

## Trade negotiations begin on agriculture and services, Moore reports on post-Seattle consultations

The General Council has shifted WTO work back on track by taking the following decisions at its meeting on 7-8 February:

- Agreed on the organization of negotiations to further liberalize trade in services and agriculture;
- Agreed that consultations will continue on several outstanding issues from Seattle; and
- Agreed on a slate of Chairpersons to head the key WTO bodies this year.

“Today’s decisions show that the WTO is very much in business” said WTO Director-General Mike Moore afterwards. “The members reached agreement with a tremendous amount of goodwill. This is the result of a lot of serious and constructive preparation.

“The decisions provide a platform, not only for the mandated negotiations and reviews, but also for other issues which members would like to see included in the WTO’s programme,” Mr Moore said. “With work underway constructively in agriculture and services, discussions on the other issues can also progress.”

### Negotiating structure

The General Council noted that the negotiations on agriculture (under Article 20 of the Agriculture Agreement) and on services (under Article XIX of the General Agreement on Trade in Services) started on 1 January 2000 as required by these agreements.

Members agreed that the negotiations will be conducted in special sessions of the Committee on Agriculture and the Council for Trade in Services. Progress in negotiations will be reported to the General Council on a regular basis.

The first special sessions will be held back-to-back with the regular meetings of the two WTO bodies concerned: for services, in the week beginning 21 February, and for agriculture on 23-24 March.

Ambassador Sergio Marchi of Canada, as the new Chairperson of the Services Council, will chair the services negotiations. Members are still consulting on the next Chairperson of the Agriculture Committee.

The General Council noted the importance that members attached to the other elements of WTO’s built-in agenda, including the reviews mandated in a number of agreements and the negotiations on geographical indica-



WTO Director-General Mike Moore and the Chairperson of the Seattle Ministerial Conference, US Trade Rep. Charlene Barshefsky call time out. See page 6.



Outgoing General Council Chairperson Ali Mchumo of Tanzania waves his gavel as his successor Kåre Bryn of Norway (right) and Mr. Moore look on. (T. Tang/WTO)

tions foreseen under the TRIPS Council. Members agreed that the mandated reviews take into account the impact on trade and development interests of developing countries.

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## Negotiations begin

(Continued from page 1)

“Agriculture and services are vitally important for the prosperity of people all over the world,” the Director-General said. “Half of the world’s workforce — 52% of the female



*The General Council agreed to address the trade and developmental impact on developing countries during mandated reviews of WTO agreements. (Tania Tang/WTO)*

workforce and 46% of the male workforce — are in agriculture according to the World Bank’s latest figures, and 29% work in service industries.

“Both sectors are already going through fundamental reform and liberalization under the WTO, and the launch of the new negotiations will provide WTO member governments with the opportunity to thrash out their differences and continue with the reforms in a way that best serves their priorities and their interests,” he said.

“While both subjects have been difficult to negotiate in the past, and will no doubt continue to be difficult in the coming years, WTO member governments did reach important agreements six years ago. I’m confident they’ll do so again. There’s just too much at stake.”

The services talks will take place in special negotiations of the Council for Trade in Services, the first of which will be held in the fourth week of February. The Agriculture Committee will hold similar special sessions, the first in the week beginning 20 March.

The General Council also unanimously agreed to address the trade and developmental impact on developing countries during mandated reviews of WTO agreements including those on intellectual property rights (“TRIPS”) and trade-related investment measures (“TRIMs”).

### **Moore reports progress in consultations on outstanding issues**

WTO Director-General Mike Moore reported on consultations he has been holding since the New Year on many of the issues which remain outstanding after the Third WTO Ministerial Conference in Seattle last year.

The topics he covered included: a package of measures for least-developed countries, expanding technical cooperation, proposals to extend transition periods for developing countries to implement various provisions of WTO agreements, other implementation issues, and improving WTO decision-making so members can participate more fully, in a more transparent system that preserves the rule that decisions have to be made by consensus (*see page 4*).

The Chairman, Ambassador Ali Mchumo (Tanzania),

### **WTO Chairpersons for 2000**

- **General Council:** Amb. Kåre Bryn (Norway)
- **Dispute Settlement Body:** Mr. Stuart Harbinson (Hong Kong, China)
- **Trade Policy Review Body:** Amb. Iftekhar Ahmed Chowdhury (Bangladesh)
- **Council for Trade in Goods:** Amb. Carlos Pérez del Castillo (Uruguay)
- **Council for Trade in Services:** Amb. Sergio Marchi (Canada)
- **Committee on Trade and Environment:** Amb. Yolande Biké (Gabon)
- **Committee on Trade and Development:** Amb. Ransford Smith (Jamaica)
- **Committee on Balance-of-Payments Restrictions:** Amb. Milan Hovorka (Czech Republic)
- **Committee on Regional Trading Agreements:** Amb. Edsel T. Custodio (Philippines)
- **Committee on Budget, Finance and Administration:** Mr. Hakki Akil (Turkey)
- **Working Group on the Relationship between Trade and Investment:** Amb. Man Soon Chang (Korea)
- **Working Group on the Interaction between Trade and Competition Policy:** Prof. Frederic Jenny (France)
- **Working Group on Transparency in Government Procurement:** Amb. Ronald Saborío Soto (Costa Rica)

noted the consensus on the need for confidence-building measures, and urged members to work on a series of realistic and achievable measures. He said that the issues identified by the Director-General are widely considered as priorities for further consultations. On implementation issues, he suggested that this item be placed on the agenda of the next meeting scheduled for 3 May.

### **Election of officers**

The General Council elected Ambassador Kåre Bryn (Norway) as Chairperson and noted the consensus on a slate of Chairpersons for WTO bodies (*see box*). It also noted that the Chairmanship for the Council on TRIPS will be appointed pending further consultations and taking into account the overall balance of the remaining Chairmanships to be appointed by the Council for Trade in Goods for its subsidiary bodies.

In his farewell speech as Chairperson, Ambassador Mchumo highlighted the lessons that must be learned from Seattle, and urged meaningful assistance to the trade of Africa and the LDCs (*see page 5*).

The Director-General and many delegations paid tribute to Ambassador Mchumo’s leadership during a difficult year for the organization.

Ambassador Bryn said that members are entering a phase where the preservation and consolidation of the WTO system should have priority. He said this is a prerequisite to renews efforts to launch a new round of trade negotiations. □

## Mandated negotiations

The negotiations on agriculture and services are required under current WTO rules (Article 20 of the Agriculture Agreement and Article XIX of the General Agreement on Trade in Services). These talks will cover sectors accounting for about half of the world economy and about a quarter of international trade. According to WTO figures, in 1998, out of about \$6.7 trillion of world trade in goods and services, agriculture accounted for \$0.5 trillion (over 8%), and services for \$1.3 trillion dollars (at most 20%).

The objectives are to further liberalize trade in services and to continue the agricultural reform programme in which WTO members have agreed gradually to reduce subsidies and tariff- and other barriers.

The present programme for agriculture lasts six years (until the end of this year) for developed countries, and 10 years (to 2004) for developing nations. It includes reductions in export subsidies, trade-distorting domestic support, and import tariffs. In services, new post-Uruguay Round agreements were reached on telecommunications liberalization in February 1997, and financial services liberalization in December 1997.

The following are the provisions in the two Agreements for further negotiations:



Agriculture and services account for nearly 30% of world trade. (Photos: ILO and Swissair)

### **Article 20 of the Agriculture Agreement: Continuation of the Reform Process**

*Recognizing that the long-term objective of substantial progressive reductions in support and protection resulting in fundamental reform is an ongoing process, Members agree that negotiations for continuing the process will be initiated one year before the end of the implementation period, taking into account:*

- *the experience to that date from implementing the reduction commitments;*
- *the effects of the reduction commitments on world trade in agriculture;*
- *non-trade concerns, special and differential treatment to developing-country Members, and the objective to establish a fair and market-oriented agricultural trading system, and the other objectives and concerns mentioned in the preamble to this Agreement; and*
- *what further commitments are necessary to achieve the above mentioned long-term objectives.*

### **Article XIX of the GATS: Negotiation of Specific Commitments**

*1. In pursuance of the objectives of this Agreement, Members shall enter into successive rounds of negotiations, beginning not later than five years from the date of entry into force of the WTO Agreement and periodically thereafter, with a view to achieving a progressively higher level of liberalization. Such negotiations shall be directed to the reduction or elimination of the adverse effects on trade in services of measures as a means of providing effective market access. This process shall take place with a view to promoting the interests of all participants on a mutually advantageous basis and to securing an overall balance of rights and obligations.*

*2. The process of liberalization shall take place with due respect for national policy objectives and the level of development of individual Members, both over all and in individual sectors. There shall be appropriate flexibility for individual developing country Members for opening fewer sectors, liberalizing fewer types of transactions, progressively extending market access in line with their development situation and, when making access to their markets available to foreign service suppliers, attaching to such access conditions aimed at achieving the objectives referred to in Article IV.*

*3. For each round, negotiating guidelines and procedures shall be established. For the purposes of establishing such guidelines, the Council for Trade in Services shall carry out an assessment of trade in services in overall terms and on a sectoral basis with reference to the objectives of this Agreement, including those set out in paragraph 1 of Article IV. Negotiating guidelines shall establish modalities for the treatment of liberalization undertaken autonomously by Members since previous negotiations, as well as for the special treatment for least-developed country Members under the provisions of paragraph 3 of Article IV.*

*4. The process of progressive liberalization shall be advanced in each such round through bilateral, plurilateral or multilateral negotiations directed towards increasing the general level of specific commitments undertaken by Members under this Agreement. □*

## Moore: progress in post-Seattle consultations

*Excerpts from WTO Director-General Mike Moore's report on his consultations on many of the issues which remain outstanding after the Third WTO Ministerial Conference in Seattle late last year:*

In my contacts with a large number of Members of the WTO, nearly all have stressed the importance of ensuring that the proposals discussed as part of the preparation for Seattle with respect to **measures in favour of least-developed countries**, which encompass both market access and capacity-building, should be taken up as a matter of priority. These proposals were never to be seen as a trade-off or leverage to gain agreement to a new round of negotiations. Supporters of these measures have assured me of their continued support and I will be working closely with the Chairman of the General Council towards bringing about agreement on a set of measures. I would aim to report back progress before the Easter break. I see this as an important confidence-building exercise and a clear signal of the WTO's resolve to help improve the conditions of our poorest Members.

A second element that, disappointingly, we did not achieve in Seattle—although we came very close in pre-Seattle discussions—was agreement on an **increase in the regular budget for technical cooperation**. I shall not repeat here the gross imbalance between the core funds currently available for technical cooperation and the needs of Members. There is an ever-growing demand for technical cooperation which is difficult to meet when there is great uncertainty about its funding.

We have a rolling three-year plan of technical cooperation activities which is updated and reviewed every year by the Committee on Trade and Development (CTD). This shows Members where the technical cooperation efforts are going and the types of projects undertaken subject to the availability of funds. Members have the opportunity to comment on this in the CTD, and their remarks are taken into account in planning activities for the future.

The text produced in the course of discussions for Seattle encompassed principles for reinforced technical cooperation, improvement of the Integrated Framework, evaluation and regular review of technical cooperation and a provision for additional funding through the regular budget of the amount of SwF 10 million over a three-year period. I hope that we can reach early agreement in principle on this second confidence-building measure and in close co-operation with the Chairman of the General Council, I shall be consulting extensively on this in the weeks to come.

At our last meeting on 17 December the Chairman of the General Council stated that delegations should exercise restraint in respect of the expiry of transition periods. Both prior to the 17 December Council and since that meeting, a number of Members have tendered written requests concerned with **transition period extensions**.

I have been consulting with Members as to their attitude to these requests and to the transition period issue in general, and I am pleased to report that Members have told me that they are all prepared to adopt a reasonable and constructive attitude to crafting practical solutions to individual Members' transition problems within the multilateral framework. I am encouraged by this and I have every reason to expect that we will be able to work together to achieve the required consensus decisions in respect of these requests. It is also encouraging that Members have shown sensitivity in their approach to these problems, and I hope this will continue while we work towards a definitive solution. I would see this issue as a priority for further consultations which I would plan to continue in close cooperation with the Chairman of the General Council. The aim would be to report back to the next meeting of the General Council.

We need also to bear in mind that while the transition period issue is the most immediately pressing problem before us, we will need to revert to other implementation-related issues in due course. This is a major continuing concern for a good number of Members, as they have made clear in our consultations. They have recalled, for example, that the proposals for Seattle envisaged the establishment of a special implementation review mechanism under the General Council composed of representatives of all Members. This is an area some have suggested might also be revisited in further consultations.

At Seattle, and since that meeting, many Members and other commentators have expressed the view that the WTO's consultative procedures among Members need to be reviewed. The general thrust of the comments made seems to be that we need to find **ways to improve internal transparency and guarantee effective participation to all of our Members** while at the same time operating in an efficient manner. Members have also rightly stressed that the principle of consensus is not negotiable. While I think most would agree that major issues of substance played a greater role than process in preventing agreement in Seattle, getting the process right is important. I am personally committed to working on this problem and since I know a number of Members have already been working in capitals on proposals in this area, I think we should start by inviting contributions from delegations which could then be used as the basis for further consultations that we could begin later this month after those who are going to UNCTAD X return from Bangkok. Clearly, these consultations should themselves be conducted in a transparent and open way, and I will be discussing with the Chairman of the General Council the best ways to ensure this. One possibility that has been suggested is to devote an Informal Heads-of-Delegation meeting, and possibly a Special Session of the General Council, to the issue. □

## 'Seattle was a wakeup call for the WTO'

*Excerpts from the farewell statement by Ambassador Ali Mchumo of Tanzania, outgoing Chairperson of the General Council, 8 February:*

The year 1999 was historic not only because it was the end of a millennium and the dawn of another, but historic for the WTO because of the unusual coincidence of major tasks that had to be addressed in the same year—the appointment of a new Director-General and preparation for the launching of new negotiations for an improved multilateral trading system. These two tasks and other related matters preoccupied us most during my term as Chairman and indeed the coincidence of these tasks could characterize my Chairmanship as one of the most, if not the most, difficult in the history of our organization.

From the process of appointing a new Director-General and from the experience of preparing for the Third Ministerial Conference and what subsequently happened at Seattle, important lessons can be drawn out and these lessons have to constitute an important agenda on the future of our organization and how it transacts its functions and business. Indeed we have already concluded that the system of appointing the Director-General is archaic and unsatisfactory and that a new method must be instituted by September 2000. On the broader concern of how best to manage the world trading system in the light of the present configuration of its membership reflecting various levels of development and a wide geographical variation, Seattle has provided a wakeup call for all of us to reflect and re-examine how we need to evolve a more inclusive and participatory system of decision making even when consensus remains the basic principle of decision making. Indeed, the institutional reforms that need to be made to the multilateral trading system is one of the major concerns that will be addressed in the consultations that we have agreed to undertake in the immediate future.

### **The lessons of Seattle**

Firstly, in the forthcoming consultations we need to reflect more carefully how to ensure that the principle of consensus which remains non-negotiable, continues to be an asset rather than a liability in ensuring efficient and fair decision making. It has to be recognized that while consensus is the best device to ensure the balance of interests of all members since it is a guarantee against the so-called "tyranny of the majority" and "the bullying by the powerful", we need to devise rules or provide creative interpretation of the existing rules so that, the WTO does not suffer from the image of being an organization incapable of making decisions. I am far from suggesting that we should discard the principle of consensus in decision making since, like democracy, consensus is the least unsatisfactory method of en-

ing balanced interests of all. What I am suggesting is that while we uphold the principle of consensus in decision making, let us think of how we can strike a balance between fairness and efficiency in our decision making so that consensus is not an excuse for indecisiveness or perpetuation of the vested interests of the few.

Secondly, and related to the first concern raised above, we need to address the perennial problem of how to ensure in the decision making process of the WTO the right balance between transparency, democracy, inclusiveness and representativity among the entire membership of the organization on the one hand and efficiency in reaching an agreement on the other. Indeed this question came up very frequently as we were preparing for Seattle and it came out again more forcefully at the end of the Seattle Ministerial Conference.

Thirdly, whatever institutional reforms are made in the WTO, the basic premise of the organization as a member-driven organization must be preserved.

### **LDCs and Africa**

The sense of being longed and involvement that is necessary to stem the tide of further marginalization of Africa and LDCs can only be meaningful and genuine if the developed countries put their resources where their mouths are, as they are clearly committed to do, and if this involvement for the LDCs and Africa can go beyond mere tokenism.

Among other things, this requires a fundamental cultural and perceptible change in the mindset of all concerned including members of the Secretariat so that a

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*A sense of being longed is needed to stem the tide of further marginalization of Africa and LDCs ...*

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more positive and sympathetic orientation towards LDCs and Africa can be engendered. It is for this reason that it is important that technical assistance be given more generously and the special and differential treatment provisions in favour of developing and least developed countries in the Uruguay Round Agreements be fully operationalized in the letter and spirit, and that is why it is important also that the decisions of the High Level Meeting on the Integrated Framework for LDCs be implemented. The efforts to transform the Secretariat so that it reflects the composition of the WTO's membership is commendable and Director-General Mike Moore is to be congratulated and commended for appointing the first Deputy Director-General from Africa and from an LDC, but we expect this appointment to be the beginning of a more serious effort to make the contribution and role of Africa and LDCs in the WTO to be more meaningful and again to go beyond mere tokenism. I am glad to note that during my Chairmanship, Members have clearly shown their serious commitment to ensuring that the WTO truly belongs to us all, LDCs and Africa included and I expect that spirit and commitment to continue in future in greater earnest. □

## Trade Ministers call time out

At the closing plenary session of the Third Ministerial Conference on 3 December 1999 in Seattle, Conference Chairperson Charlene Barshefsky told Ministers: “We found as time passed that divergences of opinion remained that would not be overcome rapidly. Our collective judgment, shared by the Director-General, the Working Group Chairs and Co-Chairs, and the membership generally, was that it would be best to take a time out, consult with one another, and find creative means to finish the job.”

She added: “During this time, the Director-General can consult with delegations and discuss creative ways in which we might bridge the remaining areas in which consensus does not yet exist, develop an improved process which is both efficient and fully inclusive, and prepare the way for successful conclusion.”

Director-General Mike Moore paid tribute to the Chairperson and to the participants. He said that a record number of Ministers from all over the world—from small island countries to the great democracies—had attended the Conference, representing probably more than a billion voters. “They had come to try to put together a package that would advance living standards in their own countries and provide more justice elsewhere,” he said.

Mr. Moore noted that this was not the first time a Ministerial Conference had run into difficult and complex issues that had necessitated such a time-out, pointing out that the issues before the Conference were as complex as the world itself. He thanked the people of Seattle, the host committee and the hundreds of volunteers that had helped with the Conference.

### Opening

The opening ceremony scheduled on the morning of 30 November at the Paramount Theatre was cancelled as the speakers—UN Secretary-General Kofi Annan, US Foreign Secretary Madeleine Albright and US Trade Representative Charlene Barshefsky—and many Ministers were prevented from going to due to demonstrations that turned violent in isolated instances.

The demonstrations, however, did not stop the regular business of the Conference in the afternoon of that day at the Washington State Convention and Trade Centre. The Conference consisted of:

- Plenary sessions during which Ministers made formal statements (*see below*); and
- Informal meetings where Ministers negotiated the text of a Ministerial Declaration (*see pages 8-10*).

The Director-General, on behalf of the Chairperson, called the meeting to order and declared the Third Ministerial Conference open.

Mr. Moore said that no one had believed that the Conference would attract so much attention with “fifty thousand guests, many of them even invited”. He said he had some empathy with some of the protesters outside. “They are right when they say they want a safer, cleaner more healthy planet. They are correct when they call for an end to poverty, more social justice, better living standards. They are wrong to blame the WTO for all the world’s prob-



*US President Bill Clinton hosted a lunch for trade ministers on 1 December, during which he called for an end to farm subsidies and supported greater openness in the WTO. With him above is Director-General Mike Moore.*

lems. They are especially wrong when they say this is not a democratic house. Ministers are here because their people decided so. Our agreements must be agreed by Parliaments.”

The 1999 report of the General Council—which is the organization’s highest body between Ministerial Conferences—was presented by its Chairperson, Ambassador Ali Mchumo of Tanzania. He said that despite extensive informal consultations on a wide array of proposals, it had not been possible for him to submit to Ministers a consensus text. The only text available was the text he circulated to delegations in Geneva on 19 October 1999. Ambassador Mchumo said that while this is regrettable, the efforts have helped narrow down many of the key outstanding issues, and that “we have in our grasp all the ingredients necessary for a balanced package of results”.

### Plenary Sessions

One hundred and twenty-two members, 24 observer governments and 5 observer organizations delivered statements about WTO’s activities and its future work programme (full texts available on the WTO Website).

Trade and Industry Minister George Young-Boon Yeo of Singapore, host of the first WTO Ministerial, was the first Minister to speak. He said that with the new millennium, the age of ideology is over for the two billion people living in transition economies and the developing world. They now look to the global market for a better life, thus the next trade round should be a “round of hope” for them. That hope, must not be dashed in Seattle, for “the alternative to freer trade is a world divided into economic and political blocs and a more dangerous future for everyone”.

Switzerland’s Federal Minister of the Economy Pascal Couchepin, the Chairperson of the Second Ministerial held in Geneva in May 1998, said that the WTO’s first five years showed both its strengths—like facilitating economic recovery in affected countries during the recent international financial crisis—and weaknesses—such as the problem of integrating developing countries and tran-

**"It is vital to maintain and consolidate what has already been achieved"**

*Excerpts from Director-General Mike Moore's statement after the Ministerial:*

We all left Seattle last Friday disappointed but not dismayed that it was not possible to finish the job we went there to do. A great deal was achieved in the short time Ministers had for serious negotiation. Gaps were narrowed considerably in a number of important areas. Ambassador Charlene Barshefsky, Chairperson of the Ministerial Conference, stated that the meeting has been suspended and that we shall continue and complete our work.

The suspension of talks is not unprecedented in the history of the multilateral trading system. But what is vital is that we maintain and consolidate what has already been achieved. The progress made must not be lost.

I feel particular disappointment because the postponement of our deliberations means the benefits that would have accrued to devel-

oping and least-developed countries will now be delayed, while the problems facing these countries will not be allayed. A package of results is within reach.

The Chairperson of the Seattle Ministerial Conference has directed me to 'consult with delegations and discuss creative ways in which we might bridge the remaining areas in which consensus does not yet exist, develop an improved process which is both efficient and fully inclusive, and prepare the way for successful conclusion.' That is what I shall do.

Despite the temporary setback in Seattle, our objectives remain unchanged:

- To continue to negotiate the progressive liberalization of international trade.
- To put trade to work more effectively for economic development and poverty alleviation.
- To confirm the central rôle that the rules-based trading system plays for our Member govern-

ments in managing their economic affairs cooperatively.

- To organize the WTO on lines that more truly represent the needs of all Members.

There is no less of a sense of urgency about these objectives now than there was ten days ago. Far too much is at stake. It is not only the benefits of new trade negotiations that lie in the balance. Within the next few months we have difficult and sensitive issues to confront in the WTO. The longer we delay launching the negotiations, the more the poorest amongst us lose. □

*Previous examples of ministerial talks which were suspended:*

- **The Uruguay Round Mid-Term Review, Montreal, December 1988:** The formal closing session on 9 December decided that the Trade Negotiations Committee should meet again in the first week of April 1989 at the senior officials level.
- **The Brussels Ministerial Meeting, December 1990:** This was intended to end the negotiations, but on 7 December the meeting's chairman said the Uruguay Round would have to be prolonged.

sion economies into the global economy. He called for intensifying WTO's dialogue with the public and NGOs "to clarify the many misunderstandings surrounding the multilateral trading system".

European Communities' Trade Commissioner Pascal Lamy likened world trade to a train with Seattle as a critical switchpoint. He said that demonstrators are worried about "where the train is going and we should do the same". Mr. Lamy said that "we should not be afraid to up the speed of our goods train (as) trade liberalization has benefited our economies enormously", and called for the next round to include investment, competition and trade facilitation, and take into account environmental and developmental considerations. He said that the EC is ready to negotiate on agriculture but "non-trade concerns must be taken into account, and we can not concede on that point".

Brazil's Minister of Foreign Relations Luiz Felipe Lampreia said that the false claim of developing countries' exports posing a threat to the social and economic well-being of rich countries "would be simply pathetic, were it not for the impact they have in the political environment of developed countries, as we can see here in Seattle". Resorting to charges of "social dumping", certain sectors in developed countries, he said, wish to tilt the WTO system "to the point where the interests of developing countries would be thrown overboard." He called for a new round "to ensure that developing countries are fully integrated into the WTO", and urged the elimination of agricultural export subsidies.

Bangladesh' Commerce and Industry Minister Tofail

Ahmed, speaking on behalf of the Group of Least-Developed Countries, complained that while the LDCs have been undertaking WTO liberalization commitments, their combined share in world trade had declined to less than 0.4% in 1998. He outlined the main elements of the "Comprehensive New Plan of Action" proposed by the LDCs, including a "bold market access initiative in favour of the LDCs, including duty-free access". Minister Ahmed also urged the lifting of non-tariff barriers, such as stringent health and environmental standards, against LDC exports and the expansion of the WTO's technical cooperation activities.

US Agriculture Secretary Dan Glickman called for a "broad, ambitious, and achievable agenda" for the new round. He said that under this agenda, members can, among others, aggressively reform agricultural trade, further open world trade in services and industrial goods, ensure free and rapid development of electronic commerce, promote development, create a working group on the links between trade and core labour standards, and improve the transparency and accessibility to the organization.

Thailand's Deputy Prime Minister and Commerce Minister Dr. Supachai Panitchapakdi said that his country is undertaking reforms as it recovers from the effects of the Asian financial crisis, and that results depended on ensuring that the "international market-place is kept open". He said that to promote coherent policy coordination among world institutions, the ASEAN members have proposed a WTO work programme on trade and finance. Regarding future negotiations, he said that particular

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ten tion must be given to the “spe cial needs and in ter ests of de vel op ing and LDC mem ber coun tries”.

Canada’s Minister for International Trade Pierre S. Pettigrew said that trans par ency should be a guid ing prin ci ple of the or ga ni za tion, “the WTO can not solve all of the world’s prob lems, but the more it draws upon the wis dom, en ergy and in no va tion of the world’s cit i zens, the stronger and more repre sen ta tive it will be come”. He said that Can ada had pro posed a work ing party on glob al iza tion to en sure that the WTO works in co or di na tion with UNCTAD, the ILO, UNEP, the IMF and other in sti tu tions. Re gard ing the ne go ti a tions, he said that lib er al iza tion of ag ri cul ture trade is a cru cial pri or ity for Can ada.

Ja pan’s Min is ter for For eign Af fairs Yohei Kono said that the WTO is faced with two chal lenges: first, to en sure the ac tive par tic i pa tion of de vel op ing coun tries in the new round, and sec ond, to deal with var i ous glob al iza tion is sues such as sus tain able de vel op ment, GMOs, and the pres er va tion of nat u ral re sources. He said that in ag ri cul ture, mem bers must give due con sid er a tion to food se cur ity and the mul ti func tional char ac ter of ag ri cul ture.

Mo rocco’s Min is ter for For eign Af fairs and Co op er a tion Mo ham med Benaissa said that the de cl a ra tion is sued by Min is ters of the Group of 77 and China af ter their meet ing in Marrakesh last Sep tem ber was de signed as a “mes sage to Se attle”. This mes sage in cludes a ma jor con cern of the de vel op ing coun tries that the ben e fits of the mul ti lat eral trad ing sys tem con tinue to elude them, and that prog ress to wards lib er al iza tion in sec tors of par tic u lar in ter est to them is lag ging be hind. They want the WTO agree ments to be im ple mented in full, in clud ing the spe cial provisions for de vel op ing coun tries. Min is ter Benaissa said de vel op ing coun tries are firmly op posed to any link age be tween la bour stan dards and trade.

Aus tra lia’s Trade Min is ter Mark Veile said that ag ri cul ture is one ma jor stick ing point in the ne go ti a tions on a Min is terial De cl a ra tion in Se attle. He said that for his coun try, mean ing ful re form lead ing to the end of dis crim i na tion against ag ri cul ture is es sen tial. Min is ter Veile said that the WTO must con tinue to en sure that trade lib er al iza tion is mu tu ally sup portive with en vi ron men tal goals, but that “we need to avoid be com ing bogged down with is sues over which the WTO has only mar gin al in flu ence and which be long else where”.

Ja maica’s De puty Prime Min is ter and Min is ter of For eign Af fairs Sey mour Mullings said that for his coun try, rapid trade lib er al iza tion has led to a surge in ex ports, but has not con tributed to growth in ex ports. He said that most ben e fits of the Urug uay Round have gone to the more de vel op ed econ om ies. Min is ter Mullings said that

### **NGO sym po sium on trade is sues**

On the eve of the Con fer ence, WTO mem bers and NGOs held an in for mal di alogue at the Se attle Sym po sium on Trade Is sues in the First De cades of the Next Cen tury (*see the WTO Website*). Di rec tor-Gen eral Mike Moore told the 1,500 par tic i pa nts that a world with out the WTO would be a poorer world of com pet ing groups, power pol i tics, greater un cer tainty and in creased mar gin al iza tion. □



*US Sen. Wil liam V. Roth, Jr., on 2 De cem ber, opens the first ever as sem bly of leg i sla tors and par liam en ta ri ans held in par allel with a WTO Min is terial. Mr. Moore, cit ing the im por tant role of law mak ers in the WTO, said the as sem bly should be made a per ma nent fix ture of WTO Min is terials.*

Ja maica, to gether with its Car i bean Com mu nity part ners, have pro posed that the Con fer ence es ta blish a work pro gram me the ad dress the prob lems of small econ om ies. He un der lined the need to con tinue pre fer en tial trad ing ar rangements be tween de vel op ed and de vel op ing coun tries.

Hun gary’s Min is ter of Econ om ic Af fairs Dr. Attila Chikán said that his coun try’s ex pe ri ence at tests to the ben e fits of trade lib er al iza tion: af ter open ing up the Hun garian mar ket to for eign com pe ti tion ten years ago, the econ omy is now firmly on the track of sus tained, dy nam ic growth. In his view, “the best means to meet the ob jec tive of fur ther ing econ om ic growth world wide is the launch ing of a new, am bi tious round of trade ne go ti a tions”.

New Zea land’s In ter na tional Trade Min is ter Lock wood Smith said that his coun try was priv i leged to chair in 1999 APEC, which ac counts for more than half of the world trade and in clude large and small econ om ies, de vel op ed and de vel op ing coun tries. He said that the APEC lead ers have called for com pre hen sive ne go ti a tions on in dus trial tar iiffs, the pro gres sive elim i na tion of ag ri cul tural ex port sub si dies, and ad dress ing the needs of de vel op ing econ om ies.

In dia’s Min is ter of Com merce and In dus try Murasoli Ma ran ex pressed great con cern over what he said were “asym metries and inequities in several of the (WTO) agree ments in clud ing those re lat ing to anti-dump ing, sub si dies, in tel lec tu al prop erty, TRIMs and the non-realiza tion of ex pected ben e fits from agree ments such as tex tiles and ag ri cul ture dur ing im ple men ta tion”. It is for this rea son that “many de vel op ing coun tries have high lighted im ple men ta tion is sues and con cerns.” He said that while In dia is com mit ted to en vi ron men tal pro tec tion and la bour stan dards, it con sid ers these is sues to be be yond the com pe tence of the or ga ni za tion.

Tan za nia’s Min is ter for In dus try and Com merce Iddi Simba, speak ing on be half of the Souther Af ri can De vel op ment Com mu nity (SADC), said that “the cen tral chal lenge of the new ne go ti a tions is to en sure that is sues of de vel op ment are ad dressed de ci sively”. He called for im proved mar ket ac cess to SADC ex ports through the elim i na tion of tar iiff es ca la tion and tar iiff peaks, pre serv ing the ac cess rights un der the Lomé Con ven tion, and the elim i na tion of ex port sub si dies. □

## Chronology of the negotiations

*This briefing note is designed to help the public understand developments in the Seattle Ministerial Conference. While every effort has been made to ensure the contents are accurate, it does not prejudice member governments' positions.*

### 30 November: Chairperson outlines organization of informal working sessions

The Chairperson of the Third WTO Ministerial Conference, US Trade Representative Charlene Barshefsky, announced at the plenary meeting the creation of four Ministerial Working Groups on key areas of the Seattle Ministerial Declaration. A fifth group—on “systemic” issues—would focus on members’ concerns about the way the WTO works such as transparency and ensuring all members can participate fully in WTO activities.

Ambassador Barshefsky said that the Chairs of these groups had started consulting with delegations to establish a solid basis for their work. Each group would be open to all delegations and would report each morning to a Committee of the Whole, chaired by Ambassador Barshefsky.

She said that she would be working closely with the Chairs and with Director-General Mike Moore “to ensure the overall progress and balance of the drafting”.

### 1 December: Ministers start negotiating

Ambassador Barshefsky opened the meeting of the **Committee of the Whole** by expressing her regrets to Ministers and officials who were harassed during the demonstration the previous day. She said the Government and the People of the United States deplore the “irresponsible actions of a tiny minority.”

She explained the timetable of the day’s meeting and urged delegations not to spend their time in the Working Groups going over the same ground they had covered in Geneva. She asked that delegations send senior officials with decision-making authority to these Working Groups, including the authority to change positions from those that have been held in Geneva. She said unless delegations were prepared to do this, it would be extremely difficult to produce a Ministerial Declaration.

She said that while she reserved the right to hold Green Room meetings with smaller numbers of delegations, she much preferred a more inclusive approach in which all delegations could participate. These Working Groups, she said, were the best way to do that.

She assured Ministers that even if a Working Group may agree a text, no element of the Ministerial Declaration is agreed, until all elements are agreed. Ministers, she said, could reserve the right to return to Working Group texts. She said it was imperative that Ministers reach successful outcome at this Ministerial meeting and that it would be business as usual for the next 2.5 days.

Director-General Mike Moore spoke to say he had cancelled his reception that evening to allow Ministers more time to work.

**AGRICULTURE:** Ministers discussed new paragraphs on agriculture for the draft ministerial declaration which

## The structure of negotiations

*The negotiating bodies (open to all members) established in Seattle and their respective chairpersons:*

- **COMMITTEE OF THE WHOLE:** US Trade Representative Charlene Barshefsky
- **Ministerial Working Group on Agriculture:** Trade and Industry Minister George Yeo (Singapore);
- **Ministerial Working Group on Implementation and Rules:** International Trade Minister Pierre S. Pettigrew (Canada);
- **Ministerial Working Group on Market Access:** Minister of Trade, Industry and Marketing Mpho Malie (Lesotho);
- **Ministerial Working Group on Singapore Agenda & Other Issues:** International Trade Minister Alexander Lockwood Smith (New Zealand);
- **Ministerial Working Group on Systemic Issues:** Foreign Affairs Minister Juan Gabriel Valdes (Chile), Co-Chair: Commerce, Business Development and Investment Minister Anup Kumar (Fiji);
- **Ad hoc Ministerial Working Group on Trade and Labour Standards:** Vice-Minister Anabel González (Costa Rica)

would launch the new negotiations in agriculture.

The text dealt with: the objectives of the negotiations—whether agricultural products should ultimately be treated the same as industrial products; provisions for developing countries; further reductions in subsidies and protection; “multifunctionality” (how to deal with non-trade objectives such as environmental protection, food security, etc) and other issues; and a proposed timetable for the negotiations.

The discussion broadly took two lines, although individual countries emphasized different issues. One group favoured the ultimate goal of complete integration of agricultural trade into the same rules as other products, the total elimination of export subsidies, only providing support non-trade objectives through policies that do not distort trade, and substantial increases in market access.

Another group said agriculture is different from other sectors and therefore they rejected the ultimate goal of integrating the trade into the same disciplines as other products. They said they could not accept eliminating export subsidies, and stressed the need to take specific account of “multifunctionality”. In the afternoon, delegates met in smaller groups to try to resolve these differences.

**IMPLEMENTATION AND RULES:** Some 45 members spoke, with developing countries reiterating demands for Ministerial action on implementation issues as the US and the EC indicated new flexibility.

Many developing countries expressed concern and called for action regarding 1) difficulty in implementing certain WTO Agreements and asked for extension of deadlines in TRIPS, TRIMS, Customs Valuation; and 2) imbalance in certain Agreements and called for changes in

certain provisions of the Anti-Dumping, Subsidies and Textiles Agreements. They supported Seattle action on certain issues and for the remaining ones to be reviewed after Seattle and completed after one year.

The US said it was working with other Quad members for a meaningful market-access package for LDCs, and welcomed the EU joining its initiative on capacity building for LDCs. It indicated that it could be flexible regarding TRIMs, Customs Valuation, Agriculture, SPS, rules of origin, and on making S&D provisions more operational.

The European Communities said its initiative for duty-free treatment of LDC exports was done, and that it had appealed to the US, Japan and Canada to join in. It believed this could be done in Seattle. It said it would make a substantial contribution to the WTO technical cooperation programme. On rules, it supported negotiations on Anti-Dumping, Subsidies, TBT, State Trading, TRIMs, regional trade agreements, and environment-related issues. It had a certain degree of flexibility regarding implementation issues, and confirmed a textiles proposal referred to by Pakistan (in creasing the growth rate of remaining quotas).

Japan said abusive use of anti-dumping measures should be regarded as a disguised form of protectionism that nullified tariff reductions overnight. It said that improvement of the AD Agreement was a lynchpin of the new Round, and that many developing countries supported this view.

Jamaica said that the 71 ACP countries had been marginalized regarding certain WTO issues. It called for turning S&D into hard commitments, the extension of transition periods for TRIMs and Customs Valuation, and increase in funding and human resources for technical cooperation. It asked that the waiver for preferential trade treatment given to ACP countries be extended to give them time to be integrated into the global economy.

Iceland proposed negotiations to remove subsidies on fisheries. It was supported by a number of delegations, including the US, Peru, Indonesia, Norway, Chile and Ecuador.

A new draft text on implementation was circulated by several delegations, which provides for 1) immediate decisions: extension of deadlines for implementation of certain provisions of the TRIPS, TRIMs, Customs Valuation Agreement and providing for greater participation of developing countries in formulating international product standards; and 2) leaving other implementation issues for consideration at the General Council after Seattle.

The Chairperson said he would be consulting with delegations and would draw up a new text.

**MARKET ACCESS:** The portion of the draft declaration on market access (reductions in import duties, access to services markets, etc) contained a number of unresolved issues, although the portion on access to services markets was less controversial. They included:

- Coverage and scope of the negotiations—whether they should cover all non-agricultural products or whether some could be excluded (agricultural products are negotiated under agriculture).
- Overall objective of the negotiations (the current text did not say by how much tariffs should be reduced)
- Non-tariff measures affecting access to markets (anti-dumping measures, customs valuation, import licenses

ing, rules of origin, safeguard measures, subsidies, etc.). Differences of opinion existed on many of these issues.

- How the negotiations should be organized.
- How to address developing countries' concerns—one proposal was for exports from least developed countries to be given "bound" zero tariffs in rich countries.

Afterwards Ministers met in smaller groups to try to resolve differences.

**SINGAPORE AGENDA AND OTHER ISSUES:** Ministers discussed two issues: investment and competition policy. The Chairman asked whether members could agree to start negotiations on investment and/or competition as part of the round of negotiations that would incorporate agriculture, services and other topics. If not, could they agree to develop elements that might eventually be incorporated in agreements on investment and competition and return to the question of whether or not to undertake negotiations at the Fourth Ministerial Session?

A large number of delegations called for negotiations to be launched at this Ministerial Conference. Many other delegations said the issue was not yet ripe, and that study and analysis of these issues should continue in the Working Groups on investment and competition, set up at the Singapore Ministerial Conference in December 1996. Positions voiced were very similar to those expressed in Geneva over the past year.

In summing up, the Chairperson said three points seemed to be clear from Members' interventions: there was wide recognition that the issues of investment and competition were important. Because of the recognized importance of these issues, members needed to move forward on these issues. This forward movement must be credible and not merely an effort to save face.

He urged delegations to find a bridge to their positions, adding that he would carry out further consultations.

## **2 December: Ministers consider new and revised texts**

Ministers, on 2 December, consulted intensively on revised sections of a Seattle Ministerial Declaration. Two Ministerial Working Groups—on Systemic Issues and on Trade and Labour Standards—met for the first time. Chairperson Barshefsky, assisted by the Chairpersons of the Working Groups and Director-General Mike Moore had begun putting the various sections together into one text for consideration of Ministers on the final day of the Conference.

**COMMITTEE OF THE WHOLE:** Amb. Barshefsky urged Ministers to redouble efforts towards a successful outcome. She said that the immediate aim now was to produce agreed text. The Chairpersons of the various Working Groups reported on the progress made so far in their respective areas. There was a brief discussion on the organization of the next phase of Ministerial work.

**AGRICULTURE:** The Chairperson introduced a new one-page draft on agriculture—the result of lengthy consultations through the night and morning. He explained how he had organized his consultations and apologized to those who could not participate. He stressed that this was his own draft, not a negotiated document, based on the consultations. The draft contains some compromise wording

which tried to strike a balance between different views on the key issues. Some 60 countries commented. They largely confirmed their existing positions on key issues, for example: in integrating agriculture into the mainstream of WTO rules; the final objective for reducing export subsidies (whether to eliminate or not); market access; domestic support; non-trade concerns and multi-functionality; and developing country issues.

At the end the Chairperson said he would try to amend his draft according to the comments but he warned countries not to raise their expectations too high — because agriculture was such a difficult subject it would be impossible to please every one. The draft was now being inserted into a complete draft text for the declaration. Although countries had expressed reservations with various aspects of the draft on agriculture, they could still decide in the coming hours whether to accept it and whether to seek further amendments—but this time in the context of the declaration as a whole.

Ending the meeting, the Chairperson said he was walking a tight rope. He was being pulled equally in both directions, he said. The danger was that if he moved one way or another he would fall off the rope. But he observed that the text was only for launching new negotiations. “The new round is where the real battle will be won,” he said. If the round is concluded, it will boost global welfare by tens of billions of dollars, he concluded.

**IMPLEMENTATION AND RULES:** In a brief meeting, the Chairperson presented a new text on implementation issues, which he said was his best effort in bridging the sharp differences in this area. He said that one delegation had objected strongly to paragraphs on Anti-Dumping, Subsidies and Textiles, and that this delegation had submitted its own proposal. He said that there was a significant gap between this delegation’s proposal and the position of most delegations. There were no other statements made.

The new text contained proposed immediate decisions, subjects for negotiations, a new plan of action for the full and effective integration of LDCs into the multilateral trading system and reinforcement of technical cooperation for developing countries, particularly the LDCs as well as small, vulnerable economies and transition economies.

**SINGAPORE AGENDA AND OTHER ISSUES:** Roughly 45 delegations spoke and positions on all issues remained largely unchanged. On TRIPS, delegations reiterated positions on extending protection of geographical indications to other products. On Government Procurement, various positions continued to be maintained. On Trade Facilitation, many developing countries were still reluctant to negotiate new rules in the areas covered by this topic; the need for enhanced technical cooperation was stressed. On Coherence and proposed Working Groups, some developed countries said working groups should all be put under one umbrella, while many developing countries said there would be no problem in establishing many, separate groups.

**MARKET ACCESS:** Questions raised in the consultations held by the Chairperson focused on the methodology of tariff-cutting negotiations. A number of delegations were proposing a common approach. Unlike in the Uruguay Round where members cut tariffs on a “re-

quest-offer” basis, this would be a harmonized approach that would facilitate comparisons of tariff reduction proposals. An other position was using a combination of request-offer and harmonization in the negotiations. Certain major traders were calling for a reference in the text to an effective increase in market access. The Accelerated Tariff Liberalization initiative for certain product sectors was also raised.

**SYSTEMIC ISSUES:** Elements raised by member governments in this discussion concern: derestriction of documents; WTO organizational structure to improve transparency and decision-making, facilitate information flows and enhance public understanding and participation in the workings of the organization. In addition to paragraph 77 of the 19 October text, there were now four proposals on the table. They were from Mexico, the EU, the US and Norway. The Mexican and EU proposals received widespread support. The US proposal, which called for establishing more formal channels of communication between the WTO and NGO community and the establishment of an advisory body, received some support from the EU, Norway, Japan and Switzerland. A number of delegations questioned the role of NGOs in an inter-governmental organization.

**TRADE AND LABOUR STANDARDS:** This working group was set up that day to discuss proposals for creating a labour standards working group within the WTO or a body operated jointly by a number of international organizations to look at the issues. Opinions differed, with a number of developing countries opposing the creation of either type of body.

### 3 December: ‘Time out’

Informal meetings continued through the night of December 2 and into December 3. The main discussions were in meetings in which some 20–40 Ministers took part. The people attending these meetings varied according to subject, and the chairpeople did their utmost to ensure that participants represented a cross-section of the members’ positions on the relevant subjects.

Progress was reported in a number of areas, but by late afternoon it was clear that there was too little time left to complete the work of narrowing the gaps, bringing the draft declaration back to the plenary working groups, making any additional changes arising from the working groups and then approving the declaration by consensus. The Conference had simply run out of time.

Chairperson Barshefsky told Ministers at the concluding plenary session: “We found as time passed that divergences of opinion remained that would not be overcome rapidly. Our collective judgment, shared by the Director-General, the Working Group Chairs and Co-Chairs, and the membership generally, was that it would be best to take a time out, consult with one another, and find creative means to finish the job.”

She added: “During this time, the Director-General can consult with delegations and discuss creative ways in which we might bridge the remaining areas in which consensus does not yet exist, develop an improved process which is both efficient and fully inclusive, and prepare the way for successful conclusion.” □

## DSB adopts “automotive leather” report

The Dispute Settlement Body (DSB), on 11 February, adopted a panel report that upheld a US complaint that Australia had not fully implemented DSB recommendations to withdraw subsidies given to an automotive leather company. The report concluded that Australia must re-claim from the company repayment in full of the prohibited subsidy.

The United States welcomed the report and urged its adoption.

Australia criticized the panel’s retroactive remedy as raising serious systemic issues for the WTO dispute settlement system. Brazil, Canada, Japan and Malaysia also expressed concern over the implications of the panel ruling.

The case was originally brought to the WTO by the US in June 1998. The US claimed that payments made by Australia to an Australian leather company were export subsidies prohibited under the Agreement on Subsidies and Countervailing Measures. The case went to a panel which supported the US’ claim and recommended that Australia withdraw the subsidies within 90 days of adoption of the panel report. Australia did not appeal the panel’s findings, and the report was adopted by the DSB on 16 June 1999. However, after the 90-days period had expired, the US claimed that the measures taken by Australia to comply with the rulings were not consistent with the Subsidies Agreement. The US requested that the original panel should examine Australia’s compliance under Article 21.5 of the Dispute Settlement Understanding.

At the same meeting, Argentina, Chile and Korea announced briefly that their intentions regarding the implementation of DSB recommendations concerning, respectively, the following cases: **safeguard action on footwear; taxes on alcoholic beverages; and safeguard action on dairy products** (see below). The EC was the original complainant in all these cases.

### Report on US Sections 301-310 adopted

The DSB, on 27 January, adopted a panel report regarding the EC’s complaint that Sections 301-310 of the US Trade Act of 1974 set strict time limits that are inconsistent with the WTO Dispute Settlement Understanding. The panel found that there was no inconsistency between the US provisions and the DSU, on the basis of a US undertaking to follow DSU procedures. It stated that should those undertakings be repudiated, its findings of conformity would not longer be warranted.

The United States said the report had confirmed that Sections 301-310 were consistent with the WTO, and supported its adoption. It said that it was, on the whole, pleased with the report although it did not agree with all the reasonings of the panel. The United States added that the panel had recognized the US intention to follow DSU procedures when making WTO-related determinations under Section 301.

The EC said it was pleased with the report, adding that the number of third parties (12) in this case showed the concern of the membership over the use of Section 301 in achieving unilateral trade objectives outside the WTO

ACTIVE PANELS (As of 14 February 2000)		
Complainant	Subject of the complaint	Date established
Canada	<i>EC - Measures affecting the prohibition of asbestos and asbestos products</i>	25.11.1999
EC	<i>Canada - Patent protection of pharmaceutical products</i>	01.02.1999
EC	<i>US - Anti-Dumping Act of 1916</i>	01.02.1999
US, Australia	<i>Korea - Measures affecting imports of fresh, chilled, and frozen beef</i>	26.05.1999
EC	<i>US - Section 110(5) of the US Copyright Act</i>	26.05.1999
EC	<i>US - Import measures on certain products from the EC</i>	16.06.1999
US	<i>Australia - Measures affecting the importation of salmonids (Panel suspended on 08.11.99 at the request of the complainant)</i>	16.06.1999
US	<i>Korea - Measures affecting government procurement</i>	16.06.1999
EC	<i>Argentina - Measures on the export of bovine hides and the import of finished leather</i>	26.07.1999
Japan	<i>US - Anti-Dumping Act of 1916</i>	26.07.1999
EC	<i>US - Definitive safeguard measure on imports of wheat gluten from the EC</i>	26.07.1999
US	<i>Argentina - Measures affecting imports of footwear</i>	26.07.1999
Mexico	<i>Guatemala - Definitive anti-dumping measures regarding grey Portland cement from Mexico</i>	22.09.1999
US	<i>Canada - Patent protection term</i>	22.09.1999
India	<i>EC - Anti-dumping duties on imports of cotton-type bed-linen from India</i>	27.10.1999
New Zealand, Australia	<i>US - safe guard measure on imports of lamb meat</i>	19.11.1999
Poland	<i>Thailand - Anti-dumping duties on angles, shapes and sections of iron or non-alloy steel H-beams from Poland</i>	19.11.1999
Korea	<i>US - Anti-dumping measures on stain less steel plate in coils and stain less steel sheet and strip from Korea</i>	19.11.1999

mechanism. It said that the panel had found key parts of Section 301 in violation of the DSU, and that it was only on the basis of a US undertaking to respect DSU rules and procedures that the panel had concluded that the US was not in breach of its WTO obligations.

Japan, Brazil, Korea, Costa Rica, Cuba, Thailand, St. Lucia, Norway, Canada, Poland (on behalf of the CEFTA countries, Estonia and Latvia), the Dominican Republic, Jamaica, India, Australia, Argentina, Egypt and Hong Kong, China underlined the importance of the US adhering to its DSU commitments.

The DSB heard reports on the implementation of previous recommendations:

- The EC said it had developed a proposal to modify its **banana import regime**, and that this included a decision to continue discussions with interested parties. Guatemala, Ecuador, Panama, Honduras, Mexico and the United States reiterated their concerns over the inconsistency of the proposed regime with the WTO.
- The United States, with respect to the recommendations on its **import prohibition of certain shrimp and shrimp products**, said that it had implemented the

## DISPUTE SETTLEMENT

### Recently-adopted Appellate Body and Panel Reports

Complainant	Subject of the complaint	Date adopted
EC	Chile - Taxes on alcoholic beverages	12.01.2000
EC	Korea - Definitive safe guard measure on imports of certain dairy products	12.01.2000
EC	Argentina - Safe guard measures on imports of footwear	12.01.2000
EC	US - Sections 301-310 of the Trade Act of 1974 (Panel Report)	27.01.2000
India	Turkey - Restrictions on imports of textiles and clothing products	19.11.1999
US, New Zealand	Canada - Measures affecting the importation of milk and the exportation of dairy products	27.10.1999

DSB recommendations within the agreed period (13 months). The measures included a revision of the guidelines implementing the US Shrimp/Turtle law, the launching of negotiations for the protection of sea turtles in the Indian Ocean region, and offer of technical training. India and Malaysia urged the US to lift the import ban. Malaysia added that it had reached an agreement with the US on further procedural steps to be taken in this case. Australia welcomed the US decision to approve shrimp imports from the Spencer Gulf but said it continued to have market-access concerns.

- **Japan, on measures affecting agricultural products**, said that at end of 1999, it had abolished the varietal testing requirement as well as the “experimental guide” in question. It was now consulting with the US on a new quarantine methodology on eight products to prevent the introduction of codling moth. The US praised Japan for its cooperative approach. Hungary, Australia and Brazil expressed interest in joining the consultations.
- **Korea, regarding its taxes on alcoholic beverages**, said that its amended tax laws now provide for a flat rates of 72% liquor tax and 30% education tax on all distilled alcoholic beverages, including the local drink *soju* and imported whisky. With the entry into force of the amendments on 1 January 2000, Korea considered that it had fully implemented the DSB recommendations. The EC noted that Korea had increased some of the tax rates but welcomed the fact that the system was now non-discriminatory. Mexico hoped that the modifications would give *tequila* equal market access conditions.
- **The United States, on its anti-dumping duty on dynamic random access memory semiconductors (DRAMs) of one mega bit or above from Korea**, said that the US Department of Commerce had amended its anti-dumping regulation, and had applied this regulation to the DRAMS case. The review had found that a resumption of dumping by the Korean companies was likely, and thus the anti-dumping duties were left in place. Korea said that the US had failed to implement the DSB recommendations and reserved its right to ask for a review of this case.

Under “Other Business”, Canada reported that it had reached agreement with New Zealand and the US regarding the reasonable period of time for the implemen-

tation of DSB rulings with respect to its **measures affecting the importation of milk and the exportation of dairy products**. The US and New Zealand commended Canada’s implementation approach.

### Reports on 3 cases adopted

The DSB, on 12 January, adopted reports on the following complaints raised by the EC:

- **Chile’s taxes on alcoholic beverages**. The panel had found that Chile’s tax system and its new system for taxation of distilled alcoholic beverages were inconsistent with a GATT 1994 provision that prohibits discrimination between imports and exports in the application of internal taxes. The Appellate Body, in December 1999, released a report upholding the panel’s conclusion. The EC welcomed the reports, and underlined the economic importance of this case for European operators. The US, a third party, also welcomed the reports. Chile said that while it did not agree with the findings, it recognized that the reports provided clear guidelines on the interpretation of the GATT provision. It said that the Appellate Body had reiterated the important principle that members have the sovereign authority to determine the bases on which they will tax goods provided they respect their WTO commitments.
- **Korea’s safe guard measure on dairy products**. The panel examined an EC complaint that Korea had imposed a safe guard measure in form of an import quota on certain dairy products in violation of the Safe guards Agreement and GATT provision on safe guard action (Article XIX). It sustained two of the EC’s claims regarding violations of the Safe guards Agreement but rejected other claims concerning that Agreement as well as GATT Article XIX. The Appellate Body, in a report issued in December 1999, upheld some of the panel’s conclusions but reversed others. The EC welcomed the reports, adding that it looked forward to the immediate lifting of the safe guard measure. Korea expressed serious concerns over the panel’s findings, noting that the Appellate Body had modified some of them.
- **Argentina’s safe guard measures on footwear**. The panel found certain measures to be inconsistent with the provisions of the Safe guards Agreement. In a report circulated in December 1999, the Appellate Body upheld the panel’s findings regarding the provisions of the Safe guard Agreement but reversed certain conclusions of the panel on the relationship between that Agreement and GATT Article XIX. The EC expressed satisfaction with the reports, and looked forward to the removal of the safe guard measure. In doing so and the United States, both third parties in this case, supported the adoption of the reports. Argentina expressed concern over what it described as restrictive interpretation by the Appellate Body regarding requirements for using safe guard measures and of the GATT provision on customs unions. Brazil supported Argentina’s concern on the issue of customs union while Uruguay believed that the findings should not be used as a precedent for future cases.

*Continued on page 16*

TPRB: Papua New Guinea

## Trade policy as development instrument

*The Trade Policy Review Body conducted its first review of Papua New Guinea's trade policies on 15 and 17 November 1999. Excerpts from the Chairperson's concluding remarks*

We have had a very informative and open discussion of Papua New Guinea's trade policies. This was aided by the PNG delegation, led by the Secretary of Industry and Trade, Mr. Michael Maue, which clearly outlined PNG's current economic situation and the Government's reform plans, as well as the favourable policy changes already introduced.

It is my feeling that we have gained a full appreciation of the economic and development setting in which PNG's trade policies are implemented. The performance of the economy has fluctuated, and the current outlook remains far from certain. The economic and political reforms currently being embarked upon by the Government should help promote sustainable growth and improve living standards. While rich in natural resources, such as minerals and forests, Papua New Guinea remains one of the Pacific region's poorest economies, with income per head of US\$900 in 1996. Structural reforms, although imperative, nevertheless entail significant adjustment costs. I was also struck by the delegation's commitment to using trade policy as a development instrument and by its call for additional resources for the TPRM.

Members have emphasized the importance of improved economic management and good governance in enhancing PNG's economic performance. Moreover, PNG's economic difficulties have been compounded by recent external shocks. These include the Asian economic crisis, declining world prices for key commodity exports, such as minerals and logs, and the effects of the drought on agricultural and mining output. Members therefore recognized the difficulties facing the PNG Government, and welcomed its renewed commitment to trade liberalization and further economic reforms aimed at improving the economy's productivity.

Members welcomed the bold tax reform package implemented by the authorities from 1 July 1999. Average tariffs have been cut from 20% to 9%, and a 10% value added tax introduced. The new Government has also acted swiftly to introduce a Supplementary Budget in August 1999 aimed at fiscal discipline and macro-stability. Members complimented the Government on its efforts to re-engage discussions with the World Bank and the IMF. This would assist the completion of the Structural Reform Programme and regain international confidence. They encouraged PNG to press ahead with such reforms, including privatization of state-run enterprises and implementation of more open and transparent foreign investment policies. The important role of foreign aid and technical assistance was also acknowledged.

Against these broadly favourable developments to fur-

*Scuba diving resort: tourism is a growing sector in the country's economy.*



ther integrate PNG into the world economy and the multilateral system, Members were appreciative of the delegation's clarification to their queries in a number of areas, including:

- change in ministerial responsibility for trade;
- notifications to the WTO;
- high applied tariffs, a few of which appear to exceed bound rates, on several primary and semi-processed products, and some increased tariffs under the reform programme;
- tariff and other policies designed to promote agriculture, fisheries and domestic food processing;
- the impact of regional trade initiatives;
- the transparency and openness of the foreign investment regime and the role of investment promotion, including in financial services;
- export policies, including taxes on logs and tax incentives;
- custom valuation procedures, especially the use of the fallback value method;
- the impact of PNG standards and testing procedures on imports, as well as stringent quarantine restrictions and bans on animals, fruit and vegetables;
- the lack of significant intellectual property legislation and enforcement;
- limited GATS commitments in services;
- the privatization process, especially of key utilities, such as electricity, telecommunications and transport sectors;
- distortive effects of continued price controls;
- participation in the Government Procurement Agreement;
- competition policy;
- public sector corruption; and
- the deteriorating business climate, including the serious law and order problem.

In conclusion, I am of the strong view that Members appreciated the new Government's reform efforts to date, and encouraged it to continue on its path of trade and investment liberalization. They welcomed the efforts made by the Government to undertake this Review at a difficult time, and noted the Government's support of the multilateral trading system and the role played by the Trade Policy Review process. I was struck by the Government's acceptance of the need for major policy reforms and, along with members, welcome PNG's participation in the WTO, in particular the forthcoming talks in Seattle. □

TPRB: THAILAND

## Resisting protectionism fosters economic recovery

*The TPRB concluded its first review of Thailand's trade policies on 15 and 17 December 1999. Excerpts from the Chairperson's concluding remarks:*

We have had a most interesting and timely review of Thailand's trade and foreign investment policies, which provided much insight into how Thailand has grappled with the financial crisis that erupted in 1997 and the numerous legislative and regulatory developments currently taking place. This was made possible both by the comprehensive information about recent and ongoing reforms provided by Ambassador Apiradi and her delegation, and by the high quality of the questions posed and comments made by the discussant and Members participating in this TPRB. The large number of questions and comments reflect the wide spread interest of Members in recent developments in Thailand as well as the importance they attach to Thailand's role in the WTO.

Members were unanimous in congratulating Thailand on the fact that, notwithstanding the severity of the crisis and the consequent recession, the Government had, by and large, resisted protectionist pressures, instead taking steps to reinforce its already increasingly outward-oriented trade and investment policies so as to foster economic recovery. These steps include progressively streamlining and liberalizing Thailand's trade regime. In this regard, Members took note of Thailand's commitment to implement on time all WTO agreements, notably Customs Valuation, TRIPS and TRIMs, and expressed their confidence that the recent streamlining and computerization of customs procedures would facilitate trade. Moreover, Members recognized that Thai standards and regulations were now systematically based on international norms. Members also looked forward to receiving the new Anti-dumping and Countervailing Act.

On the other hand, most Members expressed concern over some recent increases in tariffs, which in several cases (including some ITA products) exceeded WTO bindings. Furthermore, they pointed out that tariffs were high by regional standards; agri-food products, fish, clothing and motor vehicles were the subject of most tariff peaks, frequently ranging to 60% or 80%. Members noted that tariffs had recently been reduced and a surcharge eliminated in the recognition that this would assist private investment and economic expansion. They called upon Thailand to reduce tariffs further, especially to bring all applied tariff rates into line with WTO commitments, and to publish a single consolidated tariff.

At the same time, Members recognized the large number of legislative changes already implemented to im-

prove transparency and accountability as well as to ensure adequate supervision of the financial system, although they did note the persistently high level of non-performing loans. Members also expressed much interest in the new competition and foreign investment laws, and noted in particular the further opening of several sectors, notably in manufacturing and banking, to foreign investment notwithstanding the recession. The most recent economic growth indicators show that these reforms are already bearing fruit, and Members encouraged Thailand not to relax this process, now that the economy was recovering.

Members also asked for details in a number of more specific areas including:

- import price "up lifts", and whether they would be eliminated upon adoption of the Customs Valuation Agreement;
- import licensing procedures, which remained opaque and appeared to constitute quantitative restrictions, particularly for certain new and most used motor vehicles, and for imports of skim milk powder;
- food and drug import regulations, which continued to constitute a barrier to imports because of lengthy pre-market approval and a system of exclusive import permits;
- Thailand's plans regarding the recently enhanced preferential export financing schemes.
- IPRs, where there still remained substantial room for improvement in enforcement, notably to combat counterfeiting;
- government procurement, with Members encouraging Thailand to become an observer in the Government Procurement Committee, to provide its new regulations on public purchases and to remove current buy-Thai provisions;
- state-owned enterprises slated for privatization;
- the prospects for binding a larger number of services for mode 1 (cross-border supply) in Thailand's GATS schedule; and
- calls to allow greater foreign equity participation in insurance and telecommunications services.

Members appreciated the frank and comprehensive responses provided by the Thai delegation, noting in particular the assurance that ongoing reforms were designed to reduce barriers to foreign participation in the Thai economy, based on the belief that an open trade and investment regime contributed to sustainable development; the reform programme, which would not be relaxed, should add further transparency, public accountability and predictability to the business environment.

In conclusion, despite being one of the countries hardest hit by the Asian crisis, Thailand's prompt and faithful implementation of its WTO obligations together with the additional reforms it is undertaking to reinforce its outward-oriented trade and investment strategy, all demonstrate Thailand's faith, as a developing country, in the multilateral trading system and the Trade Policy Review process. □



*Planting rice: Thailand is a major agriculture exporter. Members praised the country for resisting protectionism amidst the Asian crisis.*

## MEETINGS

## APRIL 2000

<b>3-4</b>	Working Party on Saudi Arabia
<b>5</b>	Council for Trade in Goods; Working Party on State Trading Enterprises
<b>7</b>	Dispute Settlement Body
<b>Week of 10</b>	Council for Trade in Services
<b>10-12</b>	Textiles Monitoring Body
<b>11</b>	Committee on Import Licensing
<b>12</b>	Committee on Customs Valuation
<b>14</b>	Committee on Rules of Origin; Sub-Committee on Least-Developed Countries
<b>17-18</b>	Committee on Balance-of-Payments (Pakistan)

**Dispute settlement**

(Continued from page 13)

**Panels on air craft rulings**

The DSB, on 9 December 1999, established panels to examine the implementation by Brazil and Canada, respectively, of DSB recommendations concerning their civil aircraft programmes. The EC and the United States reserved their rights to participate as third parties in the panel proceedings.

Canada claimed that implementation measures announced by Brazil did not constitute withdrawal of export subsidies to its aircraft industry, and thus were still inconsistent with the Subsidies Agreement. It requested that the original panel examine the measures.

Brazil said it was disappointed with Canada's action, and recalled that last November, it had informed the DSB of changes in its domestic legislation that made its aircraft programme fully consistent with the Subsidies Agreement.

With respect to Canada's measures affecting the export of civil aircraft, Brazil recalled that at the November meeting it said that it was not convinced that Canada had implemented the DSB recommendations. It called for a panel to review Canada's implementation measures.

Canada said that it had implemented fully the DSB recommendations and rulings in this dispute, and expressed disappointment at Brazil's panel request.

**DSU decision**

Under "Other Business", Uruguay said that the Ministerial Conference is mandated to take a decision on whether to continue, modify or terminate the DSU. It said that because no such action was taken at Seattle, the General Council needed to take a decision to continue the current DSU.

The United States said that in its view, the Conference had been suspended not completed, and that a decision on the DSU would have to be taken at the resumption of the Conference. The Philippines agreed that in the absence of a decision, the DSU should continue. The EC said it wished to further study the matter. □

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Centre William Rappard, 154 rue de Lausanne, 1211 Geneva 21, Switzerland Tel. 73951111 Fax: 7395458  
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