT products.

Their membership brings the number of ITA participants to 42. The ITA participants are also considering requests from El Salvador and Panama to join the agreement. □

## MEETINGS

The following is a tentative schedule of WTO meetings.

| JULY  |   |
|-------|---|
| 1-2   | Committee on Sanitary and Phytosanitary Measures        |
| 7-8   | Committee on Balance-of-Payments Restrictions (Nigeria) |
| 7-11  | Textiles Monitoring Body                                |
| 10    | Committee on Rules of Origin                            |
| 14    | Committee on Regional Trade Agreements                  |
| 15    | Council for TRIPS                                       |
| 16    | GENERAL COUNCIL   |
| 21    | Council for Trade in Goods                              |
| 22-23 | Working Party on Kyrgyz Republic                        |
| 23-25 | Textiles Monitoring Body                                |
| 24-25 | Trade Policy Review: India                              |
| 25    | Committee on Trade in Financial Services                |
| 28-29 | Ad Hoc Group on Anti-Dumping Practices                  |
| 30    | Dispute Settlement Body                                 |

## WTO FOCUS

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Member countries which did not accept the July 1995 results (such as the United States). □







WTO OMC



KAZAKSTAN





CHAIRMAN