

WTO hears US proposal on global electronic commerce

The United States proposed to the General Council on 19 February a WTO agreement to maintain duty-free treatment of electronic transmissions. It said this initial step would “place the WTO boldly in the forefront of work on global electronic commerce and squarely facing the demands of the next century”.

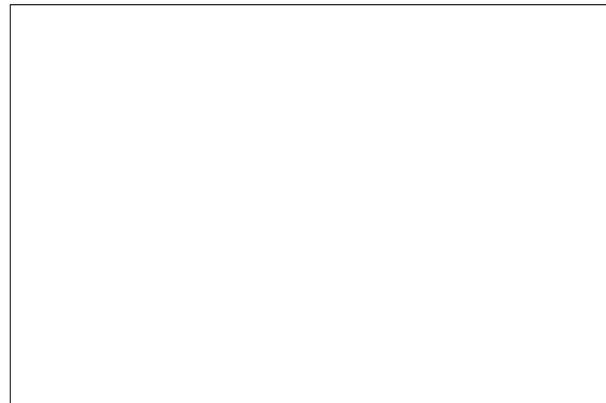
The United States said that currently, no country considers electronic transmissions as importation for customs duty purposes. It stressed that its proposal did not involve tax policies, goods ordered through Internet but delivered through normal commercial channels, or defining what is an electronic transmission.

Many delegations supported exploratory discussions in the WTO on global electronic commerce to clarify the implications of this issue, on which there was no sufficient knowledge. A number of them underlined the need to keep the development perspective in this regard. Egypt said that it had already raised the need to look at electronic commerce in the Committee on Trade and Development as it saw the subject as a complex one with potential benefits for developing countries. It highlighted the need for technical cooperation to ensure the participation of developing countries in electronic commerce. The ASEAN countries, Nigeria and Pakistan supported further examination of electronic commerce and its implications for developing countries.

India said that it does not impose customs duty on electronic transmission because the trade involved is small, adding that the US proposal would not allow members to reconsider this approach when trade expands in the future. It said that the level of computer access varied from country to country, which does not indicate a “level playing field” in terms of trade in this sector.

Some delegations pointed to the trade potential of electronic commerce. Canada said that electronic commerce can be the most important factor in expanding international trade in the future, and supported WTO study in this area. Australia said that to promote electronic commerce, it had recently announced that goods ordered and delivered electronically, such as books, music or software, would continue to enter the country duty-free. New Zealand said that its firms expect substantial revenue increases in electronic commerce, adding that it is virtually impossible to levy duties on

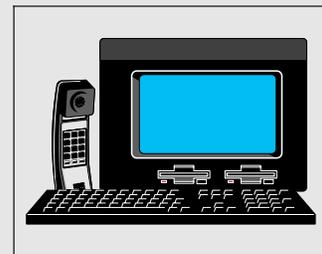
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Director-General Renato Ruggiero, left, congratulates newly elected General Council Chairman Amb. John Weekes (Canada) as outgoing Chairman Amb. Celso Lafer (Brazil) looks on. (Photo by Tania Tang/WTO)

More IT products proposed for tariff elimination

The Committee of Participants on the Expansion of Trade in Information Technology Products, on 12 February, began considering proposals for expanding the product cover-



age of the WTO agreement on eliminating tariffs on information technology products (Information Technology Agreement or ITA).

Fourteen participants—Australia; Canada; the European Communities; Hong Kong, China; Israel; Japan; Malaysia; Norway; the Philippines; Singapore; Switzerland; Chinese Taipei; Turkey; and the United

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Electronic commerce

(Continued from p. age 1)

electronic commerce.

Japan confirmed that it does not impose duties on electronic transmissions, and expressed general support for members to maintain this practice. Switzerland agreed with the general approach suggested by the United States, adding that electronic commerce can contribute to trade facilitation and help speed up economic development.

The European Communities said that the need for a framework on electronic commerce had been raised in various fora. It said that the WTO should play a significant role in providing such a framework. In welcoming the US proposal, it noted that there were various related aspects that needed to be addressed in the WTO, including intellectual property rights, government procurement, financial services, telecoms and information technology products. The EC added that it intended to come up with its own initiative on the subject.

Preparations for the Geneva Ministerial

The Chairman, Ambassador Celso Lafer (Brazil), reported that during his recent consultations with delegations, there appeared to be emerging consensus on a number of points regarding the Ministerial Conference and the commemoration of the 50th anniversary of the multilateral trading system. These included:

- » The Ministerial Conference will begin on the morning of 18 May and will last through the afternoon of 19 May. It will be followed by the commemoration of the 50th anniversary on 20 May with the participation of Heads of State or Governments. These will be two distinct events.
- » Two broad areas for discussion—implementation of the WTO work programme and future activities of the WTO—will make up the substantive agenda of the Ministerial Conference.
- » The formal closing session of the Conference will be held in the afternoon of 19 May where the relevant decisions will be taken, including election of officers, venue and date of the next Ministerial Conference.

Ambassador Lafer said that consultations would continue on the remaining issues.

The General Council agreed to apply the same guidelines followed in the Singapore Ministerial for the participation of non-governmental organizations (NGOs) in the Conference and in the Anniversary celebration (*see page 12*).

US questions Ecuador's implementation

The United States recalled that it had raised a year ago what it considered to be deficiencies in Ecuador's fulfillment of obligations undertaken when the country acceded into the WTO in January 1996. It expressed concern that these deficiencies remained, including the enactment of legislation to apply the provisions of the TRIPS Agreement, the elimination of discriminatory taxes on certain products like automobiles, the implementation of tariff rate quotas on certain agricultural products, and the elimination of the import bans on used tires, clothes and automobiles. The United States said that its exporters have also identified other practices, including those related to preshipment inspection, that appeared to be inconsistent with the WTO.

WTO Chairpersons for 1998

The WTO General Council, 19 February, noted the consensus on the following slate of names of chairpersons for WTO bodies:

- » **General Council:** Amb. John Weekes (Canada);
- » **Dispute Settlement Body:** Amb. Kamel Morjane (Tunisia);
- » **Trade Policy Review Body:** Amb. Ali Said Mchumo (Tanzania)
- » **Council for Trade in Goods:** Amb. Ronald Saborio Soto (Costa Rica)
- » **Council for Trade-Related Aspects of Intellectual Property Rights (TRIPS):** Amb. Istvan Major (Hungary);
- » **Council for Trade in Services:** Amb. Nobutoshi Akao (Japan);
- » **Committee on Trade and Environment:** Amb. Chak Mun See (Singapore)
- » **Committee on Trade and Development:** Amb. Iftekhar Ahmed Chowdhury (Bangladesh);
- » **Committee on Budget, Finance and Administration:** Mr. Wilhelm Meier (Switzerland);
- » **Committee on Balance-of-Payments Restrictions:** Mr. Peter R. Jenkins (United Kingdom);
- » **Committee on Regional Trading Agreements:** Amb. Jean-Marie Noirfalisse (Belgium);
- » **Working Group on the Relationship between Trade and Investment:** Amb. Krirk-Krai Jirapaet (Thailand);
- » **Working Group on the Interaction between Trade and Competition Policy:** Prof. Frédéric Jenny (France);
- » **Working Group on Transparency in Government Procurement:** Amb. Werner Corrales Leal (Venezuela). □

Ecuador said it was exerting all efforts to fulfill its WTO commitments, pointing to exchange policy and export subsidies as among those that had been achieved ahead of schedule. A new intellectual property law was under consideration by Congress, and would update the Ecuadorian legislation to meet the country's WTO obligations. Ecuador maintained that its legislation on preshipment inspection complied with the WTO agreement concerned.

Working Party for Laos

The General Council established a working party to examine the accession request by Laos.

Ambassador Khamphan Simmalavong of Laos said that his country had been implementing significant economic and trade reforms. He added that Laos had felt the repercussions from Asia's financial crisis, but that measures instituted under International Monetary Fund guidance had begun to bear fruit. The Laotian economy, which remained dependent on agriculture, grew by 6-7 per cent in 1996-1997. A landlocked country of 4.8 million inhabitants, Laos became a member of the ASEAN in July 1997.



New home: *The General Council held its first meeting at the new facility built by the Swiss authorities as an extension of the Geneva International Conference Centre. The new Council Room accommodates 729 persons in plenary session, and can be converted into two meeting rooms. (Photos by T. Tang/WTO)*

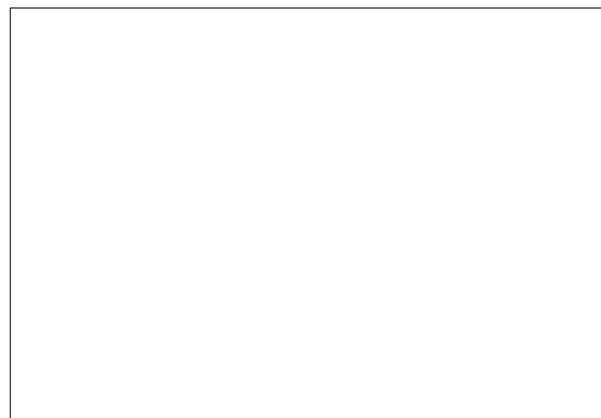
The ASEAN countries, Japan and Australia expressed support for Laos' accession.

The General Council also approved a request by Cape Verde for observer status in preparation for a possible membership request in the future.

BOP reports on Pakistan, Slovak Republic

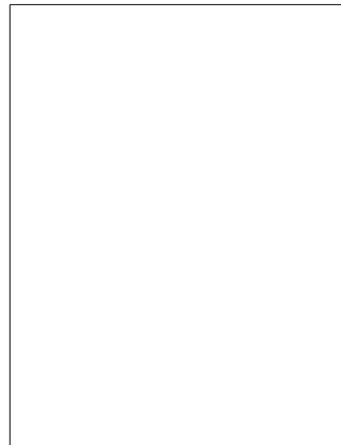
The Chairman of the Committee on Balance-of-Payments Restrictions, Mr. Peter R. Jenkins (United Kingdom), reported on the Committee's recent consultations:

» At the resumption of consultations with Pakistan on 10 November 1997, Committee members recognized the continued BOP difficulties faced by the country and commended the government for its wide array of reform efforts. The Committee agreed that the consultations would be deemed to be concluded provided Pakistan publicly announced, within twelve months, a schedule for the removal of the measures within a reasonable period of time.



Above, WTO Director-General Renato Ruggiero and General Council Chairman Amb. Celso Lafer with Geneva State Council President G. Ramseyer and Swiss Ambassador J.-M. Boulgaris during the inauguration ceremony held on 17 February. Right, Swiss architect Ugo Brunoni submitted the winning design.

» The Committee, on 17 December 1997, heard a report from the Slovak Republic that its BOP restriction—an import surcharge of 7%—would be reduced to 5% at the beginning of 1998, and would be eliminated by October 1998. On this basis, it agreed that the country be deemed to be in compliance with its obligations, provided that it adhered to this time schedule. □



Outgoing Chairman highlights WTO's unique decision-making process

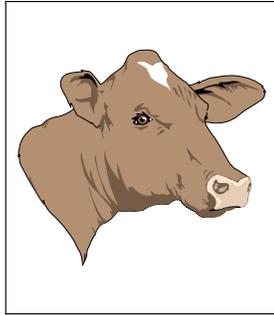
In its three-year history, WTO members have not had to resort to a vote on issues. This is because the organization follows the consensus approach by its predecessor, GATT, in making decisions. The outgoing Chairman, Ambassador Celso Lafer, provided insights on this approach in his farewell speech at the close of the General Council meeting:

"The WTO consensus-based decision-making process—which finds its highest expression in the General Council—constitutes another confidence-building mechanism. Consensus is justified due to the fact that WTO's assets are not financial resources, but legal norms. In order to be effective, such norms must be accepted by all Members. They cannot be imposed by the heteronomy represented by the power of some. They require the autonomy of a pactum societatis, resulting from the participation of all. The role of consensus, as a confidence-building measure, is intimately linked to the question of autonomy, that is, to the idea that to be free, to quote Rousseau, is to obey "la loi qu'on s'est prescrite". The value of consensus, in the perspective of action, is to diminish the fear of Members to be bound by an undesired decision. Consensus thus contributes to the legal security of all WTO Members as well as to the binding force of its norms. That is why, in contrast with the Bretton Woods institutions, there is no weighted vote in the WTO. That is the profound and substantive reason why we are a Member-driven Organization.

"Consensus building in the WTO has unique characteristics, which I will try to describe in the light of my experience. Given the number of Members and the disparity of their interests, the decision-making process begins with coalitions of variable geometry, that is to say, with various associations of different sizes and shapes, which expand until they reach the universality of Members. Such associations are neither rigid nor pre-established. They vary according to the issue being discussed. That is why one does not find either automatic alignments or defined polarities in the WTO diplomatic chessboard. The success of any initiative presupposes the existence of confidence, which in turn requires transparency and participation as indispensable ingredients for the type of economic cooperation diplomacy of the kind generated by the WTO." □

Hormone meat reports adopted

The Dispute Settlement Body (DSB), on 13 February, adopted the Appellate Body report, and the panel reports as modified by the Appellate Body, on the complaints by Canada and the United States against measures by the European Communities concerning meat and meat products (hormones).



The United States and Canada supported the adoption of the reports, which they said affirmed key provisions of the WTO Agreement on the Application of Sanitary and Phytosanitary Measures (SPS). They called on the EC to implement the recommendations without delay.

The EC accepted and welcomed the Appellate Body report, which it said clarified the rights and obligations of members regarding human health and the vital responsibility in this regard of governments to their population. The EC expressed satisfaction that the Appellate Body had modified the panel reports on certain important points, and that it had rejected the claim of trade protectionism with respect to its measure.

At the heart of this dispute are several EC Directives that prohibited the use of six natural and synthetic hormones to promote the growth or fattening of cattle, and banned intra-EC trade in, and importation of, meat and meat products from animals treated with these hormones. Canada and the United States contended that the EC import prohibition contravened the SPS Agreement. This agreement requires WTO members to base their sanitary measures on international standards, where they exist, but allows measures that result in a level of protection higher than international standards provided these are backed by scientific justification.

The panel, which circulated its reports on 18 August 1997, concluded that the EC import prohibition was inconsistent with the SPS Agreement.

The EC appealed the legal interpretation made by the panel on 24 September 1997.

The Appellate Body, in its report circulated to members on 16 January 1998, upheld the panel's key finding that the EC import prohibition was not based on a "risk assessment" (an evaluation of the potential for adverse effects on human health), and thus was inconsistent with the SPS Agreement. However, the Appellate Body reversed or modified a number of the panel's findings:

- » It took the view that the right of members to establish a higher level of sanitary protection in matters relating to human health is an important and autonomous right of governments, and not merely an exception to the general SPS obligation to base measures on prevailing international standards.
- » It held that the requirement that an SPS measure is "based on" a risk assessment signifies that the results of the risk assessment must sufficiently warrant the SPS measure at stake or in other words, that there must be a rational

relationship between the SPS measure and the risk assessment.

- » It held that it is essential to bear in mind that the risk that is to be evaluated in a risk assessment is not only risk ascertainable in a science laboratory operating under strictly controlled conditions but also risk in human societies as they actually exist. It, therefore, found that in the risk assessment, risks arising from failure to comply with the requirements of veterinary practice in the administration of hormones, as well as risks arising from difficulties of control, inspection and enforcement of the requirements of good veterinary practice could be taken into account.
- » With respect to the requirement in the SPS Agreement for members to avoid arbitrary or unjustifiable distinctions in the levels of sanitary protection which result in discrimination or disguised restriction on international trade, it reversed the panel's conclusion that the EC had acted inconsistently with the SPS provision concerned.

(For a detailed discussion on these and other issues addressed by the Appellate Body and the panel in this case, please consult the full reports, which are available on the WTO Website.)

US rejects India's implementation date

India said that it was disappointed with the report of the Appellate Body regarding its patent protection for pharmaceutical and agricultural chemical products, but that it intended to meet its WTO obligations. It said it would need a reasonable period of time to do so—until 16 June 1999.

The United States said it could not accept India's proposed time frame. It said that India, under the TRIPS Agreement, was obliged to set up the required "mailbox" for patents on pharmaceutical and agricultural chemical products three years ago, and saw no basis for further delay.

India invited the United States to consultations on the period of time for implementation.

DSB to revert to 2 panel requests

The DSB considered the following panel requests for the first time and agreed to revert to them after objections from the subjects of the complaints:

- » The United States requested a panel to examine its complaint against Canada's measures affecting the importation of milk and the exportation of dairy products, which it said violated GATT 1994 and the WTO Agreements on Agriculture, on Subsidies and on Import Licensing. Canada maintained that the measures in question were in conformity with its WTO obligations.
- » India requested a panel to examine were a broad range of quantitative restrictions by Turkey on imports of textile and clothing products, which it considered to be inconsistent with GATT 1994 and the Agreement on Textiles and Clothing. Turkey said that the measures resulted from its customs union with the EC. The EC said that it needed to be assured of a role in panel proceedings.

The Chairman, Ambassador Wade Armstrong (New Zealand), said that the United States had requested the removal of its panel request on Ireland and EC copyright protection from the agenda as a settlement appeared imminent. □

Active Panels (As of 13 February 1998)		
Complainant	Subject of the complaint	Date established
United States	Japan - Measures affecting consumer photographic film and paper	16 Oct. 1996
European Communities	US - The Cuban Liberty and Democratic Solidarity Act (work suspended at EC's request)	20 Nov. 1996
India, Malaysia, Pakistan, Thailand	US - Import prohibition of certain shrimp and shrimp products	25 Feb. 1997; 10 April 1997 for India
United States	EC, UK, Ireland - Customs classification of certain computer equipment	25 Feb. 1997; 10 March 1997
Mexico	Guatemala - Anti-dumping investigation regarding imports of Portland cement from Mexico	20 March 1997
Canada	Australia - Measures affecting the importation of salmon	10 April 1997
Japan, EC, US	Indonesia - Certain measures affecting the automobile industry	12 June 1997 (US,30.07.97)
Brazil	EC - Measures affecting importation of certain poultry products	30 July 1997
EC, US	Korea - Taxes on alcoholic beverages	16 Oct. 1997
European Communities	India - Patent protection for pharmaceutical and agricultural chemical products	16 Oct. 1997
European Communities	Argentina - Measures affecting textiles and clothing	16 Oct. 1997
EC	Chile - Taxes on alcoholic beverages	18 Nov. 1997
United States	India - Quantitative restrictions on imports of agricultural, textile and industrial products	18 Nov. 1997
United States	Japan - Measures affecting agricultural products	18 Nov. 1997
New Zealand	EC - Measures affecting butter products	18 Nov. 1997
Korea	US-Anti-dumping duty on DRAMs of one megabyte or above from Korea	16 January 1998
United States	Australia-Subsidies provided to producers and exporters of automotive leather	22 January 1998

DSB, 22 January

Panel established on US complaint against Australia's leather subsidies

The United States, at the DSB meeting on 22 January, requested the immediate establishment a panel to examine its complaint against what it termed subsidies granted by Australia to producers and exporters of automotive leather. It said that subsidies provided to Howe Leather company included a loan of A\$25 million on preferential and non-commercial terms and grants amounting potentially to another A\$30 million. The United States considered these measures to be subsidies conditioned on export performance in violation of the Agreement on Subsidies and Countervailing Measures.

Australia said it was disappointed with the US request, as it had believed that this matter had been settled previously. It accepted the US request on the understanding that the panel's examination would be limited to measures discussed during the consultations, which were those provided to Howe Leather.

The DSB established a panel to examine, with standard terms of reference, the US complaint in accordance with the accelerated procedures under the Subsidies Agreement.

US requests panel on copyright complaint

The United States requested a single panel to examine its complaints against Ireland and the European Communities regarding the legal regime in Ireland for the protection of copyright and neighbouring rights. It recalled that as from 1 January 1996, developed-country members were required to comply with their obligations under the TRIPS Agreement. The United States said that US copyright owners had been suffering significant economic losses due to what it viewed as lack of adequate and effective intellectual property protection in Ireland. It added that consultations with Ireland and the EC had failed to produce a solution on this dispute.

The EC said it needed more time to discuss the matter with the United States and thus was not in a position to accept the panel request at that meeting.

Japan announces implementation plan

Japan reported that it had reached mutually satisfactory solutions in December 1997 with the Canada, the EC and the United States regarding the implementation of the DSB recommendations on its taxes on alcoholic beverages. It was submitting draft laws to the Diet that would accelerate the timetable for narrowing of tax differentials between the domestically-produced *shochu* and imported drinks such as whisky, brandy, rum and vodka and at the same time reduce tariffs on the imported products.

The complainants in the dispute-settlement proceedings—Canada, the EC and the United States—welcomed the resolution of the dispute.

Mexico said that Japan should treat *tequila* in the same way as other imported drinks.

EC and Korea set to settle dairy dispute

The EC requested the DSB to postpone consideration of its request for a panel to examine Korea's definitive safeguard measure on certain dairy products. It believed that its consultations with Korea on this dispute might lead to a mutually agreeable settlement.

Korea expressed regret that the EC had chosen not to withdraw the panel request. It said that despite its belief that the measure in question was in conformity with the WTO, it had pursued intensive consultations with the EC. Korea said a solution had been worked out, and hoped that the EC would soon withdraw its panel request.

EC's banana trade regime

Guatemala, speaking under "Other Business," expressed concern over a European Commission proposal aimed at implementing the DSB recommendations on the EC banana regime. It described as discriminatory the proposed allocation of quotas, which it said would restrict market access for Latin American countries.

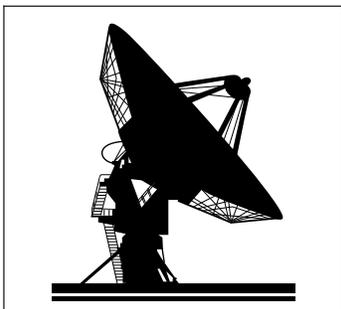
The other complainants in the panel proceedings—Mexico, Honduras, the United States and Ecuador—shared Guatemala's concerns.

The EC underlined that the proposal was not a final decision but a matter that would still be discussed in the European Parliament. It suggested that views regarding this proposal should be addressed to Brussels and not to the DSB.

□

WTO telecoms accord enters into force

The WTO agreement to liberalize international trade in basic telecommunications services came into effect on 5 February. The 72 WTO member governments, which have agreed to open their domestic markets to foreign companies, account for nearly 93 per cent of the total domestic and international revenue of US\$600 billion generated in this sector annually.



Examples of the services covered by this agreement include voice telephony, data transmission, telex, telegraph, facsimile, private leased circuit services (i.e. the sale or lease of transmission capacity), fixed and mobile satellite systems and services, cellular telephony, mobile data services, paging and personal communications systems.

Since the agreement was concluded among 69 countries in February 1997, two of these countries—Pakistan and Switzerland—have further improved their liberalization commitments, and three additional countries have agreed to open up their domestic markets in this sector: Barbados, Cyprus and Suriname.

Overview of the commitments

Only the schedules themselves can provide authoritative and complete information on the detailed scope of the commitments. The following is a brief overview:

On voice telephone service, 47 of the schedules (covering 61 governments) commit to competitive supply (defined here as permitting two or more suppliers). Most of the commitments permit the supply of public voice services, either immediate or phased-in, in at least one market segment: 41 schedules (55 governments) committed on local service, 37 schedules (51 governments) on domestic long distance, and 42 schedules (56 governments) on international service. Resale of public voice telephone is included in 28 schedules (42 governments) or more than 70 per cent of the 59 governments permitting a degree of competition in public voice service.

In commitments on other services: 49 schedules (63 governments) include commitments on data transmission services; 46 schedules (60 governments) grant access for cellular/mobile telephone markets; 41 schedules (55 governments) commit to competition in leased circuit services (the supply of transmission capacity); 45 schedules (59 governments) include commitments on other types of mobile services (such as PCs, mobile data or paging). For satellite-related communications, 37 schedules (51 governments) committed on some or all types of mobile satellite services or transport capacity and 36 schedules (50 governments) commit on fixed satellite services or transport capacity. In addition, 8 governments schedules some commitments on value-added telecommunications services (e.g. e-mail, on-line data processing or data base retrieval).

The formal entry into force of the commitments is 5 February 1998. But where a government's commitments for particular services are to be phased in, the actual implementation would take place on the date specified in the schedule. About 40 per cent, or 25 of the 61 governments making offers on voice telephone services, subject these commitments to phase-in.

Most governments (63 of the 69), included commitments on regulatory disciplines. Of these, 57 committed to the Reference Paper in whole or with few modifications. These commitments relate to such matters as competition safeguards, interconnection guarantees, licensing and independence of regulators. □

Service standards for open global markets

In 1998, the International Organization for Standardization (ISO) is organizing, with WTO support, four regional seminars on the harmonization of standards in services; trade in services is identified as the fastest-growing sector of world trade today. The primary purpose of these seminars will be to explore the interest of major users and suppliers in broad service sectors (tourism, banking, financial accounting, engineering consultancy, education, etc.) in the need for International Standards to support their business needs and to facilitate international trade in their sectors. Information about existing and successful standards in various sectors will be presented, as well as a basic outline of how things get done in the ISO system. If significant interest is identified for new areas of International Standards work, individual ISO members in the region will be in a good position to initiate appropriate follow-up work.

The first regional seminar will focus on hotel, hospitality staff training and exhibition management. It will be held in Singapore on 31 March - 1 April 1998, and will be hosted by the Singapore Productivity and Standards Board. (For details on registration, please contact Ms. Kiat Kiat Ho, NOVO Quality Services Pte Ltd, No. 3 Science Park Drive, #02-13/14/15, Singapore 118223, Tel: +65 870 1303, Fax: +65 777 4463/777 9212, e-mail: novo@pacific.net.sg. For other information, please contact Ms. Susan Chong, Deputy Director, Centre for Standardization, PSB, 1 Science Park Drive, Singapore 118221, Tel: +65 772 9587, Fax: +65 7761280, e-mail: suchong@psb.gov.org.)

The other seminars are being organized by the following ISO members: Association française de normalisation (AFNOR), American National Standards Institute (ANSI) and Instituto Argentino de Normalización (IRAM). For information on these seminars, please contact Ms. Sophie Clivio, Tel. +41 22 749 7111, Fax: +49 22 733 3430, e-mail: clivio@iso.ch. □

Goods Council completes major review of Textile Agreement implementation

The Council for Trade in Goods, on 6 February, completed its major review of the first stage of implementation of the WTO Agreement on Textiles and Clothing with the adoption of the report summarizing the discussions and containing a number of observations and conclusions by the Council.

The report sets out the views expressed by both exporting and importing countries during the review. The concerns of exporting countries included what they viewed as lack of commercially meaningful integration of trade in textiles and clothing during the first stage of ATC implementation (1995-1997), in particular of products subject to restraints. Other problem areas included the imposition of restrictive measures related to rules of origin and anti-dumping measures. The major importing countries underlined that they had complied fully with the requirements set out in the ATC.

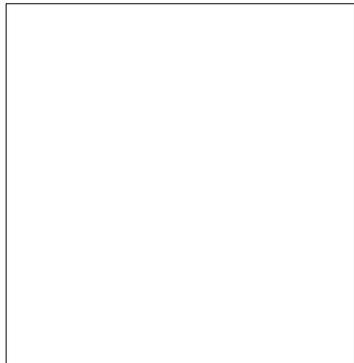
The Chairman, Ambassador Terje Johannessen (Norway), said the report set out clearly the concerns and views of delegations. He noted that the Goods Council had had a wide and detailed examination of the ATC implementation process in six meetings held from October to December last year. However, it had not been possible to reach agreement on a set of possible conclusions or recommendations. In mid-January of this year, delegations indicated a need for extra effort to complete the review. Ambassador Johannessen said that in intensive consultations, delegations were able to agree on a compromise text.

Colombia, speaking on behalf of WTO members composing the International Textiles and Clothing Bureau (intergovernmental group of developing country textile exporters), underlined the importance of textiles and clothing for developing countries and criticized what they viewed as timid implementation of the ATC. It said that the Goods Council had accomplished an important task. Colombia noted that the report contained an unequivocal commitment by members to implement fully and faithfully the ATC provisions, and outlined the main conclusions of the report.

Many developing countries, including Pakistan, Egypt, Mexico, Peru, Brazil, the ASEAN members, and India welcomed the completion of the review, and considered it an important accomplishment.

The United States said it did not agree with everything in the report, but expressed the hope that in the future the areas of differences between exporting and importing members would decrease and the areas of agreement would increase.

The European Communities hailed what it said was the main outcome of the review: the reaffirmation by all members of their commitment towards the full implementation of the ATC. □



Ambassador Terje Johannessen (Norway), Chairman of the Goods Council. (Tania Tang/WTO)

1,000 origin rules endorsed

The Committee on Rules of Origin, on 6 February, endorsed rules of origin for about 1,000 non-agricultural tariff lines agreed in the Brussels-based Technical Committee on Rules of Origin.

During the week, Committee members began bilateral negotiations on outstanding issues related to agricultural products.

The Chairperson of the Committee, Mrs. Lourdes Berrig (Philippines), noted emerging consensus on conferring country of origin to the process of bulbs becoming flowers, and not granting origin to the manufacture of wreaths and flower baskets; placing tea in individual bags; placing in bags parts of plants and fruits; obtaining the core or peel of rattan cane; coating rattan cane, core or peel with PVC; and making of shark fin cake.

The Committee agreed to resume discussions on agricultural products and start examining issues related to textiles at its next meeting scheduled for 16-27 March. □

Progress in Kyrgyz' accession

Members of the Working Party on the Accession of the Kyrgyz Republic, on 5 February, welcomed a detailed legislative programme and calendar submitted by the country in order to bring its trade regime into compliance with the WTO Agreements by November 1998. They also noted with appreciation the substantial progress made in the bilateral market-access negotiations for goods and services.

The head of the Kyrgyz delegation, Mr. E.K. Omuraliev, said his country attached great importance to the early conclusion of the accession negotiations. He said that his government was pursuing actively its privatization programme, which had been completed for about 80 per cent of the industrial sector, 56 per cent of the construction sector and 41 of the transport sector. □

ITA II *(Continued from page 1)*

States—have submitted “wish lists” for hundreds of IT product categories to be covered by ITA II. These include printed circuit board manufacturing equipment; flat panel display manufacturing equipment; capacitor manufacturing equipment; audio, radio, television and video apparatus; telecommunications products; electrical/electronic machines; instruments; and parts and inputs for IT products.

Several participants, including Canada, the European Communities, Malaysia, the Philippines and the United States, reported to the Committee that they would soon start domestic consultations on the proposed products. The ITA Committee has until 30 June 1998 to decide on what new products are to be annexed to the agreement.

At the close of the meeting, the Committee elected Mr. Martin Harvey, Deputy Permanent Representative of New Zealand, as its Chairperson. The participants thanked Mr. Anwarul Hoda, WTO Deputy Director-General, for having chaired the group since the Singapore Ministerial. □

TPRB: JAPAN

Calls for structural reform, deregulation and market stimulation

The Trade Policy Review Body (TPRB) conducted its fourth review of Japan's trade policies on 27 and 28 January 1998. Excerpts from the Chairperson's concluding remarks:

Participants emphasized Japan's important role in the global and regional economy, in the context of the economic crisis experienced by several countries in East Asia. Members welcomed recent measures aimed at increasing domestic demand in Japan. However, some doubts were expressed whether these measures were sufficient and would produce results quickly enough, to address the current economic issues facing Japan. Some members queried whether official projections for growth should be adjusted downwards in the light of current developments. Participants emphasized the need for Japan to stimulate domestic demand, rather than rely on exports to revive growth. Some participants expressed concern on the recent widening of the current account and trade surpluses.

In reply, the representative of Japan said that recent tax reductions should add some 0.2 per cent to Japan's growth, together with a positive psychological effect on consumption. Structural reform should add a further 0.9 per cent per annum to growth in the period 1998-2003. Efforts to stimulate domestic demand through deregulation and reduction in prices were bearing fruit. The Asian currency crisis could affect Japanese exports adversely—both directly, and indirectly through changes in competitiveness—while stimulating imports from Asian countries. A possible fall in Japanese investment in East Asian domestic consumption could be balanced by investment for future exports.

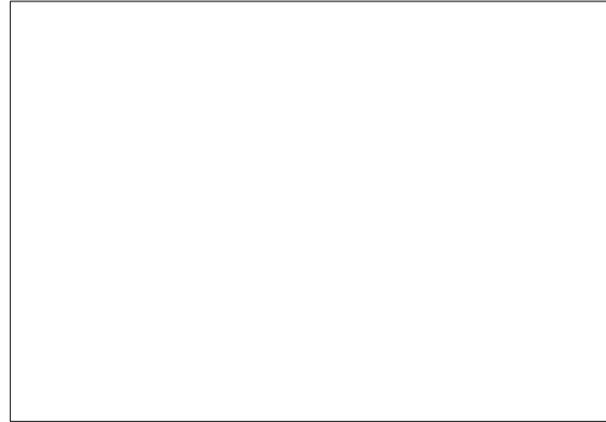
Concerning the current account and trade surpluses, the authorities expected export growth to slow and imports to accelerate in FY 1998: the surplus in goods and services could be some 1.2 per cent of GDP and the current account surplus around 2.4 per cent, comparable to previous levels.

Deregulation was having a stimulating economic effect and these efforts would be continued. Concrete examples of structural reform included the liberalization of gasoline imports, elimination of demand/supply requirements in distribution and transportation, and foreign exchange deregulation. Agriculture, construction and international transport had not been excluded from the programme.

The work of the Administrative Reform Committee had been completed. The Government had set up a body to promote new deregulation efforts. A new three-year deregulation programme had been established, covering all administrative areas. Comments on the programme were welcomed.

Trade policies

Participants welcomed Japan's emphasis on multilateralism in its trade relations and commended Japan's contribution to the WTO process. It was stressed that Japan conducts its trade almost entirely on an MFN basis, avoiding participa-



An automobile plant near Tokyo: Members noted that the Japanese economy, in earlier days, acted as a major engine of world trade and investment, and expressed the hope that Japan can again effectively assume this role through its economic recovery and the positive effects of deregulation. (ILO Photo)

tion in preferential trade arrangements; assurance was sought that Japan's bilateral trade agreements would consistently be applied on an MFN basis.

Participants noted that average tariffs in agriculture were higher than in manufacturing, and raised concerns on tariff peaks and escalation in agriculture, food manufacturing, textiles, leather and footwear. Some participants raised concerns on tariff quotas, including high out-of-quota rates; the lack of a reallocation mechanism for unused tariff quotas; import quotas on certain products; length of customs clearance times; and Japan's use of origin marking requirements.

Participants welcomed Japan's efforts towards increased international harmonization of standards, including embodying of performance based criteria, and the adoption of new mutual recognition arrangements, while noting that further progress could be made. Participants welcomed the increase of transparency in quarantine procedures and the revision of some Japan Agricultural Standards. However, concerns were raised on the complexity and cost of sanitary and phytosanitary conditions; variety-specific approval procedures for fruits and vegetables; and restrictive standards for frozen foods. Participants encouraged further revision of Japan's Food Sanitation Law.

Participants raised concerns on the product coverage of Japan's GSP scheme; and on trade policy towards least developed countries, including in the follow-up to the recent High Level meeting.

The representative of Japan thanked Members for their recognition of Japan's commitment to the MFN principle in the multilateral trading system. He saw no possibility under present conditions of this commitment weakening. Regional trading agreements, while they could contribute to trade liberalization, had the potential danger of undermining the MFN principle. He noted that tariff rates were reviewed every year on the basis of requests from foreign and domestic entities. Customs clearance times were difficult to compare among countries with differing import systems but efforts were constantly being made to reduce delays; for example, an immediate release system had been introduced for air cargo, and cut flower imports from the EU and Australia were cleared in an average of 1.8 hours.

On TBTs, Japan had decided in 1997 on a review of procedures to facilitate imports. Legislation to adopt performance criteria had been sent to the Diet to encourage the adoption of international standards.

The representative of Japan noted that the share of manufactured imports in GDP had risen from 3.2 to 4.5 per cent between 1994 and 1996: therefore he was confident that the import promotion programme was working. Its central focus was not on incentives; deregulation and recognition of foreign standards were also import promotion measures. The import promotion tax concession system had been extended until 1999: it was applied on an MFN basis to all countries exporting duty-free items, not favouring imports from industrialized countries. Imports into Foreign Access Zones had grown more rapidly than the total: again, the infrastructure of FAZs were available to imports from all sources.

Japan's GSP system had a broad coverage and efforts had been made to simplify its use. The system offered particular advantages to least developed countries. The GSP was currently under review to remove countries that had reached higher stages of development; LDCs had more favourable treatment under the GSP scheme.

Sectoral issues

Some participants raised concerns about the levels of protection and support for agriculture, and likely policy options in the future, including in the next round of liberalization negotiations. Questions were also raised on testing and certification requirements for agricultural products and regulatory obstacles to trade in pigmeat. Others raised concerns about the WTO consistency of the SBS system on rice, the continuation of import quotas on fisheries and the import cartel of laver. A number of participants suggested that the results of Japan's agricultural policies had been inconsistent with the Government's own food security objective. Questions were raised on moves to review Japan's Basic Agricultural Law.

Some participants raised concerns about inadequate reimbursement prices of pharmaceuticals, also noting burdensome and costly testing procedures for medical devices, pharmaceuticals, chemicals, mechanical and electrical appliances. The continuation of regulatory obstacles to trade in leather and leather footwear was also noted.

Participants welcomed Japan's contributions to the WTO financial services and basic telecommunications negotiations. However, they raised concerns about low productivity in some services sectors and openness of certain services areas; complex regulations in certain services sectors; and the low level of competition in some services. Particular attention was paid to construction, financial, legal, accounting and distribution services. Participants sought an assessment of the effects of weakness in the financial sector on the trade policy of Japan. Questions were raised on transparency and disclosure in the financial sector, including criteria for receiving public funds. Members requested an up-to-date assessment of the implementation of the "Big-Bang" programme, especially in the light of recent regional developments.

In view of the limited time, the representative of Japan in his reply focused on selected sectoral issues.

In respect of agriculture, he said that as regards rice, Japan

was faithfully implementing the Uruguay Round agreement, particularly by setting the price for minimum access rice some 20 per cent below that for domestic rice and promoting consumption of minimum access rice in Japan's market. Administration of unfilled tariff rate quotas had been improved in FY 1997 by permitting applications for unused quotas at different periods. He noted that the trigger level for special safeguard provisions was based on imports in the previous three years, which in Japan's view was in conformity with the Agriculture Agreement. The import quota on fisheries was intended to prevent resource exhaustion in surrounding waters and was, in Japan's view, justifiable under GATT Article XI:2(i).

Concerning footwear and leather, the representative described Japan's tariff quota system, and noted the specific difficulties of this sector. He also stated that prior confirmation system for silk aimed to ensure the faithful application of bilateral agreements, not to limit imports; this measure would be phased out by 2004.

Japan had eliminated tariffs on autos in 1978, and imports had increased substantially in recent years. There was no government involvement in dealership arrangements. The representative gave information on the reclassification of vitamins, herb and mineral products and noted that Japan's tariff classification would not be affected.

The representative of Japan noted concerns regarding low productivity in services, particularly distribution, and suggested that differences in productivity levels between services and manufacturing were not significantly different from other countries. He said that the Deregulation Action Programme sought to promote transparency in services and to simplify administrative procedures and notification or reporting requirements. He gave examples of increases in recent years in foreign service providers in telecoms, construction, legal and all areas of financial services. He called attention to liberalization measures in various areas of telecommunications and broadcasting, including the abolition of the KDD Law, the forthcoming abolition of the "100 destination rule", improvements in interconnection liberalization on cable providers, modification of accounting rates, and the liberalization of foreign investment.

We have had a very constructive discussion of Japan's economy and trade policies, which has been held at a difficult time for Japan and the world economy. Many participants have emphasized the importance of market opening and deregulation as well as Japan's role in assisting the resolution of the Asian financial crisis.

Structural reform, deregulation and market stimulation—leading to more open markets—have been common themes running through this TPR discussion. The Japanese economy was, in earlier days, a major engine of world trade and investment and the TPRB has clearly expressed the hope that Japan can again effectively assume this role through its economic recovery and the positive effects of deregulation.

All participants have recognized Japan's strong and active participation in the WTO system and the importance attached by Japan to MFN treatment has been welcomed. We hope that Japan will respond positively, as they have undertaken, to the large number of specific or bilateral concerns raised during this meeting by various Members. □

Competition policy, economic development and international trade

More than 40 developing and transition countries in the past two decades have adopted competition (antitrust) laws, as an element of market-oriented development strategies. Typically, these laws provide remedies to deal with a range of anti-competitive practices, including price fixing and other cartel agreements, abuses of a dominant position or monopolization, mergers that stifle competition and agreements between suppliers and distributors ("vertical agreements") that foreclose markets to new competitors.

Many countries consider that competition laws and related policies promote sound economic development by preventing practices that artificially raise prices to consumers (and businesses purchasing input goods and services), maximizing the benefits of privatization and deregulation initiatives, and helping to ensure an efficient allocation of national economic resources generally.

The Singapore Ministerial Conference, in December 1996, established a Working Group on the Interaction Between Trade and Competition Policy (WGTCIP) and called for cooperation between the WTO, UNCTAD and other appropriate intergovernmental fora to ensure that the development dimension is fully taken into account in the work of the Group. Guiding the work of the Group is the Chairman's Checklist of Issues (see *WTO FOCUS* No. 20).

Symposium

As a contribution to the three organizations' work in this area, the Secretariats of the WTO, UNCTAD and the World Bank organized a Symposium on Competition Policy, Economic Development and International Trade on 29 November 1997 at the WTO headquarters. The Symposium attracted more than 200 delegates, and featured presentations by prominent academics and private sector representatives in addition to the heads of, or other senior officials from, developing and transition economies in Latin America, Africa, Asia and Eastern Europe. Mr. Gesner Oliveira, President of the Council for the Defense of the Economy of Brazil, chaired the Symposium.

The Symposium focused on four main themes: **The Foundations of Competition Policy in a Development Context; Competition Policy as a Tool of Microeconomic Reform in Developing and Transition Economies; Competition Policy and Economic Development: The International Dimension; and Current Issues/Other Perspectives.**

Highlights

A few highlights of individual presentations at the Symposium are as follows:

Professor Frédéric Jenny, Vice-Chair of the Conseil de la Concurrence in France and Chair of the WTO Working Group on the Interaction Between Trade and Competition Policy, noted that, in the past decade or so, a large number of developing and other countries had moved away from state-led and "national champions" models of economic development. The decision to adopt or strengthen competition laws was a natural outgrowth of this overall shift in thinking about models for development, and reflected a realization that companies are unlikely to succeed in world

markets if they do not also face effective competition domestically. Professor Jenny also referred to several examples of actual and alleged international cartels that appeared to have harmed development by raising the prices of industrial input goods in various markets, and suggested that consideration of competition rules, both at a national and international level, is a natural complement to past achievements in the areas of trade liberalization and deregulation.

Mr. Philippe Brusick of UNCTAD discussed the growing interest in competition legislation worldwide, and its close relationship to economic development, from his organization's perspective. He referred to a recent study by UNCTAD of empirical evidence on the benefits from applying competition law and policy in a development context which demonstrated that competition promotes efficiency in production, allocative efficiency, dynamic efficiency, welfare and growth. He emphasized the importance, in designing and implementing national competition legislation, of taking account of each country's particular circumstances and needs. This was especially important in developing and least-developed countries where market failures were most acute. He then stressed the need for mutually supporting international cooperation in this area.

Mr. Bernard Phillips of the OECD Secretariat provided an overview of the objectives, main elements and institutions of competition policy in developed and developing countries. He noted the important benefits that can be achieved through an effective program of advocacy activities by a competition agency relating to other government policies and regulations that affect competition, as a complement to the agency's law enforcement responsibilities, whether in a developed or a developing country setting. Mr. Phillips also referred to several examples of industrial policy failures in developed countries which, in his view, highlighted the advantages of reliance on market forces as the primary engine of economic development.

Dr. R. S. Khemani of the World Bank discussed the Bank's experience with the use of competition policy as a tool for economic development. He observed that the introduction of competition policy complements other microeconomic policy reforms and can be useful in reinforcing the gains from trade liberalization in addition to enhancing an economy's ability to attract foreign investment. Dr. Khemani also suggested that a lack of strong competitive disciplines in some markets appeared to be a factor in the macroeconomic and financial difficulties that were currently being experienced in some of the Asian economies. He said that, in many of these countries, various private restraints and government policies impede competition and the development of flexible and adaptable markets. As a consequence, resources do not get efficiently allocated between different sectors, and price and profit signals become distorted—leading to inappropriate business investment and output decisions.

Ms. Elizabeth Gachuri (Kenya), Mr. Byong-Kyum Kim (Korea), Mr. Ferenc Vissi (Hungary), Mr. Mark Steel (New Zealand; speaking for APEC), and Mr. Jorge Bogo (Argentina) provided regional perspectives on the use of

competition policy as a tool of economic development in their respective economies. These presentations highlighted the important inter-relationships that exist between competition policy and other market-oriented reforms, including trade liberalization. They also illustrated a range of practical problems facing competition authorities in developing countries, including the challenge of creating a "competitive culture" in the business community following a legacy of state intervention and protectionism in some cases, and the vigorous and encouraging efforts that are being made to address these challenges in various countries.

Professor Eleanor Fox (New York University School of Law) discussed the need for "cosmopolitan" approaches to competition law enforcement which would take into consideration the impact of anti-competitive practices on all the affected countries. She also stressed the need for developing protocols to settle substantive conflicts among nations. She proposed that an open-market concept be adopted by the world, that would prohibit market foreclosure through anti-competitive conduct by enterprises. She said this would benefit both developed and developing countries.

Mr. Rob Anderson (WTO Secretariat) provided an overview of existing arrangements for cooperation in competition policy at the multilateral, regional and bilateral levels. He referred to several examples of effective cooperation arrangements relating to competition law enforcement that were embodied in regional and bilateral arrangements. At the multilateral level, and particularly in the WTO agreements, the complementary relationship between trade liberalization and competition policy is recognized in various ways, including consultation arrangements pursuant to the GATT, GATS and TRIPS Agreements as well as in the commitments on regulatory principles adopted by many Members as a result of the recent negotiations on Basic Telecom Services. He noted that the existing arrangements for cooperation appear to be somewhat fragmented and of limited practical significance, thus far.

Professor Ulrich Petersmann (University of Geneva) described the role of competition law and cooperative approaches to its enforcement in the European Community, and commented on possible lessons for the introduction of measures dealing with anti-competitive practices of enterprises at the multilateral level. At the outset, Professor Petersmann noted that there were important differences between the degree of market integration in the Community and in the world economy, and that one could not expect the same degree of cooperation in competition law enforcement in the latter as in the former. Nonetheless, he suggested that the Community's experience demonstrated clearly the benefits of effective competition rules as an element of trade liberalization, and the importance of international cooperation in this area. He also suggested a need for competition rules relating to governmental as well as private distortions.

Mr. Calvin S. Goldman of the firm of Davies, Ward and Beck in Toronto, who is also Chair of the International Chamber of Commerce (ICC) Joint Working Party on Trade and Competition Policy, discussed the role of competition policy in economic development from a business perspective. He observed that vigorous competition in the domestic economy can play a key role in strengthening the ability of firms to compete in export markets, and noted the

important role that competition policy is playing in many of the economies in transition from state control to free market principles. He discussed the Canadian experience which illustrates the complementarity of trade liberalization, deregulation and competition policy. Mr. Goldman also mentioned concerns held by some members of the international business community relating to the possible strengthening of cooperative approaches to competition law enforcement at the multilateral level, to the extent that this could involve the exchange of confidential information by national authorities.

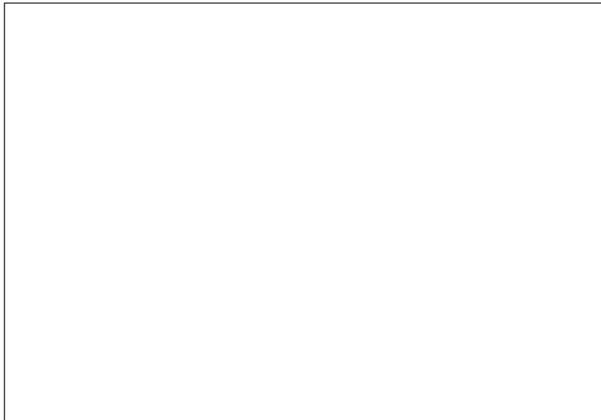
Mr. Douglas Rosenthal, of the firm of Sonneschein, Nath and Rosenthal in Washington, D.C., discussed a range of issues relating to competition policy and international trade, focusing particularly on the treatment of vertical market restraints and other practices that can affect access to markets, and competition policy issues regarding the exercise of intellectual property rights. He noted the role that industrial policy concerns appear to play in competition law enforcement in some cases. Ensuring that such concerns do not unduly suppress the role of competition authorities was a key challenge for economic policy in both the developed and the developing world.

There was extensive participation from the audience at the Symposium, with numerous questions being posed to speakers by delegates. The questions dealt, among other matters, with the priority that should be given to competition policy as a tool of development, and its relationship to other market-opening reforms; the role of exemptions from competition legislation as a factor limiting its effectiveness in developed as well as in developing countries; the matter of whether there is a basis for concerns about "parochial" application of national competition laws in ways that may not adequately take into account the interests of other countries, and how such concerns might be addressed; the independence of competition law enforcement authorities and the importance of this for their overall effectiveness; and the implications of intellectual property rights and foreign direct investment for competition. While a range of viewpoints was expressed on these and other questions, a common thread in the discussion was a recognition of the importance of competition as a factor that promotes an efficient allocation of resources.

In concluding the Symposium, **the Chairman, Mr. Oliveira**, noted that there appeared to be wide recognition among a growing number of countries of the role that competition policy can play in reinforcing the benefits of other economic reforms and promoting an efficient allocation of resources in developing and transition economies. He posed the question as to whether consideration should be given to developing an international framework that would set out basic standards that could be incorporated in Member countries' competition legislation. Such a framework might also ensure that basic WTO principles such as transparency and non-discrimination were reflected in national legislation. At the same time, he expressed his personal view that the application of competition policy must reflect the peculiarities of national circumstances, and therefore would remain largely the responsibility of national authorities. □

The WTO Secretariat's involvement in presenting the Symposium was made possible through generous support from the Netherlands Funds for technical cooperation. For further information, please contact Rob Anderson (7395198) or Jorge Miranda (7395021) of the WTO Secretariat.

Hong Kong, China beefs up WTO trust fund for LDCs



Permanent Representative Stuart Harbinson (right) hands over hands over Hong Kong, China's contribution to WTO Directors Jacques Chabert (finance) and Jan-Eirik Sorensen (technical cooperation) on 6 February. (Photo by Tania Tang/WTO)

At a ceremony on 6 February, the Permanent Representative in Geneva of the Hong Kong Special Administrative Region of China, Mr. Stuart Harbinson, handed over to the WTO a cheque for US\$1.25 million as a contribution to the WTO Trust Fund for technical assistance to less developed economies.

"I am delighted to present the WTO this donation on behalf of my Government," said Mr. Harbinson. "The WTO does excellent work to provide technical assistance to economies at different stages of development. Much work cannot be funded from the main budget and we are pleased that Hong Kong, China, can make a contribution to this important area of work by the WTO." □

Record number of WTO Website users

A record 37,500 computer terminals accessed the WTO Website (www.wto.org) in February, up by 25 per cent from the average monthly number of 30,000. The number of individual users are higher than these figures, which do not distinguish between individual and linked groups of computers. The February statistics indicate the following trends:

- » Users downloaded a record 17.5 gigabytes (7-8 million pages of text) of WTO information;
- » A growing number of developing countries, including LDCs, are accessing the WTO Website, including Guinea Bissau, Nepal, Burkina Faso, Ghana, Zimbabwe, Maldives, Ethiopia, Djibouti, Botswana and Zambia;
- » More terminals in Latin America are accessing the Website, including those from Honduras, El Salvador, Peru, Bolivia, Chile, Argentina, Colombia and Mexico; and
- » The top user countries are the United States, United Kingdom, Canada and France. □

NGO facilities for the Ministerial

Arrangements are being made for registration of representatives of non-governmental organizations wishing to come to Geneva to attend the second Ministerial Conference of the WTO and the 50th Anniversary celebrations (18-20 May 1998).

Facilities will be made available, for the Conference and the 50th Anniversary celebrations, to the NGOs concerned with matters related to those of the WTO, as stipulated in Article V of the WTO. These NGOs are invited to request a registration form. Only requests accompanied by a description of the nature of the NGO's activities and how they relate to WTO matters will be considered.

Requests should be addressed to: External Relations Division, WTO, Centre William Rappard, Rue de Lausanne 154, 1211 Geneva 21, Switzerland.

The request for a registration form should be submitted as soon as possible to the WTO External Relations Division and not later than 31 March 1998.

Upon confirmation of registration, badges will be made available in Geneva for entrance to the Plenary Sessions, entrance to the conference rooms made available for NGO meetings, and participation in social events. □

MEETINGS

APRIL 1998

2, 16	Committee on Specific Commitments
6-7	Trade Policy Review: India
20-21	Working Party on Professional Services
20-22	Textiles Monitoring Body
21	Council for Trade in Goods
21-23	Trade Policy Review: Individual Members of the Southern African Customs Union (SACU)
22	Dispute Settlement Body; Committee on Safeguards
23-24	Committee on Subsidies and Countervailing Measures
24	GENERAL COUNCIL; Committee on Import Licensing
27	Working Party on GATS Rules, Cttee. on Rules of Origin
27-28	Cttee. on Anti-Dumping - Ad-hoc Group on Implementation
29	Cttee. on Anti-Dumping - Informal Group on Anti-Circumvention; Council for Trade in Services
30	Committee on Anti-Dumping Practices

WTO FOCUS

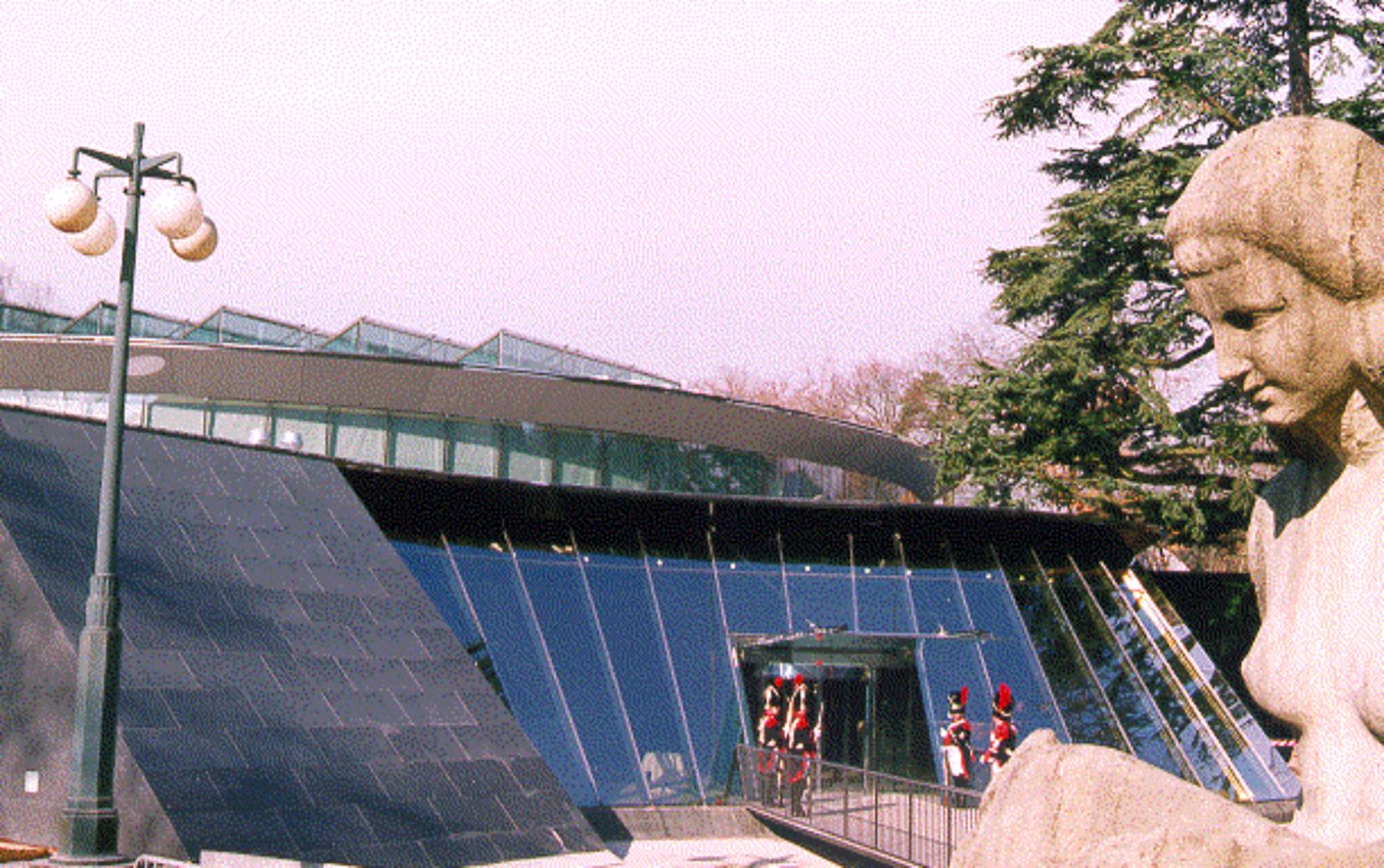
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CHAIRPERSON









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