

## General Council approves accession of Moldova

The WTO's General Council on 8 May approved the accession package of Moldova to the World Trade Organization at a session attended by Moldova's Prime Minister, Vasile Tarlev. Following the General Council's approval, Mr. Tarlev signed the original copy of the terms of accession subject to ratification.

At the signing ceremony, WTO Director General, Mike Moore, said "Moldova's accession is good news for all – for Moldova and for the WTO. Moldova has set in place a solid and irreversible framework for managing and improving its economic growth and engagement with other nations. This will boost growth and investment and benefit all Moldovans. It also marks another step towards making the WTO truly universal in scope and coverage."

Moldova commenced its accession process in 1993. Once Moldova completes its domestic ratification processes it is expected to become the 142nd Member of the WTO. Mr. Moore congratulated Moldova on its process of economic and legal transformation from a centrally planned economy which started with its independence in 1991.

Moldova's main trading partner is the Russian Federation, which accounts for 53% of its exports and 22% of its imports, followed by Ukraine and Romania. In 1999 its exports totalled \$470 million and imports totalled \$560 million. The country's main export commodities are foodstuffs, wine and tobacco, and its imports, mineral products, fuel and machinery.

The last country to complete its accession process was Lithuania (following domestic ratification it will become a Member on 31 May 2001). Former Soviet Union Repub-

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*Moldova's Prime Minister Vasile Tarlev flanked by WTO Director-General Mike Moore and Chairman Stuart Harbinson at the General Council meeting on 8 May. (Photo by Tania Tang/WTO)*

### **Moore hails spirit of cooperation among ministers for Doha success**

Director-General Mike Moore, on 18 May, praised efforts by ministers meeting in various forums during the week to narrow their differences and work toward ensuring a successful outcome to the WTO Ministerial Conference in Doha, Qatar, this November.

During the week, Mr. Moore attended the Third United Nations Conference for Least Developed Countries in Brussels and the ministerial level meeting of the Organization for Economic Cooperation and Development in Paris. At both sessions, he stressed the importance of launching a global trade round in Doha. Mr. Moore also hosted meetings of ministers in both Brussels and Paris at which he told ministers that time for preparation was running short and that governments would have to become fully engaged in the process if differences between the 140 WTO member governments were to be narrowed.

"I was very encouraged by my discussions with ministers over the past week. In both Brussels and Paris, ministers indicated a firm commitment to the multilateral trading system and a deep understanding of the importance of making the Doha Ministerial Conference a success. But we should not gloss over the important differences that remain. Countries across the spectrum of development have issues that must be addressed. I think

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### **Moldova' accession approved**

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lics Georgia and the Kyrgyz Republic have recently completed their accessions. In the region, Armenia, Azerbaijan, Belarus, Kazakstan, the Russian Federation, Ukraine and Uzbekistan are all in the process of negotiating their terms of accession.

The General Council agreed to revert to Iran's request for accession at its next meeting after the United States said it was not in a position to discuss the matter at the present meeting. Malaysia, chair of the Informal Group of Developing Countries, hoped that the US would have a positive answer so that the matter could be discussed in July.

### **28 governments in WTO membership talks**

Overall, 28 governments are currently negotiating to join the WTO. These are:

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

### **Other subjects**

The General Council also:

- Agreed to organize a "dedicated discussion"—before the next regular meeting—on e-commerce. Subsidiary bodies were invited to continue their work on this subject and report back to the General Council.
- Heard a report from the Chairman of the Sub-Committee on LDCs and the Director-General on a new pilot scheme that can provide a renewed impetus to the Integrated Framework Scheme for LDCs.
- Heard a report from Deputy Director-General Miguel Rodriguez on his consultations with members on his suggestion that practically all WTO documents be circulated, as a general rule, as unrestricted documents. He said he would intensify his consultations with the aim of presenting a draft decision to the July meeting of the General Council.
- Heard a report from Japan, on behalf of the co-sponsors of the proposal to amend certain provisions of the WTO Dispute Settlement Understanding, that they would continue consultations with other members on this is-

### **Qatari Trade Minister elected Chair of Fourth Ministerial**

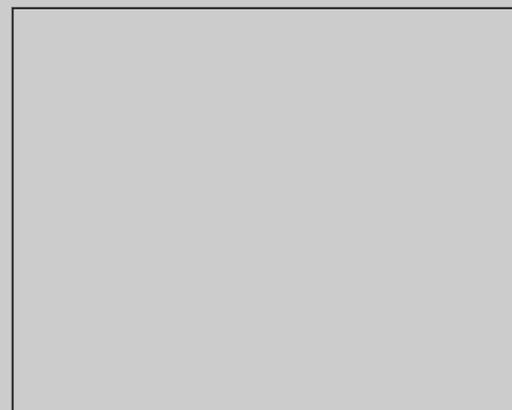
The General Council elected the Minister of Finance, Economy and Commerce Youssef Hussain Kamalof Qatar to chair the Fourth Ministerial Conference.

It was agreed that the General Council Chairman, Mr. Stuart Harbinson (Hong Kong, China), would continue consultations on the election of the three vice-chairs for the Ministerial.

The General Council granted observer status at the Fourth Ministerial Conference to Comoros, Equatorial Guinea, Eritrea, Liberia, Libya and San Marino.

The General Council also agreed that observer governments be exceptionally invited to attend as observers to its informal preparatory meetings for the Ministerial Conference.

It also agreed to follow Previous Ministerial's guidelines and procedures for observer status of international intergovernmental organizations and non-government organizations (NGOs).



*Director-General Mike Moore and Minister of Finance, Economy and Commerce Youssef Hussain Kamalof Qatar after meeting, on 18 May, on preparations for the Fourth Ministerial Conference. (WTO Photo by Tania Tang)*

sue.

- Heard reports from the Chairs of the Committees on Rules of Origin, Subsidies, and Sanitary and Phytosanitary Measures and the Vice-Chair of the Committee on Agriculture regarding ongoing work in their respective bodies on implementation-related issues.
- Heard progress reports on mandated negotiations in agriculture and services.

Under "Other Business", the United States requested more information from India regarding alleged new restrictions by that country for ports of entry for certain goods.

## EC resolves banana dispute with US, Ecuador

The European Communities, at the Dispute Settlement Body (DSB) meeting on 16 May, announced that it had resolved its banana dispute with the United States and Ecuador. After extensive consultations, it said a solution had been found which was broadly supported by the parties concerned.

The EC said the solution provided for a tariff-only regime to be put in place no later than 1 January 2006. In the interim period, starting from 1 July 2001, the EC would implement an import regime based on three tariff-rate quotas to be allocated on the basis of historical licensing.

The United States welcomed the prospect of resolving the dispute, and hoped that the EC would continue to consult with interested parties.

Ecuador said it would follow closely EC's implementation of the agreements.

Colombia, Costa Rica, Guatemala, Honduras and Panama welcomed the agreement as a step in the right direction.

Jamaica welcomed the agreement while St. Lucia said it expected the EC to ensure that even vulnerable suppliers would continue to enjoy market security.

The following reports of implementation of DSB recommendations were also presented to the DSB:

- Japan said that after completing discussions with the United States, it was finalizing administrative steps for implementing new quarantine methodologies on apples and other fruits. The US expressed disappointment that Japan had not yet completed implementation. Australia and the EC said they also concerned about the delay in implementing DSB's recommendations.
- Turkey said it continued to hold discussions regarding its implementation of DSB's recommendations concerning its restrictions on textile and clothing products. India said that it had proposed a compensation package during the discussions, while Turkey said it had made a counter-proposal.

### Reports on lamb disputes adopted

The complainants in this case, Australia and New Zealand, welcomed the report of the Appellate Body, which they said confirmed the panel's conclusion that the US safeguard restrictions on their lamb exports was inconsistent with the WTO Safeguards Agreement. They expected the United States to comply promptly with the findings and lift the safeguard measure.

The United States said it was disappointed with the Appellate Body's report and disagreed with its conclusions.

The DSB adopted the Appellate Body report and the panel report on the US safeguard measures on lamb imports from Australia and New Zealand.

The DSB will revert to the following panel requests at its next meeting:

- Turkey's request to examine Egypt's definitive anti-dumping measures on steel rebar from Turkey; and
- Chile's request to examine Peru's taxes on cigarettes.

### ACTIVE PANELS

(May 2001)

Complainant	Subject of the complaint	Date established
US	Argentina - Measures affecting imports of footwear	26.07.1999
Japan	US - Anti-dumping measures on certain hot-rolled steel products from Japan	20.03.2000
Colombia	Nicaragua - Measures affecting imports from Honduras and Colombia	18.05.2000
Pakistan	US - Transitional safeguard measure on combed cotton yarn from Pakistan	19.06.2000
US, EC	India - Measures affecting the automotive sector	27.07.2000 17.11.2000
Canada	US - Measures treating export restraints as subsidies	11.09.2000
EC	US - Section 211 Omnibus Appropriations Act	26.09.2000
Korea	US - Definitive safeguard measures on imports of circular welded carbon quality line pipe from Korea	26.09.2000
US	Philippines - Measures affecting trade and investment in the motor vehicle sector	17.11.2000
EC	Argentina - Definitive anti-dumping measures on imports of ceramic floor tiles from Italy	17.11.2000
EC	Chile - Measures affecting the transit and importation of swordfish	12.12.2000
US	Brazil - Measures affecting patent protection	01.02.2001
Argentina	Chile - Price band system and safeguard measures relating to certain agricultural products	12.03.2001
US	Belgium - Administration of measures establishing customs duties for rice	12.03.2001
Brazil	Canada - Export credits and loan guarantees for regional aircraft	12.03.2001

### 19th WTO special course on dispute settlement rules and procedures

During a brief ceremony on 6 March, Mr. Raymond Krommenacker, Counsellor and Coordinator of Legal Advisory Services in the Technical Cooperation Division of the WTO, officially launched the 19th Special Course on Dispute Settlement Rules and Procedures. This is one of a series of courses held periodically under the auspices of the WTO technical assistance programme.

Mr. Krommenacker welcomed, on behalf of the WTO Secretariat, the 40 participants from developed, developing, least-developed countries/customs territories and economies in transition. "It is my hope that this course will be able to meet your expectations and improve your capacity to advise your governments on various WTO legal issues", Mr. Krommenacker's statement said.

He mentioned that these courses were held three times a year in Geneva, and on demand and funds permitting, at various national or regional locations. Mr. Krommenacker alluded to the fact that the WTO legal regime is contained in various Agreements, Understandings, and Decisions of panels and the Appellate Body, requiring tremendous effort to understand and apply in practical situations.

### MACAU, CHINA

## Maintaining one of the most liberal trade regimes in the world

*The Trade Policy Review Body concluded its second review of Macau, China on 19 and 21 March 2001. Excerpts from the Chairperson's concluding remarks:*

This review has provided us with much greater insight into the trade policies, practices and measures of Macau, China. Members commended Macau, China for the fact that neither the Asian financial crisis, which erupted in 1997, nor its reversion to the People's Republic of China in 1999 has materially affected the Territory's liberal trade and trade-related policies. The trade and investment regime of Macau, China continues to be among the most open in the world. The Government's approach has long been to let free and open markets be the main determinant of the allocation of resources within the Territory and thus its economic development. This approach to economic policy is to continue into the foreseeable future under the Territory's Basic Law, which provides for "one country, two systems" and ensures the continuity of its long-standing free trade tradition.

Members welcomed the continuing commitment of Macau, China to the primacy of the WTO, in which it had actively participated. They also expressed their appreciation of efforts by Macau, China to undertake economic and administrative reform. While the linked exchange rate system might have limited the scope for controlling the money supply, the system had maintained currency stability.

### Free port

Members welcomed the free port status of Macau, China, but observed that only some 24% of all tariff lines are bound. They encouraged Macau, China to increase tariff bindings so as to enhance the confidence of traders and investors.

Questions were raised about non-tariff measures, with attention being focused on the simplification of customs procedures and the import licensing regime. The use of sanitary and phytosanitary measures was also queried. Although Macau, China has no laws or regulations governing anti-dumping or countervailing actions and no such action has been taken during the period under review, Members asked about the legal basis of any such measures that might be imposed in the future. While there is no legislation regarding safeguard measures, the Chief Executive is empowered nevertheless to prohibit, restrict, attach conditions to, or impose levies on goods whose admission into the Territory is "not advisable".

Members sought clarification on the use of tax incentives to encourage exports and to promote investment. The rationale for using a system for leasing government-owned land as a potential instrument of economic policy was also queried. Some Members expressed the view that industrial policy should not undermine the Territory's open trade policy, which has served the economy



*Macau International Airport: the trade regime continues to be among the most open in the world.*

so well.

Members acknowledged that Macau, China has made important efforts to implement the TRIPS Agreement through the amendment of its laws; nonetheless, they urged it to take further steps to improve the enforcement of these laws. Members welcomed efforts by Macau, China to simplify its government procurement procedures and transparency, as well as its plans to become more involved in the Working Group on Transparency in Government Procurement.

### Services

Macau, China is a service-based economy and the authorities' objective is to develop the Territory into a regional services centre. However, Members expressed concern that the granting by the Government of exclusive rights to private companies could impair competition and thus hamper the economic development of Macau, China. At the same time, Members noted and welcomed the Territory's recent efforts to liberalize specific services (notably telecommunications). The paucity of commitments made by Macau, China in the services negotiations was also noted; Members requested Macau, China to expand its commitments under GATS in the ongoing services negotiations. With textiles and clothing continuing to be the key industrial activity and major contributor to merchandise exports, Macau, China has also incentives to promote the establishment of high-value-added industries; Members sought information on the nature and effect of these incentives.

Members also sought additional details on a number of other policies and measures, including:

- efforts to increase labour productivity;
- the status of the creation of a new customs service and the implementation of a computerized system for customs clearance;
- steps taken to encourage export diversification;
- efforts to reduce the trans-shipment of textiles and clothing and the possibility of denying export licences to companies convicted of illegal trans-shipment;
- clarification of the extent to which foreigners are allowed to participate in the provision of services; and
- criteria for the granting of licences for the establishment of financial institutions in Macau, China.

Members expressed their appreciation for the written

## TRADE POLICIES

and oral responses provided by the delegation of Macau, China to advance questions as well as those posed during the meeting.

### Conclusion

To conclude, I feel that we should commend Macau, China for maintaining an open market throughout the Asian financial crisis. Despite the economic difficulties, Macau, China has consistently adhered to WTO princi-

ples and continued to support the multilateral trading system. Macau, China also expressed its willingness to offer more commitments in ongoing and future trade negotiations, noting that the needs and concerns of developing countries members should be taken into account.

Finally, I am sure that the maintenance by Macau, China of one of the world's most liberal trade and investment regimes will undoubtedly contribute to the Territory's economic recovery and its future prosperity.

### *Business as usual in Macau, China's highly open economy*

Macau, China's trade and investment regime remains among the most open in the world; it was virtually unaffected by the Asian crisis, and the Territory's reversion to China and its designation as the Macau Special Administrative Region (MSAR). The Government's approach has long been to let free and open markets be the main determinant of the allocation of resources within the MSAR and thus its economic development, says the report. It would appear that this approach to economic policy will continue in the foreseeable future; under the Territory's Basic Law that provides for "one country, two systems", the MSAR will enjoy a high degree of autonomy for 50 years in the administration of all its affairs except defence and foreign policy, according to a WTO report on the trade policies and practices of Macau, China.

The WTO Secretariat report, along with the policy statement by the Government of Macau, China, will serve as a basis for the second trade policy review of Macau, China by the Trade Policy Review Body of the WTO on 19 and 21 of March 2001.

The report notes that economic crisis in Thailand in July 1997 and its spread to other countries in (and beyond) South-East Asia seriously impaired the Territory's economic performance, which had already started to deteriorate in 1996; real GDP contracted in four successive years (1996-99), with largest negative growth, of 4.6%, in 1998. Trade is critical to the economy, the report stresses, with exports and imports (of goods and services) equivalent to roughly 80% and 50% of GDP, respectively, in 1999. Although the Territory's merchandise trade account has been in deficit, this has been more than offset by a large surplus in services trade, mainly involving tourism and related activities such as gambling.

The report says that the pegging of the pataca to the Hong Kong dollar severely limits the authorities' scope for controlling the money supply. The outcome is relatively high real interest rates. The peg to the Hong Kong dollar and thus indirectly to the US dollar has also resulted in an effective appreciation of the pataca, particularly in relation to the devalued currencies of countries in the region. The authorities believe that the advantages of the peg outweigh its disadvantages.

The high degree of openness of the economy for trade in goods is indicated by the duty-free entry of all imports into Macau, China. While only 23% of tariff lines have been bound, all bound tariffs are zero; moreover,

the status of Macau, China as a free port under the Basic Law appears to preclude increases in applied rates for those tariff lines that are unbound.

The report also points out that Macau, China introduced new laws with respect to intellectual property rights in 1999, aimed, in particular, at ensuring compliance with the TRIPS Agreement. These new laws established a comprehensive legal framework for protecting intellectual property rights.

Macau, China is largely a services-based economy: services accounted for 90% of GDP and 69% of employment in 1998. The share of services in the economy has been growing and the authorities expect this trend to continue owing to investment in infrastructure (i.e. the new international airport and improved port facilities), which has facilitated access to Macau, China, and continuing efforts to improve the quality and diversity of services related to tourism, the mainstay of the economy. Community and social services alone, including gambling and casino activities accounted for nearly 47% of GDP (and over 28% of employment). By contrast, the industrial sector (manufacturing and construction) accounts for some 13% of GDP and provides about 31% of all jobs, suggesting that labour productivity in this sector is relatively low. The contribution of agriculture and fisheries to GDP and employment is negligible.

The openness of the Macau, China economy to trade in agricultural and, particularly, manufactured products has undoubtedly contributed to competition in domestic goods markets, in the absence of an over-arching competition law.

The Government forecasts growth of 2.4% for 2000, which is considerably lower than that of Macau's neighbours, including Mainland China and Hong Kong, China. But there are some other positive signs of economic recovery, particularly in tourism, where the number of visitors between January and September 2000 increased by 24.3% compared with the same period of the previous year; and in exports, which increased by about 17% in the first eight months of 2000. In the first quarter of 2000, however, the real estate subsector was still weak. In order to alleviate high unemployment, the Government has, inter alia, been encouraging more public infrastructure projects, reducing the amount of quotas on foreign workers, and providing additional employment training and re-training courses.

## COSTA RICA

### How small economies may benefit from liberalization

*The Trade Policy Review Body concluded its second review of Costa Rica on 9 and 11 May. Excerpts from the Chairperson's concluding remarks:*

Our discussions over the past two days have allowed us to come to a fuller understanding and appreciation of Costa Rica's trade policies and practices. This has been greatly helped by the openness and frankness of the delegation, led by Vice-Minister Llobet, and I am sure that we are all very grateful for their active participation. Members were all favourably impressed by Costa Rica's good economic performance in recent years. They noted that underlying this performance was Costa Rica's generally liberal trade regime, open investment environment and successful strategy to shift production towards manufacturing, notably into export industries. Trade has also been an important element in this performance with the share of trade to GDP rising from 71% to 97% over the last decade. However, growth of per capita disposable income had not been as impressive as overall growth, suggesting the need to strengthen the linkages between domestic and export-oriented activities. Costa Rica has recognized the problem and is already taking steps in this direction.

Members complimented Costa Rica for its continued strong support, for the multilateral trading system and for its active participation in the work of the WTO. Several Members welcomed Costa Rica's clear support for the launching of a new round of negotiations with a broad agenda. Members took note of Costa Rica's increased participation in preferential arrangements and highlighted the importance of ensuring that such participation is fully consistent with multilateral principles, so as to ensure the complementarity of multilateral and regional liberalization efforts and to avoid the marginalization of third countries.

Members commended Costa Rica for its success in providing a stable economic and institutional environment. However, some recent difficulties to reform and modernize important sectors, such as telecommunications, insurance and energy, raised concerns about Costa Rica's ability to keep up with technological and market developments.

#### **Liberal access**

Participants recognized that access to the Costa Rican market is generally liberal. Nevertheless, Members noted the persistence of access barriers in a few but important sectors, particularly in some services areas. Members also raised some concerns about the wide gap between applied and bound tariff rates, relatively high protection in the agricultural sector, price and marketing regulations, and remaining monopolies in telecommunications, insurance and energy distribution services. The Costa Rican delegation noted that legislative initiatives were in course to address some of these issues.

Specific questions were also asked regarding Costa Rica's policies and measures, including:

- strong dependence of exports on a single producer of



*Thickening syrup at a sugar mill in El Humo: agriculture remains an important sector despite the rapid rise of the electronics industry. (ILO Photo)*

- electronic components;
- export incentives mechanisms, including after they expire in 2003;
- schemes to encourage backward linkages between export-oriented activities and the domestic economy;
- differential treatment of national and imported alcoholic beverages;
- plans to further upgrade and improve customs procedures and administration;
- use of labelling and SPS measures;
- marketing of agricultural products, including sugar and coffee;
- administration of tariff-quotas and special safeguards on a few agricultural products;
- plans to liberalize and reform the services sector, and access conditions to professional, air transport and financial services;
- GATS commitments;
- possible participation in the GPA; and
- protection of IPRs.

Members clearly appreciated the comprehensive responses provided by Costa Rica to questions addressed in writing and to the questions raised during the Review. I thank in particular the Costa Rican delegation for its dedication and hard work in providing written answers to the many questions posed by Members.

In conclusion, it is my clear impression that this Body appreciates Costa Rica's commitment to a strong rules-based multilateral trading system. Costa Rica is a prime example of how small WTO economies may benefit from trade liberalization and the multilateral trading system. Generally, Members see the Costa Rican trade and investment regime as open and transparent, but are also aware of remaining barriers. In this respect, several Members believed that liberalization should also extend to those sensitive service areas that to date lag the process of reform. This would bring these sectors - some of which, such as telecommunications are vital for the infrastructure, - in line with policies in other areas. This would complement Costa Rica's otherwise growth supportive policies, to the benefit of both Costa Rica's economy and of the multilateral trading system.

### *Costa Rica's growth underpinned by recent liberalization efforts except in services*

In the last six years, Costa Rica has improved access to its already generally open market, particularly for goods, has reduced the average tariff to 7 percent and has adopted an export-oriented strategy based on tariff and other fiscal concessions. This strategy has contributed to rapid but variable economic growth, according to a WTO report on the trade policies and practices of Costa Rica.

Growth in Costa Rican per capita disposable income has only been moderate, reflecting in part the weak linkages so far established between domestic and export-oriented activities, says the reports, and adds that restrictions persist on a few service activities.

The WTO Secretariat report, along with the policy statement by the Government of Costa Rica served as a basis for the second trade policy review of Costa Rica by the Trade Policy Review Body.

The report stresses that further improvements in resource allocation would be aided by a more uniform treatment of all activities, enhanced internal competition, and addressing existing shortcomings in the services sector. The considerable achievements of the last six years bode well for Costa Rica's ability to meet these challenges and, ultimately, reach and sustain faster gains in living standards.

Between 1995 and 2000, real GDP grew at an annual average rate of 4.7%, the report says. In per capita terms, real GDP grew at an annual average rate of 2.2% over 1995-2000, while disposable national income grew at only 0.5%, the difference being mainly explained by profit remittances associated with free zone activities. At the same time, persistent deficits in Central Government and Central Bank operations have kept the public fiscal deficit consistently high. In part as a result, total public debt is sizable, having reached the equivalent of 54% of GDP at the end of 2000.

The report notes that since its accession to the GATT in 1990, Costa Rica has participated actively in the multilateral trading system. Costa Rica is a founding member of the WTO, the Marrakesh Agreement Establishing the WTO having become an integral part of its legislation. It subsequently signed the Ministerial Declaration on Trade in Information Technology Products (ITA), and ratified the financial services protocol to the GATS; it also participated, but did not make an offer, in the basic telecommunications negotiations.

Access for imported goods into Costa Rica's market has improved since its previous Review. Between 1995 and 2000, the average MFN tariff decreased from almost 12% to 7%. At 15% and 6%, average tariffs are considerably higher for agricultural than industrial products. Tariff reductions under preferential agreements have also contributed to greater access to Costa Rica's market. As part of its market access commitments under the WTO Agreement on Agriculture, Costa Rica established tariff quotas for various agricultural products, (e.g. certain dairy and poultry products). However, the relatively low

levels of utilization of these quotas suggest that they have not lived fully up to expectations with regard to market access opportunities.

Costa Rica bound all but five tariff lines at the WTO, most at a maximum ad-valorem rate of 45%; exceptions include mostly agricultural products, for which bound rates are in some cases as high as 233%. Closing the wide margin between applied and bound rates would further increase the predictability of market access conditions, the report points out.

Since its previous Review in 1995, Costa Rica has promoted the expansion of export-oriented manufactures through special fiscal regimes, notably of electronics under the free zone regime. However, despite efforts to generate linkages between export-oriented activities and the rest of the domestic industry, spillovers have so far been limited. Moreover, fostering those activities has disadvantaged other industries not enjoying the same privileges. Apart from the special fiscal regimes, measures to promote industrial production have focused on small and medium size enterprises.

In spite of its decreasing share in GDP, agriculture remains an important sector because of its contribution to employment and export earnings. A small number of agricultural products for domestic consumption are protected through higher than average tariffs and safeguard measures. Agricultural production in general benefits from other support measures, including fiscal incentives and specific financing programmes. Notwithstanding such support, and in spite of the traditionally high productivity of Costa Rica's producers, its two major agricultural exports, banana and coffee, have come under considerable pressure in recent years. This reflects both adverse international market conditions as well as competition for factors of production, particularly land and labour, from other sectors.

No major changes affected the services sector between 1995 and 2000, with tourism remaining a main magnet for foreign exchange and investment. In other service areas, long-standing inefficiencies impose unnecessary costs on the rest of the economy. The State retains monopoly rights on insurance, telecommunications and energy distribution. Notwithstanding growing private participation in the banking industry, state-owned banks, favoured by current regulations, still dominate the industry. Faced with vocal opposition from interest groups, the Government was unable to pass legislation it considered of prime importance to modernize key service activities, notably telecommunications. Pressure for reform arises from the widening gap between decades-old legislation, changing technology and new market imperatives. WTO services negotiations could give new impetus to the reform process but this would require building up wider public awareness of the need to improve the quality and reduce the cost of bank, insurance, telecommunications and energy distribution services.

### WTO's special projects now open to private contributions

When the Members of the World Trade Organization meet in Qatar this November in their fourth Ministerial Conference, the problems faced by developing country Members are certain once again to be at the top of WTO's agenda.

Since the conclusion of the Uruguay Round of multilateral trade negotiations, the Organization and its Members have been confronted by an urgent need to assist less fortunate Member Governments in their efforts to build the capacity to implement the WTO's trade agreements and take advantage of the opportunities presented by the open, rules-based trading system. Specialized training is an important part of this effort. Facilitating Members' effective partic-

ipation in the work of the WTO is another part of the effort.

Because of strict budgetary constraints, this work cannot today be adequately financed through WTO's regular budget. Voluntary contributions by a number of Member governments are a big help, but still fall short of WTO's needs. For this reason, on 15 December 2000, the WTO General Council approved guidelines governing the acceptance and use of voluntary contributions from non-governmental donors .

Potential donors should contact Mr. Andrew L. Stoler, Deputy Director-General (World Trade Organization, Rue de Lausanne 154, 1211 Geneva 21, Switzerland, Tel: 41-22-739-5300, Fax: 41-22-739-5775, e-mail: [andrew.stoler@wto.org](mailto:andrew.stoler@wto.org)) for more information.

#### *Trust Fund projects*

Many activities to be supported by this trust fund are designed to make it possible for developing country officials to participate in WTO-sponsored activities both at WTO headquarters and outside of Geneva. Examples of activities that could draw financing from the trust fund:

- **Support of WTO Reference Centers in Developing Countries and LDCs:** For several years, WTO, supported by voluntary contributions, has worked to establish computer workstations located in LDCs and certain developing countries, linked to the WTO over the internet and supplemented by CD-ROM training modules and reference materials. Apart from the supply of the computer and the costs of the initial setup in situ, there are hardware and software maintenance costs associated with this highly successful program. It could also be desirable in some instances to defray the high cost of internet service providers. With more adequate resources, the electronically-oriented reference centers could be further extended to cover WTO Members most in need.
- **WTO-Sponsored Capacity-Building and Training Activities:** The WTO is involved with a wide range of technical assistance and training activities designed to build developing and least-developed countries' capacities to implement their obligations under the multilateral trading system and take full advantage of the opportunities that come with WTO membership. Unfortunately, the resources now available to the WTO through the regular budget and voluntary contributions from governments enable us to meet only a fraction of the demand for training. For example, today we are in a position to offer each of our developing country members only one trainee slot every other year. Non-government voluntary contributions could help WTO to significantly expand these important educational activities.
- **WTO-Related University-based Education and Training Programmes on WTO and Multilateral Trade Law and Policy:** Today, most univer-

sity-based expertise in WTO law and policy is found in North American and European universities. In order to expand the opportunities for university students in other parts of the world to study WTO law and trade policy, it has been suggested that WTO could work with selected universities to establish accredited programs and "chairs" in trade-related topics. A certain amount of funding would be required to permit course development and purchase and distribution of supporting books, electronic media and other materials.

- **Topical Symposia and Seminars:** From time-to-time, seminars and symposia are organized by WTO (in cooperation with other institutions) to permit exchanges of views with experts on topics of current interest to WTO Member governments and representatives of civil society. The costs of such seminars and symposia, including travel costs of participants, normally cannot be borne by the WTO budget and therefore must normally be financed out of voluntary contributions. Some examples of topics which have been the subject of symposia and seminars in recent years include: trade and development, trade and environment, electronic commerce, and competition policy.
- **Facilitation of Participation by Non-Resident Members and Least Developed Countries:** Many WTO Members do not have the resources to support a permanent presence in Geneva and, as such, tend to have great difficulty understanding the work of the organization, participating in consultations and decision-making, and taking advantage of their rights in WTO. The Secretariat has explored ways to support LDC participation in key WTO meetings, including our regular "Geneva Week" programme for non-resident delegations. Facilitating basic participation in WTO activities by WTO's less fortunate Members and trade journalists from these countries is an activity which may be financed through the trust fund.

# WTO Workshop discusses technical assistance and capacity building in trade facilitation

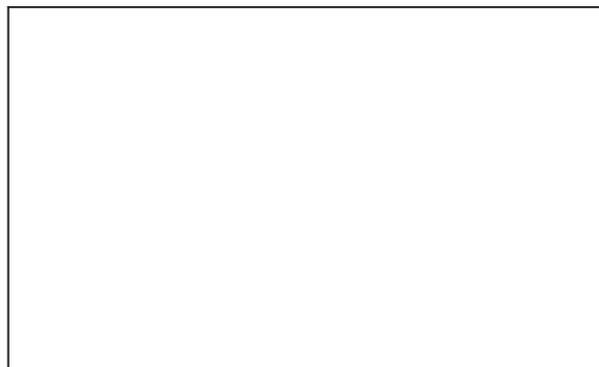
**D**irector-General Mike Moore, on 10 May 2001, opened a two-day WTO Workshop on Technical Assistance and Capacity Building in Trade Facilitation with a call for a more cooperative and coordinated approach in helping developing countries streamline customs and other trade procedures.

He pointed out that “many countries are now actively pursuing steps to facilitate import and export transactions”. Experience of many WTO members, he said, show that simplified and more transparent trade procedures “benefit traders through time and money savings, manufacturers through cheaper and more reliable availability of intermediate products, consumers through lower prices, and last but not least, administrations through increased efficiency and enhanced control effectiveness”.

Mr. Moore said that reforms of trade procedures would require governments to turn its “customs authority” into “customs service”. But like other infrastructure issues, “reform of trade administrations is no easy task... (involving) legislative amendments, the embracing of technological changes, training and outreach to the business community”.

This is where the important issues of technical assistance and capacity building for developing countries come in, he said, and why WTO members have requested the Secretariat to organize the Workshop for donors, recipients and international organizations on the subject.

The Director-General hoped that information from the Workshop discussions “may be a valuable basis on which



*Trade facilitation benefits traders, manufacturers, consumers and administrations. (ILO Photo)*

to identify the roles and complementarities of different actors and programmes, and, as appropriate, to develop a more cooperative and coordinated approach in the future”.

The Workshop featured speakers from international organizations (the World Customs Organization, UNCTAD, Inter-American Development Bank, World Bank and the IMF), donors (Canada, the EC, Japan, the Netherlands and the United States), recipients (Bangladesh, Bolivia, Jordan, the Philippines, Senegal and Turkey) and the private sector (International Chamber of Commerce, NTT Communications of Japan, Air Couriers Conference of America, Hewlett-Packard, CrossStreetTrade Inc., International Express Carriers Conference and Gateway Services Limited).

The Workshop programme and documentation are available on the WTO website ([www.wto.org](http://www.wto.org)).

## Trade facilitation

**T**rade Facilitation was added to the WTO agenda in December 1996, when the Singapore Ministerial Declaration directed the Council for Trade in Goods “to undertake exploratory and analytical work, drawing on the work of other relevant organizations, on the simplification of trade procedures in order to assess the scope for WTO rules in this area.”

Trade Facilitation is often defined as “the simplification and harmonization of international trade procedures” with trade procedures being the “activities, practices and formalities involved in collecting, presenting, communicating and processing data required for the movement of goods in international trade”. This definition relates to a wide range of activities such as import and export procedures (e.g. customs or licensing procedures); transport formalities; and payments, insurance, and other financial requirements. Work in the area has been carried out by organizations such as UNCTAD, UN ECE or the WCO for several decades.

Steadily growing volumes of trade, the fall in tariff levels to an all-time low after the conclusion of the Uruguay Round and the availability of modern technology to significantly improve the management of cross-border trade and distribution of goods, have all combined to create a strong interest in trade facilitation. The losses that business suffers through delays at borders, complicated and unnecessary documentation requirements and lack of automation of government-mandated trade procedures are estimated to exceed in many cases the costs of tariffs.

Specific elements connected with the simplification and harmonization of trade procedures are already contained in the WTO legal framework, e.g., in Articles V, VII, VIII, and X of the GATT 1994 as well as the in Agreements on Customs Valuation, Import Licensing, Preshipment Inspection, Rules of Origin, Technical Barriers to Trade, and the Agreement on Sanitary and Phytosanitary Measures. However, the Singapore Ministerial Conference gave the WTO the mandate to take a more comprehensive look at trade facilitation.

**Mike Moore**

## The WTO and LDCs: Delivering a better future through trade

*Director-General Mike Moore, in a speech on 17 May 2001 in Brussels at the Third UN Conference on Least Developed Countries, said the WTO is “delivering” on assistance to the poorest countries, including significant market-access improvements for their exports. But better than a piecemeal approach, he said, would be to launch a new Round this year, which would be “the surest way to prevent further marginalization of LDCs from the world economy”. Excerpts from Mr. Moore’s speech:*

When I became Director-General of the World Trade Organization in September 1999, I pledged that helping developing countries, and in particular the world’s poorest countries, would be a priority. I reaffirm that commitment today on behalf of the WTO. As part of that commitment, I am proud to announce a set of ‘deliverables’ to help least-developed countries (LDCs) better integrate into the multilateral trading system and world economy. These are ‘deliverables’ and in most cases they are also ‘delivered’; done, not promised sometime in the future.

This year is a crucial year for the multilateral trading system, and so also for our efforts to assist LDCs. In November, Qatar will host the Fourth WTO Ministerial Conference, in Doha. My aim there is to launch a new round of multilateral trade negotiations. Four out of five WTO Members are developing countries and they are urging us to address the missing development dimensions of the trading system. They will make sure any new round launched in Doha is a development round.

History shows us the importance of trade and the importance of the multilateral trading system. The trading system has probably done more to boost living standards and lift people out of poverty than any government intervention. The 17-fold rise in world trade since 1950 has gone hand-in-hand with a 6-fold rise in world output. This has benefited both developed and developing countries: in both, living standards have risen three-fold; life expectancy in developing countries has risen from 41 to 62 years, infant mortality has more than halved, and the adult literacy rate is up from 40% to 70%.

History also shows us that those countries that have done well over the past half-century, such as in South East Asia and some Latin American countries, have all been trade-oriented. A recent WTO study on trade and poverty has confirmed that those poor countries that are catching up with rich ones are those that are open to trade. The more open they are, the faster they are converging. Other studies support our findings concerning trade openness. Jeffrey Sachs and Andrew Warner of Harvard University have found that developing countries with open economies grew over six times faster in the 1970s and 1980s than those with closed economies. David Dollar and Aart Kray of the World Bank, using data from 80 countries over four decades, have confirmed that openness boosts economic growth and the incomes of the poor rise in line with overall growth. The message is clear: freeing trade boosts economic growth, and so helps to alleviate poverty.



*Harvesting tea: LDCs need sustained technical assistance and capacity building to help them take advantage of existing and potential market opportunities. (ILO)*

Trade liberalization is essential for growth and development. But it is not enough. A new WTO round will do little for a nation that is torn apart by war or that spends all its export revenues on weapons. Nor will it be much use if good governance is missing or crippling debt overhangs. Nor will a round help those poor countries who have no domestic capacity or infrastructure to take advantage of new market access opportunities.

The first responsibility for solving the problems of LDCs rests with LDCs themselves. But the international community has an important role to play and international institutions such as the WTO can also make significant contributions.

### **The WTO is ‘delivering’**

I am pleased to announce today that the WTO is ‘delivering’ in a number of areas.

First, as a result of concerted efforts by our membership, there have been significant improvements in market access opportunities for LDCs. These improvements are outlined in the documents we have provided for this Conference. They are also detailed in a new WTO Secretariat study on market access that has just been released. Let me mention one or two highlights. Twenty nine WTO Member governments have pledged market access improvements. Two countries, Norway and New Zealand, have actually agreed to drop all barriers to LDC exports. They join a number of other countries who already provide open markets. The average non-weighted tariff applied by major industrial countries to LDCs exports has fallen from 10.6% in 1997 to 6.9% today. In the last 12 months, Canada, the United States, the EU and Japan have all taken significant actions to address access for LDCs.

Is it enough? It is never enough. But the improvements we have achieved demonstrate that WTO members recognize the needs of the weakest and most vulnerable members of the multilateral trading system. They also demonstrate that we are prepared to work to help integrate LDCs into the world economy.

Let me add that with every Minister and leader I meet, I argue the case for market access for LDCs. I will continue

to do this and WTO members will continue to look to make further improvements as best they can. In the long run, however, the big benefits and advantages for LDCs will be achieved within the overall context of a wider negotiation, a new round.

LDCs need increased, focused and sustained technical assistance and capacity building to help them take advantage of existing and potential market opportunities. This brings me to our second 'deliverable'. On behalf of a number of UN and international agencies, I can announce that we have successfully re-designed the Integrated Framework for Trade-Related Technical Assistance. The re-designed Integrated Framework will help LDCs mainstream trade into their national development plans and strategies for poverty reduction. It will help ensure trade, as an engine for growth, is central to development plans. It will also ensure that trade-related technical assistance and capacity building is delivered within a coherent policy framework rather than on a stand-alone basis.

Our third, and related, 'deliverable' is the outcome of the first-ever joint seminar of the six core agencies of the Integrated Framework on "Mainstreaming Trade Into Development Plans" held in January. It demonstrated the rationale and techniques for mainstreaming trade into LDCs' development plans and poverty reduction strategy papers and showed how the re-designed Integrated Framework can operate as a mechanism for poverty reduction and delivery of trade-related technical assistance.

Our fourth 'deliverable' is a renewed commitment to give as much assistance as possible to those LDCs in the process of joining the WTO. LDCs acceding to our organization have to learn and understand how the WTO works. They need to draft domestic laws that comply with WTO rules. They need to establish mechanisms for enforcing those rules. And they need to negotiate with existing members suitable conditions of entry to the WTO. It is a tall order. But as the long queue of LDCs in the process of joining shows, LDCs recognize that it is worth the effort.

Our fifth 'deliverable' is the host of initiatives we have taken to help LDCs participate more fully at the WTO. Let me highlight a number of these:

We have launched activities for non-resident Members and Observers to ensure that those countries not represented in Geneva can still follow the daily business of the WTO and still be an integral part of our processes.

We have instituted 'Geneva Week'; this is now an annual event bringing together senior officials from capitals and Europe-based missions – not only of LDCs but also of other small economies - to learn and exchange views concerning critical areas of the WTO work. The third Geneva Week will take place in September and will help delegations prepare for the Ministerial Conference in Doha.

We have improved the WTO's Trade Policy Review Mechanism; as well as shedding light on a country's trade rules, it now helps trade policy capacity-building and the mainstreaming of trade priorities into national development plans and poverty reduction strategies.

We have expanded our WTO training and policy courses.

We have set up WTO Reference Centres connecting LDCs' capitals to WTO sources of information through

the Internet.

We have set up a new programme to fund interns within country missions in Geneva.

Our sixth and final 'deliverable' relates to food safety and quality standards and technical regulations. Compliance with WTO rules in these areas is very important for LDC trade. WTO agreements limit importing countries' scope to impose arbitrary requirements on LDCs' exports, and encourage the use of internationally developed standards. The WTO provides a forum where LDCs can and do raise particular problems, challenge measures imposed on their exports, and identify specific technical assistance needs.

The 'deliverables' I have mentioned are a start. But they are not enough, and they are piecemeal. In order to do better, we need to launch a new WTO round this year.

History is a grim master. Colonial oppression gave way as freedom marched forward. Then, so many were cursed with that seductive phantom of hope, Marxist economics. That hoax and tragedy was followed by another great tragedy, the cold war. The cold war gave leaders grim leverage – that leverage is gone. First there was no shortage of donors, then debts mounted. Alas, some in capitals no longer care. But poor people in poor and developing countries have a new form of leverage in a new arena, the WTO. Ours is an Organization where Members have equal powers because we operate on a basis of consensus. All Members sit at our Security Council and all have the power of veto. I urge LDCs and developing countries to use that power not to stop a negotiation, but to start one. As I said, unless LDCs and developing countries have confidence that your issues are being addressed in meaningful way, no new round will conclude.

The economic case for a new WTO round is compelling. Cutting barriers to trade in agriculture, manufacturing and services by a third would boost the world economy by \$613 billion, according to one study from the University of Michigan. That is equivalent to adding an economy the size of Canada to the world economy. Doing away with all trade barriers would boost the world economy by nearly \$1.9 trillion: the equivalent of adding two more Chinas to the world economy.

As storm clouds gather over the world economy, the prospect of launching a new round is a ray of sunlight for everyone, not least the world's poorest countries. Now is the time to move from words of support for a new round to making the compromises needed to launch one. Now is the time to question narrow, selfish interests in the interest of the overwhelming national good. Now is the time to look beyond yesterday's battles towards tomorrow's opportunities. The world economy needs the confidence a new WTO round will give.

If we are happy with the status quo, which is just yesterday's compromise, and comfortable with the injustices brought by these compromises, then let us continue to nibble at the edges of change. But if we want real change, then let us start a balanced, wider set of negotiations. Ministers must ask just one simple question: in your heart, do you think you can get more out of the present system, bit by bit, or, will more be delivered from a wider negotiation with a balanced agenda and with proper capacity building and technical assistance? There is only one answer.

## Moore hails spirit of cooperation

(Continued from page 1)



*The Director-General met with US Trade Representative Robert Zoellick on 18 May for an exchange of views on the Doha preparations. (WTO Photo)*

a growing number of ministers share my view that the only way to ensure that member governments, particularly those representing the poorest and most vulnerable nations, can have their concerns dealt with in any real way is through a round of negotiations," Mr. Moore said.

Mr. Moore told ministers at both conferences that he would issue them a progress report on the Doha preparations at the end of July. He stressed that this report would not represent a deadline but would be a reality check. But he cautioned that little time remained after the summer break to resolve outstanding differences and that without some narrowing of positions in the coming months, it would be more difficult to reach agreement in Doha.

After returning to Geneva, Mr. Moore met 18 May with Qatari Trade Minister Youssef Hussain Kamal, who will chair the Ministerial Conference, and together with members of his staff gave him a briefing on the Doha preparatory process.

The Director-General also met with US Trade Representative Robert Zoellick for an exchange of views on the Doha preparations.

"My meetings with these two important ministers were productive and insightful. Both of these men will play an extremely important role in Doha and I'm grateful for their hard work and the commitment they have shown to the multilateral process," Mr. Moore said.

### WTO FOCUS

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## MEETINGS

July 2001

2	ITA Committee
2-3	Committee on Regional Trade Agreements
2-4	Textiles Monitoring Body
3	Committee on Rules of Origin
5	Council for Trade in Goods
5-6	Working Group on Trade and Competition Policy
10-11	Committee on Sanitary and Phytosanitary Measures
12-13	Council for Trade in Services
13	Committee on Rules of Origin
16-20	Textiles Monitoring Body
18	General Council
18, 20	Trade Policy Review: Cameroon
20	Sub-Committee on Least-Developed Countries
24	Dispute Settlement Body

### **Spain helps fund WTO course for Latin American trade officials**

The Government of Spain will contribute 100,000 euros (154,000 Swiss Francs) to the World Trade Organization to help finance technical assistance activities in favour of developing countries. This voluntary contribution by Spain will be used to finance a trade policy course for Latin American countries which are members of the Latin American Integration Association (LAIA), with the support of the LAIA General Secretariat, to be held in Montevideo, Uruguay, in the second half of September 2001.

The purpose of the course is to train regional officials who deal with matters relating to the WTO and the international trading system. It also seeks to develop a better understanding of the commitments entered into by WTO Member countries.

On behalf of the Spanish Government, the Secretary-General for Foreign Trade, Francisco Utrera Mora, on 9 May signed the Memorandum of Understanding between Spain and the World Trade Organization concerning this contribution.

The WTO Director-General, Mike Moore, thanked Spain for its contribution and stressed the vital importance of providing technical assistance to developing countries at a time when the Organization's Member countries are preparing for the forthcoming Ministerial Conference in Qatar in November.

Ever since its creation in 1995, the WTO has been collecting voluntary contributions of this kind to help poorer countries participate actively in the WTO and take advantage of the new opportunities in international trade offered by the WTO Agreements. These funds are administered by the WTO Secretariat.