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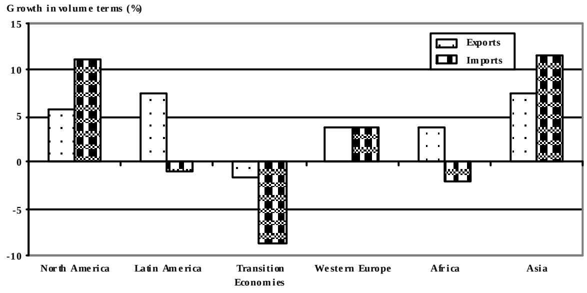
Growth rate of world trade doubles in 2000

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 increased over the same period by 40%, the ratio of collected duties to imports decreased by about one third.

Chart II.1
Merchandise trade developments by region, 1999



Source: WTO (2000), *International Trade Statistics, Report 2000*, Geneva.

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 background 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 demand 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 somewhat 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 recovered 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%. Western Europe's commercial services 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 rose by 9%, increasing their share in world exports to 27.5%. This higher share was only partly due to the recovery in fuels trade; a larger world share for the developing countries could also be observed for all nine groups of manufactures. The share of developing countries in world exports of manufactures reached nearly 25%, a marked increase since 1990 when it stood at 17%.
- Least-developed countries merchandise exports in 1999 rose faster than world exports partly due to the

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Director-General Mike Moore

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 propitious given the ongoing implementation of Uruguay Round commitments, which gave rise to problems or concerns for certain 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 respective Uruguay Round agreements. There were also differences of view on the negotiations on the built-in agenda. In the course of the Conference, questions of process also came to the fore.

In 2000, the WTO rose to address these issues 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 consultative procedures;
- giving priority to the integration of LDCs and other low-income WTO Members into the multilateral trading system to help them secure the benefits that can be derived therefrom; 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 maintained a busy schedule of regular meetings of Councils, bodies and working groups on matters within its mandate. In addition to assisting 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 2000, with Jordan, Georgia, Albania, Oman and Croatia acceding in 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 in its own right, both for the new WTO Member concerned and the organization, there is no doubt that China's decision to join the WTO is particularly momentous. Opening its markets to foreign trade and investment 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 significance of these benefits – both for China and for WTO Members – explain the efforts that are being made on all sides to bring to a conclusion the accession process.

Director-General Mike Moore said the year 2000 has been a year of "consolidation and challenge" for the organization. (Photo by Tania Tang/ WTO)

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. 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 multilateral negotiation, 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 domestic economic crises, as was demonstrated during the recent Asian and emerging markets crisis. Indeed, recent economic data show that the global economy recovered much more quickly than originally anticipated. One reason was that markets of WTO Members stayed open and became more so due to the implementation of Uruguay Round commitments and new WTO liberalization initiatives in services and in information technology products, as well as due to liberalization initiatives undertaken on an autonomous basis, often as part of wider programmes of domestic economic reform.

The WTO is forward-looking. The most outstanding recent example is the telecoms agreement, which brought competition to a sector long the preserve of government-owned monopolies, helping to expand the variety of communication services and bring prices down. This has given a major boost to connectivity to the Internet, which rose sharply in the past year. As a vast and growing store of readily accessible information about individuals, enterprises, and countries, the Internet is vital to fostering a better understanding of the possibilities of exchange both 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 telecoms agreement has spurred the development of wireless communication services and the advent of the "mobile information society", which makes the WTO the basic framework to launch the next major revolution in telecommunication services – the third generation or 3G – to benefit consumers, enterprises, and governments alike.

While the situation of the WTO is generally satisfactory, a number of challenges lie ahead for the organization.

The expansion of the world economy was sustained in 2000 and was broadly based across all regions, but the downside risks are higher, according to the IMF. This warning should bring into sharper relief the gains to be realized by consumers, producers and the environment from removing the significant impediments to open markets that remain in place in virtually all Members. Progress towards removing such impediments autonomously has proved slow; even the WTO Members that have advanced in this regard could realize additional benefits from 'locking in' liberalization in WTO schedules. Outside the WTO, liberalization has mainly been focused on partners in regional trade agreements, a significant and strengthening trend, which risks net trade diversion.

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 relatively higher, but also have peaks in sensitive sectors, such as textiles and clothing, or on intermediate products, providing a disincentive to development of the industrial base. Furthermore, developing countries have bound tariffs in their WTO schedules at ceiling levels, above applied rates, leading to uncertainty for economic operators. A trend common to a number of WTO Members, both developed and developing countries, is a rising use of anti-dumping measures to limit imports. Furthermore, dissimilar technical regulations and product standards, as well as conformity assessment, are emerging as significant potential impediments to market access.

On textiles and clothing products, the quotas brought into the WTO from the Multi-Fibre Arrangement, by Canada, the European Communities and the United States, are still largely in place, despite two completed stages of integration into GATT 1994. For agricultural products, tariffs are generally high and developed countries use a panoply of measures to support agricultural producers and processors of basic products. The Uruguay Round did lead to reform of the domestic agricultural policies of many developed countries, but support levels remain high, and may be rising in certain countries. This underlines the importance of WTO Members making meaningful progress on the current WTO negotiations on agriculture.

WTO Members should also be concerned by barriers to trade in services, a vital sector for development and consumer well-being. Competitiveness of goods on world markets is directly impaired by poor quality or costly business-related services. While recognizing the significant steps taken by WTO Members to liberalize financial services and telecoms, the scope of GATS commitments is not comprehensive and restrictions on the supply of services through all four modes of delivery remain, most notably on the movement of natural persons. Reducing or removing restrictions gives the possibility of exporting services based on comparative advantage. In many countries, autonomous liberalization initiatives in the sector have moved policies well ahead of commitments, whose benefits could be better assured by binding existing access conditions. These objectives underline the significance to WTO Members of meaningful progress in the currently engaged negotiations on services.

Another key priority on the international agenda is helping LDCs up the development ladder. The WTO has a role to play in this regard. Experience has shown that development requires macroeconomic stability and market-friendly reforms, complemented by institution-building that fosters developmental capacity and good governance, including more open and transparent regimes for trade and trade-related policies. Countries poor in human and financial resources, or lacking the requisite experience in administering or enforcing WTO obligations, have asked for assistance in understanding their commitments and implementing them domestically. Technical assistance activities are important in this regard, but the ability of the WTO to respond is limited and sustained only by the generous extra-budgetary donations of certain WTO Members. Increased funding for technical assistance in the core budget of the WTO is one way of creating a more permanent basis for such activities.

WTO Members have the opportunity to do more for LDCs. The Plan of Action for LDCs launched at Singapore in 1996 gave priority to improvements in market access to remove external obstacles to development, and led to the Integrated Framework for technical assistance related to trade development. Since that 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 trade of LDCs. And, following a review of its operation, the Integrated Framework is to be improved as a mechanism for the six participating agencies – the ITC, IMF, UNCTAD, UNDP, World Bank and WTO – to deliver trade-related technical assistance to LDCs. Donor support is now needed. As the WTO initiative on LDCs falls into place, its effects will reinforce others taken in 2000 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 the basis for sustainable development and reverse their increasing marginalization in the world economy.

WTO Members are rightly concerned by the misunderstandings of the public over globalization and the role of the organization in this process. The anti-globalization protests in Seattle were the most extreme manifestation of these misunderstandings, re-staged for UNCTAD X in

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 individuals 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. Adjustment to globalization is a valid element of this dialogue, while recalling that openness to trade is associated with 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. Understanding 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, notably the LDCs and other 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 towards monitoring and compliance. These notably concern the receipt and examination of regular and periodic notifications by Members of policy instruments covered by the agreements , regional trade agreements, and balance-of-payments measures, as well as the periodic review of the agreements as required. WTO Members also participate in the various Committees established to consider issues such as trade and development or trade and the environment. Working groups have also been established to examine the relationship between trade and investment, the interaction between trade and competition policy, as well as transparency in government procurement. Additional activities by WTO Members include the monitoring 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 internal transparency and the effective participation of WTO Members

Following up on concerns over transparency and process that emerged around the Third Ministerial, the Chairman 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 in general 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 provided that certain improvements regarding inclusiveness and transparency are applied.

On 17 July, the Chairman provided 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 Chairman emphasized that while such tangible progress on internal transparency was important the full membership has a collective responsibility to keep this issue under close scrutiny as the organization moves forward on the substantive agenda.

From the outset of the debate on internal transparency the Director-General also instructed the WTO Secretariat to find immediate practical ways in which to improve and speed up the information flow to Members, including the Members who do not have representatives resident in Geneva.

Implementation concerns addressed

All WTO Members are bound to observe the multilateral agreements concluded 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 of implementation in connection with the end of transition periods on 31 December 1999 for developing and transition economies; certain transition periods for LDCs are still in effect. Extensions were requested by certain Members notably with respect to the TRIMs and Customs Valuation Agreements. WTO Members are considering the requests for extensions to TRIMs transition periods within a framework established by the General Council at its meeting of 3 and 8 May 2000.

A wide range of other implementation-related issues and concerns has 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 developing countries, as a priority area for the WTO's attention. At the Special Session held on 17 October the General Council Chairman and the Director-General reported in detail on the progress made in consultations so far. These had focused primarily on possibilities for action in the shorter term.

Mandated negotiations start on schedule, and discussions continue on a broader agenda

The mandated negotiations on agriculture and services started in 2000. The negotiations under Article 20 of the Agreement on Agriculture are to continue the reform process set out in the agreement, which brought into the multilateral rules, largely for the first time, the policy instruments used by many WTO Members to support domestic agricultural producers. In addition to their effects on domestic consumers, producers, and the environment, these support policies have spillover effects on world markets and on the export opportunities of trade partners, many of which are developing countries (Section II(C)(1)). Given that the transition period to full implementation of current commitments in the sector is the marketing year 2000 for developed countries (2004 for developing 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 made and how to move forward.

On services, the negotiations are to address further rule-making and to "achieve a progressively higher level of liberalization" (GATS Article XIX), building on the market-access commitments already contained in the schedules. It should be recalled that the services sector – the leading sector of economic activity in many WTO Members – was brought into the multilateral rules for the first time in the Uruguay Round, and additional substantial agreements were reached in 1997 on telecommunications and financial services. In 2000, to date, WTO Members have agreed on a 'roadmap' for the first phase of negotiations and that the second phase of these negotiations would begin with a stock-taking exercise by a Special Session of the GATS Council in March 2001, to consider progress made and how to move forward.

While the mandated negotiations got under way in 2000, WTO Members continued to discuss at the political level a wider agenda of negotiations, to address other outstanding market access barriers (Section II(C)) or extend the framework of the multilateral rules to new areas. In the latter case, proponents view the stakes as being the relevance of the WTO as the main framework of rules for the conduct of international economic relations, notably with respect to competition policy and investment matters. In addition, certain Members are of the view that securing a wider agenda for negotiation will have an impact on the final outcome of those mandated on agriculture and services by expanding the scope for mutually beneficial trade-offs. Other Members, 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.

Technical assistance activities and training 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, including most WTO Members (100), countries and territories in accession (20), and countries that have expressed an interest in joining the WTO (7); a large number of least developed countries were covered (27).

Technical assistance activities aim to improve the understanding of the agreements and facilitate implementation of obligations; at the same time, emphasis is increasingly being placed on enhancing the capacity of countries to integrate into the world economy to realize the benefits of the market access opportunities that are available to them as a result of being WTO Members. Despite their vital nature, technical assistance and cooperation activities in 1999 and 2000 have been sustained only by the generous extra-budgetary voluntary donations of certain WTO Members, given that the regular budget for such activities has remained inadequate to respond to needs, funding just 10% of activities in 1999. Increased funding for technical assistance in the core budget of the WTO is one way of creating a more permanent basis for such activities.

Least developed countries have been a major focus of WTO technical assistance and cooperation activities, since resource constraints weigh most heavily on their ability to participate in the multilateral trading system. In addition to its own activities on behalf of this group, the WTO participates in activities organized by other institutions, and cooperates with some of them on joint projects or programmes, notably the Joint Integrated Technical Cooperation Programme (JITAP) for Selected Least Developed Countries and other African Countries (WTO, UNCTAD and ITC Secretariats), and the Integrated Framework (IF) of technical cooperation for least developed countries (WTO, ITC, UNCTAD, World Bank, IMF, UNDP). In 2000, the IF was independently reviewed, and lead agencies decided on steps to improve the delivery of trade-related technical assistance, including by establishing a trust fund, which now needs donor support (Section III).

In addition to materials, seminars, workshops, technical missions, and courses on trade policy, as well as regular briefings, the Secretariat has been very active in establishing WTO Reference Centres, supported by donations from WTO Members. Such centres provide access to trade-related information resources on the Internet, notably those developed by the WTO, as well as PC-based resources; they play a vital role in linking trade ministries in remote capitals to Geneva. By October 2000, the Secretariat had set up 90 centres, up from 68 at the end of 1999 and 42 at the end of 1998. The majority of such centres are in Africa. Unfortunately, not all the centres have remained fully operational (an estimated 65% is operational).

Dispute settlement: a heavy case-load for the system

In 2000, the number of complaints filed since the start of the WTO topped 200, indicating a continued heavy use of the dispute settlement procedures by WTO Members. The complaints concern allegations of inconsistency with

WTO obligations, mainly with regard to the use of trade defence instruments (anti-dumping, countervailing and safeguard measures), taxes on imported and domestic 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 introduced, while others are part of legislation or regimes that have been in place for decades.

Developed countries filed about three quarters of the complaints under the Dispute Settlement Understanding (DSU), and were the respondent in the same share of complaints. Developing countries filed the remaining one quarter of complaints, against developed countries in over 50% of complaints and the rest against other developing countries. The United States and the European Union are 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 consultations to the panel stage, indicating that a satisfactory adjustment of the matter obtains 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 Appellate Body; 37 such appeals have been filed since the start of the WTO.

When complaints have completed the panel and Appellate Body process, 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 obtains because the measures have been in place for years or even decades. The WTO's dispute settlement system is thus, by and large, successfully 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 Appellate 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 21:5 of the DSU have been filed with the DSB because the complainant disagrees with the actions taken by the respondent to implement rulings and recommendations. In such instances, the matter is referred to the original panel, which issues a report; four such reports have been issued to date. These may in turn be the subject of an appeal; two such appeals have been filed with the Appellate Body since 1995.

Article 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 instrument of trade diplomacy. In the event a Member fails to implement the DSB's rulings and recommendations within a reasonable period of time, negotiations to agree mutually satisfactory compensation is the preferred remedy available to the complainant. Failing such agreement, the complainant may then request authorization from the DSB for the suspension of concessions or other obligations, which is granted unless the DSB decides by consensus to reject the request. Such suspension is, however, subject to rules to ensure that its level is not excessive, and arbitration is available to this end. Finally, the suspension is conceived as a temporary measure, in place only for as long as implementation is outstanding or a mutually satisfactory solution is not found.

Five instances of recourse to Article 22 of the DSU have been made, leading to authorization by the DSB of four instances of retaliation: in the matter of the EC's ban on hormone-treated beef, Canada and the United States have both retaliated by raising duties on imports from the EC; in the matter of the EC's regime for bananas, retaliation was requested by and authorized 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 retaliating country that bear the cost of higher duties on the products concerned or their unavailability. The second is that the economic impact goes well beyond the directly concerned producers, trading firms, distributors, with repercussion effects on all the links in the chain of production, trade, and distribution, and the workers that each link employs. Finally, with respect to the WTO Members involved, retaliation is a sign that alternative methods of resolving the dispute have failed. The multilateral trading system prospers by opening channels of trade, and WTO Members, prior to seeking authorization to retaliate, have the responsibility to explore to the utmost of their ability the available alternatives, such as compensation, which create rather than limit trade.

Accessions

A vote of confidence in the WTO is the growing number of Members, which rose to 140 in November 2000. Jordan, Georgia, Albania, Oman and Croatia acceded in 2000 (in chronological order), bringing to 12 the number of Members 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 Yemen. The other 26 working parties in process are those for: Algeria, Andorra, Armenia, Azerbaijan, Belarus, Bhutan, Bosnia-Herzegovina, Cambodia, China, Former Yugoslav Republic of Macedonia, Kazakhstan, Laos, Lebanon, Moldova, Nepal, Russian Federation, Samoa, Saudi Arabia, Seychelles, Sudan, Chinese Taipei, Tonga, Ukraine, Uzbekistan, Vanuatu, and Viet nam. China entered the final stage of the working party process in 2000, and a number of other accession processes advanced.

Each accession has the same 'win-win' quality for the WTO. The acceding party operates a more transparent and predictable trade regime, by assuming WTO obligations on goods, services, and intellectual property protec-

Steps to acceding to the WTO

In accordance with the vocation of the WTO to have a global reach in its membership, the WTO Agreement invites applications from interested governments. According to Article XII of the Marrakesh Agreement Establishing the World Trade Organization (WTO Agreement), a government may accede to the Agreement "on terms to be agreed between it and the WTO".

All accessions begin with a letter from the requesting government addressed to the Director-General. The item is then placed on the agenda of the WTO General Council for action, which generally establishes a "working party", composed of representatives of Members, to examine the application. The applicant generally obtains observer status in the WTO to become familiar with its activities.

The applicant submits a Memorandum on its Foreign Trade Regime in one of the three official languages (English, French or Spanish), describing in detail the regime (including copies of relevant legislation) and providing data. Questions may then be submitted by Members, to which the applicant is invited to respond, to establish a basis for dialogue on the regime and its conformity with WTO obligations, with a view to ensuring a good match. Technical assistance may be requested from the Secretariat or may be provided by individual Members.

When the examination of the foreign trade regime is sufficiently advanced, members of the working party may initiate bilateral market access negotiations on goods and services and on the other terms to be agreed. At their successful conclusion, the results of the negotiations are reflected in the schedules appended to the draft Protocol of Accession. The market-opening commitments of acceding WTO Members, although negotiated on a bilateral basis with individual WTO Members at their request, apply to all other WTO Members through the application of the most-favoured-nation clause.

The working party concludes its activity by submitting a report to the WTO General Council, a draft Protocol of Accession and a draft Decision. Such a decision on accession is, in practice, approved by consensus. The accession takes effect 30 days after domestic ratification by the applicant. ❑

tion (possibly with transitional periods to full implementation). It opens its markets for goods and services to its trading partners, and thus locks-in reforms and gains the benefit of more competitively-priced imports. In turn, the new WTO Member gains the right to similar rights and terms of access on the markets of other WTO Members. These commitments are enforced – on both sides – by dispute settlement. Domestic reform and integration into the world economy thus go hand-in-hand to strengthen growth and investment prospects of the acceding country, and of WTO Members.

Although each accession is significant in its own right, both for the new WTO Member concerned and the organization, there is no doubt that China's decision to join the WTO is particularly momentous. Opening its markets to foreign trade and investment 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 significance of these benefits – both for China and for WTO Members – explain the efforts that are being made on all sides to bring to a conclusion the accession process.

Each accession follows the same pattern (*see box*), starting with the submission of a request to the WTO and culminating with the General Council's adoption of a decision approving the accession, followed by domestic ratification. The pace of the accession process depends mainly on the state of readiness of the trade regime and the need to conclude bilateral negotiations with WTO Members, at their request. The Kyrgyz Republic, which joined the WTO in 1998, conducted the speediest accession to date, concluding in 2 years and 4 months, closely followed by Ecuador at 2 years and 8 months. In contrast, China's accession process has been the longest to date, spanning both the WTO and GATT 1947. WTO Members have from time to time considered the time and effort required to complete the process of accession as an issue, notably for LDCs, of which nine are in the process of accession.

Transparency and outreach

Transparency. Since the establishment of the WTO in 1995, the WTO Members and the Secretariat have taken a number of steps to improve the exchange of information about the nature and goals of the organization. For its part, the Secretariat has greatly expanded the human resources devoted to information and outreach activities. Regular press briefings are held, a publications service and the WTO web-site (http://www.wto.org) are maintained, information products are developed, and responses are given to the many requests for information on the WTO received each day. In particular, the WTO web-site receives an average of 200,000 visitors each month, from 145 countries, at last count.

In addition to obtaining information on the WTO, the web-site gives open access (without charge) to the Document Dissemination Facility (DDF), containing virtually all public WTO documents. According to the current policy, established in 1996, a presumption of public circulation status applies to notifications by Members, unless a restricted status is requested, and documents related to the regular activities of the WTO are circulated to the public after six months or when the activity has been completed. Although not formally articulated as such, the policy on document availability adopted by the WTO Members appears to rely on the twin foundations of (a) the domestic transparency requirements of WTO Members for measures covered by the multilateral agreements; and (b) confidentiality for the jointly undertaken activities of the WTO Members until the activity is completed in accordance with the traditions of diplomacy.

Of the some 5,500 WTO documents issued in 1999, this policy resulted in 62% being made available immediately to the public. Of the remainder, half were circulated within six months, and the rest remained restricted mainly because the activity (e.g., accession) was still in process. Over the years, this policy has led to the cumulative release to the public of 99.6% of WTO documents, which is a good record on transparency.

In 2000, WTO Members have been conferring on improvements that could be made to accelerate public availability of documents of particular interest to citizens, such as minutes of meetings of WTO bodies and panel reports. One obstacle is technical – WTO documents are in principle issued simultaneously in the three official languages (English, French and Spanish), requiring time to translate the original document. With respect to improvements to the general policy on public availability, differences of view remain among the Members, mainly because the benefits to quicker derestriction are weighed differently. While some Members see instant public availability of documents as not detracting from the efficiency of the WTO as an organization, others are more cautious, and see confidentiality for the time required to complete the activity as promoting deliberation and fruitful dialogue.

There is no doubt that greater transparency of documents and of WTO activities could dispel myths that have no legitimate reason to exist. However, transparency alone may not suffice to communicate effectively the content of the WTO agreements and the substance of the organization's activities, mainly because of their complexity. Developing information products appropriate to meet the different requirements of citizens is a priority for the WTO. This objective is of particular importance to enable producers to take full advantage of the new trading opportunities made available by market-opening agreements.

Outreach to civil society

Outreach has also been an important activity of WTO Members and the Secretariat. The public has access to WTO headquarters in Geneva, and the Secretariat handles a large number of visits; 121 groups visited the WTO Secretariat in the first nine months of 2000. The Secretariat has organized symposia on various issues of particular concern to segments of the NGO community, maintains an "NGO Room" on the WTO web-site, receives material from NGOs and keeps WTO Members informed thereof. The Director-General, his deputies and staff members frequently meet with representatives of civil society. In 2000, activity has focused on outreach to – in addition to NGOs – parliamentarians, universities and other research centres, and representatives from transnational parliamentary groups.

In October 2000, an on-line Forum on "Trade and Sustainable Development" was sponsored by the WTO and the World Bank. The forum is the first initiative of the WTO Network, which links the WTO with universities and research centres to build and disseminate knowledge on international trade issues. Several of these participating institutions contribute to a World Bank project on building a trade negotiating agenda for developing countries. The first two weeks of the forum focused on "effects of trade on poverty"; and the final two weeks on "how to ensure that trade and environment are mutually supportive".

The current policy on NGO participation in the WTO, established in 1996, recognizes that NGOs are "a valuable resource, [which] can contribute to the accuracy and richness of the public debate", but "there is currently a broadly held view that it would not be possible for NGOs to be directly involved in the work of the WTO or its meetings" , mainly as a result of the intergovernmental character of the WTO and the prerogative of Member governments to channel to the WTO the results of consultations with domestic constituencies. NGOs may observe Ministerial Meetings, and registration has risen sharply – from 108 NGOs at the first meeting in Singapore in 1996, to 128 NGOs in Geneva in 1998, and 686 NGOs in Seattle in 1999.

Outreach to international intergovernmental organizations (IGOs)

Outreach also concerns relations with other international intergovernmental organizations. A formal policy on such relations was established in 1995 for the IMF and the World Bank, as provided for in their respective agreements with the WTO. The basis is the 'coherence' mandate, which requires closer cooperation between the multilateral institutions with key roles in the formulation and implementation of different elements of the global economic policy framework. In addition to the IMF and World Bank, observer status in the General Council also applies to the United Nations, UNCTAD, FAO, WIPO and OECD. WTO Members have been conferring for some time on the IGOs to be granted observer status in the General Council and other WTO bodies.

Regarding outreach to other IGOs, many of which have expressed an interest in the WTO and its activities, arrangements were made for IGOs to observe Ministerial Meetings. This opportunity was taken up by 42 IGOs at the first meeting in Singapore in 1996, by 40 IGOs in Geneva in 1998, and by 50 IGOs in Seattle in 1999.

TRADE POLICY TRENDS IN WTO MEMBERS

Market access conditions for goods in selected markets

Trade links

WTO Members accounted for just under 90% of world merchandise trade in 1999. Significant traders still outside the multilateral trading system, but in the process of accession to the WTO, include China, Chinese Taipei, the Russian Federation, and Saudi Arabia. Among WTO Members, the Quad – Canada, European Union, Japan and United States – accounts for just over half of world merchandise trade. In addition to substantial two-way trade links between each other, their markets continue to be the main destination for the exports of most developing countries and transition economies. Trade between developing countries has been growing in importance, however, especially between partners in regional trade agreements, such as MERCOSUR, ASEAN or SADC.

Tariff policies

Average applied tariffs of WTO Members vary widely: with countries having higher per capita incomes tend to maintain, on balance, lower tariffs, to the benefit of their consumers and producers (Chart II.2).

Since the establishment of the WTO in 1995, tariff liberalization has proceeded through the implementation of Uruguay Round commitments, plus subsequent liberalization initiatives, notably on information technology products, as well as through autonomous action. Trends in applied tariffs over time are difficult to determine, however, because WTO Members often assess tariffs on agricultural products in specific terms (i.e. volume, weight, physical content), whose ad valorem equivalents depend on commodity price trends, as well as the implementation of commitments.

In addition to the levels of applied tariffs, a key aspect of tariff policy is the degree of predictability in the tariff regime. Experience has shown that the economic benefits associated with an open trade regime are more readily available if economic operators have confidence that policy reversals are contained. An anchor is provided by the commitment to bind tariffs in the WTO. This was required of WTO Members for tariffs on agricultural products, but the extent to which countries made use of this opportunity on other products varied widely, including with respect to the gap between applied and bound rates. Greater predictability could be assured by achieving a more comprehensive coverage of bindings and bringing bound rates down to applied rates.

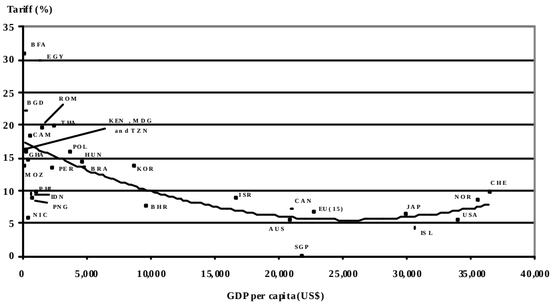
In this regard, the situation of WTO Members on which up-to-date information is available through Trade Policy Reviews is:

- all items are bound for the European Union, Norway, and Switzerland-Liechtenstein, and close to comprehensive coverage applies to Canada (24 items unbound), Iceland (6% of lines unbound), Japan (99 items unbound), and the United States (2 items unbound), and levels of applied tariffs are at or close to bound levels;
- Brazil, Nicaragua, Papua New Guinea, Peru, and Romania have a comprehensive coverage of bindings at ceiling rates, higher than levels currently applied;
- Bahrain, Israel, Republic of Korea, Philippines, Poland, Singapore, and Thailand have a less-than comprehensive coverage of bindings;
- Bangladesh, Kenya, and Tanzania have a low coverage of bindings.

Most newly acceding countries to the WTO have made significant efforts to achieve a comprehensive scope of bindings and lock-in tariff liberalization. Ecuador, Mongolia, Bulgaria, Panama, Kyrgyz Republic, Latvia, and Estonia, which acceded between 1996 and 1999, bound virtually lines, and the new Members of the WTO in 2000 – Jordan, Georgia, Albania, Oman and Croatia – have also each pledged comprehensive bindings. The average levels at which tariffs were bound were in double-digits for agricultural products, ranging from a high of 34.9% for Bulgaria to 10.6% for Albania. Average bound levels were much lower for non-agricultural products, ranging from a high of 20.1% for Ecuador to a low of 5% for Croatia.

Another key aspect of tariff policy is the extent of dispersion across sectors (notably 'peaks') or by degree of processing, which affects resource allocation, as well as the transparency and scope for rent-seeking in the tariff regime. Among the Quad, tariffs well above the average

Chart II.2
Simple average MFN tariff and GDP per capita for selected countries, 1999



Source: WTO Secretariat; IMF, IFS, June 2000.

continue to protect a number of industries from imports, and tariff escalation is evident in a number of sectors. In Japan, tariff peaks affect footwear and head gear, and in Canada, the European Union, and the United States, tariff peaks affect the textiles and clothing sector, on which quotas also apply (see below). Tariffs on agricultural products are generally substantially higher than on other products (Table II.1), notably on temperate-zone products, and subsidies are an additional distortion affecting market access conditions in the sector (see below).

A number of developing countries have made efforts to achieve a more uniform tariff structure, and thereby remove or reduce distortionary effects on resource allocation. For the countries on which up-to-date information is available through Trade Policy Reviews, notable efforts in this regard were made by Bolivia, which adopted a uniform rate of 10% (with some exceptions), and a simplified multi-tier tariff structure was established by Bangladesh, Nicaragua, Peru, and Tanzania.

The scope of application of MFN tariffs by WTO Members is reduced, however, by preferences granted to partners in regional trade agreements (with a few notable exceptions, see Section II(B)(4) below), agreements providing preferences on a non-reciprocal basis, or preferences granted to countries in transition and developing countries under the Generalized System of Preferences (GSP), with supplementary preferences for least developed countries. The proliferation of regional trade agreements in recent years and their prospective expansion (Section II(B)(4)), look set to further erode the scope of application of MFN tariffs. On GSP, an important development in the scheme operated by the European Union is the special incentive arrangement for countries demonstrating adherence to internationally recognized worker rights or environmental standards; eligibility under the U.S. GSP programme requires a country to take or be taking steps to afford internationally recognized worker rights. Another important development is the extended

Table II.1
Simple average tariffs of Canada, the European Union, Japan, and the United States
(per cent)

	Canada[c]	European Union[d]	Japan[c]	United States[d]
Total	7.2	6.9	6.5	5.7
WTO agriculture[a]	22.9	17.3	18.2	11.0
WTO non-agriculture[b]	4.4	4.5	4.0	4.7
Petroleum	2.6	2.9	6.5	2.3

a Annex 1 of the WTO Agreement on Agriculture defines the scope of agriculture as HS Chapters 01 to 24 less fish and fish products (Chapter 3), plus selected items from Chapters 29, 33, 35, 38, 41, 43, 50, 51, 52 and 53.
b Excluding petroleum.
c 2000.
d 1999.

Note: Simple average tariffs on WTO agriculture are estimated using the *ad valorem* equivalents (AVEs) of duties assessed on a non-*ad valorem* basis, and should be interpreted with caution.

Source: WTO Secretariat estimates, based on data provided by the authorities.

scope of preferences for least developed countries, granted by developed countries in the context of GSP, and granted autonomously by a rising number of developing countries.

Slow pace of elimination of quotas on textiles and clothing

Canada, the European Union, and the United States currently maintain quotas on textile and clothing imports from countries in transition and developing countries, under the WTO Agreement on Textiles and Clothing (ATC). These were carried over into the WTO from the long-standing Multi-Fibre Arrangement (MFA) in 1995, and are slated to be eliminated by 31 December 2004. The first two phases of the ATC product integration programme, to bring this sector fully into GATT 1994 rules, were completed in 1995 (not less than 16% of base line 1990 imports) and in 1998 (not less than 17%), respectively. Market access was also required to be improved in the first and second stages of integration, by quota growth rates of at least 16% and 25%, respectively.

- For Canada, the EU, 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 integration programme contained a product previously subject to restriction (work gloves), and its second stage integration programme contained two categories subject to quotas (tailored collar shirts and textile handbags);
- the EU's first stage integration programme contained only products not subject to restriction, and its second stage integration 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 are to be eliminated on 1 January 2001;
- the United States' first stage integration programme contained products not subject to restriction, and its second stage integration 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 aggregate limits.

Preparations are 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 integration programmes are to be notified 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 notified 360 initiations of anti-dumping 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, indicate 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.

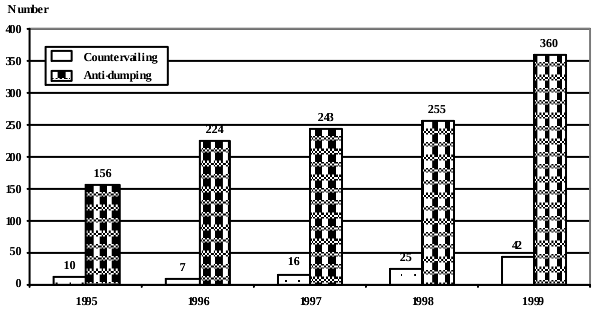
On average, about half of initiated anti-dumping investigations are terminated without measures being imposed, and the rest end with a definitive anti-dumping measure in the form of a duty or, much less frequently, a price undertaking by the exporter. Despite a sunset clause of five years under the WTO 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 countervailing procedures – both in terms of the number of user WTO Members, initiations, and measures in force–remains 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

Initiations of anti-dumping investigations, 1999

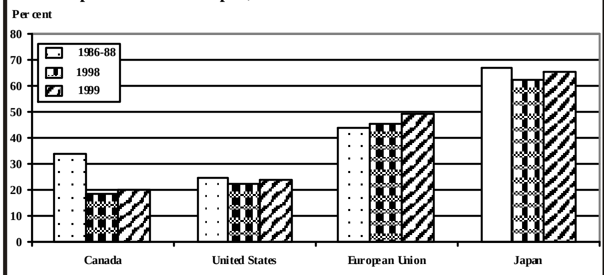
European Communities	68	Poland	7
India	68	Venezuela	7
United States	45	Korea, Rep. of	6
Argentina	24	Philippines	6
Australia	23	Egypt	5
Canada	18	New Zealand	4
Brazil	16	Trinidad and Tobago	3
South Africa	16	Colombia	2
Mexico	11	Malaysia	2
Indonesia	10	Czech Republic	1
Peru	8	Slovenia	1
Turkey	8	**TOTAL**	**360**

Chart II.3
Initiations of anti-dumping and countervailing investigations, 1995-99



Source : WTO Secretariat.

Chart II.4
Producer Support Estimates (PSE) for Canada, the United States, the European Union and Japan, 1986-99



Source: OECD (2000), *Agricultural Policies in OECD Countries - Monitoring and Evaluation*, Paris.

(54%), mainly on steel products, followed by Mexico (12%).

It should be noted that although a number of WTO Members have trade defence legislation in place, the procedures are either not used at all or very infrequently. Furthermore, some WTO Members do not use trade defence instruments 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 procedures. Some $4 billion of subsidies to exporters was involved in the dispute settlement procedure on Foreign Sales Corporations (FSC) brought by the European Union against the United States; this was the largest sum ever involved in a dispute brought to the WTO.

In 1999, the OECD estimated total support to agriculture at i 306 billion, up 5.6% over 1998, a rise explained by "low world commodity prices, and the resulting pressure they put on farm incomes, [which] led many OECD countries to introduce new measures or to provide additional support to farmers". Producer support granted in the area was estimated at i 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 less from more trade-distorting measures of direct producer support, notably 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 commitments of WTO Members under the Agreement on Agriculture, the OECD notes, however, that:

The Uruguay Round Agreement on Agriculture (URAA), with its disciplines 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 integrate agriculture into the multilateral trading system. But many trade distortions remain.

In addition to their effects on domestic consumers, producers, and the environment, the support policies for agricultural producers have spillover effects on world markets and on the export opportunities of trade partners, many of

Initiations of countervailing duty investigations, 1999

European Communities	20	South Africa	2
United States	11	Australia	1
Chile	4	Venezuela	1
Canada	3	**TOTAL**	**42**

which are developing countries. This underlines 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.

Product 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 include outright bans, notably in the context of the implementation of multilateral environmental agreements such as the Montreal protocol, the Basel Convention or CITES. Also important are sanitary and phytosanitary measures, which are taken to protect human, animal or plant health. Apart from SPS measures, imports may be subject to product regulations and standards to meet public policy objectives. Generally, the entry of imported products is permitted subject to conformity assessment procedures conducted on the territory of the destination market.

The WTO Agreements on Technical Barriers to Trade (TBT), and on Sanitary and Phytosanitary Measures (SPS) recognize and encourage activities at the international level designed to reduce barriers to trade resulting from product and product-related regulation, in particular, the development of international standards, guidelines, and recommendations. Such activities at the international level reduce potential market access barriers for imports on the home market of each WTO Member, and reduce the potential barriers to its exports on third country markets. A new development, encouraged by the SPS and TBT Agreements, is the conclusion of mutual recognition agreements on the results of conformity assessment procedures, concluded between countries having established confidence in each other's testing entities and procedures. The trend to conclude such MRAs is confined – to date – to developed countries.

Table II.2
TBT notifications of technical regulations and standards, 1995-99

	1995	1996	1997	1998	1999
Argentina	0	1	0	1	16
Australia	20	18	26	12	35
Brazil	1	9	35	43	17
Canada	29	20	30	115	24
Czech Republic	12	14	1	6	28
European Union[a]	123	123	437	276	185
Japan	50	41	35	28	30
Korea, Rep.	13	9	14	8	22
Malaysia	1	19	12	28	98
Mexico	29	27	29	35	34
Switzerland	4	12	21	7	22
Thailand	7	13	22	34	22
United States	33	40	33	35	49
Total	**365**	**460**	**796**	**648**	**672**

a The European Union and its Member States. For details of Member State notifications, see WT/TPR/S/72, p.62, Table III.6.

Source: WTO Secretariat.

The significance of SPS measures appears to have expanded in recent years. Developed countries are heavy users of such measures, mainly to protect food safety, although developing countries are also using them with greater frequency. By October 2000, the United States had notified the WTO of the highest number of SPS measures (341), followed by the European Union and its Member States (170), Mexico (165), and Australia (120). The significance of TBT measures also appears to have expanded, rising from 365 notified measures in 1995 to 672 measures in 1999, in part due to the expanded use of such measures by developing countries (Table II.2).

Market access conditions for services

The services sector, as is well known, plays a dominant role in the economies of most WTO Members, both in providing consumer benefits directly through health, education, and leisure services, and as a support to business activities, through finance, communications, and transportation. Services is the leading sector of economic activity in all high-income countries, its importance is less in lower-income countries, with some exceptions. The importance of the services sector in the world economy greatly exceeds its share in world trade, which was estimated at one fifth in 1999, mainly because these statistics only count cross-border transactions and not services provided through affiliates. Furthermore, the same basic policy prescriptions as in the goods sector also apply, such as ensuring that policies encourage rather than impede competition and that economic operators have some certainty regarding the stability of the policy framework. In addition to domestic benefits from a greater variety and competitive pricing of services, trading partners gain the opportunity for trade-related development, based on services trade.

A key development in the multilateral trading system was therefore the GATS Agreement, which established a framework of commitments by WTO Members to bind, reduce or eliminate impediments to the supply of services by foreign providers, followed up by the agreements on basic telecoms and financial services in 1997 (Fourth and Fifth Protocols to the GATS, respectively). Just as is the case of the policies affecting market access for goods, WTO Members display a wide variety of approaches to service sector liberalization (Table II.3). Within the sectoral commitments, all modes of delivery are generally provided for, although a number of WTO Members maintain restrictions on commercial presence, and the scope of access for delivery by mode 4–natural persons–is severely limited (just business travellers and intra-corporate transferees).

Although the GATS commitments are of relatively recent vintage, a number of WTO Members have actively pursued privatization and deregulation, accelerating the pace of autonomous liberalization in the services sector, and leading to policies in place that are generally more liberal – in some instances, much more so – than those specified in schedules. A compounding factor in the telecommunications sector is the rapid rate of technological change, notably with respect to wireless communications, which is leading regulation. These developments in the sector underline the significance of meaningful progress on expanding the scope of commitments in the negotiations currently engaged under Article XIX of the GATS, and boosting investor confidence by making better use of the GATS framework to lock-in reforms.

A more comprehensive approach to GATS sectoral commitments has been taken by newly acceding Members of the WTO, although the limitations on market access and national treatment for the four modes of supply, as well as MFN exemptions, are similar to those of original Members. The 12 most recently acceded Members – Albania, Bulgaria, Croatia, Ecuador, Estonia, Georgia, Jordan, Kyrgyz Republic, Latvia, Mongolia, Oman and Panama – have undertaken commitments in professional services (mostly accounting, legal, taxation, architecture, and engineering), business services (a very wide range), communication services (but the coverage of basic telecom is uneven), financial services (in some cases with important exclusions), construction services and distribution services. Coverage is most comprehensive in construction, distribution, and financial services. Eleven Members have undertaken commitments in environmental, tourism, and transport services, ten Members in health and social services, and in education services, nine Members in recreational services, and five in audio-visual services.

Major developments in the service sector were noted for the WTO Members on which up-to-date information is available through Trade Policy Reviews:

- Bahrain made commitments under the GATS and the Fifth Protocol only on certain financial services, binding the existing regime in banking services, while the current regime on insurance services is more liberal than the GATS commitments;
- Bangladesh has pursued privatization of basic infrastructural services such as telecommunications, power generation, and transport, the inefficient provision of which constitute a major impediment to the country's economic development by raising the cost of doing business;
- Brazil has reduced state involvement in services through privatization, opened the market for financial services to foreign banks in 1996, eliminated the monopoly of the state-owned telecommunications operator and opened the market to competition;
- the European Union opened the telecommunications market to competition in 1998 under the Internal Market programme, reinforcing and extending the resulting access to foreign service providers under the Fourth Protocol to the GATS, and made progress on the Internal Market for financial services, also extending the

"single passport" to foreign service providers under the Fifth Protocol;
- Iceland's open regime for the provision of services in all sectors by foreign suppliers (except by mode 4) was bound in the GATS;Israel, which retains a state-owned telecoms operator, has opened the mobile telephony market and the international calls segment of the fixed-line market to competition by private investors, with foreign equity participation;
- Japan has pursued financial sector liberalization since 1997 and, in accordance with the Financial System Reform Law, liberalized the setting of brokerage commissions in 1999 and eliminated the compartmentalization of securities business;
- Kenya has begun to open the domestic telecoms market to competition, proposing to privatize the state-owned telecoms operator (foreign stakes would be subject to a 30% ceiling);
- the Republic of Korea opened its services sector to foreign investment, notably financial, telecom, broadcasting, maritime and air transportation services, and made commitments under the Fourth and Fifth Protocols to the GATS which improved conditions of market access for foreign providers of financial and telecom services;
- Nicaragua eliminated the state monopolies in insurance and postal services in 1996, has scaled back state involvement in banking, and decided the privatization of the state-owned telecoms operator in 1998, also opening up segments of the telecoms market to competition;
- Norway opened financial services to foreign competition, with conditions on commercial presence, and fully liberalized telecommunications in 1998, eliminating the monopoly rights of the state-owned operator;
- Papua New Guinea has begun to open the domestic telecoms market to competition, planning for the state-owned telecoms operator to lose its monopoly in 2002, when foreign suppliers will be allowed entry;
- Peru dramatically reduced or eliminated state involvement in financial, transport, power generation, and telecom services through privatization, and encouraged foreign investment in these sectors, including by commitments under the GATS;
- the Philippines has reduced state intervention in the services sector through privatization, and has liberalized foreign equity participation in financial services;
- Poland has opened the mobile telephony market and on fixed line services, removed the state monopoly on long-distance and local telephone calls in 1999, for domestic telex and telegraphic services in 2000, and is to remove the monopoly on long-distance calls in 2003;
- Romania has dramatically reduced or eliminated state involvement in services through privatization, adopted a policy of open non-discriminatory access for the establishment of banks (subject to prudential regulations), and on telecoms, opened the market for mobile telephony and is to open basic services to competition in 2003;
- Singapore has removed foreign ownership restrictions in banking services and advanced to April 2000, by two years, the full opening of the telecoms sector, removing all restrictions on foreign investment;
- Tanzania has dramatically reduced or eliminated state involvement in services through privatization, and opened services to competition, notably in telecoms and financial services;
- Thailand made use of the Fifth Protocol to the GATS to open financial services to competition, as a key aspect of its action to overcome the effects of the crisis that began in mid-1997, and increased competition in telecom services, which are to be opened in 2006.

Intellectual property protection

A key development in the multilateral trading system is the WTO TRIPS Agreement, which established a framework of rules on minimum levels of protection for intellectual property rights (IPRs) and the means to ensure their enforcement. Intellectual property protection, which refers to creations of the mind, is divided into two categories: industrial property, which includes inventions (patents), trade marks, industrial designs, and geographic indications of source; and copyright, which includes literary and artistic works such as novels, poems, plays, films, musical works, paintings, photographs, sculptures, and architectural designs, as well as the rights of performers, producers of sound recordings and broadcasting organization. Protecting intellectual property rights such as patents and copyright preserves the incentive for creativity and inventiveness, while in the area of distinctive signs, such as trade marks and geographical indications, its main purpose is to protect the consumer and prevent unfair competition between producers. In the area of patents, another benefit is to foster disclosure of inventions. The protection of intellectual property rights has also been found to be conducive to foreign direct investment and technology transfer, which are particularly important considerations for developing countries adopting IPR regimes.

When the WTO agreements took effect on 1 January 1995, developed countries had one year to ensure that their laws and practices conformed with the TRIPS Agreement, developing countries and (under certain conditions) transition economies had five years, and least developed countries had 11 years. Thus, as of 1 January 2000, developing countries were required to have implemented the TRIPS Agreement, and the TRIPS Council has been receiving notifications to this effect and established a schedule for the post-2000 review of legislation. Implementation of the TRIPS Agreement has also been at issue in dispute settlement proceedings.

Major developments in the area of intellectual property rights were noted for the countries that were the subject of Trade Policy Reviews during the period covered by this Report:
- Bahrain is in the process of updating its national legislation to reflect TRIPS obligations, including on patents, trade marks and industrial designs, and has made efforts to step up enforcement, especially with regard to copyright protection;
- Bangladesh (a least developed country) is updating its intellectual property right laws with a view to bringing them into line with the provisions of the TRIPS Agreement by 2006;
- Brazil has passed revised copyright, patent, and trade

mark legislation since 1996, and appears to have made considerable gains on enforcement of Brazilian laws against video and software piracy, and foreign and domestic copyright holders have successfully used the domestic legal system to pursue their rights (although the deterrent value of fines eroded by inflation is an issue);

- the European Union has taken new harmonization initiatives for the legal protection of biotechnological inventions and of designs, plans to do so for the patentability of computer programs, and intends to establish new unitary rights through a "Community design" and a "Community patent";
- Iceland 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 requesting patent examination from seven years to three years, improve 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 inventive activities and enhanced protection of IPRs, enacting legislation on IPRs, notably patents in 1999, trademarks and designs in 1998, and enhancing enforcement by raising the ceiling on fines by 150%;
- Nicaragua, under the terms of a bilateral agreement with the United States, enacted a level of IPR protection that exceeds commitments under the TRIPS Agreement and advanced its implementation date by six months, to mid-1999;
- Norway issued new regulations on copyright in 1997 to implement the obligations to foreign right holders stemming from the various international treaties to which Norway is party, and provisions on IPR protection at the border in 1996;
- Papua New Guinea (a least developed country) intends to adopt legislation on IPRs (which currently covers only trademarks);
- Peru enacted laws on industrial property and copyright in 1996, and seeks to promote the protection, at the international level, of the traditional knowledge of local and indigenous communities;
- the Philippines enacted the Intellectual Property Code in 1998, and also established a Bureau to which complaints on IPR-related cases may be addressed, as an alternative to judicial avenues;
- Poland introduced new legislation on industrial property protection along with amendments to copyright laws effective from 1 January 2000, aimed at meeting TRIPS commitments and harmonization with the EU;
- Romania revised its legislation to meet commitments under the TRIPS Agreement and harmonize with the European Union, notably by new laws on copyright in 1996, the provisional protection of patents, new plant varieties, and the protection of trademarks and geographical indications in 1998, notifying its legislation for review to the WTO before the end of the transitional period;
- Singapore introduced a new patents law in 1995, copyright protection for computer programs and sound recordings in 1998, a new Trademarks Act in 1998, and a new Geographical Indications Act in 1998, notifying its legislation for review to the WTO before the end of the transitional period, and has a special police unit dedicated to enforcement;
- Tanzania (a least developed country) introduced the Copyright Act in 1999 and intends 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 transitional period, and established a judicial instance to hear complaints on IPR infringements in 1996.

Regional trade agreements

Virtually all WTO Members are partners in at least one regional trade agreement (RTA), and many are partners in two or more; the exceptions are Hong Kong, China; Japan; Macau, China; and Mongolia. Cross-regional trade agreements are also on the rise, linking partners in North and Latin America, as well as linking partners in Europe with countries in the western hemisphere. Such links are also planned by countries in Africa, Asia, and Europe.

In the western hemisphere, NAFTA links Canada, Mexico, and the United States since 1994. In recent years, Canada has concluded a free-trade agreement with Chile, the negotiations with EFTA are in the final stages, talks with Costa Rica and with MERCOSUR are under way, and the possibility of such negotiations with Singapore is being explored. Mexico and the European Union concluded a free-trade agreement, which entered into force in July 2000 and secures NAFTA-like treatment for European enterprises on the Mexican market. The United States concluded a free-trade agreement with Jordan in 2000 (which contains, as an integral part of the FTA, provisions on internationally recognized worker rights and environmental standards), and fast-track negotiating authority exists for free-trade agreements with Chile, the Republic of Korea, Singapore, and Turkey.

In the Caribbean, the 13-member CARICOM concluded free-trade agreements with the Dominican Republic and Cuba. Other customs union agreements are in place in Central and Latin America, such as the CACM (Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua), the Andean Community (Bolivia, Colombia, Ecuador, Peru, and Venezuela), and MERCOSUR (Argentina, Brazil, Paraguay, and Uruguay). An initiative to link each of these customs unions with MERCOSUR and with each other was launched in August 2000. For the western hemisphere as a whole, the goal of a Free Trade Area of the Americas (FTAA) by 2005 remains in place, with work continuing in 2000 on non-tariff barriers to trade.

In 2000, the pace of conclusion of RTAs in Central and

Latin America continued to be very rapid. CACM is negotiating an agreement with Chile, the Andean Community is negotiating an agreement with Brazil, and MERCOSUR is negotiating an agreement with Panama. Mexico, which already has agreements with Bolivia, Costa Rica, and Nicaragua, concluded agreements with El Salvador, Honduras, and Guatemala, started negotiations on a free-trade agreement with MERCOSUR, and has numerous bilateral agreements under negotiation, notably with Brazil, Ecuador, Peru, and Uruguay.

In Europe, the European Union is linked by bilateral free-trade agreements to 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 another group is linked by the Baltic Free-Trade Area (Estonia, Latvia, and Lithuania). Each of these countries is engaged in accession negotiations with the EU, and are therefore concluding free-trade agreements with partners to parallel those concluded by the EU. For its part, the EU is considering in 2000 the institutional changes needed to accommodate enlargement to the east.

The EU is negotiating second-generation bilateral free-trade agreements based on a reciprocal exchange of preferences 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. Following its strategy of concluding free-trade agreements with dynamic emerging market economies, the EU began discussions on an agreement with MERCOSUR, in March 2000. The EU has also proceeded with discussions with the Gulf Cooperation Council (GCC).

Also in Europe, the remaining members of EFTA are linked to the EU by free-trade agreements, complemented by the EEA or bilateral agreements in the case of Switzerland. EFTA itself has concluded free-trade agreements with a number of countries in parallel to those concluded by the EC. Currently, EFTA is pursuing free-trade agreements with extra-regional trade partners, notably Canada and Mexico.

A number of recent RTAs in Europe and Central Asia concern the integration of countries of the former USSR, as well as with their neighbours. In 1994, the CIS States agreed to create a free-trade area linking Azerbaijan, Armenia, Belarus, Georgia, Moldova, Kazakhstan, the Russian Federation, Ukraine, Uzbekistan, Tajikistan, and the Kyrgyz Republic. A customs union agreement between the Kyrgyz Republic, the Russian Federation, Belarus, and Kazakhstan entered into force in 1997 and is to be fully completed by 2003. A large number of bilateral agreements have also been concluded, notably among the Kyrgyz Republic, Kazakhstan, Moldova, the Russian Federation, Ukraine, and Uzbekistan.

In Asia, the members of ASEAN – Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Viet Nam – met to agree the final phase of tariff liberalization to establish a free-trade area by 2005. ASEAN and the Australia-New Zealand CER are considering a linkage through 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-only trade liberalization to consider the conclusion of bilateral agreements to deepen trade and investment interdependence with Singapore and the Republic of Korea, as well as other trade partners, and to meet the challenge of the trend to regional integration in other regions and between regions. The Republic of Korea, which began negotiations on a bilateral free-trade agreement with Chile in 1998, is now considering regional and bilateral trade agreements as a useful means of securing greater market access for Korea's exports in response to the recent financial crisis and growing regionalism elsewhere. Sri Lanka and India agreed to implement their free-trade agreement concluded in 1998.

In Africa, certain members of the Economic Community of West African States (ECOWAS) – Benin, Burkina Faso, Ghana, Mali, Niger, Nigeria, and Togo – agreed to establish a common external tariff by 2001 and took steps to liberalize the movement of natural persons. The Southern African Development Community (SADC) treaty has been ratified by ten countries – Botswana, Lesotho, Malawi, Mauritius, Mozambique, Namibia, Tanzania, South Africa, Swaziland, and Zimbabwe – and aims to achieve a free-trade area by 2004. The 20 members of the Common Market for Eastern and Southern Africa (COMESA) agreed to launch a free-trade area by October 2000, supported by closer monetary cooperation. The Economic and Monetary Community of Central Africa (CEMAC), which is composed of Cameroon, the Central African Republic, the Congo, Gabon, Equatorial Guinea, and Chad, aims to progress towards economic union. The members of the Union économique et monétaire de l'Afrique de l'Ouest (UEMOA) established their customs union on schedule at the start of 2000.

In the Middle East, the Gulf Cooperation Council (GCC), which is composed of Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates, agreed in November 1999 to establish common external tariffs by 2005, fulfilling the Council's long-standing ambition to achieve a customs union. The members of the GCC are also part of the effort launched by the Arab League (in addition to GCC members, Egypt, Iraq, Jordan, Lebanon, Libya, Morocco, Syria, and Tunisia) to establish a common market by 2007.

On the basis of these developments, there is no doubt that the trend to the conclusion of RTAs, which took off in the 1990s, continued to be very strong in 2000; indeed, perhaps the term "regional" is increasingly superfluous to describe the plethora of new agreements linking countries around the globe. The motivation is that such agreements permit the partners to accelerate and deepen trade and investment liberalization on a bilateral or plurilateral basis, as well as address other issues of commercial significance in economic relations, notably technical standards and regulations, government procurement, intellectual property protection or cooperation on competition policy. As a result, participants reap the advantages of closer economic integration and their growth prospects are correspondingly strengthened, of wider benefit to trading partners. On the negative side, regional trade agreements generally comprise aspects of preferential treatment, notably with respect to trade in goods, that result in trade diversion to the detriment of third parties and undermine the bedrock principle of the most-favoured-nation. (APEC, by contrast, is an example of "open" regionalism since preferences are not part of its liberalization agenda.) On balance, however, experience has shown that the twin-track approach of regional and multilateral liberalization can fruitfully co-exist if WTO principles on such agreements are fully respected.

It has been argued that the post-Seattle trend to regional integration could strengthen, if disappointment with the multilateral trading system is allowed to take hold. Although it is too early to draw any conclusions on this issue (noting the forward agenda of the WTO, described in previous sections), certain aspects of the interface between regional and multilateral integration need to be emphasized. A first aspect is that preferential access remains of abiding commercial interest in areas where tariffs remain high, leading WTO Members to continue to be attracted to the regional option – just like access through GSP or similar programmes. At the same time, one country's preference is a third party's discrimination, including through rules of origin, of particular concern at a time of rapid proliferation of RTAs. A second aspect is that many countries seeking to achieve the gains of economic integration consider the regional option to yield quicker results than when a multilateral consensus needs to be secured, although many also consider that regional integration prepares the round for a multilateral process. A third aspect is that negotiation of multiple RTAs burdens the already scarce negotiating resources of developing countries, while multilateral negotiations provide scope for more concentrated action and results in this regard.

More generally, the WTO, with its large and growing membership and its effective dispute settlement procedures, is the most effective forum for wide-ranging market access agreements or for a universal framework of rules on trade measures. Thus, the protection of intellectual property rights is more valuable on a global basis than on a bilateral or plurilateral basis. Achieving the reform of policies in certain issues – notably support policies to agricultural producers – has proved more feasible at the multilateral level. Furthermore, securing open markets for goods and services on a global basis is more appropriate to the commercial strategies of enterprises in globalized markets than the regional option. Hence, even as WTO Members explore the regional option, significant centrifugal forces also favour the multilateral trading system.

INTEGRATING LDCS IN THE WORLD TRADING SYSTEM

Overview

A low level of participation in world trade

The United Nations has classified 48 countries as least developed countries (LDCs), based on social and economic criteria, of which 29 are WTO Members and nine are in the process of accession.

The most obvious manifestation of the difficult situation of LDCs in the world trading system is their almost

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

continuously declining share in world merchandise exports. This share was down to 0.4% in 1999, from 0.7% in 1980, while these countries accounted for 10.4% of the world's population. The decline largely reflects the continued importance of primary commodities in LDC exports, accounting for 80% or more of total merchandise exports in all but a handful of LDCs. Commodity prices have also exhibited a significant degree of volatility, leading to unstable export earnings and import expenditures for the LDCs. In contrast, manufactures have been the fastest growing component of world trade.

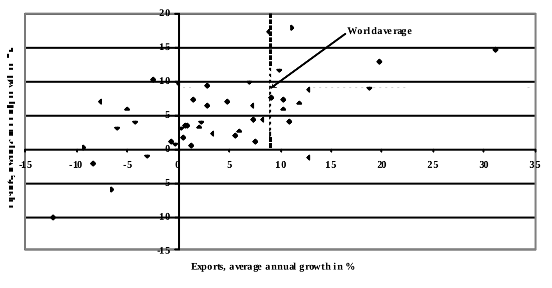
Significant differences are apparent between LDCs in terms of the magnitude of trade, its composition, and performance over time. Of the 48 countries in the group of LDCs, just 15 account for some 80% of LDC exports. Furthermore, not all LDCs saw their share in world merchandise trade decline over time (Chart III.1). Countries that are exporters of manufactures have (with the exception of Madagascar) performed above the world average; for example, Bangladesh, whose exports are mainly manufactured products, saw its share of world exports rise (although still tiny). Above-average export and import growth was also experienced by a few countries whose exports are dominated by primary commodities. Negative export and import growth (left bottom quadrant) was present only in countries that have been suffering from prolonged civil strife.

Growth reduces poverty and openness to trade improves growth prospects

The WTO Secretariat has recently noted that "trade liberalization is generally a strongly positive contributor to poverty alleviation – it allows people to exploit their productive potential, assists economic growth, curtails arbitrary policy interventions and helps to insulate against shocks".

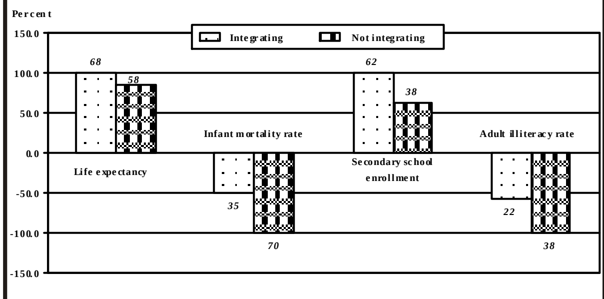
This conclusion is backed by empirical research. Openness of the economy has proved to be a major factor in economic growth, strongly associated with per capita income growth. In a study of 122 countries for 1970-90, "open" economies outperformed "closed" economies on economic growth, avoidance of extreme macroeconomic crisis, and structural change: growth rates of "open" economies averaged 4.49% between 1970 and 1990, compared to just 0.69% for "closed" economies. This concurs with a new study from the World Bank which, using data from

Chart III.1
LDC average annual rates of growth of trade, 1987-97



Source: WTO (1999).

Chart III. 2
Life is better in the countries that are integrating into the global economy



Source: World Bank (1996): *Global Economic Perspectives for Developing Countries*, Washington D.C.

80 countries over four decades, confirms that openness boosts economic growth and that the incomes of the poor rise one-for-one with overall growth. Openness to trade has also been found to be correlated with reduced poverty. When countries were grouped according to their degree of openness (measured as low anti-export bias), a World Bank study found that "integrating" countries improved in all important social indicators, from life expectancy to infant mortality rate, to adult illiteracy rate (Chart III.2).

The World Bank recently noted that:

As countries become richer, on average the incidence of poverty falls. Other indicators of well-being, such as average levels of education and health tend to improve as well. For these reasons, economic growth is a powerful force for poverty reduction. This observation is not the end of the story, for it raises the questions of what causes economic growth and why countries with similar rates of economic growth can have very different rates of poverty reduction.

The World Bank goes on to note that the poverty-reducing effects of economic growth are enhanced by policies to promote social development, such as education and institution-building, and therefore economic growth and social development have to be viewed together, and not in a sequence.

Based on these studies, least developed countries seeking to improve their growth prospects are encouraged to, inter alia, open their trade regimes and implement appropriately sequenced outward-oriented reforms that will permit trade diversification and expansion. The World Bank has underlined that, in addition to the growth-promoting policies that can be adopted, poverty reduction requires appropriate policies of support, notably education and institution-building.

In addition to the efforts to be made by countries and the communities within them, global actions are also needed. Thus, the WTO has established a Plan of Action for LDCs, to remove market access barriers and support trade development through technical assistance. At UNCTAD X, a proposal for a Plan of Action for LDCs was agreed with a view to the Third United Nations Conference on the Least Developed Countries (UNLDC III), which is to be held in May 2001. Furthermore, the IMF-World Bank initiative for Heavily Indebted Poor Countries (HIPC) makes available debt relief for the 42 heavily indebted LDCs. In all cases, increasing attention is being paid to bringing together reforms and capacity-building programmes in various areas of policy in a comprehensive and multi-faceted development strategy.

WTO Plan of Action for LDCs: Market access and the Integrated Framework

The Plan of Action for LDCs was adopted at the First WTO Ministerial Meeting, held in Singapore in 1996. The "Declaration for a Plan of Action" asked WTO member countries to provide enhanced market access for LDC exports and asked multilateral institutions – WTO, WB, IMF, UNDP, UNCTAD and ITC – to provide an integrated framework for trade-related assistance. This was followed up with the High-Level Meeting (HLM) on Integrated Initiatives for Least-Developed Countries Trade Development held on 27-28 October 1997, which established the Integrated Framework.

To a large extent, market access is determined by the range of tariff and non-tariff barriers in foreign markets. Strategies for improving market access for LDCs include reductions and eliminations of tariffs on a most-favoured-nation (MFN) basis, in which case all trading partners benefit, or on a preferential basis and therefore targeted at LDCs specifically, notably through GSP or similar programmes. However, LDCs' capacity to use the market access opportunities available to them – both existing and enhanced – is also strongly affected by, and linked to, domestic supply-side and policy constraints, which are addressed through the Integrated Framework.

Initiatives to improve market access for LDCs

Approximately 70% of the 112 tariff lines that form the bulk of LDC exports to their 23 main markets are duty free, either on an MFN basis or in the context of GSP programmes, leaving 30% subject to tariffs. These tariffs are often above-average by virtue of the "sensitive" nature of the underlying product (notably textiles and clothing, and agricultural products). Other tariff barriers to trade development include tariff escalation, according to which the level of the tariff rises with the stage of processing, discouraging more intensive manufacturing. LDCs have also called attention to quantitative restrictions on textiles and clothing items, and on sugar, and to other non-tariff barriers, such as non-automatic import licensing, prior authorization, state trading, other administrative restrictions, standards and SPS restrictions, etc. affecting products such as fish and fish products, frozen foods, meat, hides and skins, and leather.

A number of WTO Members have identified ways of improving market access for LDCs on a preferential basis, either through their GSP programmes or on another basis. At the HLM, several Members provided details on existing or planned measures of enhanced market access for LDCs – the European Union, Norway, Morocco, United States, Mauritius, Hungary, Republic of Korea, Singapore, Canada, Japan, India, Switzerland, Thailand, Egypt, Turkey, Australia, and Bulgaria. Notifications of improvements were made to the WTO by the European Communities, Switzerland, Canada, Republic of Korea, Turkey, Egypt, Mauritius and the United States; Singapore had notified improvements at the HLM.

At the Third Ministerial Conference in Seattle in November 1999, the European Union and Japan announced their intention to open their markets to essentially all products from LDCs. This undertaking was followed by the proposal by Canada, the European Union, Japan, and the United States – the Quad Proposal - at the General Council in May 2000 to implement "both tariff-free and quota-free treatment, consistent with domestic requirements and international agreements, under their preferential schemes, for essentially all products originating in LDCs", joined by the Czech Republic, Iceland, Poland and Slovenia. The WTO was also informed by Hong Kong, China that it grants duty-free and quota-free access to imports from all sources, including the LDCs, and by Hungary and the Slovak Republic, that unconditional duty-free and quota-free access is granted to imports from LDCs.

Major developments in the market access conditions for LDCs in the Quad, in 2000, include:

- Canada extended the scope of its Generalized Preferential Tariff (GPT) scheme to encompass 550 additional items for which duty-free access is granted for imports from LDCs as of 1 September 2000, raising to 90% the share of duty-free lines for LDCs ;
- the European Union and the ACP States (one third are LDCs) concluded the Cotonou Agreement to succeed the Fourth Lomé Convention, which contains the pledge to implement duty-free treatment for the LDCs by 2005 , and the European Commission proposed in September 2000 to the Council of the European Union to modify the European Union's GSP programme to grant duty-free and quota-free access for "everything but arms" of the LDCs ;
- Japan is establishing a new, special preferential system for LDCs, separate from its GSP programme; and
- the United States enacted the African Growth and Opportunity Act (AGOA) and the Caribbean Basin Trade Partnership Act (CBTPA), which grant preferential treatment on covered items from beneficiary countries meeting the eligibility conditions under the respective Acts.

Integrated Framework to build capacity

First experiences with the Integrated Framework

The Integrated Framework (IF) for the LDCs is a partnership between six agencies – IMF, ITC, UNCTAD, UNDP, WB, and WTO – and LDCs to provide them with assistance to integrate in the world economy. The six agencies manage the IF process through an Inter-Agency Working Group (IAWG), chaired by the WTO.

Thriving market: cooperative efforts by the WTO and other agencies are aimed at integrating the LDCs into the world economy. (ILO Photo)

A key principle of the IF is participation and ownership by the LDCs. For that reason, the WTO invited every LDC to submit a "Needs Assessment" for trade-related assistance, including physical infrastructures, human and institutional capacity-building, at the outset of the IF exercise. In their assessments, the authorities in most countries identified the major obstacles to trade expansion as supply constraints and lack of capacity. The needs ranged from training in information technology and assistance to improve customs administration, through transport and storage infrastructures, to issues such as telecommunications, and electrical power. Another major need was trade analysis and policy expertise for export promotion, for the implementation of WTO agreements, and to build capacity to participate more effectively in the WTO.

The six core agencies provided "Integrated Responses" based on existing programmes and budgetary commitments by each agency, coordinated among agencies in order to avoid overlap. The Needs Assessment and Integrated Response also formed an input into the "Round Table" organized with donors during the High-Level Meeting that launched the Integrated Framework in Geneva in October 1997. Countries ranked and updated their needs in order to present them at trade-specific donor consultations in the context of Consultative Group meetings organized by the World Bank or roundtable meetings organized by UNDP, where an endorsement of the multi-year programme of trade-related assistance was anticipated. These consultations were expected to produce additional pledges of assistance by donors.

Five countries organized trade-related Round Tables in the context of the IF between December 1998 and March 2000: Uganda, Tanzania, Haiti, Gambia, and Bangladesh. For the countries involved, the process of designing programmes of proposed trade-related assistance presented an important opportunity to build capacity and coordination on trade issues. Each country established a steering committee to coordinate the different agencies of its administration that deal with trade issues, in consultation with representatives of the private sector, interested donors, and representatives of academia. Steering committees formulated objectives for trade policy and priorities for trade-related assistance consistent with the overall development strategy.

In Uganda, the presence of donors and private sector representatives in its steering committee facilitated a consistent 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 and JITAP programmes were renewed, with trade an integral 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 unfilled as bilateral donors indicated a preference for trade-related assistance that was 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

The IAWG commissioned a comprehensive review of the Integrated Framework in 1999. The review found that the IF was generally viewed as an important exercise by all stakeholders – LDCs, donors, and the six agencies – but that the anticipated results in terms of capacity-building had fallen short of expectations, while recognizing that the process of creating capacity is lengthy. However, there were "different perceptions regarding the objectives of the IF between LDCs and donors: LDCs expected additional funding; donors 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 the 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 the 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 (IFTF), with a funding objective of US$20 million for 2001-03, which is to be administered by UNDP 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 periodi-

ITA committee approves 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 Committee will compile, by March 2001, an inventory of non-tariff measures which have been identified by participants as impediments to trade in ITA products.

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

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

The work programme is based on a proposal submitted by Australia and agreed after intensive 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, including what they said are redundant testing and certification requirements by various countries on IT products, and problems with import licenses. One speaker cited a seven-fold increase worldwide in regulatory standards and certifications for IT products from 1989 to 1998, which he said meant hundreds of millions of dollars in additional cost 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 throughout 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 percentage points in the current year. The volume of merchandise trade growth of 5% exceeded by only 2.5 percentage points that of merchandise output in 1999. Trade in fuels and other minerals fell 4.5% in volume terms which was a much steeper decline than the decrease in output of mining products. Trade continued to expand faster than output for manufactures and agricultural products but in both sectors the difference was smaller than on average in the preceding decade.
- International capital flows – in particular foreign direct investment – was again a major determinant of international trade. Large capital inflows into the US sustained the large increase of US imports lifting the US share to 18.5% of world merchandise imports – historically an unprecedented level. In the case of Latin America, large capital flows 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 imports.
- In 1999, the bulk of the tariff cuts of the Uruguay Round have been completed resulting in a fall of collected duties in the major developed markets. As imports rose at the same time, the ratio of collected duties to imports fell to a new record low of 2.5% for the US, 2.3% for Japan and to 1.7% for the EU.
- 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 RIAs combined did not increase faster than world trade.
- Trade of regional integration agreements evolved quite differently in 1999. While intra-NAFTA trade expanded by 11% in line with the increase overall, its exports to all other regions declined. The recession in MERCOSUR countries 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 somewhat 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 fuels trade has to be attributed entirely to the rise in prices, the shrinking trade in iron and steel products is due to a combination of price declines and lower import demand.
- World exports of office and telecom equipment rose by 10% to nearly US$ 770 billion. A sharp rise in the sales of semi-conductors and mobile phones contributed to this dynamic growth. This product category comprises the hardware components of today's revolution in information technology.
- Exports of automotive products rose by 5% in 1999 and also therefore at above average rates. The most dynamic exporters of automotive products in 1999 are not the large traditional 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 America to North America rose by 15%. One of the outstanding features of global trade in clothing is that the growth of developing Asian exports to North America and Western Europe is surpassed 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, comparable and up-to-date statistics on trade in merchandise and commercial services for an assessment of world trade flows by country, region and main product groups or service categories. Some 240 tables and charts are depicting trade developments from various perspectives and providing a number of long-term time series as additional information. Major trade developments are summarised and discussed in the first part of the report under Overview. This volume has been produced by a team of statisticians from the Statistics Division in collaboration with the Economic Research and Analysis Division. Considerable efforts were made to secure data reliability, consistency and comparability through continued checking and adjustment of primary data.

The annual report is published in English, French and Spanish . Purchase information for hard copy or CD-ROM versions is available on the WTO website (*www.wto.org*). ❑

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