Growth rate of world trade doubles in 2000

World merchandise trade will grow by about 10% in 2000, twice the rate recorded for 1999 and one of the highest in the last decade, according to the latest report International Trade Statistics 2000 by the WTO Secretariat on 30 November. The 200-page report contains up-to-date statistics on international trade in 1999, together with an outlook for 2000.

The report recognizes that the impact of trade policy on annual changes in trade flows is usually difficult to discern because the reduction of tariff barriers is implemented over a multi-year period. But the report points out that in 1999 the bulk of the tariff cuts of the Uruguay Round were completed. Consequently, the customs duty collected on imports decreased between 1994 and 1999 by 10% to US$ 39.4 billion for the US, the EU and Japan, which combined account for nearly one half of world imports. As their imports in creased over the same period by 40%, the ratio of collected duties to imports decreased by about one third.

Highlights

For 1999, the report gives detailed figures for merchandise and commercial services trade by region, by country and by product category. Among the highlights of the report are the following:

- Against the backdrop of the Asian recovery and the continued strength of demand growth in North America, global economic output gained momentum and trade growth, which was sluggish at the beginning of 1999, accelerated markedly in the second half. For the year as a whole, the volume of trade growth in 1999 was 5%, unchanged from the preceding year.

- World trade growth in the first half of the year 2000 remained buoyant stimulated by stronger economic activity in Western Europe and Latin America and continued high de mand growth in North America and Asia. It is projected that the growth of world merchandise trade in 2000 will be about 10%, twice the rate recorded for 1999 and one of the highest in the last decade. The trade expansion in 2001 is expected to be some what less than in the current year but still higher than the average of 6.5% recorded for the 1990-99 period.

- In 1999, the dollar value of world merchandise exports rose by 3.5% to US$ 5.47 trillion. Prices of internationally traded goods decreased by 1.5% in 1999 as the recovery in fuel prices was more than offset by a further decline in the prices for agricultural and manufactured products.

- World exports of commercial services rose by 1.5% to US$ 1350 billion in 1999. Trade of travel services expanded by 2% to US$ 440 billion while exports of transportation and other commercial services increased by one percent. Western Europe’s commercial service exports—which alone account for 47% of the world total—decreased in 1999 partly due to the weakness of the Euro vis-à-vis the US dollar.

- Regional trade performances differed widely in 1999 for both merchandise and commercial service trade. North America and Asia recorded export and import growth well above the global average. The transition economies, Latin America and Africa experienced a contraction of their merchandise import volume and also a decrease in the value of their commercial service imports. While the weak demand in these regions depressed imports, merchandise exports of Latin America and Africa rose in value terms faster than global trade.

- Developing country merchandise exports in 1999 rose faster than world exports partly due to the

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Overview of developments in the international trading environment

Director-General Mike Moore, on 7 December, presented to the Trade Policy Review Body his annual report for 2000, which he described as “a year of consolidation and challenge” for the WTO. Excerpts from his report: (the full report is available on the WTO website—www.wto.org):

For the WTO, the last year was one of stiff challenge and significant opportunity. The Third Ministerial Conference met in Seattle in November 1999 and considered the launch of a new round of multilateral negotiations. WTO Members were not able to reach a consensus since differences of view remained significant, despite intensive preparatory work. One major difference of view concerned whether the launch of a new round was prospective given the ongoing implementation of Uruguay Round commitments, which gave rise to problems or concerns for some Members. Another major difference was on the scope of the agenda for the negotiations, beyond those on agriculture and services which were called for in the specific Uruguay Round agreements. There were also differences of view on the need for negotiations on the built-in agenda. In the course of the Conference, questions of pro cess also came to the fore.

In 2000, the WTO rose to ad dress these is sues by:
• establishing a mechanism to consider implementation-related issues and concerns;
• starting on schedule the mandated negotiations on agriculture and services;
• engaging in constructive and positive dialogue on ways to ensure the fuller participation of all Members in the work of the WTO and to improve the substance of issues;
• giving priority to the in terms of LDCs and other low-income WTO Members into the multi lateral trading system to help them secure the benefits that can be derived from it; and
• continuing to explore, at the political and technical levels, the possibility of reaching a consensus on a broader negotiating agenda.

In addition, the WTO main tained a busy schedule of regular meetings of Councils, boards and working groups on matters within its mandate. In addition to addressing the WTO Members in these activities, the Secretariat maintained a high level of activity in providing technical assistance, as well as an active programme of outreach.

A vote of confidence in the WTO is the growing number of Members, which rose to 140 in November 1999, with Jordan, Georgia, Albania, Oman and Croatia entering the course of the year. Lithuania is poised to accede, and another 28 accession negotiations are engaged. Also in 2000, China reached the final stage of its accession negotiations. Although each accession is significant, it is in its own right, both for the new WTO Member and for other Members, there is no doubt that China’s decision to join the WTO is particularly momentous. Opening its markets to foreign trade and in vestment will make China more prosperous, and committing China to world-trade rules will foster and consolidate market-based reforms. WTO Members stand to gain by better access to an economy of 1.3 billion consumers, which is growing at an average of 8% a year. The significant change of these benefits – both for China and for WTO Members – explains the efforts that are being made on all sides to bring to a conclusion the accession process.

A further sign of confidence in the WTO is the continuing recourse to its dispute settlement procedures. Since 1995, more than 200 complaints have been filed by a broad cross-section of WTO Members, large and small, poor and rich. Com mitments open the channels of commerce, which stay open by respect for the rules, but the dispute settlement procedures are ultimately available if a breach is alleged. A WTO Member may obtain an authoritative ruling, which is binding. Enforcement of obligations through dispute settlement thus ensures the integrity of the process of multi lateral negotiations, agreement, and implementation.

WTO Members have an abiding interest in preserving the open nature of the trading system by rules on the use of policy instruments affecting markets for goods and services, as well as intellectual property rights protection. The WTO acts as a check against protectionist ‘solutions’ to do market economic crises, as was demonstrated during the recent Asian and emerging market crises. Since 1995, more than 200 complaints have been filed by a broad cross-section of WTO Members, large and small, poor and rich. Commitments open the channels of commerce, which stay open by respect for the rules, but the dispute settlement procedures are ultimately available if a breach is alleged. A WTO Member may obtain an authoritative ruling, which is binding. Enforcement of obligations through dispute settlement thus ensures the integrity of the process of multi lateral negotiations, agreement, and implementation.

The WTO is for ward-looking. The most outstanding recent example is the telecommunication agreements, which brought competition to a sector long the preserve of government monopolies.
ment-owned monopolies, helping to expand the variety of communication services and bring prices down. This has given a major boost to consumer privacy to the Internet, which rose sharply in the past year. As a result, the average rate of readily accessible information about individuals, enterprises, and countries, the Internet is vital to foster greater understanding of the position of information exchange within a country and among WTO members, including through e-commerce. The Internet is also central to the emergence of the ‘new economy’ on a global basis. The telecom agreements with spurring the de vel opment of wire-line communication services and the advent of the “mobile information society”, which makes the WTO the basic frame work to launch the next major revolution in international trade.

In developed countries, average tariffs are generally low except in ‘sensitive’ sectors, such as textiles and clothing, and agriculture. Average tariffs of developing countries are rel a tively higher, but also have peaks in sensitive sectors, such as textiles and clothing, or in intermediary products, providing an incentive to development of the industrial base. Furthermore, developing countries have bound tariffs in their WTO schedule at ceiling levels, above applied rates, leading to uncertainty for economic operators. A trend of moving to a number of WTO members, both de vel oped and de vel oping countries, is a rising use of anti-dumping measures to limit imports. Furthermore, dissimilar technical regulations and product standards, as well as confusion on the extent of commitments, are emerging as significant potential impediments to market access.

On textiles and clothing products, the quota system into the WTO from the Multifibre Agreement, by Canada, the European Community and the United States, are still largely in place, despite two completed stages of integration into GATT 1994. For agriculture and food products, the scope is generally high and de vel oped countries try to maintain market access through all four modes of delivery. The Uruguay Round did bring the scope of GATS commitments to WTO members, but liberalization of these sectors has been much more gradual. In many countries, autonomic liberalization initiatives in the sector have moved policies well ahead of commitments, whose enforcement is limited and sustained only by the generous extra-budgetary donations of certain WTO members. In creased funding for tech nical assistance in the core budget of the WTO is one way of creating a more permissive environment for such activities.

WTO Members have the opportunity to do more for LDCs. The Plan of Action for LDCs launched at the 1996 gave priority to improve the position of market access, to the Integrated Framework work for technical assistance in the core budget of the WTO. At the time, a number of WTO members have improved the market access for LDCs through preferential programmes, and further actions could be taken to achieve the goal of tariff-free and quota-free access for all LDCs. And, following a review of its operation, the Integrated Framework is to be improved as a mechanism for the six par ticipating agencies – the ITC, IMF, UNCTAD, UNDP, World Bank and WTO – to deliver trade-related technical assistance to LDCs. Do not allow port is now needed. As the WTO initiates on LDCs falls into place, its effects will continue in force for the next 20 years to ease the plight of Africa, home to most LDCs, such as debt reduction to liberate domestic resources to build human capital and alleviate poverty. These actions, taken together, will help LDCs establish a basis for sustainable development and reverse their increasing marginalization in the world economy.

WTO Members should also be concerned by the mis understandings, re-staged for UNCTAD XI.
Bangkok in February, for the meetings of the World Bank and IMF in Washington in April and in Prague in September, and for other high-profile gatherings. The target is not the WTO per se, but all institutions, political parties or even inviduals that promote or support or do not openly condemn the policies considered to advance the process of globalization.

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

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

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

The secretariat has worked this year to improve the climate and the confidence in which these challenges are to be met, and will continue to do so in the future.

WTO ACTIVITIES

Activities related to the multilateral agreements

Full schedule of meetings in the WTO

WTO Members are engaged on a daily basis in regular meetings of the various Councils and Committees, established under the multilateral agreements, and directed to wards monitoring and compliance. These notably concern the receipt and examination of regular and periodic notifications by Members of policy in instruments covered by the agreements, regional trade agreements, and balance-of-payments measures, as well as the periodic review of the agree-ments as required. WTO Members also participate in the various Committees established to examine the relationship between trade and investment, the interaction between trade and investment, and the interaction between trade and competition policy, as well as transparency in government procurement. Ad interim activities by WTO Members are included in the modification of trade policy regimes in the Trade Policy Review Body, and dispute settlement in the Dispute Settlement Body. Annual reports on these activities are submitted by WTO bodies to the General Council for review.

Steps taken on international transparency and the effective participation of WTO Members

Following on concerns over transparency and pro cesses that emerged around the Third Min is te rial, the Chair man of the General Council and the Director-General began early in the year a series of consultations with Members on possible improvements in procedures and practices. Numerous contributions were received from members in the course of these consultations. It became clear that Members were concerned to see no need for radical reform of the WTO, that they firmly support the practice of reaching decisions by consensus, and that informal consultations continue to be a useful tool providing that certain improvements regarding inclusiveness and transparency are applied.

On 17 July, the Chair man pro vided Members with a progress report which emphasized the general recognition that significant improvements in the consultative processes have taken place in the first half of the year 2000. The Chair man emphasized that while such tangible progress was important, the full membership has a collective responsibility to keep this issue under close scrutiny. The Secretary General noted that Members have firmly supported the practice of reaching decisions by consensus, and that informal consultations continue to be a useful tool providing that certain improvements regarding inclusiveness and transparency are applied.

Implementation concerns addressed

All WTO Members are bound to observe the multilateral agreements in the Uruguay Round and to implement, if applicable, post-Uruguay Round commitments on basic telecommunications and financial services. Certain Members have, however, identified difficulties in implementation in connection with the end of transition periods on 31 December 1999 for developed and transition economies. These difficulties were expressed by Members in Geneva. The Director-General also emphasized the importance of reaching decisions on possible improvements in procedures and practices, particularly in the Dispute Settlement Body. Annual reports on these activities are submitted by WTO bodies to the General Council at its meeting of 3 and 8 May 2000.

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A wide range of other implementation-related issues and concerns have also been put forward. These are being considered by the General Council in the Implementation Review Mechanism established for the purpose, which has met twice in Special Sessions. This activity has been identified by Members, especially developed countries, as a priority area for the WTO’s agenda. At the Special Session held on 17 October to begin the General Council Chair-
Man and the Director-General reported in detail on the progress made in con the tuals so far. These had focused on progressary on pos si bil ity for ac tion in the shorter term.

**Man dat ed ne go ti a tions start on sched u le, and dis cus sions con tinue on a broader agenda**

The mandated negotiations on agriculture and services started in 2000. The negotiations under Article 20 of the Agreement on Agriculture were to continue the reform process set out in the agreement, which brought into the multilateral rules, largely for the first time, the policy in the current context and the issues raised in the book, which was the mark ated year 2000 for de vel oped counTRIES (2004 for de vel oping countries), the tabling of proposals is to take place by December 2000 and a stock-taking exercise is to be held in a Special Session of the General Council in March 2001, to consider progress and make and how to move for ward.

On services, the negotiations are to address further rule-making and to “achieve a more sively higher level of liberalization” (GATS Article XIX), building on the market-access commitments already contained in the schedule. It should be noted that the services sector is the leading sector of economic activity in many WTO Mem bers – was brought into the multilateral rules for the first time in the Uruguayan Round, and ad di tional sub-stantial agreement were reached in 1997 on tele communication and financial services. In 2000, to date, WTO Mem bers have agreed on a “roadmap” for the first phase of negotiations and that the second phase of these negotiations would be given a stock-taking exercise by a Special Session of the GATS Council in March 2001, to consider progress and make and how to move for ward.

While the mandated negotiations got under way in 2000, WTO Mem bers continued to discuss at the political level a wider agenda of negotiations, to ad dress other outstanding matters of access to barriers (Section III(C)) or extend the framework of the multilateral rules to new areas. In the latter case, proposals views the stakes as being the importance of the WTO as the main frame work of rules for the conduct of international economic relations, notably with re spect to compe tition policy and in vestment matters. In ad di tion, cer tain Mem bers are of the view that securing a reasonable level for ne go ti ations will have an im pact on the fin al outcome of those matters on agricul ture and services by expanding the scope for mutually ben efi cial trade-offs. Other Mem bers, however, continue to have doubts on whether it is approp riate to con sider launch ing a new round of nego ti ations in the presence of im ple men ta tion is sues and on the possibility of the Uru guay Round.

**Tech ni cal as sis tance ac tiv i ties and train ing remain vital**

A very substantial increase in the technical assistance and cooperation activities of the Secretariat took place in 1999 in response to the requests received. The number of such activities was 382 in 1999, up by 24% over 1998. Activities covered 127 countries, in cluding most WTO Mem bers, and countries that have expressed an interest in join ing the WTO (7): a large number of least developed countries were co ered (27).

Tech ni cal assis tance ac tiv i ties aim to im prove the un der stand ing of the agree ments and facil i tate im ple men ta tion of obligations: at the same time, emphasis is in creased on ing place on en hanc ing the ca pac i ty of counTRIES to in tegrate into the world econ omy to re al ize the ben e fits of the market access oppor tu nity for na tional opor tu nities to be held in a Special Session of the General Coun cil in March 2001, to consider progress and make and how to move for ward.

In addition to ma teri als, semi nar s, work shops, tech ni cal mis sions, and courses on trade pol icy, as well as reg u lar briefings, the Secretariat has been very active in estab lishing WTO Reference Centres, supported by donations from WTO Mem bers. Such centres provide access to trade-related information on the Internet, notably those de vel oped by the WTO, as well as PC-based re sources; they play a vital role in linking trade and services trade-off. Other Mem bers, however, continue to have doubts on whether it is appropriate to consider launching a new round of negotiations in the presence of implementation issues and concerns related to the Uruguay Round.

**Dis pute set tle ment: a heavy case-load for the system**

In 2000, the number of complaints filed since the start of the WTO topped 200, in di cut ing a con tin ued heavy use of the dispute settlement procedures by WTO Mem bers. The complaints concern allegations of inconsistency with
WTO obligations, mainly with regard to the use of trade defence instruments (anti-dumping, countervailing and safe guard measures), taxes on imported and domestic tile like products, subsidies, automotive investment regimes, product regulations, protection for patents or copyright, and market access for foreign service suppliers. The measures at issue in some complaints have been recently in- duced, while others are part of leg islation or cial measures that have been in place for decades.

Developed countries filed about three quarters of complaints under the Dispute Settlement Under standing (DSU), and were the respondent in the same share of complaints. Developing countries filed the remaining one quarter of complaints against de veloped countries in over 50% of complaints and the rest against other de vel op ing coun tries. The United States and the Euro pean Union are the most frequent complai nants to the WTO, and in a number of instances, complaints concern a measure maintained by the other, con firm ing the impor tant role of the WTO in re solving conlicts in the transatlantic relationship.

SATISFACTORY SETTLEMENT IS GENERALLY THE OUTCOME, BUT RETALIATION IS BEING USED

Roughly three quarters of complaints do not pro ceed be yond con sul ta tions on the panel stage, in dicating that a sale is fac tory ad just ment of the mat ter ob tained at an early stage of the WTO pro ce dures, just as was the case un der GATT 1947. For those complaints that proceed to the panel stage and on which panel re ports are is sued, most rul ings are the sub ject of ap peal to the Ap peal late Body; 37 such ap peals have been fi lled since the start of the WTO.

When complaints have com pleted the panel and Appeal late Body pro cedure, the re cord on prompt com pli ance with the recom man dations or rul ings of the Dispute Settlement Body (DSB) is good. When such recom man dations or rul ings call for the re spon dent WTO Mem ber to re move or modify the mea sure in dis pute, such ac tion is not lib er al ization as such – given the mea sure's sta tus of in com pat i bil ity with the WTO agree ments – but effec tive market-opening: sometimes ob tains because the measures have been in place for years or even de cades. The WTO's dis puteset tlement sys tem is thus, by and large, suc cessful in attaining the stated objec tive of pro serv ing the rights and ob li ga tions of WTO Mem bers, and thereby play ing a key role in en sur ing the con tig i ty of the pro cess of mul ti later al nego tiation, agree ment, and implementa tion, which con trib utes to the pro cess of trade re form.

How ever, cer tain com plaints that have com pleted the panel and Ap peal late Body pro cess, and where ac tion to im ple ment was re quired of the re spon dent WTO Mem ber, have yet to re sult in an ef fec tive res olu tion of the dis pute. Eight re quests for re view un der the Dispute Set tlement Body (DSB) have been fi led with the DSB by the rec sip i nant WTO Mem ber, and thereby play ing a key role in en sur ing the con tig i ty of the pro cess of mul ti later al nego tiation, agree ment, and implementa tion, which con trib utes to the pro cess of trade re form.

For those complaints that proceed to the panel stage and on which panel re ports are issued, the most frequent complainants to the WTO, and in a number of instances, complaints concern a measure maintained by the other, confirming the important role of the WTO in resolving conflicts in the transatlantic relationship.

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

Roughly three quarters of complaints do not proceed beyond consultation on the panel stage, indicating that a sale is factorty adjustment of the matter obtained at an early stage of the WTO procedures, just as was the case under GATT 1947. For those complaints that proceed to the panel stage and on which panel reports are issued, most rulings are the subject of appeal to the Appeal Body; 37 such appeals have been filed since the start of the WTO.

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

However, certain complaints that have completed the panel and Appeal Body process, and where action to implement was required of the respondent WTO Member, have yet to result in an effective resolution of the dispute. Eight requests for review under Article 22 of the DSU have been filed with the DSB by the complainant WTO Member, and thereby playing a key role in ensuring the integrity of the process of multilateral negotiations, agreements, and implementation, which contributes to the process of trade reform.

Ar ticle 22 of the DSU makes retaliation the last resort in the WTO system of dispute settlement, within a carefully circumscribed framework for the exercise of this in principle trade diplomacy. In the event a Member fails to implement the DSB’s rulings and recommendations within a reasonable period of time, the other party to agree mutually sat isfactory com pen sation is the preferred remedy available to the complainant. Failing such agree ment, the complainant may then request authorization from the DSB for the suspension of censsions or other ob li ga tions, which is granted un less the DSB de cides by con sen sus to re je ct the request. Such suspensions are, however, subject to rules to en sure that its level is not ex cessive, and arbi tration is available to this end. Finally, the sus pen sion is con ceived as a tem po rary mea sure, in place only for as long as simple ment is out standing or a mutually sat is factory solu tion is not found.

Five instances of recourse to Article 22 of the DSU have been made, leading to the authorization by the DSB of four in instances of retaliation: in the matter of the EC’s ban on hore mn e treated beef, Can ada and the United States have both re sponded by raising duties on im ports from the EC; in the mat ter of the EC’s regime for bananas, retaliation was requested by and au thorized for the United States and Ecuador, and has been carried out by the United States.

WTO Members need to fully consider the implications of the use of retaliation. The first is that it is the consumers of the retal iating country that bear the cost of higher duties on the products concerned or their unavailability. The second is that the eco nomic impact goes well beyond the directly concerned producers, trading firms, distributors, with per cussion effects on all the links in the chain of pro duction, trade, and dis tribution, and the work ers that each link employs. Finally, with respect to the WTO Members involved, retaliation is a sign that alternative methods of resolution of the dispute have failed. The multi lateral trading system pro spers by opening channels of trade, and WTO Members, prior to seeking authori zation to retaliate, have the option of adjusting to the most of their ability the available alternatives, such as compensation, which create a rather than limit trade.

ACCESSIONS

A vote of con fi dence in the WTO is the growing num ber of Mem bers, which rose to 140 in No vem ber 2000. Jordan, Georgia, Albania, Oman and Croa tia acceded in 2000 (in chronolog i cal or der), bringing to 12 the number of Mem bers that have acceded to the WTO since 1995. Lithuania is also set to join the WTO.

Two new accession working parties were established in 2000, for Cape Verde and Ye men. The other 26 working par ties in pro cess are those for: Al ge ria, An dorra, Al ba nia, Oman and Croa tia; Ar me nia, Azer bai ja n, Bel arus, Bhutan, Bos nia-Her zegovina, Cam bo dia, China, For mer Yu go slav Repub lic of Mac e don i a, Kazakh stan, Laos, Le banon, Moldova, Nepal, Russian Federation, Samo a, Saudi Ara bia, Sey chelles, Sudan, Chinese Tai pei, Tonga, Ukraine, Uzbekistan, Vanuatu, and Viet nam. China en tered the fi nal stage of the work ing pro cess in 2000, and a num ber of other accession processes advanced.

Each accession has the same ‘win-win’ qual ity for the WTO. The acceding party operates a more transparent and predictable trade regime, by as suming WTO ob li ga tions on goods, ser vices, and in tel lec tual property protec-
Steps to acceding to the WTO

In accordance with the vocation of the WTO to have a global reach in its mem ber ship, the WTO Agree ment in vites appli ca tions from inter ested gov ern men ts. Accord ing to Article XII of the Marrakesh Agree ment Es tab lish ing the World Trade Or ga ni za tion (WTO Agree ment), a gov ern men t may ac cede to the Agree ment “on terms to be agreed be tween it and the WTO”.

All ac ces sions be gin with a let ter from the re quest ing gov ern men t ad dressed to the Di re ctor-Gen er al. The item is then placed on the agen da of the WTO Gen er al Coun cil for ac tion, which gen er ally es tab lishes a “work ing party”, com posed of repre sen ta tives of Mem bers, to ex a mine the ap pli ca tion. The ap pli cant gen er ally ob tains ob server sta tus in the WTO to be come fa mil iar with its ac tivi ties.

The ap pli cant sub mits a Mem orandum on its For eign Trade Re gime in one of the three of fi cial lan guages (Eng lish, French or Span ish), de scrib ing in de tail the re gime (in clud ing copies of rele vant leg is la tion) and pro vid ing data. Ques tions may then be sub mit ted by Mem ber, to which the ap pli cant is in vited to re spond, to es tab lish a ba sis for dis pute set tle ment. Dis pute set tle ment sta tus ap plies to no ti fi ca tions by Mem bers, un less a restric ted sta tus is re quested, and doc u ments re lated to the agree ment sta tus ap plies to no ti fi ca tions by Mem bers, un less a restric ted sta tus is re quested, and doc u ments re lated to the agree ment sta tus ap plies to no ti fi ca tions by Mem bers, un less a restric ted sta tus is re quested, and doc u ments re lated to the agree ment sta tus ap plies to no ti fi ca tions by Mem bers, un less a restric ted sta tus is re quested, and doc u ments re lated to the agree ment sta tus ap plies to no ti fi ca tions by Mem bers, un less a restric ted sta tus is re quested, and doc u ments re lated to the agree ment sta tus ap plies to no ti fi ca tions by Mem bers, un less a restric ted sta tus is re request. The Kyrgyz Re pub lic, which joined the WTO in 1998, con ducted the speed i est ac ces sion to date, con clud ing in 2 years and 4 months, closely fol lowed by Ec uador at 2 years and 8 months. In con trast, China’s ac ces sion pro cess has been the lon gest to date, span ning 2 years and 4 months, closely fol lowed by Ec uador at 2 years and 8 months. In con trast, China’s ac ces sion pro cess has been the lon gest to date, span ning 2 years and 4 months, closely fol lowed by Ec uador at 2 years and 8 months. In con trast, China’s ac ces sion pro cess has been the lon gest to date, span ning 2 years and 4 months, closely fol lowed by Ec uador at 2 years and 8 months. In con trast, China’s ac ces sion pro cess has been the lon gest to date, span ning 2 years and 4 months, closely fol lowed by Ec uador at 2 years and 8 months. In con trast, China’s ac ces sion pro cess has been the lon gest to date, span ning 2 years and 4 months, closely fol lowed by Ec uador at 2 years and 8 months. 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within six months, and the rest re mained re stricted mainly be cause the ac tiv ity (e.g., ac ces sion) was still in pro cess. Over the years, this pol icy has led to the cu mu la tive re lease to the pub lic of 99.6% of WTO doc u ments, which is a good re cord on trans par ency.

In 2000, WTO Mem bers have been con fer ring on im prove ments that could be made to ac cel er ate pub lic availabil ity of doc u ments of par tic u lar in ter est to cit i zens, such as min utes of meet ings of WTO bod ies and panel re ports. One ob sta cle is tech ni cal – WTO doc u ments are in prin ciple is sued in Eng lish, French and Span ish, re quir ing time to trans late the orig i nal doc u ment. With re spect to im prove ments to the gen er al policy on public availabil ity, differ ences of view re main among the Mem bers, mainly be cause the ben e fits to quic ker derestruc tion are weighed differ ently.

While some Mem bers see instant pub lic availability of doc u ments as not detract ing from the effi ciency of the WTO as an or ga ni za tion, oth ers are more cau tious, and see con fi den ti al ity for the time re quired to com plete the ac tiv ity as pro mot ing de liber a tion and fruit ful di a logue. There is no doubt that greater trans par ency of doc u ments and of WTO ac tiv ities could dis pel myths that have no legiti mate rea son to ex ist. How ever, trans par ency alone may not suf fi ce to com mu ni cate effec tively the con tent of the WTO agree ments and the sub stance of the or ga ni za tion’s ac tiv ities, mainly be cause of their com plex ity.

De veloping in for ma tion prod ucts ap pro pri ate to meet the differ ences of cit i zens is a pri or ity for the WTO. This objec tive is of par tic u lar im por tance to en able pro duc ers to take full ad van tage of the new trad ing op por tu ni ties made avail able by mar ket-open ing agree ments.

Outreach to civil society

Outreach has also been an im por tant ac tiv ity of WTO Mem bers and the Sec re tar iat. The pub lic has ac cess to the WTO head quar ters in Geneva, and the Sec re tar iat han dles many of the meet ings of the WTO as an or ga ni za tion, pub lish ing the res ults of the meet ings in the WTO web-site.

In 2000, outreach ac tiv ities have in creased, with 686 NGOs in Se att le in 1999. The Sec re tar iat has organ ized sym posia on vari ous issues of par tic u lar con cern to seg ments of the NGO com mu nity, main tains an “NGO Room” on the WTO web-site, and con tin ues to pro vide for NGO ob serv a tion of Min is terial Meet ings, as pro vided for in their re spec tive agree ments with the WTO. The ba sis is the ‘co her ence’ man date, which re quires clos er co op er a tion be tween the WTO and the pre rog a tive of Mem ber gov ern ments to chan ge the WTO.

Outreach to inter na tional in ter gov ern men tal or ga ni za tions (IGOs)

Outreach also con cerns re la tions with other in ter na tional in ter gov ern men tal or ga ni za tions. A for mal policy on such re la tions was es tab lished in 1995 for the IMF and the World Bank, as pro vided for in their respective agree ments with the WTO. The ba sis is the ‘co her ence’ man date, which re quires clos er co op er a tion be tween the WTO and the pre rog a tive of Mem ber gov ern ments to chan ge the WTO.

Trade pol icy trends in WTO Mem bers

Mark et ac cess con di tions for goods in se lected mar kets

Trade links

WTO Mem bers ac counted for just un der 90% of world mer chan dise trade in 1999. Sig nif i cant trad er has out side the mul ti lat eral trad ing sys tem, but in the pro cess of ac ces sion to the WTO, in clude China, Chi ne se Tai pei, the Rus sian Fed er a tion, and Saudi Ara bia. Among WTO Mem bers, the Quad – Can ada, Eu ro pean Un ion, Ja pan and United States – ac counts for just over half of world mer chan dise trade. In ad di tion to substances two-way trade links be tween each other, their mar kets con tinue to be the main de tailed tar if fee for the ex ports of most de vel oping coun tries and transi tion eco nom ies. Trade be tween de vel oping coun tries has been grow ing in im por tance, how ever, es pecially be tween par tners in reg ional trade agree ments, such as MERCOSUR, ASEAN or SADC.

Tariff policies

Av er age ap plied tar if fs of WTO Mem bers vary widely: with coun tries hav ing higher per ca pita in comes tend to main tain, on bal ance, lower tar if fs, to the ben e fit of their...
con sumers and produc ers (Chart II.2).

Since the es tab lish ment of the WTO in 1995, tar iff lib er al iza tion has pro gressed through the im ple men ta tion of Uruguay Round commit ments, plus sub se quent lib er al iza tion ini ti atives, not only on in forma tion tech nol ogy prod ucts, as well as through au ton o mous ac tion. Trends in ap plied tar iff lev els over time are dif fi cult to de ter mine, how ever, be cause WTO Mem bers of ten as ses tar iff lev els on ag ri cul tural prod ucts are spe cific terms (i.e. vol u me, weight, phys ical con tent), whose ad va lo rem equiv a lent levs de pend on com mod ity price trends, as well as the im ple men ta tion of com mit ments.

In ad di tion to the lev els of ap plied tar iff lev els, a key as pec t of tar iff pol icy is the de gree of pre dict abil ity in the tar iff re gime. Ex perience has shown that the eco nomic ben efits as soci ated with an open trade regime are more readily avail able if eco nomic op er a tors have con fi den ce that pol icy re ver sals are con tained. An an pro vided by the com mit ment to bind tar iff lev els in the WTO. This was re quired of WTO Mem bers for tar iff lev els on ag ri cul tural prod ucts, but the ex tent to which coun tries made use of this op por tu nity on other prod ucts var ied wid ely, in clud ing with re spect to the gap be tween ap plied and bound rates. Greater pre dict abil ity could be as sured by achiev ing a more con pre hen sive cov er age of bind ings and bring ing bound rates down to ap plied rates.

In this re gard, the sit u a tion of WTO Mem bers on which up-to-date in for ma tion is avail able through Trade Pol icy Re views is:

• all items are bound for the Eu ro pean Union, Nor way, and Swit zer land–Liechtenstein, and close to com pre hen sive cov er age applies to Canada (24 items unbound), Iceland (6% of lines unbound), Japan (99 items unbound), and the United States (2 items unbound), and lev els of ap plied tar iff lev els are at or close to bound levels;
• Brazil, Nic a ra gua, Pa pua New Gu ine a, Peru, and Ro ma nia have a com pre hen sive cov er age of bind ings at ceil ing rates, higher than lev els cur rently ap plied;
• Bah rai n, Is rael, Re pub lic of Ko re a, Philip pines, Po land, Sin ga pore, and Thai land have a less-than com pre hen sive cov er age of bind ings;
• Ban glad esh, Ken ya, and Tan za nia have a low cov er age of bind ings.

Most newly ac ced ing coun try tri es to the WTO have made signifi cant efforts to achieve a com pre hen sive scope of bind ings and lock-in tar iff lib er al iza tion. Ecuador, Mon go lia, Bul gar ia, Pan ama, Ky rzgyz Re pub lic, Lat via, and Es to nia, which acceded be tween 1996 and 1999, bound vir tu ally all lines, and the new Mem bers of the WTO in 2000—Jor dan, Ge or gia, Al ba nia, Oman and Cze c hia—have also each pledged com pre hen sive cov er age of bind ings. The aver age lev els at which tar iff lev els were bound were in dou ble-digits for ag ri cul tural prod ucts, rang ing from a high of 34.9% for Bul gar ia to a low of 5% for Croa tia.

An other key as pec t of tar iff pol icy is the ex tent of dis soci ation ac cros s sec tors (no ta ble ‘peaks’) or by de gree of pro cess ing, which af fects re source al lo ca tion, as well as the trans par ency and scope for rent-seek ing in the tar iff re gime. Among the Quad, tariffs well above the average con tinue to pro tect a num ber of in dus try tri es from im por ts, and tar iff es ca la tion is ev i dent in a num ber of sec tors. In Ja pan, tar iff peaks af fect foot wear and head gear, and in Can ada, the Euro pean Union, and the United States, tar iff peaks af fect the tex tiles and cloth ing sec tor, on which quotas also apply (see below). Tariffs on ag ri cul tural prod ucts are gen er ally sub stan tially higher than on other prod ucts (Table II.1), not only on per a te-zone prod ucts, and sub si dies are an ad di tional dis tor tion af fecting mar ket ac cess con di tions in the sec tor (see be low).

A num ber of de vel op ing coun try tri es have made ef forts to a chieve a more uni form tar iff struc ture, and thereby re move or re duce dis tor tion ary ef fects on re source al lo ca tion. For the coun try tri es on which up-to-date in for ma tion is avail able through Trade Pol icy Re views, no table ef forts in this re gard were made by Bolivia, which adopted a uni form rate of 10% (with some excep tions), and a sim plified multi-tier tar iff struc ture was es tablished by Ban glad esh, Nic a ra gua, Peru, and Tan za nia.

The scope of ap pli ca tion of MFN tar iff lev els by WTO Mem bers is de cu ded, how ever, by pref er ences granted to part ners in regional trade agree ments (with a few not able ex cep tions, see Sec tion II(B)(4) be low), agree ments pro viding pref er ences on a non-recip ro cal ba sis, or pref er ences granted to coun tries in trans i tion and de vel oping coun tries un der the Gen er alized Sys tem of Pref er ences (GSP), with supple men tary prefer ences for least de vel oped coun try tri es. The pro lif er a tion of re gional trade agree ments in re cent years and their pro spec tive ex pan sion (Sec tion II(B)(4)), look set to fur ther erode the scope of ap pli ca tion of MFN tar iff lev els. On GSP, an im por tant de vel op ment in the sche me op er ated by the Eu ro pean Union is the spe cial in cen tive ar rang ement for coun tries dem on strating ad her ence to inter na tional reg u lar ity and recog nized work er rights or en vi ron men tal stan dards; eli gibil ity under the U.S. GSP pro gram me re quires a coun try to take or be tak ing steps to af ford in ter na tion ally rec og nized work er rights. An oth er impor tant de vel opment is the extended

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<table>
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<th>Table II.1</th>
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<tr>
<td>Simple average MFN tariff and GDP per capita for selected countries, 1999</td>
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<tr>
<td>Tariff (%)</td>
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<td>GDP per capita(US$)</td>
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<td>WTOnon-agriculture</td>
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<td>AUS</td>
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<tr>
<td>CAN</td>
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<td>EUR (15)</td>
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scope of preferences for least developed countries, granted by developed countries in the context of GSP, and granted autonously by a rising number of developed countries. 

Slow pace of elimination of quotas on textiles and clothing

Canada, the European Union, and the United States, the evidence strongly suggests that market access for textiles and clothing products has been improved under the ATC mainly by the application of quota growth rates in the first and second stages of the integration programme, since the elimination of quotas has, to date, been modest, with the exception of Norway:

• Canada’s first stage in the programme contained a product previously subject to restrictions (work gloves), and its second stage in the programme contained two categories subject to quotas (tailored collar shirts and textile hand bags);

• the EU’s first stage in the programme contained only products not subject to restrictions, and its second stage in the programme contained products in 12 restricted categories, affecting five members to varying extents;

• Norway progressively removed quotas autonomously: 14 in 1996, 32 in 1997, 5 in 1998, and the remaining three to be eliminated on 1 January 2001;

• the United States’ first stage integration programme contained products not subject to restriction, and its second stage in the programme contained all or part of 24 product categories, with specific limits affecting three of these categories, or combined categories, and six members, and the other product categories in group or aggregated limit basis.

Preparation is being made for the third stage of integration on 1 January 2002 (not less than 18% of base line 1990 imports). In this regard, the European Commission has announced its proposed integration programme. Third stage in the programme are to be no tied to the WTO by the end of 2000. Also in the third stage, quotas are to be increased by a factor of 27%.

Quotas on textiles and clothing products are also maintained by India, as well as on other products, for a transitional period ending in April 2001. Pakistan maintains quotas on textiles and clothing products under the cover of the balance-of-payments provisions of GATT 1994. Turkey’s quotas on such products are subject to implementation of the results of the dispute settlement proceeding on

the measures by February 2001.

Rising trend of anti-dumping and countervailing measures

WTO Members no tied 360 initiations of anti-dumping in investigations in 1999, up 42% over 1998 (Chart II.3). In 1999, the European Union and India each reported the highest number of initiations, at 68, followed by the United States with 45 initiations (Table A.1). Counted together, the European Union and its Member States were the WTO Members most affected by initiations of anti-dumping investigations (47), followed by the Republic of Korea (34) and Japan (23), although many other exporters were also affected, notably China (Table A.1).

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

On average, about half of initiations anti-dumping in investigations are terminated without measures being imposed, and the rest end with a definitive anti-dumping measure in the form of a duty, or, less frequently, a price undertaking by the exporter. Despite a sunset clause of five years under the WTO Anti-Dumping Agreement, the accumulated stock of anti-dumping measures is rising steadily. As of mid-2000, an estimated 1,119 final anti-dumping measures were in place, of which the United States had the most (28%), followed by the European Union (18%), South Africa (9%), India (8%), and Canada (8%). Counted together, the European Union and its Member States were the WTO Members most affected by final anti-dumping measures in place (16%), although exporters from China are the most affected on the whole (17%). Such measures are relatively common on chemical products and base metals, notably steel.

The use of counter-vailing anti-dumping duties – both in terms of the number of user WTO Members, initiations, and measures in force remain much lower than for anti-dumping, although also on a rising trend in 1999 (Table A.2). As of mid-2000, an estimated 85 final countervailing measures were in place, of which the United States had the most

<table>
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<th>Initiations of anti-dumping investigations, 1999</th>
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<td>European Communities</td>
</tr>
<tr>
<td>India</td>
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<td>United States</td>
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<td>Argentina</td>
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<td>Turkey</td>
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(54%), mainly on steel products, followed by Mexico (12%).

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

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

Another area of concern is subsidies. In 2000, support granted to aircraft manufacturers was of particular controversy, leading to dispute settlement proceedings in the Dispute Settlement Understanding on Foreign Sales Corporations (FSC) brought by the European Union against the United States; this was the largest sum ever awarded in a dispute brought to the WTO.

In 1999, the OECD estimated total support to agriculture at 306 billion, up 5.6% over 1998, a rise explained by “low world commodity prices, and the resulting pressure to protect farmers.” Producers support granted in the area was estimated at 236.7 billion, of which the largest single share is accounted for by the European Union (45%), followed by Japan (23%) and the United States (21%); it should be noted that the OECD figures do not segregate support from trade-distorting measures of direct producer support, not only in support in the 18 “green box” categories of Annex 2 of the Agreement on Agriculture. The OECD also notes that levels of support to producers have risen to match previous highs established a decade ago (Chart II.4), when the Uruguay Round was under way. In relation to the common market agreements of WTO Members under the Agreement on Agriculture, the OECD notes, however, that:

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

In addition to their effects on domestic consumption, producers, and the environment, the support polices for agriculture have spillover effects on world markets and on the export market, and many of which are developing countries. This underscores the importance of WTO Members making meaningful progress in the currently engaged negotiations under Article 20 of the Agreement on Agriculture, to continue the reform process.

**Products regulations and standards may impede market access**

Products placed on the markets of WTO Members, whether of domestic or imported origin, must comply with the relevant regulations, where they exist, to meet health, safety, and environmental objectives. Such measures may in clude out right bans, notably in the context of sanitary and phytosanitary measures, which are taken to protect human, animal, and plant health. Apart from SPS measures, imports may be subject to producer support and standards to meet public policy objectives. Generally, the entry of imported products is permitted subject to conformity as seen by the relevant MSs with the relevant agreements and undertakings.

The WTO Agreement on Techni cal Barriers to Trade (TBT), and on Sanitary and Phytosanitary Measures (SPS) recognizes and enforces activity at the international level to improve the regulatory and technical standards for products, and the development of international standards, guidelines, and recommendations. Such activities at the international level are necessary to ensure market access for each WTO Member, and to reduce the potential for disputes over technical standards. The new development, encouraged by the SPS and TBT Agreements, is the conclusion of mutual recognition agreements on the results of conformity as a result of public policy objectives. The trend to conclude such MRAs is con fined – to date – to developed countries.

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**Chart II.3**

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Countervailing</th>
<th>Anti-dumping</th>
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<tbody>
<tr>
<td>1995</td>
<td>156</td>
<td>25</td>
</tr>
<tr>
<td>1996</td>
<td>253</td>
<td>43</td>
</tr>
<tr>
<td>1997</td>
<td>235</td>
<td>36</td>
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<tr>
<td>1998</td>
<td>241</td>
<td>47</td>
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Source: WTO Secretariat

**Chart II.4**

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

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<tbody>
<tr>
<td>Canada</td>
<td>100</td>
<td>110</td>
<td>120</td>
<td>130</td>
</tr>
<tr>
<td>United States</td>
<td>110</td>
<td>120</td>
<td>130</td>
<td>140</td>
</tr>
<tr>
<td>European Union</td>
<td>120</td>
<td>130</td>
<td>140</td>
<td>150</td>
</tr>
<tr>
<td>Japan</td>
<td>130</td>
<td>140</td>
<td>150</td>
<td>160</td>
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</tbody>
</table>

The significant cance of SPE mas sures appear to have expanded in recent years. Devel pedal countries are heavy users of such measures, mainly to protect food safety, although developing coun tries are also using them with greater frequency. By October 2000, the United States had not tied the WTO of the high est num ber of SPE measures (341), followed by the European Union and its Mem ber States (170), Mexico (165), and Australia (120). The sig ni ficance of TBT measures may also appear to have expanded, ris ing from 365 at tied measures in 1995 to 672 measures in 1999, in part due to the expansion of such measures by developing coun tries (Table II.2).

Market access conditions for services

The service sec tor, as is well known, plays a dom inant role in the econ o mics of most WTO Mem bers, both in provid ing con sumer ben efits direc tly through health, educa tion, and leaf ser vices, and as a sup port to busi ness activities, through finance, communi cations, and transpor tation. Ser vices is the lead ing sec tor of eco nomic ac tivity in all high-income countries, its impor tance in lower-income coun tries, with some excep tions. The impor tance of the services sec tor in the world economy greatly ex ceeds its share in world trade, which was es ti mated at one third in 1999, mainly be cause these sta tics only count cross-border trans ac tions and not ser vices pro vided through af fil iates. Further more, the same basic pol icy prescripts as in the goods sec tor also apply, such as en suring that pol icy con ditions are not com petitive or im peding com mer cial op portunities. In addi tion to do mes tic ben efits from a greater vari ety and com petitive pricing of ser vices, trad ing part ners gain the op portunity for trade-related de vel op ment, based on ser vices trade.

A key development in the multilateral trading system was there fore the GATS Agree ment, which es tab lished a frame work for com mit ments by WTO Mem bers to bind, re duce or elim in ate im ped i ments to the sup ply of ser vices by for eign pro vid ers, fol lowed up by the agree ments on basic telecoms and finan cial ser vices to for eign banks in 1996, elim inating the mo no poly of the state-owned tel eco munications op er a tor and opened the mar ket to com pe ti tion; the European Union opened the teleeco munications mar ket to com pe ti tion in 1998 un der the In ter nal Mar ket pro gramme, in forc ing and extending the re sul ting ac cess to for eign ser vices pro vided un der the Fourth Mar ket pro to col to the GATS, re spe ctively. Just as is the case of the pol icies affect ing mar ket ac cess for goods, WTO Mem bers dis play a wide vari ety of ap proa ches to service sec tor liberaliza tion (Table II.3). Within the sectoral com mit ments, all modes of de liv ery are gen er ally pro vided for, al though a num ber of WTO Mem bers main tain re strictions on com mer cial pre sence, and the scope of ac cess for de liv-
“single pass port” to foreign service providers under the Fifth Protocol;

- Ice land’s “open re gime for the pro vi sion of ser vices in all sec tors by for eign suppliers (ex cept by mode 4)” was bound in the GATS. Is rael, which re tains a state-owned telecoms operator, has opened the mobile telephony market and the in ternational calls segment of the fixed-line mar ket to compe ti tion by pri vate ves tors, with for eign equity parti ci pation;

- Japan has pur sued fin an cial sec tor li ber al iza tion since 1997 and, in ac ordance with the Fi nnan cial Sys tem Re form Law, li ber al ized the setting of broker age com mis sions in 1999 and elim in ated the com partmen tal iza tion of secur ities busi ness;

- Ken ya has be gun to open the do mes tic telecoms mar ket to com pe ti tion, pros pos ing to pri vat ize the state-owned telecoms op er a tor for (for eign stakes would be sub ject to a 30% ce il ing);

- The Re pub lic of Ko rea opened its ser vices sec tor to for eign in vest ment, nota bly fi nan cial, tele com, broad cast ing, mar time and air trans por ta tion ser vices, and made com mit ments un der the Fourth and Fifth Pro to cols to the GATS which im proved con di tions of mar ket ac cess for for eign pro vi ders of fi nan cial and telecom ser vices;

- Ni cara gua elim in ated the state mo no polies in in sur ance and postal ser vices in 1996, has scaled back state in vol ve ment in bank ing, and de cided the pri va ti zation of the state-owned telecoms op er a tor in 1998, also open ing up seg ments of the telecoms mar ket to com pe ti tion;

- Nor way opened fi nan cial ser vices to for eign com pe ti tion, with con di tions on com mer cial pres ence, and fully li ber al ized tele com mu ni ca tions in 1998, el im in ating the mo no poly rights of the state-owned op er a tor;

- Papua New Gu ine a has begun to open the do mes tic telecoms mar ket to com pe ti tion, plan ning for the state-owned telecoms op er a tor to lose its mo no poly in 2002, when for eign sup pliers will be al lowed en try;

- Per u dra mat ically re duced or elim in ated state in vol ve ment in fi nan cial, trans port, power gen er a tion, and tele com ser vices through pri vat iza tion, and en cour aged for eign in vest ment in these sec tors, in clud ing by com mit ments un der the GATS;

- The Phil pines has re duced state in ter ven tion in the ser vices sec tor through pri vat iza tion, and has li ber al ized for eign eq uity parti ci pation in fi nan cial ser vices;

- Po lland has opened the mo bile te le phony mar ket and on fixed line ser vices, re moved the state mon opoly on long-dis tance and lo cal tele phone calls in 1999, for do mes tic te lex and tele graphic ser vices in 2000, and is to re move the mo no poly on long-distance calls in 2003;

- Ro man ia has dra mat ically re duced or elim in ated state in vol ve ment in ser vices through pri va ti zation, adop ted a pol icy of open non-dis crim in a tory ac cess for the es tab li shment of banks (sub ject to pruden tial reg u la tions), and on telecoms, opened the mar ket for mo bile te le phony and is to open ba sic ser vices to com pe ti tion in 2003;

- Si nga pore has re moved for eign own ership re stric tions in bank ing ser vices and ad vanced to April 2000, by two years, the full open ing of the telecoms sec tor, re mov ing all re stric tions on for eign in vest ment;

- Tan za nia has dra mat ically re duced or elim in ated state in vol ve ment in ser vices through pri vat iza tion, and opened ser vices to com pe ti tion, not a bly in telecoms and fi nan cial ser vices;

- Thai land made use of the Fifth Pro to col to the GATS to open fi nan cial ser vices to com pe ti tion, as a key as pect of its ac tion to over come the ef fects of the cri sis that be gan in mid-1997, and in creased com pe ti tion in telecom ser vices, which are to be opened in 2006.

Intellectual property protection

A key de vel op ment in the mul ti lat eral trad ing sys tem is the WTO TRIPS Agree ment, which es tab lished a frame work of rules on in tel lec tual prop erty (IPRs) and the means to ensure their re en force ment. In tel lec tual prop erty pro tec tion, which re fers to cre ations of the mind, is di vided into two cat e gories: in dus trial prop erty, which in cludes in vent ions (pat ents), trade marks, in dus trial de signs, and geo graph ical in di ca tions of source; and copy right, which in cludes lit er ary and ar tis tic works such as nov els, po ems, plays, films, mu sic al works, paint ings, photo graph s, sculp tures, and arch i tec tural de signs, as well as the rights of per form ers, pro duc ers of sound rec or dings and broad cast ing or gan iz a tion.

Pro tec ting in tel lec tual prop erty rights such as pat ents and copy right re quires the in ten tion of cre at ing a mar ket for cre ative works and in ven tive ness, while in the area of dis tinc tive signs, such as trade marks and geo graph ical in di ca tions, its main pur pose is to pro tect the con sumer and pre vent unfair compe ti tion be tween pro duc ers. In the area of pat ents, anoth er ben e fit is to fos ter dis co very and in nov a ti on for de vel op ing coun tries adopt ing IPR re gimes.

When the WTO agree ments took ef fect on 1 Jan u ary 1995, de vel op ed coun tries had one year to ensure that their laws and prac tices conformed with the TRIPS Agree ment, de vel op ing coun tries and (un der cer tain con di tions) tran si tion econ o mies had five years, and least de vel op ed coun tries had 11 years. Thus, as of 1 Jan uary 2000, de vel op ing coun try tran si tions were re quired to have im pl im ent ed the TRIPS Agree ment, and the TRIPS COUNCIL has been re ceiv ing no fi ca tions to this ef fect and es tablished a sched ule for the post-2000 re view of the GATS. Im ple men ta tion of the TRIPS Agree ment has also been at sue in dis pute set tle ment pro ceed ings.

Major de vel op ments in the area of in tel lec tual prop erty rights were noted for the coun try tran si tions that were the sub ject of the Trade Pol icy Re views dur ing the pe riod cov er ed by this Report:

- Bahrain has put in place its na tional leg is la tion to re flect TRIPS ob li ga tions, in clud ing on pat ents, trade marks and in dus trial de signs, and has made ef forts to step up re en force ment, es peci ally with re gard to copy right re protec tion;

- Ban gla desh (a least de vel op ed coun try) is up dat ing its copy right pro tection;

- Brazil has passed re vis ed copy right, patent, and trade mar k laws, and has made ef forts to step up en force ment, es peci ally with re gard to copy right re protec tion;
mark legislation since 1996, and appears to have made considerable gains on enforcement of Brazilian laws against video and software piracy, and for eign and domestic copyright right holders have success fully used the domestic legal system to pursue their rights (as though the deterrent value of fines eroded by inflation is an issue);

- the European Union has taken new harmonization initiatives for the legal protection of biotechnology inventions and of designs, plans to do so for the patentability of computer programs, and in tend to establish new unitary rights through a “Community design” and a “Community patent”;

- Japan amended its patent and copyright legislation to achieve compatibility with the TRIPS Agreement in 1996, notably granting full protection to pharmaceutical products;

- Israel has been amending its laws to comply with the TRIPS Agreement by 2000, and has a special police unit dedicated to enforcement since May 1999;

- Japan amended the Patent Law in 1998 to provide additional measures against patent infringements, and in 1999 to shorten the period for re questing patent extension from seven years to three, implement the registration system for patent term extension as well as reduce patent fees, and also amended the Copyright Law in June 1999 to comply with 1996 WIPO treaties;

- Kenya has been amending its laws to comply with the TRIPS Agreement by 2000;

- the Republic of Korea launched in April 1998 the “Intellectual Property Great Leap Forward Policy” to raise competitiveness through strengthened efforts in the various international treaties to which the Republic of Korea is party, and provisions on IPR protection, and amendment of the Copyright Act in 1999 and intends to comply with the TRIPS Agreement by 2000, and has a special police unit dedicated to enforcement;

- Tanzania (a least developed country) introduced the Copyright Act in 1999 and in tend to comply with the TRIPS Agreement by 2006; and

- Thailand introduced a new Patent Act in 1999, amended its Trademarks Act, notifying its legislation to the WTO before the end of the transition period, and has a special police unit dedicated to enforcement;

- Armenia (a least developed country) introduced the Copyright Act in 1999 and in tend to comply with the TRIPS Agreement by 2006;

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In the meantime, Singapore and New Zealand have concluded agreements to deepen trade and investment with Panamá, Mexico, which already has agreements with Bolivia, Costa Rica, and Nicaragua, concluded agreements with El Salvador, Honduras, and Guatemala. Negotiations on a free-trade agreement with Mercosur, and has numerous bilateral agreements under negotiation, notably with Brazil, Ecuador, Peru, and Uruguay.

In the European Union, the Euro pean Union is linked by bilateral free-trade agreements, to which the countries in Central and Eastern Europe, a group of which are linked by CEFTA (Bulgaria, the Czech Republic, Hungary, Poland, Romania, the Slovak Republic, and Slovenia), while the other group is linked by the Baltic Free-Trade Area (Estonia, Latvia, and Lithuania). Each of these countries tries to engage in succession of free-trade agreements with partners to parallel those concluded by the EU. For its part, the EU is considering changes needed to accommodate this large amount of trade to the east.

The EU is negotiating second-generation bilateral free-trade agreements based on a free trade area of preferences, and political, not an economic, union with partners in the Mediterranean and North Africa. As part of the process of establishing a Euro-Med free-trade area by 2010, the EU also concluded a free-trade agreement with South Africa, which entered into force in 2000. For lowing its strategy of concluding free-trade agreements with dynamic emerging market economies, the EU has been successful in these negotiations, notably with Brazil, especially after the conclusion of the Mercosur agreement. In March 2000, the EU has also proceeded with discussions on the new ie-Brazilian free-trade agreement, which the EU is unable to negotiate with Mercosur.

Also in Europe, the main aim of the EFTA member states is to link their free-trade agreements to those concluded by the EU, and to take part in the negotiations leading to those agreements. EFTA itself has concluded free-trade agreements, and has thus far managed to establish a free-trade area by 2004. The 20 member states of the Common Market for Eastern and Southern Africa (COMESA) have agreed to launch a free-trade area by 2007, and to adopt a common external tariff by 2001. For its part, the EU is considering changes needed to accommodate this large amount of trade to the east. The motivation is that such agreements can be seen as a useful means of securing greater market access for European countries, and to meet the challenge of the new regional trade agreements.

In Asia, the members of ASEAN—Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam—met to conclude a free-trade agreement. In the meantime, Singapore and New Zealand have concluded a free-trade agreement. Also in Asia, Japan has shifted its long-standing policy of multilateral trade liberalization to consider the conclusion of bilateral agreements to deepen trade and investment with other regions and with the countries in the East. The conclusion of these agreements is linked to the conclusion of the Mercosur agreement, and has numerous bilateral agreements under negotiation, notably with Brazil, Ecuador, Peru, and Uruguay. The EU is also linked by the Baltic Free-Trade Area (Estonia, Latvia, and Lithuania). Each of these countries aims to progress towards economic union. The members of the EU are considering changes needed to accommodate this large amount of trade to the east.

The motivation is that such agreements can be seen as a useful means of securing greater market access for European countries, and to meet the challenge of the new regional trade agreements.
ta bly with re spect to trade in goods, that re sult in trade di -
vers i on to the det ri ment of third par ties and un der mine the
bedrock prin ci ple of the most-favoured-na tion. (APEC, by con -
trast, is an ex am ple of “open” re gion al ism since pre fer-
er en ces are not part of its lib er aliza tion agenda.) On
bal ance, how ever, ex perience has shown that the
twin-track ap proach of re gional and mul ti lat eral lib er aliza-
tion can fruit fully co-exist if WTO prin ci ples on such
agree ments are fully re spected.

It has been ar gued that the post-Seattle trend to re gional
in te gra tion could strength en, if dis ap point ment with the
mul ti lat eral trad ing sys tem is al lowed to take hold. Al-
though it is too early to draw any con clu sions on this is sue
(not in g the for ward ag enda of the WTO, de scribed in pre-
vious sec tions), cer tain as pects of the in ter face be tween
re gional and mul ti lat eral in te gra tion need to be em pha-
sized. A first as pect is that pre fer en cies are not part of its lib er aliza tion agenda.

A low level of par tic i pa tion in world trade
might be reason able, but it will not help the
LDCs. In con trast, man u fac tures have been the
fast est grow ing com po nent of world trade.

Volatile commodity prices have led to un stable export
earnings of LDCs. (ILO Photo)

INTegrating ldcS in the World TRADING SYStEM

Overview

A low level of par tic i pa tion in world trade

The United Na tions has clas si fied 48 coun tries as least
de vel op ed coun tries (LDCs), based on so cial and eco-
nomic cri ter ia, of which 29 are WTO Mem bers and nine
are in the pro cess of ac cession.

The most ob vi ous man i festa tion of the di fficult situa-
tion of LDCs in the world trad ing sys tem is their al most
continuously de clining share in world merchandise ex-
ports. This share was down to 0.4% in 1999, from 0.7% in
1980, while these coun tries ac counted for 10.4% of the
world’s pop u la tion. The de cline largely re flects the con-
tin ued im por tance of pri mary pro duc tions in LDC ex-
ports, ac count ing for 80% or more of total mer chandise
ex ports in all but a hand ful of LDCs. Com mod ity prices
have also ex hib i ted a sig ni ficant de grade of vol a ti lity, lead-
ing to un sta ble ex port earn ings and im port ex pen di tures
for the LDCs. In con trast, man u fac tures have been the
fast est grow ing com po nent of world trade.

Sig ni ficant dif fer ences are ap par ent be tween LDCs in
terms of the mag ni tude of trade, its com po si tion, and per-
fomance over time. Of the 48 coun tries in the group of
LDCs, just 15 ac count for some 80% of LDC ex ports. Fur-
fur ther, not all LDCs saw their share in world mer chan-
dise trad ing de cline over time (Chart III.1). Coun try ex-
ports that are ex port ers of man u fac tures have (with the ex ception of
Mad a gas car) per formed above the world av er age; for ex-
am ple, Ban gla desh, whose ex port earnings are mainly man u -
factured prod ucts, saw its share of world ex ports rise
(although still tiny). Above-average export and im port
growth was also ex hib ited by a few coun try ex ports whose ex-
ports are dom inated by pri m ary com mod i ties. Neg a tive
ex port and im port growth (left bot tom quad rant) was pres-
ent only in coun try ex ports that have been suf fering from pro-
longed civil strife.

Growth re du ces pov erty and open ness to trade
im proves growth pros pects

The WTO Sec re tar iat has re cently noted that “trade lib er al-
iza tion is gen er ally a strongly pos i tive con trib u tor to pov -
erty al le vi a tion – it al lows peo ple to ex ploit their pro duc tive
in terests and helps to in su late against shocks”.

This con clu sion is backed by em pir i cal re search. Open-
ess of the economy has proved to be a major fac tor in
economic growth, strongly as so ciated with per ca pita in-
come growth. In a study of 122 coun tries for 1970-90,
“open” econ o mies out per formed “closed” econ o mies on
economic growth, av oid ance of ex treme macro eco nom ic
cri sis, and struc tural tauge: growth rates of “open” econ -
omo mies av er aged 4.4% be tween 1970 and 1990, com pared
to just 0.69% for “closed” econ o mies. This con curs with a
new study from the World Bank which, us ing data from

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80 countries over four decades, con firms that open ness boosts eco nomic growth and that the in comes of the poor rise one-for-one with over all growth. Open ness to trade has also been found to be corre lated with re duced pov erty. When coun tries were grouped ac cording to their de gree of openness (mea sured as low anti-export bias), a World Bank study found that “in te grating” coun tries im proved in all im portant so cial indi ca tors, from life expec tancy to in fant mor tal ity rate, to adult illiter acy rate (Chart III.2).

The World Bank re cently noted that:

As coun tries be come richer, on av er age the in ce n tive of pov erty falls. Other in di ca tors of well-being, such as av er age lev els of edu ca tion and health tend to im prove as well. For these reasons, eco nomic growth is a powerful force for pov erty re duction. This ob serva tion is not the end of the story, for it raises the ques tions of what causes eco nomic growth and why coun tries with sim ilar rates of eco nomic growth can have very dif fer ent rates of pov erty reduction.

The World Bank goes on to note that the pov erty-reduc ing effects of eco nomic growth are en hanced by pol i cies to pro mote so cial de vel op ment, such as edu ca tion and in stit u tion-build ing, and there fore eco nomic growth and social de vel op ment have to be viewed to geth er, and not in a se quence.

Based on these stud ies, least de vel op ed coun tries seek ing to im prove their growth pros ects are en cour aged to, inter alia, open their trade re gimes and im ple ment ap propri ate se quenced out ward-oriented re forms that will per mit trade di verse fi ca tion and ex pan sion. The World Bank has un der lin ed that, in ad di tion to the growth-promoting pol i cies that can be adopted, pov erty re duction re quires ap propri ate pol i cies of sup port, no ta bly edu ca tion and in stitution-build ing.

In ad di tion to the ef forts to be made by coun tries and the com mu nities within them, glo bal ac ts are also needed. Thus, the WTO has es tab lished a Plan of Ac tion for LDCs, to re move mar ket ac cess bar ri ers and sup port trade de vel op ment through tech ni cal sup port. At UNCTAD X, a pro posal for a Plan of Ac tion for LDCs was agreed with a view to the Third United Na tions Con fer ence on the Least De vel op ed Coun tries (UNLDC III), which is to be held in May 2001. Fur ther more, the IMF-World Bank ini tia tive for Heavily In debt ed Poor Coun tries (HIPC) makes avail able debt re lief for the 42 heav i ly in debt ed LDCs. In all cases, in creases in pov erty at ten tion is to be im ped ed by bring to geth er re forms and ca pa city-build ing pro gram mes in vari ous ar eas of pol i cy in a com pre hen sive and multi-faceted development strategy.

**WTO Plan of Ac tion for LDCs: Mar ket ac cess and the In te grated Frame work**

The Plan of Ac tion for LDCs was adopted at the First WTO Min is ter ial Meet ing, held in Sin ga pore in 1996. The “Dec la ra tion for a Plan of Ac tion” asked WTO mem ber coun tries to pro vide en hanced mar ket ac cess for LDC ex ports and asked mul ti lat er al in sti tu tions – WTO, WB, IMF, UNDP, UNCTAD and ITC – to pro vide an in te grated frame work for trade-related as sis tance. This was fol lowed up with the High-Level Meet ing (HLM) on In te gated Ini tia tives for Least-De vel op ed Coun tries Trade De vel op ment held on 27-28 Oc to ber 1997, which es tablished the In te grated Frame work.

To a large ex tent, mar ket ac cess is de ter mined by the range of tar i ff and non-tar i f bar ri ers in the mar ket. Strate gies for im prov ing mar ket ac cess for LDCs in clude reduc tions and elim i na tions of tariffs on a most-favoured-nation (MFN) ba sis, in which case all trad ing part ners ben e fit, or on a prefer en tial ba sis, and there fore tar get ed at LDCs spe cifically. How ever, LDCs’ capa city to use the mar ket ac cess op port un ities avail able to them – both ex ist ing and en hanced – is also strongly af fected by, and linked to, dom es tic sup ply-side and pol icy con straints, which are ad dressed through the In te grated Frame work.

**Ini tia tives to im prove mar ket ac cess for LDCs**

A pro x imately 70% of the 112 tariff lines that form the bulk of LDC exports to their 23 main markets are duty free, ei ther on an MFN ba sis or in the con text of GSP pro gram mes, leav ing 30% sub ject to tariffs. These tariffs are of ten above-average by vir tue of the “sen sitive” na tu re of the un der ly ing prod ucts, such as tex tile and cloth ing, and ag ri cul tural prod ucts. Other tariff bar ri ers to trade de vel op ment in clude tariff pro gram mes, acc ord ing to which the lev el of the tariff rises with the stage of pro cess ing, dis cour aging in ten sive mar ket man u factur ing. LDCs have al so called at ten tion to tariff bar ri ers, such as non-automatic im port li cences, prior au tho risation, state trad ing, other admin is tra tive restric tions, stand ards and SPS restric tions, etc. affect ing prod ucts such as fish and fish prod ucts, frozen foods, meat, hides and skins, and leather.

A num ber of WTO Mem ber coun tries have de vel oped ini tia tives to im prove mar ket ac cess for LDCs on a prefer en tial ba sis,
At the HLM, several Mem bers pro vided de tails on ex ist ing or planned mea sures of en hanced mar ket ac cess for LDCs – the Eu ro pean Union, Nor way, Mo rocco, United States, Mauri tius, Hung ry, Repub lic of Korea, Sin ga pore, Can ada, Japan, In dia, Swit zer land, Thai land, Egyp t, Tur key, Aus tri a, and Bul gar ia. Notifi ca tions of im prove ments were made to the WTO by the Eu ro pean Com mu ni ties, Swit zer land, Can ada, Repub lic of Korea, Tur key, Egyp t, Mau ri tius and the United States; Sin ga pore had no ti fied im prove ments at the HLM.

At the Third Min is te rial Con fer ence in Se at tle in No vem ber 1999, the Eu ro pean Union and Ja pan an nounced their in ten tion to open their mar kets to es sen tially all prod ucts from LDCs. This un der tak ing was fol lowed by the pro pos al by Can ada, the Euro pean Union, Ja pan, and the United States – the Quad Pro pos al - at the Gen er al Coun cil in May 2000 to im ple ment “both tar iff-free and quota-free treat ment, con sis tent with do mes tic re quire ments and in ter na tional agree ments, un der their prefer en tial schemes, for es sen tially all prod ucts or i gin at ing in LDCs”, joined by the Czech Repub lic, Ice land, Pol and and Slo ven ia. The WTO was also in formed by Hong Kong, China that it grants duty-free and quota-free ac cess to im ports from all sources, in clud ing the LDCs, and by Hun gary and the Slo va k Repub lic, that un con di tional duty-free and quota-free ac cess for “ev ery thing ei ther through their GSP pro grams or on an other ba sis.

A key prin ci ple of the IF is par tic i pa tion and own er ship by the LDCs. For that rea son, the WTO in vi ted ev ery LDC to sub mit a “Needs As sess ment” for trade-related as sis tance, in clud ing phys i cal in fra struc ture struc tures, hu man and in sti tu tional ca pac i ty build ing, at the out set of the IF ex er cise. In their as sess ments, the au thor i ties in most coun tries iden ti fied the ma jor ob stac les to trade ex pan sion as sup ply con straints and lack of ca pac i ty. The needs ranged from train ing in in for ma tion tech nol ogy and as sis tance to im prove cus toms ad min is tra tion, through trans port and stor age in fra struc tures, to is sues such as tele com mu ni ca tions, and elec tri cal pow er. An other ma jor need was trade anal y sis and pol icy ex er cise for ex port pro mo tion, for the im ple men ta tion of WTO agree ments, and to build ca pac i ty to par tic i pate more effec tively in the WTO.

The six core agen cies pro vided “In te grated Re spon ses” based on exist ing pro grams and bud get ary com mit ments by each agen cy, or di nated among agen cies in or der to avoid over lap. The Needs As sess ment and In te grated Re sponse also formed an in put into the “Round Table” or ga nized with donors during the High-Level Meet ing that launched the In teg ra tion Frame work in Gen eva in Oc to ber 1997. Coun tries ranked and up dated their needs in or der to pres ent them at trade-specific do nor con sul ta tions in the con text of Con sul ta tive Group meet ings or ga nized by the World Bank or round ta ble meet ings or ga nized by UNDP, where an end or ment of the mul ti-year pro gramme of trade-related as sis tance was an ti cip ated. These con sul ta tions were ex pected to pro duce ad di tional pledges of as sis tance by do nors.

Five coun tries or ga nized trade-related Round Ta bles in the con text of the IF be tween De cem ber 1998 and March 2000: Un ga da, Tan za nia, Hai ti, Gam bia, and Ban gladesh. For the coun tries in vol ved, the pro cess of design ing pro grams of pro posed trade-related as sis tance pre sented an im por tant op por tu nity to build ca pac i ty and co or di na tion on trade is sues. Each coun try estab lished a steer ing com mit tee to co or di nate the dif fer ent agen cies of its ad min is tra tion that deal with trade is sues, in con sul ta tion with repre sen tatives of the pri vate sec tor, in ter ested do nors, and repre sen tative of the pri vate sec tor. Steer ing com mit tees for mu la ted objec tives for trade pol icy and pri or i ties for trade-related as sis tance con sistent with the over all de vel op ment strat egy.

In Un ga da, the presence of donors and pri vate sector
representatives in its steering committee facilitated a consensust ranking and full financing of the priorities identified by the programme at the Consultative Group in 1998. At the Consultative Group of March 2000, the pledges for the Integrated Framework work and JITAP programmes were renewed, with trade an inegral component of the country’s Poverty Reduction Strategy Paper (PRSP). Tanzania also received the expected support for trade-related technical assistance in the context of the Consultative Group meetings organized by the World Bank. The expectations of the Gambia and Haiti were fulfilled as bilateral donors indicated a preference for trade-related assistance that was to be integrated into broader programmes of reform and a commitment to liberalize. For Bangladesh, the IF mainly helped accelerate the approval process for a World Bank-supported project of export diversification.

Review of the Integrated Framework work

The IAWG commissioned a comprehensive review of the Integrated Framework work in 1999. The review found that the IF was more aligned as an important element of national trade reform and liberalization in the Gravity of the IF between LDCs and donors: LDCs expected additional funding; do-nors expected the IF to realize greater efficiency and effectiveness by coordinating trade-related TA “…and “coordination was found more complex than anticipated between the LDCs and donors, among donors, and between the six agencies themselves”. Another problem identified was that the IF has been a generally under-funded mandate, with varying degrees of priority being given to the IF by different donors and agencies.

The review led the IAWG to conclude that trade reform and liberalization were key elements of national development and poverty reduction strategies. The IAWG agreed on recommendations to improve the functioning of the IF: (a) mainstreaming the IF into existing development architecture; (b) the necessity of resources; and (c) enhanced management and governance of the IF. The IAWG consequently decided to:

- mainstream trade into national development priorities through development frameworks, as expressed in Poverty Reduction Strategy Papers (PRSPs) and the United Nations Development Assistance Framework (UNDAF), with the World Bank taking the lead;
- seek donor support for and voluntary contributions to an Integrated Framework Trust Fund (ITFT), with a funding objective of US$20 million for 2001-03, which is to be admissible on behalf of the core agencies of the IF; and
- invite representatives from LDCs and donor countries to serve, along with Heads of the core agencies, in a Steering Committee, to which the IAWG will report.

ITA Commission introduces work programme on non-tariff measures

Participants to the WTO Agreement that eliminated tariffs on information technology products (ITA) are now turning their attention to non-tariff barriers in this dynamic trade sector.

The Committee of Participants on the Expansion of Trade in Information Technology Products (ITA Committee) approved, on 13 November 2000, a one-year work programme on non-tariff measures on ITA products consisting of three phases.

During the first phase, the Comittee will compile, by March 2001, an inventory of non-tariff measures which have been identified by participants as important to trade in ITA products.

In the second phase, the participants will examine the economic and development impact of such measures on trade in ITA products and the costs and benefits which would accrue to participants from addressing their undue trade-distorting effects.

The third phase would be compiled by November 2001 when the Comittee meets to consider the outcomes of Phases I and II.

The work programme is based on a proposal submitted by Australia and agreed after several consultations held by the ITA Committee Chairperson, Ms. Elizabeth Chelliah (Singapore).

Under the decision, the Committee “may, as appropriate, draw on the expertise of regulatory, industry, and relevant WTO and other international bodies with due regard to the inter-governmental nature of the WTO”.

At the WTO Information Technology Symposium held in July last year, several IT industry representatives complained about non-tariff barriers in the IT sector, in cluding what they said are redundant testing and certification requirements by various countries on IT products, and problems with import licences. One speaker cited a seven-fold increase in worldwide regulatory standards and certifications for IT products from 1989 to 1998, which he said meant hundreds of millions of dollars in additional costs to consumers.

In the ITA Committee, a number of participants have submitted national-experience papers on the benefits of reducing or removing non-tariff barriers to IT products. Participants have also submitted answers to a questionnaire on standards they apply to IT products.

The ITA’s current 54 participants (counting the EC as 15) account for about 93% of world trade in IT products. The Agreement provides for the elimination of all tariffs on ITA products by 1 January 2000 but extended phase-out periods had been granted to developing countries on certain products.
World trade

Continued from page 1

strength of shipments of fuels. Exports of manufactured goods to the major developed and developing markets rose by 5% while those of agricultural products decreased by 8%. Over the 1990-99 period, the share of manufactured goods in LDC’s exports has increased sharply and accounted in 1999 for one half of their shipments to industrial countries.

- Although trade growth continued to exceed that of output in 1999, the difference between the two rates was much smaller than that through out the 1990-99 period. Developments in the first half 2000 indicate that the shrinkage of this margin in 1999 was only temporary and that trade growth is surpassing output growth by more than 5% per centage points in the current year. The volume of merchandise trade growth of 5% exceed by only 2.5% per centage points of which a quarter of this is the result of declining imports. Trade growth is due to a faster expansion of exports than the rate of increase of imports.

- International capital flows — in particular foreign direct investment — was again a major factor in international trade. Large capital inflows into the US sustained the large in increase of US imports resulting in higher US share of world trade. In the case of Latin America, large capital inflows also played a major role in the region’s import growth which was twice that of world trade in 1990-98. In 1999, however, the net-capital inflows declined for the second year in a row and contributed to the contraction of net imports.

- In 1999, the bulk of the tariff cuts of the Uruguay Round have been implemented in new agreements and the rate of increase of extra-regional exports.

- Regional integration agreements can lead to faster trade growth, in particular intra-regional trade. In the 1990s, however, the intra-trade of the four major RAs combined did not increase faster than world trade.

- Trade of re gional integration agreements evolved quite differently in 1999. While intra-NAFTA trade expanded by 11% in line with the increase over all, its exports to all other regions declined. The recession in MERCOSUR coun tries led to a contraction of intra-regional trade by one quarter, while intra-EU trade lagged behind extra-regional imports. Among the four major regional integration agreements, only the Asean grouping recorded an expansion of intra-trade, which was some what in excess of extra-regional exports.

- In 1999, the value growth of the twelve major product categories in merchandise trade ranged from an increase of nearly 20% for fuels to a decrease of more than 10% for iron and steel products. While the recovery of fuel-trade has to be attributed to the rise in prices, the shrinking trade in iron and steel products is due to an increase in the price of crude oil and lower import duties.

- World exports of fish and telecom equipment rose by 10% to nearly US$ 770 billion. A sharp rise in the sales of semiconductors and mobile phones contributed to this dynamic growth. This product category comprises the hard-ware component of today’s revolution in information technology.

- Exports of auto motive products rose by 5% in 1999 and also therefore at above average rates. The most dynamic exporters of auto motive products in 1999 are not the large traditional auto producers, but rather more recent suppliers like Mexico, the Republic of Korea, the Czech Republic, Hungary and Poland which expanded their exports by double digit rates not only in 1999, but also throughout the 1990-99 period.

- The decline in world textile exports and the near stagnation in clothing trade in 1999 are largely due to weak Western European trade, in particular intra-regional trade. In a marked contrast, intra-Asian trade in clothing recovered by 8% and that of Latin American trade recovered by 15%. One of the outstanding features of global trade in clothing is that the growth of the declining Asian export to North America and Western Europe is sur passed by the rise in shipments from Latin America to the North American market and that of transition economies to the Western European markets.

Comprehensive statistics

International Trade Statistics 2000 provides comprehensive, up-to-date statistics on trade in merchandise and services for an assemblage of world trade flows by country, region and major product group or service category. Some 240 tables and charts are depicted in trade volume over the past 10 years and its per capita development. The comprehensive volume has been prepared by a team of statisticians from the Economic Research and Analysis Division and is available on the WTO website (www.wto.org).