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Newsletter

Qatar to host WTO Ministerial Conference in November

The General Council, on 8-9 February, agreed that the Fourth WTO Ministerial Conference in Doha, Qatar, will be held on 9-13 November 2001.

The offer of the Government of Qatar to hold the Fourth WTO Ministerial Conference was accepted by the General Council on 30 January 2001, when it also authorized its Chairman, in cooperation with the Director-General, to start consultations on both organizational and substantive matters related to the preparations of the Conference and to report back to the General Council.

Working Party on Yugoslavia

The General Council established a Working Party to examine the membership application of the Federal Republic of Yugoslavia to the WTO.

Yugoslavia said that after ten years of economic decline, including trade isolation from the international community, it was now embarking on a radical economic path with the ultimate goal of establishing a system compatible with other European countries. It said that it had started to implement liberalization measures, including those on trade and deregulation. Yugoslavia expressed appreciation for the wide support from the WTO membership on its request for accession.

On another matter, the General Council granted Sao Tome and Principe observer status in the WTO.

Mandated negotiations

The Chairman of the Agriculture Committee, Amb. Jorge Voto-Bernales (Peru), reported that 17 new proposals were tabled at the Special Session held on 7 February 2001. He said that the Committee would take stock of the first phase of the agriculture negotiations at a Special Session scheduled for 26 March 2001.

The Chairman of the Council for Trade in Services, Amb. Sergio Marchi (Canada), said that delegations discussed the first draft of the guidelines and procedures for the negotiations at an informal meeting held on 7 February 2001. He said the revised draft would be discussed later in the month, and that the guidelines themselves would hopefully be adopted at the Special Session in March 2001.

The General Council resumed discussions on a proposal by a group of countries (Bulgaria, Czech Republic, Egypt, Hungary, Iceland, India, Kenya, Liechtenstein, Mauritius, Pakistan, Slovenia, Sri Lanka, Switzerland and Turkey) for TRIPS Council to report to the General Council on developments in the negotiations on geographical indications.

The Sheraton Doha Conference Centre: modern facilities await participants.

Several delegations continued to object to this proposal, arguing that the TRIPS negotiations on geographical indications were not on the same footing as those on agriculture and services.

BOP restrictions

The Chairman of the Committee on Balance-of-Payments Restrictions, Amb. Milan Hovorka (Czech Republic), reported that Pakistan had notified goods covered by the first tranche of its phase-out plan for BOP-related import restrictions. Pakistan had also informed the Committee on additional products made freely importable ahead of schedule.

Amb. Hovorka said that consultations with Bangladesh, suspended in May 2000, resumed last December. The Committee had approved a phase-out plan by Bangladesh on its BOP restrictions starting on 1 January 2002 and ending 1 January 2005. It agreed to discuss this June restrictions that the country would seek justification of under other WTO provisions.

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Qatar to host

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Further consultations

The General Council agreed that the incoming Chairman would conduct consultations on the following issues:

- A proposal by Bolivia, Canada, Chile, Colombia, Costa Rica, Ecuador, Japan, Korea, New Zealand, Norway, Peru, Switzerland and Venezuela to amend certain provisions of the WTO Dispute Settlement Understanding. The sponsors invited other members to put forward suggestions on how to improve the proposal.
- Australia, India, Korea, New Zealand, Pakistan and Hong Kong, China, called on the General Council to consider ways of improving the situation in the Committee on Regional Trade Agreements. India, on behalf of the co-sponsors, said that while the Committee had completed a factual examination of 62 regional trade agreements out of the 86 that had been referred to it, it had not been able to conclude examination of any of the reports so far. India said that the Committee had also not been able to make headway in addressing systemic issues regarding RTAs.
- On e-commerce, the General Council resumed discussions on the possible creation of an ad hoc task force to deal with cross-cutting issues. The Chairman said that the subsidiary bodies (the Goods, Services and TRIPS Councils and the Committee on Trade and Development) had updated their report on electronic commerce. Many members stressed the importance of e-commerce in world trade, and supported further consultations on the question of an ad hoc task force to deal with cross-cutting issues in this area. The Chairman said members needed to ensure that work on e-commerce would move forward, and that further consultations should focus not only on procedures but mainly on substance.

Other business

- Brazil said it would be raising in an appropriate WTO body recent actions by Canada that had resulted in serious losses to its beef exports. Canada said that its action had been taken for legitimate safety and health reasons.
- The Chairman of the Rules of Origin Committee made his first progress report to the General Council regarding work on the harmonization of non-preferential rules of origin. He said that the Committee had so far agreed on 1,800 product-specific rules of origin. Some 500 issues were pending, which, not surprisingly related to the most sensitive areas like textiles, agricultural products, electronics, machinery and vehicles. He said the Committee had intensified its work but meeting the end-year deadline for completion of work was a challenging task.
- The Chairman cited the need for a continuing work programme on implementation issues, and suggested that his successor and the Director-General carry out informal consultations on preparations for the Special Sessions on this subject.

Mr. Stuart Harbinson (Hong Kong, China), the new Chairman of the General Council. (Photo by T. Tang)

WTO officers for 2001

The WTO General Council, on 9 February, noted the consensus on the following slate of names of chairpersons for WTO bodies:

- General Council: Mr. Stuart Harbinson (Hong Kong, China);
- Dispute Settlement Body: Amb. Roger Farrell (New Zealand);
- Trade Policy Review Body: Amb. Pekka Huhtaniemi (Finland);
- Council for Trade in Goods: Amb. Istvan Major (Hungary);
- Council for Trade in Services: Amb. Celso Amorim (Brazil);
- Council for TRIPS: Amb. Boniface Guwa Chidyausiku (Zimbabwe);
- Committee on Trade and Environment: Amb. Alejandro Jara Puga (Chile);
- Committee on Trade and Development: Amb. Nathan Irumba (Uganda)
- Committee on Balance-of-Payments Restrictions: Amb. Hernando José Gomez (Colombia);
- Committee on Regional Trade Agreements: Mme. Laurence Dubois-Destrizais (France);
- Committee on Budget, Finance and Administration: Amb. M. Supperamaniam (Malaysia);
- Working Group on the Relationship between Trade and Investment: Amb. Oguz Demiralp (Turkey);
- Working Group on the Interaction between Trade and Competition Policy: Prof. Frederic Jenny (France);
- Working Group on Transparency in Government Procurement: Amb. Ronald Saborío Soto (Costa Rica)

- Committee on Agriculture: Chair: Amb. Apiradi Tantraporn (Thailand); Vice-Chair: Mr. Yoichi Suzuki (Japan)

Moldova concludes negotiations for accession to the WTO

The Republic of Moldova concluded, on 19 February, its negotiations for accession to the WTO. The Working Party which considered the terms of Moldova's accession held its final formal meeting and adopted Moldova's package of accession documents constituting Moldova's terms of entry into the WTO.

Commenting on the news, WTO Director-General, Mike Moore, congratulated Moldova for the rapid pace of the negotiations for accession and the "impressive hard work" done by the Republic of Moldova to secure membership of the Organization.

"28 countries are queuing up to join the WTO and there is a good reason for this," said Mr. Moore. "Membership of the WTO promotes growth and development, peace and prosperity". Since the last Ministerial Conference in Seattle in late 1999, five countries have become members representing 21 million people.

The Deputy Minister of Economy and Reform of Moldova Mr. Gheorghe Gaberi stated that with the aim of achieving economic development and increasing foreign investment and employment Moldova had adapted the foreign trade legislation to the WTO Agreements and accepted important trade liberalization concessions and commitments in goods and services.

Members of the Working Party said that Moldova's participation would contribute to strengthen the multilateral trading system and welcomed the commitments undertaken by Moldova.

The accession's documents will now go to the next meeting of the WTO General Council for formal consideration and approval. After ratification by the Republic's Parliament, Moldova can become a member of the WTO.

General Council approves accession of Lithuania

The WTO's General Council, on 8 December 2000, approved the accession of Lithuania to the World Trade Organization at a session attended by the Lithuanian president, Valdas Adamkus, and the Minister of Foreign Affairs, Antanas Valionis. Following the General Council's approval, Lithuania's Minister of Foreign Affairs signed the original copy of the terms of accession subject to ratification.

President Valdas Adamkus of Lithuania signs his country's WTO membership documents as Director-General Mike Moore looks on. (Photo by Tania Tang/WTO)

At the signing ceremony Mr. Moore said: "Lithuania's forthcoming accession is good news for the country and good news for the WTO. Lithuania now has a stable and predictable framework for economic engagement with other nations which will boost trade, growth and prosperity. For the WTO it means another big step in our goal of becoming a truly world organization".

Mr. Moore highlighted that Lithuania completes the list of the three Baltic States to become members of the WTO. Latvia and Estonia became members in 1999. Another two former Soviet Union republics, Georgia and the Kyrgyz Republic, are also members of the WTO. Armenia, Azerbaijan, Belarus, Kazakstan, Moldova, Ukraine, Uzbekistan and the Russian Federation are in the process of negotiation for accession.

Mr. Moore welcomed the conclusion of Lithuania's negotiations, which started in February 1994, and looked forward to the country becoming a full Member of the Organization after the ratification of the terms of accession by its Parliament. He praised Lithuania's rapid move from a centrally planned system to a market economy after independence on 11 March 1990.

Lithuania's main trading partner is Germany which accounts for 16% of its exports and 18% of its imports, followed by the Russian Federation which accounts for 19.4% and 7%, respectively. In 1999 Lithuania's exports totalled 3.004 billion US dollars and its imports 4.835 billion US dollars.

Overall, 28 governments are currently negotiating to join the WTO: Algeria, Andorra, Armenia, Azerbaijan, Belarus, Bhutan, Bosnia and Herzegovina, Cambodia, Cape Verde, People's Republic of China, Former Yugoslav Republic of Macedonia, Kazakstan, Lao People's Democratic Republic, Lebanon, Moldova, Nepal, Russian Federation, Samoa, Saudi Arabia, Seychelles, Sudan, Chinese Taipei, Tonga, Ukraine, Uzbekistan, Vanuatu, Viet Nam and Yemen.

DSB adopts rulings on Korean beef and US sanctions

The WTO Dispute Settlement Body on 10 January 2001 adopted Appellate Body reports on Rep of Korea's measures on imported beef, and US bond requirements related to the banana dispute.

- ***Cases DS161 and DS169: Appellate Body and Panel Reports on "Korea — Measures Affecting Imports of Fresh, Chilled and Frozen Beef". Case brought by Australia and the US with Canada and New Zealand as third parties.***

The Dispute Settlement Body adopted the Appellate Body report and the panel report as modified by the Appellate Body in this case. The Republic of Korea was found to have violated various WTO agreements. It was found to have discriminated against imported beef (violating "national treatment" in GATT) by requiring imported beef to be retailed separately from domestic beef i.e. through specialist stores, and it was found to have incorrectly calculated its domestic support under the Agriculture Agreement.

Australia and the United States welcomed and supported the adoption of the reports. The United States noted that these were the first Reports to address the domestic support provisions of the Agriculture Agreement.

The EU disagreed with the treatment of Korea in this case as a developing country for the purposes of the Agriculture Agreement. It emphasized that Korea's economic situation could not justify developing country status under any of the WTO Agreements.

Korea expressed some reservations about certain findings but, nevertheless, joined in the consensus to adopt the Reports. In accordance with Article 21.3 of the Dispute Settlement Understanding (DSU), Korea will have to indicate its intentions about implementing the findings within the next 30 days.

- ***Case DS165 United States — Import Measures on Certain Products from the European Communities. Case brought by the EU***

The Dispute Settlement Body (DSB) adopted the Appellate Body report and the panel report as amended by the Appellate Body.

This case arose as a consequence of the banana dispute (case DS27). It also reflects a problem that has become known as "sequencing".

In brief, in September 1997, the DSB decided that the EU's regime for banana imports violated WTO rules. The EU had until 1 January 1999 to correct its banana regime.

On 2 February 1999, the US complained that the EU had not complied with the DSB's rulings, and asked for authority to impose sanctions. However, a number of questions and concerns were raised about the lack of clarity in how Art.21.5 (examination of compliance) and Art.22 (authorization to retaliate) of the Dispute Settlement Understanding (DSU) should be interpreted, and the sequence in which they should be applied. The US and the EU could agree on an interpretation on how to proceed.

On 29 January 1999, the US and the EU agreed on an ad hoc procedure (applying only to the banana case) which was also adopted by the whole DSB. They agreed that the US's request for sanctions would be referred to arbitration (under DSU Art.22.6) to determine whether the level of the proposed sanctions was justified. They also agreed that this arbitration would be carried out by the same individuals who were already engaged in Art.21.5 proceedings (i.e. to examine whether the EU had complied).

On 2 March 1999, the arbitrators informed the DSB that they needed more information and more time to complete their work.

On 3 March 199, the US announced measures that would require importers to place bonds covering import duties of 100% on the European products the US was proposing for the sanctions. The US said it had to do this in order to ensure it was within the timetable set out in the rules. These bonds would be held, in the US's words "to preserve [the US's] right to impose 100% duties as of 3 March, pending the release of the arbitrators' final decision."

The following day, 4 March 1999, the EU launched a new case (DS165), arguing that the measure was illegal.

Meanwhile, on 9 April 1999 the arbitrators ruled that the proposed sanctions were too severe. On 19 April 1999 the DSB authorized the US to impose sanctions within the limit set by the arbitrators, and the US did so by imposing 100% duties on some but not all of the products for which the bonding requirements had been announced.

This case, then, is about whether the US's 3 March 1999 bonding requirement was legal. Both the panel and Appellate Body said it is not about the actual sanctions imposed on 19 April 1999. The panel was established on 16 June 1999, and ruled on 19 April 2000. The bonding requirement was found to violate WTO agreements.

Both sides appealed some of the legal interpretation. The result, briefly, was that the US's 3 March 1999 action was found to violate the Dispute Settlement Understanding because the action was taken before there had been a ruling on whether the EU was still failing to comply in the banana case.

The Appellate Body also said it was not its role to sort out the "sequencing problem" and that only WTO members could do this.

In the DSB meeting on 10 January 2001, All delegations who spoke (Argentina, Canada, Ecuador, the EC, Jamaica, Japan, also on behalf of Chile and Colombia, Korea, New Zealand, Norway, Saint Lucia, Switzerland, the US and Hong Kong, China) welcomed the Appellate Body's confirmation that only members can amend or interpret the DSU rules and provisions.

Several countries stressed the need to re-start discussions on the issue of sequencing, based on a proposal submitted to the General Council by several of them on 10 October 2000.

The EU welcomed the rulings. The US States said it was satisfied that both the reports had correctly affirmed that the measure at issue was no longer in effect.

The chairperson said that further opportunities to exchange views on this matter would depend upon the General Council consideration of the 10 October 2000 proposal.

Environment body takes up developing-country concerns

At the meeting of the Committee on Trade and Environment (CTE) on 13-14 February, the outgoing Chairperson, Ambassador Yolande Biké (Gabon), emphasized the importance of addressing practical issues relevant to developing nations such as exports of banned or unsafe goods to unsuspecting countries. She said the issue of exports of domestically-prohibited goods is of particular importance to developing and least-developed countries, particularly in Africa.

Based on Egypt's proposal, the CTE decided to invite the UN Consolidated List of banned or severely restricted products to provide information about its activities at its next meeting, scheduled for 27-28 June.

The meeting focused on market access issues. Iceland presented the Nordic eco-labelling criteria for fisheries. India shared its national experience on the effects of environmental measures on market access. Members also addressed potential "win-win-win" outcomes for trade, environment and development in the fisheries, energy, agriculture and non-ferrous metals sectors.

Discussions on the fisheries sector built on previous CTE debate and the constructive dialogue at the UNEP Fisheries Workshop on 12 February 2001. UNEP had provided funding to ensure the participation of environment and fisheries experts from developing countries. The FAO, OECD and UNEP reported on their respective fisheries work.

The EC submitted a new paper on environmentally harmful and trade distorting measures and policies in the energy sector. Following the EC's request, the Secretariat will prepare a background paper on this area.

Concerning the linkages between the Convention on Biological Diversity and the TRIPs Agreement, members commented on Peru's paper on its legislation on the protection of traditional knowledge and access to genetic resources and Brazil's paper on issues arising from the review of Article 27.3(b) of the TRIPs Agreement.

There was discussion of the precautionary principle based on a submission by the EC containing a European Council resolution adopted in December 2000. The EC called for a clear definition of this principle; several members pointed out that WTO rules already accommodated the reasonable use of precaution.

Canada circulated its new framework for undertaking environmental assessments of trade negotiations. Research institutions from Argentina and Senegal presented UNEP-sponsored papers on their national experience with assessing trade liberalization in the fisheries sector.

On the WTO-MEA relationship, broad support was expressed for New Zealand's proposal for an informal consultative mechanism. Members welcomed the development of such a voluntary mechanism as representing a constructive step forward, while having questions as to how it would operate.

The EC circulated an informal discussion paper entitled The Non-Trade Impacts of Trade Policy on which the EC is holding discussion meetings with civil society.

At the end of the meeting, the CTE elected Ambassador Alejandro Jara (Chile) as the new Chairman.

Former Directors-General speak on challenges facing the WTO

Coinciding with their recent attendance at the annual meeting of the World Economic Forum in Davos from 25 to 29 January 2001, three former GATT/WTO Directors-General released a joint statement containing observations on the multilateral trading system.

The former Directors-General consider the political, public and economic environment in which the multilateral trading system is currently functioning. They describe the WTO as "one of the most precious tools of global economic management at the disposal of governments" and add that "the fundamental concepts that underlie the institution are as valid and crucial today as they were when written into the General Agreement on Tariffs and Trade over 50 years ago". The former Directors-General describe current pressures on the multilateral trading system and underline key priorities, as they see them, for the WTO in the period ahead. Chief among these priorities is moving forward with a broad trade negotiation within the WTO.

The former Directors-General are: Arthur Dunkel, Director-General, GATT, 1980-1993; Peter Sutherland, Director-General, GATT/WTO, 1993-1995; and Renato Ruggiero, Director-General, WTO, 1995-1999.

Andean trade ministers support Doha launch of new Round

Director-General Mike Moore, on 20 February, thanked the Andean Trade Ministers (Bolivia, Colombia, Ecuador, Peru and Venezuela) for their Declaration on 9 February 2001 in Lima supporting efforts to launch a new Round at the 4th WTO Ministerial Conference in Doha in November this year. He stressed that "developing countries have most to gain from further trade liberalization."

The Andean Trade Ministers expressed their "full support for the multilateral trading system and express their backing to the activities being undertaken by the Director- General of the World Trade Organization to launch a new Round of Multilateral Trade Negotiations at the Fourth Ministerial Conference."

They added that "the objectives of this new round of multilateral trade negotiations must be the development, creation of employment opportunities, and improvement in the standards of living of its members, through the progressive liberalization of trade in goods and services".

TPRB: Mozambique

Reforms boost economic performance

The Trade Policy Review Body concluded its first review of Mozambique on 24 and 26 January 2001. Excerpts from the Chairperson's concluding remarks:

We have had a good and informative discussion of the trade policies of Mozambique. Members were very impressed by the excellent economic performance of Mozambique in recent years, attributing this to its economic reforms, including privatization of enterprises, the elimination of most export restrictions and of foreign exchange controls, and simplification of its customs tariff. Members observed with praise the fact that Mozambique's good performance often had come in the face of serious climatic difficulties. They also noted that Mozambique had benefited from debt relief programmes, although some urged even greater relief. Members also commented favourably on Mozambique's efforts to attract foreign investment and urged that these efforts be strengthened and supported.

Active member

Members appreciated Mozambique's active participation in the multilateral trading system. They called on Mozambique to expand its commitments under the GATS and to make every effort to meet its WTO notification requirements. Some Members sought further information on Mozambique's experience with the Integrated Framework and on its technical assistance needs, and pledged a willingness to provide continued assistance, either individually or through various programmes. Some Members joined Mozambique in urging that the regular budget of the WTO be increased to address some of these needs better. Members also showed an interest in the role of regional and bilateral trade agreements in expanding Mozambique's trade, but called for greater transparency in those agreements.

Members encouraged Mozambique to strengthen its domestic process of trade policy coordination and to continue its reform process

Members encouraged Mozambique to strengthen its domestic process of trade policy coordination and to continue its reform process. Some Members suggested that Mozambique further reduce its border barriers to trade and to increase the number of its tariff bindings. Members noted with some concern that Mozambique had not implemented the WTO provisions on customs valuation but welcomed its intention to apply the agreement by 2003. Questions were raised about tariffs (including bindings and applied rates) and about other duties and charges (including import surcharges on products such as sugar). Members encouraged Mozambique to further progress in the implementation of its privatization programme.

Mozambique's TPR delegation: Members were impressed with the country's excellent economic performance in recent years. (Photo by Tania Tang/WTO)

Concerns

Some Members noted the pending significant expansion of Mozambican exports in the mining and power sectors, and pointed out that Mozambican exports, almost limited to agricultural products, could be expanded if markets were more open in developed countries. There was also recognition that further expansion of Mozambican exports depended to a large extent on infrastructure developments and foreign investment. Some concern was expressed about its Government's intervention in the agriculture sector, mainly on products such as cashew and sugar, and for food security purposes.

Members also sought further clarification on a number of issues, including:

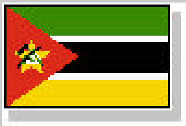
- pre- and post-shipment inspection;
- standards and other technical requirements;
- government procurement and eventual participation by Mozambique in the Plurilateral Agreement on Government Procurement;
- implementation of the TRIPS agreement in January 2006;
- investment regime, including incentives provided in Export Processing Zones and Industrial Zones;
- mining, including the MOZAL project;
- industrial strategy and development corridors; and
- structural reforms in the services sector, including financial services and telecommunications.

Members appreciated the responses provided by the delegation of Mozambique to most questions raised during the meeting.

Conclusion

In conclusion, it is my feeling that this Review has given the TPRB an excellent insight into the evolving trade policies and practices of one of the LDCs that is having the greatest success. Members were encouraged by Mozambique's economic performance. Members encouraged Mozambique to maintain both the pace and the direction of its reforms and urged that its bilateral and regional arrangements be WTO-consistent. In my personal capacity, I urge all Members to support Mozambique in its efforts. In this respect, we should pay particular attention to Mozambique's request to the Membership for technical assistance.

Trade liberalization and economic reform have shown significant signs of success in Mozambique



Trade liberalization and economic reform have shown significant signs of success in Mozambique since the late 1980s and accelerated after the end of the civil war in 1992, according to a new WTO report on the trade policies of Mozambique. The country's GDP growth has been among the highest in the world since 1996; the economy has grown at over 10% a year over the past few years and fast growth is forecast through 2002, says the report.

However, the report also notes that the country needs continued reform to improve its international competitiveness.

The new WTO Secretariat report, along with the policy statement by the Mozambique government served as a basis for the trade policy review of Mozambique by the Trade Policy Review Body of the WTO on 24 and 26 January 2001.

The report notes that Mozambique's programme of economic reform, launched in the late 1980s, has focused on macroeconomic stabilization supported by international financial institutions.

In spite of high economic growth of over 10% a year over the past few years, Mozambique is still one of the world's least developed countries, with a per capita GNP of US$210 in 1998, says the report. The country is one of the most heavily indebted in the world and its large debt burden has been an obstacle to economic development as costs associated with debt servicing prevent the allocation of resources that could improve economic capacity and competitiveness, and increase investment.

Mozambique's economy is essentially dependent on agriculture (more than two fifths of GDP and the bulk of merchandise exports), the manufacturing sector is small, accounting (together with the mining sector) for some 19% of GDP, and the mining sector has potential but remains underdeveloped, the report stresses.

Mozambique's main trading partners are South Africa, the European Union, Japan, and Zimbabwe. Mozambique's exports are primarily agricultural commodities, especially food products. On the other hand, transportation equipment, machinery, mineral products, and foodstuffs constitute the major imported products.

Mozambique has various statutes that govern trade and trade-related issues. The Government's economic reforms seek to create an attractive commercial environment, and to provide incentives for inward investment. With few exceptions (e.g. public utilities), 100% foreign ownership is permitted in economic activities.

The report says that as a least developed country, Mozambique benefits from the special and differential treatment afforded to developing countries in the form of exemptions or delayed implementation of certain provisions. Mozambique has already received technical assistance from international organizations that are part of the Integrated Framework, including the WTO. Mozambique is still in need of substantial technical assistance in a wide range of trade-related areas.

Mozambique has been making a determined effort to create an environment that is conducive to private investment, both domestic and foreign. The reforms have significantly liberalized Mozambique's trade regime that is essentially based on tariffs. Mozambique has recently simplified the structure of its customs duties; the tariff rates currently range from 0 to 30%. The tariff structure is modestly escalatory. The simple average applied MFN tariff is 13.8%, among the lowest import duties in southern Africa.

In 1999, Mozambique introduced a 17% value-added tax (VAT). The Government expects the VAT to improve public revenue; this will facilitate a future reduction of the maximum tariff to 20%. Excise are levied on automobiles, luxury goods, alcoholic beverages, and tobacco products. Like other WTO Members, Mozambique has bound customs duties on all agricultural products; the tariffs are bound at a ceiling rate of 100%. In addition, rates on 17 HS eight-digit tariff lines for non-agricultural products have been bound at either 5% or 15%.

Most export restrictions have been eliminated, as have foreign exchange controls. The Government has shown a strong interest in expanding exports, particularly of agricultural and fisheries products, but limited export capacity has hindered significant export-led growth.

The WTO report explains that the services sector, like the rest of the economy, has undergone significant liberalization. All banks and insurance companies, previously state-owned, have been privatized, and foreign participation is commonplace. Privatization efforts are envisioned in the telecommunications and transportation subsectors. Tourism has lagged its potential and compares unfavourably with that of neighbouring countries. Mozambique's commitments under the GATS are limited to financial services (excluding insurance).

The report concludes that trade liberalization is integral to the economic reform being implemented by Mozambique, which to date has shown significant signs of success. Nevertheless, Mozambique's commitments in the WTO fall short of its trade reforms. Indeed, ceiling bindings on agricultural products leave considerable margins for modifications of applied tariffs.

TPRB: Switzerland and Liechtenstein

Maintain the reform momentum

The Trade Policy Review Body concluded its third review of Switzerland (and the first review jointly with Liechtenstein) on 4 and 6 December 2000. Excerpts from the Chairperson's concluding remarks:

We have had a comprehensive, open and informative discussion of the trade policies and practices of Switzerland and Liechtenstein. Members were encouraged by the good performance of the Swiss and Liechtenstein economies since 1997. They attributed this performance largely to sound macroeconomic policies and structural reforms, which have contributed to a better allocation of resources and further exploitation of the comparative advantages of both Switzerland and Liechtenstein. Noting that growth, particularly in its early stages, had been export led, Members pointed to the important role of the multilateral system in keeping markets open to Swiss and Liechtenstein products. They urged Switzerland and Liechtenstein to continue the reforms, mainly in the highly protected sectors (agriculture, and electrical and gas utilities in particular), in order to reduce costs and market rigidities to the benefit of their economies and of the multilateral trading system.

Members commended Switzerland and Liechtenstein for their active participation in the multilateral trading system, with several welcoming their support for the launching of a new round of negotiations with a broad agenda; they appreciated the continued role played by Switzerland as the host country for the WTO. Pointing to the increasing participation of Switzerland and Liechtenstein in preferential trade agreements, Members sought assurance that such agreements would be WTO-consistent The functioning of the Swiss-Liechtenstein customs union, including the Market Control and Surveillance Mechanism (MCSM) established by Liechtenstein following its EEA membership, also attracted interest.

Members noted that the tariff consisted exclusively of specific duties, with high-ceiling bindings in agriculture and clothing. They asked about prospects for a simplification of the tariff, including a move to ad valorem rates. Questions were also raised about customs valuation practices, particularly for internal taxation purposes. Most Members posed questions about standards and technical regulations, including labelling, sanitary and phytosanitary requirements, and on the links between environmental protection and international competitiveness of locally-produced goods. The need for greater market access to developing countries and LDCs was stressed. In the area of competition policy, some concern was expressed about the tolerance of dominant positions and about the lack of automatic sanctions against unlawful restraints.

On sectoral policies, Members recognized the liberalization initiatives taken by Switzerland and Liechtenstein under the "Agricultural Policy 2002". However, many Members were concerned about the high level of tariff protection and government support (including export subsidies) for agriculture, which they deemed disproportionate to the share of the sector in GDP and employment. They suggested that legitimate non-trade concerns in agriculture be addressed through measures that would not unduly distort production and trade.

Cointrin Airport (Geneva). Members noted that economic growth in both members is export-led.

Members also sought further clarification on a number of issues, including:

- pursuit of macroeconomic reforms;
- lack of economic data for Liechtenstein;
- regulations on foreign direct investment, including residency requirements;
- tariff quotas on agricultural imports and their administration through non-automatic licensing, including the "Prise en charge" system;
- non-use of contingency trade remedies;
- protection of intellectual property, including geographical indications;
- government procurement, including regulations on threshold values, and on purchases by cantons and municipalities;
- further structural reforms in the services sector, including professional services; and
- consultation with "civil society".

Members appreciated the comprehensive responses provided by the Swiss and Liechtenstein delegations to most questions raised during the meeting.

In conclusion, it is my feeling that this joint Review has allowed us much better understanding of the customs union between Switzerland and Liechtenstein. We have come, I think, to a deeper appreciation of Switzerland and Liechtenstein's trade policies and practices, and the environment in which they are framed and conducted. The large number of questions and comments reflected the widespread interest of Members in this regard. Members were encouraged by the ongoing economic performance in both countries. The active participation of Switzerland and Liechtenstein in the WTO seems to me to be central to their trade liberalization efforts. Members encouraged Switzerland and Liechtenstein to maintain the momentum of the reforms, even on an unilateral basis. They urged both countries to ensure that their bilateral and regional arrangements be WTO-consistent.

Further liberalization in agriculture could enhance resource allocation in Switzerland and Liechtenstein

Switzerland and Liechtenstein's measures to adjust their economies to the new international economic environment have resulted in a more efficient allocation of resources, which in turn has contributed to a better exploitation of their comparative advantages and to trade performance, says a new WTO report on the trade policies of Switzerland and Liechtenstein. The new report notes however that the reforms are still hesitant in certain highly protected sectors, mainly agriculture and that further liberalization of these sectors might enhance the competitive framework and contribute to lowering domestic prices.

The new WTO Secretariat report, along with policy statements by the Swiss and the Liechtenstein Governments, served as a basis for the trade policy review of Switzerland and Liechtenstein by the Trade Policy Review Body of the WTO on 4 and 6 December.

The report notes that the main trade policy instrument is the common Swiss-Liechtenstein customs tariff, consisting entirely of specific duties. The customs tariff, as well as most trade policy instruments, are set by Switzerland for the Swiss-Liechtenstein customs union. Overall tariff protection, measured by ad valorem equivalents, averages around 9%. The zero rate applies to 18% of all tariff lines, including crude petroleum and natural gas, certain chemicals, electricity, and products subject to duty-free treatment under the Pharmaceutical Initiative, the Information Technology Agreement, and the Plurilateral Agreement on Trade in Civil Aircraft.

However, the report states that rates higher than 400% apply to meat of poultry, meat of bovine animals, meat of swine, edible offal, certain dairy products and live plants, and specified edible vegetables, roots and tubers. Furthermore, tariff escalation is pronounced on food products. The report also notes that ceiling bindings, mostly on agricultural products and clothing (with bound duties reaching 770% on meat products), leave considerable margins for modification of applied duties, and reduce somewhat the predictability of the tariff.

The report states that the major sectors of the Swiss and Liechtenstein economies are manufacturing - producing mostly high-technology goods—and services, chiefly financial services. Switzerland and Liechtenstein mainly import chemicals, certain semi-manufactured products, such as iron and steel, and certain consumer goods. The European Union remains their largest trading partner, with 78% of total merchandise imports supplied and 60% of Switzerland's exports absorbed.

Agriculture contributes some 2% to real GDP, less than 4% to merchandise exports, and 4% to total employment in Switzerland; and around 1% to total employment in Liechtenstein. The report states that the sector has remained highly protected despite the reforms implemented in recent years. The simple average ad valorem equivalent of most-favoured-nation (MFN) tariffs on agricultural imports is about 34%, nearly four times the overall average. Exports of dairy products, cattle, horses, fruit, potatoes, and certain processed agricultural products are subsidized. High domestic prices of agricultural products (by international comparison) have resulted from, inter alia, the limited land areas and resultant small size of farms, unfavourable topography and structural factors, and have been maintained by the high level of protection.

The report notes that while the reforms launched in 1993 and pursued through the "Agricultural Policy 2002" initiative have reduced State intervention in the sector, government support still represents nearly three fourths of gross farm receipts. The impact of the reforms on prices has been limited by the lack of competition in certain branches, the price-based schemes, and the replacement of marketing boards with institutions commissioned by the State.

The services sector accounts for around three fourths of total employment and two-thirds of real GDP in Switzerland; and half of total employment in Liechtenstein. Overall, the report notes, the development of branches such as tourism has been negatively affected by high wages and input prices of highly protected sectors (e.g. food products, energy, construction, and telecommunications services) and low productivity growth due to market rigidities.

The report states that membership of the European Union is a strategic objective of Switzerland. It has concluded a package of seven bilateral agreements with the EU, on agriculture, government procurement, technical barriers to trade, overland transport, air transport, free movement of persons and research. These agreements will enter into force in 2001, subject to ratification by the EU member States. Switzerland has substantially harmonized its standards with those of the European Communities. It has also amended its legislation on competition to align it on that of the EU. However, the report notes that controversial issues remain, such as the non-prohibition of dominant positions by the Swiss legislation and its lack of automatic sanctions against unlawful restraints on competition.

Liechtenstein is a member of the European Economic Area (EEA) and has accordingly established a Market Control and Surveillance Mechanism to allow the sale in its market of goods produced and traded in conformity with either Swiss or EEA rules. The report notes that Switzerland and Liechtenstein are members of the European Free Trade Association (EFTA). EFTA provides for free trade in industrial products and in fish and other marine products. In general, regional and bilateral trade agreements concluded by Switzerland and Liechtenstein involve several sectors but do not cover unprocessed agricultural products.

TPRB: Canada

Liberalization should also extend to "sensitive" sectors

The TPRB concluded its sixth review of Canada on 13 and 15 December 2000. Excerpts from the Chairperson's concluding remarks:

We have had an open and stimulating discussion on the trade policies and practices of Canada. Members were impressed by Canada's sustained, strong economic performance, attributing this to its generally liberal trade regime, sound macroeconomic policies and the U.S. cyclical lead. Trade had been an important element in this performance, the share of exports to GDP rising from some 25% to 45% over the last decade and imports following a similar path. However, the high and growing share of exports destined for the United States was seen as a source of potential vulnerability.

In this, its sixth Review, Canada's continued commitment to, and active participation in the work of the WTO was again fully acknowledged, with several Members welcoming its support for the launching of a new round of negotiations with a broad agenda. Canada has also been an active promoter of both greater internal and external transparency in the WTO. On the other hand, some Members reiterated concerns that Canada's growing number of preferential arrangements might cause net trade diversion and questioned the exclusion of some agri-food products from such arrangements. Relative to FTA partners, preferences to developing countries and LDCs appeared modest; it was urged that access be improved.

Participants once more recognized that access to the Canadian market is generally liberal although barriers have persisted in a few but important sectors. Thus, Members expressed concerns about a few remaining unbound tariff lines, and tariff peaks still affecting items such as food products, textiles and clothing, footwear, and shipbuilding. It was noted that several of these products are of particular export interest to developing countries. Market access in textiles and clothing was restricted by quotas, while certain import regulations for example the NAFTA rules of origin, favoured particular trading partners.

The number and duration of anti-dumping measures in force, and their concentration in the steel sector, were of particular concern to many Members. Foreign access restrictions in the supply-managed dairy, poultry and egg sectors had not abated, including through high out-of-quota rates that acted as de facto quantitative restrictions. Also queried was the recent increase in financial support to the agri-food sector. Information was sought on subsidies under the new dairy export regime and on the exports of the Canadian Wheat Board. Interest was expressed in reforms to the Export Development Corporation.

Investment and ownership are generally open to foreigners but some restrictions continue. Participants asked about the scope for additional foreign market access under Canada's new bank branching regime. In air transport, Members noted the links between foreign entry conditions and the degree of competition in Canada's airline market. Members asked about recent pro-competitive developments in the telecommunications sector and when restrictions on foreign investment might be lifted. They took note of the importance Canada attaches to protecting its cultural, health and educational sectors.

The Montreal GATT Ministerial in 1988: Canada's active participation in the work of the WTO was commended.

Members asked about further progress in removing inter-provincial trade barriers in areas such as standards, wine and other alcoholic beverage marketing. Questions were also asked with respect to the role of provinces in Canada's trade policy. Several Members asked if there were plans to include government procurement at sub-federal level under the rules of the WTO Agreement on Government Procurement, and about a number of federal and provincial assistance programmes.

Questions were also asked regarding:

- Canada's review of foreign acquisitions;
- its support for a multilateral agreement on investment;
- protection of IPRs including geographical indications;
- its ratification of the Cartagena Protocol on Biosafety; and
- Canada's experience on consultations with civil society.

Members clearly appreciated the comprehensive responses provided by Canada to most questions raised during the Review and looked forward to receiving the outstanding answers. I thank in particular the Canadian delegation for the efforts it made to provide written answers to advance questions at the start of our first session on Wednesday.

Conclusions

In conclusion, it is clear that this Body appreciates Canada's commitment to a strong rules-based multilateral trading system. Members concurred in characterizing Canada's trade regime as transparent and liberal, although a number of concerns remain. In this respect, several Members believed that liberalization should also extend to those sensitive areas that to date lag the process of reform. This would bring them in line with Canada's generally liberal policies in other areas to the benefit of both Canada's economy and of the multilateral trading system.

Canada is reaping the fruits of a liberal trade regime while barriers remain in some key areas

Canada's trade and investment regime is amongst the world's most transparent and liberal notwithstanding persistent barriers in a few important areas, says a new WTO report on the trade policies of Canada. Reaping the fruits of a generally outward looking environment, both trade and investment flows have continued to expand rapidly since Canada's previous Trade Policy Review in 1998. Barriers persist in certain agri-food industries, textiles and clothing, and some services activities, notes the report.

Sound economic policies have allowed Canada to enjoy its ninth consecutive year of economic growth, achieve an improved fiscal balance, reduce unemployment, and increase real after-tax incomes. Canada's liberal trade regime has played an important role in these achievements, highlighting the benefits of trade for specialization, resource allocation and, ultimately, living standards.

The new WTO Secretariat report, along with policy statements by the Canadian government, served as a basis for the trade policy review of Canada by the Trade Policy Review Body of the WTO on 13 and 15 December.

The report says that Canada participates fully in the work of the WTO, including through information sharing, support for trade facilitation initiatives, and active efforts to increase transparency. Canada is active in the ongoing negotiations in agriculture and services. In agriculture, it seeks on the one hand improved market access, export subsidy elimination, and reduced trade-distorting domestic support, while on the other it wishes to preserve its right to operate "orderly marketing systems" in the wheat, dairy, poultry and egg sectors. In services, Canada seeks to strengthen multilateral rules and improve market access, while ensuring that its public health and education systems are not jeopardized, and that new obligations do not run counter to its cultural policy objectives, the report also says.

Under the WTO dispute settlement mechanism, Canada has been involved as a complainant in various cases seeking to preserve market access for its exports (e.g., aircraft, asbestos, beef, and salmon). Concurrently, a number of long-established Canadian sectoral support programmes have been challenged under multilateral rules, including those for dairy exports, aircraft, motor vehicles, generic drugs, and magazines.

Canada has continued to build up its already extensive network of preferential arrangements. These have helped open the Canadian market. Such arrangements, however, may also distort trade and investment patterns as they involve different margins of preference and rules of origin. Since 1998, Canada has engaged in negotiations for new FTAs with Costa Rica, EFTA, and is exploring such negotiations with Singapore. Notwithstanding these efforts, the privileged relationship with the United States is likely to remain paramount for Canada for years to come. The relationship has served well Canada's economic interests, but also magnified its exposure to the U.S. market, which now receives some 86% of Canadian merchandise exports.

Overall Canada's market access in services is relatively liberal and has been further enhanced since 1998. Thus, in financial services, steps have been taken to improve foreign access, while in the telecommunications industry certain domestic ownership requirements and monopolies have been abolished.

The WTO report stresses that for goods, tariffs are the main trade instrument. The tariff regime offers duty-free entry to over 90% of imports, either under MFN or preferential rules, resulting in a trade weighted average tariff of only some 0.9%. By contrast, the simple MFN average tariff stands at 7.1%, while the average on dutiable items is some 13% due to the higher tariff applied to a number of sensitive products; these include vegetables, cut flowers, sugar, wines, textiles, clothing, footwear, and ships, many of which are of export interest to developing countries. In this respect, and despite changes to the tariff regime for least developed countries since 1998, Canada's autonomous tariff concessions in favour of developing countries remain modest compared with preferences established under reciprocal free-trade agreements (FTAs). Extending such preferences on a MFN basis would both enhance welfare in Canada itself and improve market access to developing and other partners.

Canadian producers have continued to seek protection against imports through anti-dumping (AD) actions; 85 definitive AD duties were in force in mid-2000 making Canada one of the most intensive AD users. Exports from some 35 partners are affected, 58% of which cover steel products. About 16% of AD measures have been in place for ten years or more.

The report points out that a number of quantitative restrictions are maintained to protect domestic producers against foreign competition. Canada has taken unilateral liberalizing steps in textiles and clothing but import quotas impose significant restrictions to certain products, some of great interest to developing countries.

Financial support is made available to selected activities, with effects on production and, potentially, trade and investment. Some 40% of total financial transfers to the economy goes to the agri-food sector, mainly in the form of income risk management programmes. Reversing earlier trends, assistance to that sector has increased substantially since 1998. Although Canadian assistance to agriculture remains minor relative to other large agricultural exporters, it can but compound the problem of subsidies and market distortions affecting world markets. Federal financial transfers to non-agricultural sectors include grants and direct investment schemes, one of which was found by a panel to provided WTO-inconsistent subsidies to the regional aircraft industry.

Developing countries see growth opportunities in tourism services

Tourism is a major industry in many developing countries. A WTO symposium looks at how to create a competitive environment favouring the growth of this sector.

While tourism represents one of the developing countries' best economic growth opportunities, the latter face numerous challenges including high air transport prices and lack of infrastructure, said participants to the WTO Symposium on Tourism Services.

The Symposium took place at the World Trade Organization on 22 and 23 February and hosted presentations by government tourism officials, academics, WTO Secretariat and other governmental organizations involved in tourism. Representatives from the tourism industry in Cuba, Jamaica, the Philippines and Thailand were also invited to share their national experiences.

The Symposium was organized by the WTO Secretariat and aimed to evaluate current developments in international tourism that may be of relevance to the GATS negotiations, and particularly to the proposal by the Dominican Republic, El Salvador and Honduras for a special GATS annex on tourism services. The Dominican Republic initiated the idea of the Symposium when it suggested in May 2000 to look, in the presence of the private sector, at how to create a competitive environment favouring the growth of tourism.

Tourism is currently the most open service sector: more than 100 WTO Members have commitments in tourism under the GATS, said the WTO Secretariat.

However, presentations by development agencies and others showed that tourism is highly dependent on other services such as air and road transport, financial services and health services. In the poorest countries, the lack of such infrastructure constrain the development of tourism services.

Speakers raised a number of problems related to tourism in developing countries including the high air transport fares to developing country destinations—which were said to be due partly to low air traffic density but also to aviation protectionism—and anti-competitive practices of tour operators.

Presentations also looked at the issue of electronic commerce in tourism services. While the possibility of on-line holiday booking represents a new opportunity for

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New on-line database

"The WTO is now at your fingertips"— Moore

The public worldwide now has greater access to the WTO with the launch on 1 February 2001 of a new document database accessible through the Organization's recently re-designed website at www.wto.org.

"The WTO is now at your fingertips," said WTO Director-General Mike Moore. "With over 100,000 official documents in English, French and Spanish, the new on-line database is part of the ongoing efforts to make the Organization more accessible and to make its work more transparent for a worldwide public. Anyone interested in international trade will find the new database an invaluable tool in their search for a deeper understanding of the WTO."

The WTO website attracts an average of 250,000 users per month from over 160 countries. These users download thousands of documents and data from the site. The new on-line database has been designed specifically to further enhance user-friendliness, offering faster and more efficient tools to search for, and download, WTO documents, including Member Governments' proposals and official records of meetings.

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