WTO OMC

FOCUS

March-April 2001 No. 52

Newsletter

Agriculture, services negotiations move on to next phase

WTO agriculture negotiators wrapped up the first phase of negotiations on 27 March, and swiftly agreed on a work programme for the second phase. Separate negotiations on trade in services gathered pace with the adoption of the negotiating guidelines and procedures and the completion of the stocktaking exercise on 28-30 March.

Both negotiations have been marked by many submissions from members (*see page 2*). In agriculture, some 125 members out of a total of 140 submitted 44 negotiating proposals and three technical submissions in the first phase, which began in March 2000. In services, some 70 proposals have been tabled by more than 40 members.

Director-General Mike Moore said that "the fact that almost all WTO members, big and small, have submitted such a wide variety of well thought out proposals reflects a widespread commitment to continue to reform agricultural trade".

On services, Mr. Moore said "the way is now open for governments to move forward from the rule-making phase of the negotiations—though that work will also continue—into the market-access phase, on the basis of the members' negotiating proposals".

In a recent speech (*see page 10*), the Director-General stressed that the chances of success in these mandated negotiations would be much better if they were part of a new trade Round with a broad agenda.

Director-General Mike Moore: "The economic case for launching a WTO Round this year is compelling". See page 10. (Photo by Tania Tang/WTO)

Significant trade barriers remain after Uruguay Round, says new Secretariat study

World trade has been liberalized considerably as a result of the Uruguay Round but significant trade barriers remain including in areas of interest to developing countries like textiles and agriculture, according to a new WTO Secretariat study ***Market Access: Unfinished Business*** published on 26 April.

"This new report makes clear that the WTO has plenty of unfinished business," said Director-General Mike Moore. "The best way we can tackle the many remaining trade barriers that are preventing people and countries from realizing their full potential is in a wider set of negotiations."

The new WTO Secretariat study profiles post-Uruguay Round market access conditions in three areas: industrial tariffs, agriculture and services, the latter two of which are already the subject of ongoing negotiations. The detailed study is intended as a comprehensive resource for negotiators and the interested public. A copy may be downloaded from the WTO website (www.wto.org).

Continued on page 12

Inside

Agriculture

Work programme agreed for talks' "Phase 2"

WTO agriculture negotiators wrapped up the first phase of the negotiations on 27 March, and swiftly agreed on a work programme for the second phase. An unprecedented number of governments participated actively in the first phase.

Altogether 125 WTO members (counting the EU as 16) out of a total of 140 submitted 44 negotiating proposals and three technical submissions in the first phase, which began in March 2000 (see press release 172).

The negotiators will now look in greater depth at the proposals, dividing their work according to subject, so that ultimately, in a later phase, they can enter into the bargaining that will be necessary to reach a consensus agreement.

Moore: Vote of confidence

"The fact that almost all WTO members, big and small, have submitted such a wide variety of well thought out proposals reflects a widespread commitment to continue to reform agricultural trade," said WTO Director-General Mike Moore. "More than that, it is a powerful vote of confidence in the multilateral system."

"The next phases are not going to be easy, but there is clearly a healthy determination to work together on this," he said. "The interests of everyone, from subsistence cultivators and herdsmen in developing countries, to modern farmers in the developed nations, are being pushed in these talks.

"A year ago when the agriculture negotiations were launched I said: 'This is the WTO working at its best. The hard bargaining still lies ahead, and I'm sure that will be much more difficult. But the goodwill shown at this meeting is a good omen for the future,' What I said then is even truer today" he added.

The new negotiations on agriculture started in 2000 under the deal struck at the end of the 1986–94 Uruguay Round of multilateral trade talks. It is written into Article 20 of the WTO Agriculture Agreement, part of the Uruguay Round package.

Kicking off the stocktaking session of the negotiations on 26 March, the chairperson, ambassador Jorge Voto-Bernales of Peru, said: "The examination of (the) proposals and submissions (of the first phase) has been both detailed and intensive. This I am sure has contributed to heightening our appreciation of the wide range of interests involved, as well as the complexity of many of the issues which will have to be addressed in more detail in the next phase."

Even so, the first phase was "relatively straightforward", he went on. "The next phase will represent the beginning of a more challenging process."

Trade in services

Negotiations enter new bargaining phase

WTO members agreed, 28-30 March, on guidelines for negotiations on trade in services, taking the talks into bargaining sessions on access to each others' markets, based on their negotiating proposals. The rule-making negotiations that started a year ago will also continue.

Market-access phase

"Agreement on the guidelines marks the fulfilment of a key element in the negotiating mandate," said Mike Moore, WTO Director-General. "The way is now open for governments to move forward from the rule-making phase of the negotiations – though that work will also continue – into the market-access phase, on the basis of Members' negotiating proposals.

"One significance of the guidelines should not go unnoticed," Mr Moore emphasized. "Governments have unequivocally endorsed some of the fundamental principles of the GATS: Governments' right to regulate and to introduce new regulations on the supply of services in pursuit of national policy objectives; their right to specify which services they wish to open to foreign suppliers and under which conditions; and the overarching principle of flexibility for developing and least-developed countries."

Positive and constructive spirit

At the end of the three-day meeting, the Chairman of the Services Council, Ambassador Sergio Marchi of Canada, praised Member governments for the thoroughly positive and constructive spirit in which they had completed the stocktaking of the first year of negotiations. They had in general expressed strong satisfaction with the work done so far, together with the determination to complete outstanding tasks. The large number of negotiating proposals submitted – some 70 proposals by more than 40 Members – with the promise of many more to come, was an indication of commitment which had been welcomed by many delegations.

With regard to the future work programme, the Council had agreed to hold negotiating sessions in May, July and October, during which, in addition to its standing agenda, the Council would consider the negotiating proposals in detail. Further meetings would be held in December and in March 2002, at which point the Council would review progress in the negotiations.

Note: Detailed information on the services and agriculture negotiations, including texts of negotiating proposals, are available on the WTO website.

New panels on measures by Belgium, Canada and Chile

The WTO Dispute Settlement Body (DSB), on 12 March, established the following new panels:

- **"Canada — Export credits and loans guarantees for regional aircraft"** Brazil requested the establishment of a panel to examine the WTO compatibility of Canada's new aircraft financing system. This was Brazil's first request but only one request is necessary for a panel to be established in cases of claimed forbidden subsidies. The DSB agreed to establish a panel. The European Communities, India and the United States reserved third-party rights to participate in the Panel's proceeding.
- **"Belgium — Administration of measures establishing customs duties for rice"** The United States requested for the second time the establishment of a panel to look at Belgium's customs duties practices on imports of rice. The EC argued that because the US had altered its request, this request should be considered as its first one. Nonetheless, the EC still accepted going ahead with a panel. The DSB agreed to establish a panel. India reserved third-party rights.
- **"Chile — Price band system and safeguard measures relating to certain agricultural products"** Argentina requested for the second time the establishment of a panel concerning Chile's price band system and safeguard measures. The DSB agreed to establish a panel. The European Communities, Colombia, Costa Rica, Guatemala, Honduras, Japan, Nicaragua, Paraguay and the United States reserved their third-party rights.

The DSB adopted the Appellate Body report and the panel report as modified by the Appellate Body report on the case "European Communities — Anti-dumping duties on imports of cotton-type bed linen from India".

Several members commented on the panel and Appellate Body's determination that the practice of "zeroing" is incompatible with the WTO Agreement on Anti-Dumping Practices.

Status reports

In its regular surveillance of implementation of adopted recommendations, the DSB heard the following:

- EC - Regime for the importation, sale and distribution of bananas. The EC presented its status report on its new "first come — first served" banana import regime. The report includes the European Council Regulation which amends the banana regime. The EC announced that its new regime will apply from 1 July 2001. Several delegations criticized the new regime, including Guatemala, Honduras, Nicaragua, Panama and the United States.
- Japan - Measures affecting agricultural products. Japan and the United States announced that they had completed their technical consultations and that they would notify the DSB of the mutually satisfactory solution in the near future.

ACTIVE PANELS

(23 March 2001)

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

- India - Quantitative restrictions on imports of agricultural, textile and industrial products. India repeated its intention to implement by the deadline of 1 April 2001.
- Turkey - Restrictions on imports of textile and clothing products. Turkey and India announced that, following the expiry of the reasonable period of time for implementation (19 February 2001), they had agreed on 8 March 2001 to hold consultations within the next 30 days. In these consultations, the two parties will discuss Turkey's compliance with the DSB's recommendations. The two countries also announced that they had reached a procedural agreement on compliance review and request for sanctions in case they cannot agree during the consultations.
- Chile - Taxes on alcoholic beverages. Chile announced that its new legislation, which provides for the progressive reduction of taxes to a single rate for all alcoholic beverages of 27% as from 21 March 2003, entered into force on 9 February. Chile said it now considered it has complied with the DSB's recommendations.
- Argentina — Measures affecting the export of bovine hides and the import of finished leather. Argentina announced that it had already taken the first step to introduce some changes in the administration of its customs regulation.

Under "Other Business", Canada, with respect to the case "Canada — Certain measures affecting the automotive industry", informed the DSB that it has complied with its recommendations.

WHO/WTO workshop on pricing and financing of essential drugs experts

Affordable medicines for poor countries are feasible

HØSBJØR, NORWAY — Making life-saving medicines more affordable for poor countries is vital for improving public health. More importantly, it is realistic, experts said in a three-day workshop that ended on 11 April.

In particular, "differential pricing"—companies charging different prices in different markets according to purchasing power—is a feasible means of achieving this, provided certain conditions are met.

That was a widely held view among a diverse group of 80 experts from 21 countries and a wide range of professional backgrounds, participating in a workshop organized jointly by the World Health Organization, World Trade Organization, Norwegian Foreign Ministry and Global Health Council, a broad-based US organization in the healthcare field.

The workshop examined in detail ways to reduce pharmaceutical prices in low-income countries and how to increase financing so that the world's poorest people can obtain necessary medicines and healthcare. HIV/AIDS, malaria and tuberculosis featured prominently, but a wide range of other diseases that affect poor people were also discussed.

WHO Director-General Gro Harlem Brundtland said the meeting had been constructive and helpful. "It is clear that the price of medicines does matter— especially for people in poor countries," she said. "We heard from the experts that much lower prices can be achieved for the poorest countries. Equally important is strengthening health systems, and, for the poorest countries, securing additional international financing."

Participants attended as experts in their own right. They came from: developed and developing country governments; international research-based companies; generic pharmaceutical companies from Asia, Africa and Latin America; non-governmental organizations; consumer and treatment groups; universities; and international organizations.

"Although participants clearly approached the issues from different points of view, there was broad recognition that differential pricing could play an important role in ensuring access to existing drugs at affordable prices, particularly in the poorest countries, while the patent system would be allowed to continue to play its role in providing incentives for research and development into new drugs," said Adrian Otten, director of the WTO's Intellectual Property Division.

Two of the organizers, the WHO and WTO, will each report on the outcome to forthcoming meetings in their organizations to be held in the next few months. In May, the WHO holds its World Health Assembly, and in June the WTO's Council on Trade-Related Aspects of Intellectual Property Rights (TRIPS) will hold a special discussion on intellectual property and access to drugs.

All participants will be able draw on the ideas and experiences exchanged in the workshop, for use in their own work, together or separately.

Moore welcomes news of settlement of South Africa drug lawsuit

The Director-General of the World Trade Organization on 19 April welcomed news of the settlement achieved between the Government of South Africa and research-based pharmaceutical companies.

"The stakeholders should be congratulated. It is a win-win situation for all concerned," said WTO Director-General Mike Moore.

"The settlement shows that the WTO's Agreements, such as TRIPS, contain the necessary flexibility to meet the health needs of developing countries and can be used as a basis for resolving difficult issues concerning access to essential drugs."

Differential pricing has already been achieved for commodities such as vaccines, contraceptives and condoms through a combination of high-volume purchasing, reliable and adequate financing, advocacy, corporate responsibility and market forces.

The challenge is to find ways to expand this to life-saving medicines. The participants accepted that there is no single formula to achieve this. A wide mix of options is needed, they said.

Among the ideas emerging from the meeting were:

- **Differential prices.** Differential pricing would allow companies that make patented drugs to recover most of the costs of research and development in richer markets and at the same time to sell or license production at lower prices in lower-income countries.
- **Competition and generic drugs**. Several speakers also felt that generic drug manufacturers play an important role in bringing competition to pharmaceutical markets and improving production efficiency, which would reduce prices further.
- **Intellectual property and TRIPS safeguards**. Participants acknowledged that intellectual property protection is an important incentive for research and development into new drugs. Some said there are also other ways to encourage research and development. At the same time, countries need to be able to make use of the public health safeguards built into the TRIPS Agreement—including compulsory licensing (governments allowing others to produce a patented invention without the patent owner's permission) and "parallel" imports (i.e. imports of products supplied by the patent owner or a licensee at a lower price in another country).
- **Financing** When drug prices fall—and many low priced essential drugs are already available—there is still no guarantee that poor communities can afford them. This is particularly true for HIV/AIDS drugs. In these cases, significant amounts of external financing is needed.

Background papers on the conference are available on the WHO and WTO websites.

Initial pledges to the new IF Trust Fund commended

International efforts to build trade capacity in least-developed countries (LDCs) received firm support last week (15 March 2001) with donors pledging US$ 4.5 million for the six agency Integrated Framework of technical assistance (IF).

Ambassador Henrik Rée Iversen (Denmark) and Ambassador Victor Lechesa (Lesotho) were elected as Chair and Vice-Chair of the IF Steering Committee. Representatives of LDCs and donor countries welcomed the significant reforms undertaken in the IF process by the six agencies involved: the International Monetary Fund, International Trade Centre, United Nations Conference on Trade and Development, United Nations Development Programme, World Bank and World Trade Organization.

The enhanced IF is designed to mainstream trade into LDCs overall development plans and poverty reduction strategies so that trade-related technical assistance is delivered within a coherent policy framework. The US$ 4.5 million will be used to fund an improved management structure pilot plan in which the Steering Committee will provide policy oversight and guidance. The IF Trust Fund will be managed jointly by representatives of the six core agencies, donors and LDCs.

The following specific pledges have been made: Denmark – US$ 300,000; the Netherlands – US$ 300,000; Norway – US$ 500,000; Sweden – 3 million Swedish Kroner (about US$ 300,000). UNDP pledged US$ 300,000, and the World Bank informed the Steering Committee it had proposed to its Development Grant Facility a contribution of US$ 1.5 million to be made to the IF Trust Fund. At a 19 March meeting of development ministers hosted by the United Kingdom, British Development Minister Clare Short pledged a British contribution of US$ 500,000.

The United States has announced a programme of bilateral assistance to the LDCs as part of its support to the IF pilot scheme. Other WTO member governments have indicated they would shortly be making their announcements.

WTO Director-General, Mike Moore, and Ambassador Iverson hailed the reforms made to the IF and praised the efforts of the six core agencies, donors and the LDCs in setting up the pilot programme. They said this initiative represents an important "confidence-building measure" towards both the UN Conference on Least-Developed Countries (LDC-III) in May and the efforts to meet LDC needs in the run-up to the November WTO Ministerial Conference in Qatar.

NEWS BRIEFS

Mike Moore presides over the diploma ceremony concluding the 16th WTO Trade Policy Course

At a ceremony held in Geneva on Thursday 5 April 2001, Director-General Mike Moore presented diplomas to the participants of the 16th WTO Trade Policy Course, representing 30 countries/customs territories. In congratulating the participants, Mr. Moore said: "I am convinced you have acquired skills that you will take back home for your respective countries' and people's interests." Mr. Moore went on to say that while resource constraints limited the availability of places on the training courses, such activities had a meaningful impact on capacity building.

On behalf of the group of participants, Mr. Ka-shing Au, from Hong Kong, China, thanked the Director-General for the support to capacity building the WTO training activities provided. Mr. Au underlined the human dimension of the course and assured Mr. Moore that the close relationships established during the course, among the participants and with the WTO, would remain strong.

17th Trade Policy Course

On 22 April 27 officials, largely from least-developed countries, were welcomed to the headquarters of the World Trade Organization at an inaugural ceremony to launch the 17^{th} Trade Policy Course held under the aegis of the WTO.

Mr. Paul-Henri Ravier, Deputy Director-General of the WTO, welcomed the organization of a training course in French, one of the Organization's three official languages. Greeting the participants, he noted the benefits to be drawn not only from the instruction they would receive in the course of three-month's training but also, and perhaps more importantly, the experience to be gleaned from three months at the Secretariat and direct contact with delegates from the 140 countries and customs territories that currently make up the WTO.

Referring to the challenges facing the multilateral trading system today, Mr. Ravier emphasized that they were illustrated in part by the fact that African countries and a number of least-developed countries were so strongly represented at the 17th Trade Policy Course.

Hong Kong, China donates CHF 1 million

The Government of Hong Kong, China, last week, contributed CHF 1 million to help finance WTO technical assistance activities in favour of developing countries.

This voluntary contribution by Hong Kong, China will be used to conduct technical assistance courses and seminars on trade policy issues and WTO rules. The contribution will be spent over a period of two years and will be principally directed at economies in the Asia-Pacific region.

In welcoming Hong Kong, China's contribution, WTO Director-General, Mr. Mike Moore said: "I would like heartily to thank Hong Kong, China for its generous donation. This donation will be used to assist developing Members of the WTOto better participate in the work of the organization. As Members continue to prepare for the 4th WTO Ministerial Conference to take place in Qatar in November, technical assistance for developing Members is vitally important."

TPRB: Ghana

Reaffirming commitment to trade and economic reform

The Trade Policy Review Body concluded its second review of Ghana on 26 and 28 February. Excerpts from the Chairperson's concluding remarks:

Our discussions have provided an open and informative second Trade Policy Review of Ghana at a critical time for her economy. Members were heartened by Ghana's commitment to freer trade and economic reform, reaffirmed by the incoming Government elected to office in December 2000. Members acknowledged Ghana's active participation in the multilateral trading system and welcomed continued efforts to open its market by refraining from using non-tariff measures and relying on tariffs as the main instrument of trade protection. The central role to be played by trade, investment and the private sector in Ghana's economic restructuring and improving its international competitiveness was widely recognized, and Ghana was urged to pursue further liberalization. Ghana was also encouraged to improve governance and strengthen its institutions. Revitalization of the privatization programme was also encouraged. Members commended Ghana for having managed to service its heavy external debt, largely without rescheduling, and despite a difficult economic situation.

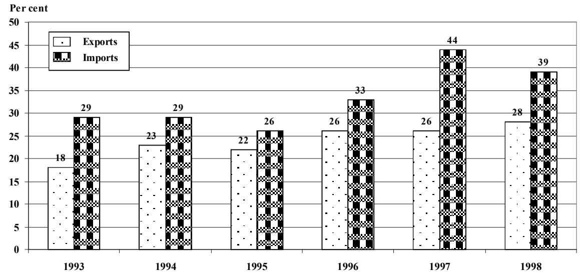
While appreciating Ghana's efforts, Members highlighted the urgent need to restore macroeconomic stability through sound fiscal and monetary policies. The Ghanaian delegation referred to the incoming Government's commitments to immediately tackle the large deficits and balance the budget by the end of 2004. Members noted that adverse terms of trade were part of Ghana's international trading environment and that the most effective means of coping with such movements was to promote economic resilience through sound economic management and diversification. This was essential if the Government's ambitious Vision 2020 objective of achieving middle-income status and of making Ghana a leading agro-based industrial country in Africa by 2010 were to succeed. Members sought details concerning specific measures envisaged to achieve these objectives and the timetable for their implementation.

Export-led growth

Members supported Ghana's principal trade policy objective of export-led growth by broadening the economy's export base and promoting a more competitive manufacturing sector. However, some Members questioned the use of direct incentives, notably generous income tax concessions, to encourage exports and welcomed Ghana's readiness to notify them if necessary. Members welcomed efforts to improve customs administration to facilitate trade, such as the recent implementation of the transaction value and termination of preshipment inspection.

While Members welcomed the Government's policy objective of reducing the average applied MFN tariff to below 10% over the next three years, they questioned the recent imposition of the "special import tax" of 20% on many consumer goods. Members sought clarification on its role in protecting industries against unfair trading practices abroad and on proposed timing for its elimination. The Ghanaian delegation reaffirmed that it was a temporary measure to save foreign exchange on "non-essential" imports and was not an anti-dumping measure. The Government had recently reduced the coverage of the tax from about 7% to 5% of tariff lines and intended to eliminate it when the situation improved.

Chart I.1
Merchandise trade as a share of GDP, 1993-98



Source: IMF (1999a), Ghana Statistical Appendix [Online]. Available at : http://www.imf.org/external/country/GHA/index.htm.

Trade's share in Ghana's GDP should continue to increase with current efforts to diversify the export base.

Tariff bindings

Questions were also raised regarding the low level of tariff bindings on industrial products and the widespread use of tariff concessions and exemptions, which often lack transparency. The usefulness of having an independent statutory body to review economic and trade policies was also mentioned by some participants. Ghana's regional initiatives, including those within ECOWAS and the African Economic Community, were also noted and discussed. Members sought details on Ghana's sectoral policies, especially for cocoa and manufacturing, and the Government's objectives in the WTO agricultural and services negotiations.

Additional details were sought on a number of other issues, including:

- WTO implementation and technical assistance needs;
- government procurement and eventual participation by Ghana in the Plurilateral Agreement on Government Procurement;
- additional customs fees, including the ECOWAS levy;
- adoption of anti-dumping, countervailing and safeguards legislation;
- protection of intellectual property and pending legislative changes;
- development policies, including greater private sector participation in the economy, poverty reduction and coherence between trade and developmental policies;
- services deregulation, in particular in telecommunications and financial services; and
- participation of civil society in policy formulation.

Members expressed their appreciation of the written and oral responses provided by the Ghanaian delegation and looked forward to receiving the additional responses.

Conclusion

In conclusion, I feel that we have had a successful Trade Policy Review that has contributed greatly to improved transparency and understanding by Members of Ghana's trade and other economic policies, in the context of its difficult economic situation and immense developmental challenges. Many constructive suggestions were made on how Ghana might proceed on its trade and economic reforms. Ghana has reiterated its strong commitment to the multilateral system and Members have expressed assurances of help in the form of bilateral and multilateral technical assistance. Members also recognized that Ghana's access to the markets of developed countries was critical for improving its economic performance.

Increased access to foreign agricultural markets would help Ghana's reform efforts

Since the early 1990's, the Republic of Ghana has sought extensive reforms to reverse previous inward-looking policies, and trade and investment liberalization has been an integral part to them. Despite real annual growth rates exceeding 4% during the 1990s, macroeconomic imbalances which have precipitated an economic crisis, threaten economic growth and could endanger the continuation of trade and other structural reforms, according to a WTO report on the trade policies and practices of Ghana.

The WTO Secretariat report, along with the policy statement by the Government of Ghana served as a basis for the second trade policy review of Ghana.

The report notes that faced with a looming economic crisis, the Government began implementing corrective measures in 1998. An annual monetary growth target of 18% was introduced to control inflation, which fell to 12% in 1999. Fiscal measures taken to reign in the deficit included the re-introduction of a broad-based 10% value-added tax, increased to 12.5% in 2000. Tighter spending controls were also applied. The budget deficit fell to 6% in 1999.

However, says the report, measures came too late to avert the economic crisis. The Government's economic outlook was revised downwards in the 2000 Budget. Large budget deficits are set to continue, and the target for achieving fiscal balance has been shifted beyond 2001. These deficits will strain the financial system, generating resurgent pressures on inflation, interest rates, and the external balance.

The report says that trade and foreign direct investment (FDI) are essential to Ghana's economic development. Merchandise exports and imports as a share of GDP have expanded substantially, from 18% and 29% in 1993 to 28% and 39%, respectively, in 1998. Trade is relatively concentrated, both in commodities and markets. Primary products, overwhelmingly gold and cocoa, account for most exports. Non-traditional exports, including, processed food, timber, and aluminium products, account for 20% of exports, up from 3% in 1986. However, export diversification has slowed. Most manufactured products, along with machinery and other inputs, are imported. Ghana's main trading partner remains the European Union (EU), accounting for almost half of total exports – partly due to trade preferences – and imports. Within the EU, Italy has overtaken the United Kingdom and Germany as the main export market. Italy, the United Kingdom, and France are the main European source of imports.

Ghana, a founding member of the WTO, accords at least MFN treatment to all its trading partners. Around 15% of its tariff lines are bound, mostly in agriculture. Its GATS Schedule covers commitments on certain services, including tourism, maritime transport, construction, and education. Ghana also participates in the agreements on Basic Telecommunications and Financial Services. It is an observer to the Plurilateral Agreement on Trade in Civil Aircraft, and is neither a signatory, nor an observer, to the Agreement on Government Procurement.

The tariff remains Ghana's main trade policy instrument. The simple average tariff had fallen from 17% in 1992 to 13% on January 2000, when the highest duty rate, levied on consumer goods, was reduced from 25% to 20%. However, the average tariff rose to its current level of 14.7% in February 2000 when a "special import tax" of 20% was re-introduced, covering some 7% of tariff lines. This raised tariffs on many, mostly consumer goods to 40%, well above their previous rate of 25%. This contradicts the Government's policy objective of lowering average tariffs to below 10% within the next three years.

Ghana is heavily dependent on agriculture, especially cocoa, and on natural resources, notably minerals. Primary production accounts for almost half of GDP; agriculture, at 40%, is the most important sector. Manufacturing contributes some 10% of GDP. Services are the second largest component of GDP. Many basic infrastructure services, such as electricity, ports, and water, are provided by state-owned statutory monopolies. Basic telecommunication services are supplied by a statutory duopoly following licensing of a second national carrier in 1997. These arrangements have had only limited success in promoting telecommunication services: neither carrier has met its network expansion or service quality target. The Government will consider allowing additional carriers from March 2002. The market for value-added telecom services is open. The National Communications Authority was formed in 1997 as the independent legislative regulator to promote fair competition and enhanced efficiency.

TPRB: MADAGASCAR

Trade reforms boost economic performance

The Trade Policy Review Body concluded its first review of Madagascar on 19 and 21 February 2000. Excerpts from the Chairperson's concluding remarks:

We have had a thorough and constructive discussion of the trade policies of Madagascar. Members were impressed by Madagascar's recent strong economic performance, which they attributed to the strengthening of its market-oriented reforms, including trade liberalization. Members commended Madagascar on its interim Poverty Reduction Strategy Paper (PRSP) and sought clarification on the mainstreaming of trade in the PRSP. They noted that Madagascar's debt relief under the HIPC initiative would further assist its macroeconomic situation. Some concern was expressed about the pace of the privatization process and about restrictions on land ownership, which were negatively affecting foreign direct investment, particularly in the tourism subsector. Members encouraged Madagascar to continue the reform process so as to allow it to fully benefit from its rich resource base and enormous potential.

Active member

Members appreciated Madagascar's active participation in the multilateral trading system. Some Members urged Madagascar to join them in their support for the launch of a new round of multilateral trade negotiations. Members called upon Madagascar to improve commitments under the GATS, particularly in areas such as telecommunications, transportation and tourism, and to meet its WTO notification requirements. Members expressed hope that a revitalized Integrated Framework, in which Madagascar would be an early participant, would yield beneficial results in meeting Madagascar's technical assistance needs and its multilateral commitments. Members were supportive of Madagascar's initiatives towards regional and bilateral agreements to expand its trade, but urged Madagascar to ensure that such agreements remained consistent with the multilateral trading system.

Members urged Madagascar to strengthen its domestic process of trade policy coordination and were encouraged by Madagascar's intention to establish a national committee on WTO matters. Members commended Madagascar's reduction of import duties, although it was acknowledged that Madagascar might encounter problems of policy coherence given other recommendations to maximize revenue from import levies. Some concern was expressed about the high level and variety of additional import taxes. Suggestions were made that Madagascar increase the number of its tariff bindings on non-agricultural products. Members noted that Madagascar had just adopted the WTO provisions on customs valuation and inquired about implementation difficulties it might face. Questions were raised about pre-shipment inspection, quantitative restrictions on imports of products such as vanillin and precious stones, and about export promotion, including the export processing zone and export credit.

The warm waters of the Indian Ocean surrounding Madagascar provide rich catches of fish and seafood for export. (Photo courtesy of Madagascar's Ministry of Trade)

Reliance on agriculture

Members noted that Madagascar's economic performance had suffered somewhat because of its significant reliance on the agricultural sector which had faced serious climatic difficulties. In addition, some Members pointed out that Madagascar's agricultural exports could be expanded if markets were more open in developed countries. Noting that aquaculture was expanding rapidly in Madagascar, Members inquired about measures taken by Madagascar following the prohibition by foreign countries of some of its exports, mainly shrimp, on sanitary grounds. There was also recognition that Madagascar might further exploit non-reciprocal preferential treatment provided by developed countries to expand its exports if it improved its infrastructure and the competitiveness of its manufactured products, mainly textiles.

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

- government procurement and eventual participation by Madagascar in the Plurilateral Agreement on Government Procurement;
- adoption of new competition legislation;
- implementation of the TRIPS agreement in January 2006;
- legislative and structural reforms in the mining and energy sector; and
- structural reforms in the services sector, especially in banking and insurance services.

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

Conclusions

In conclusion, it is my view that this Review has given Members an opportunity to better understand the economic challenges facing Madagascar. Members were encouraged by Madagascar's economic performance and were optimistic about its economic prospects. Members encouraged Madagascar 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 advocate that all Members support Madagascar in its efforts. In this respect, we should pay particular attention to Madagascar's request to the Membership for technical assistance.

Improvement of multilateral commitments would bolster confidence in Madagascar's economic reforms

A series of economic reforms (supported by international financial institutions) since 1982, and accelerated since 1998, have contributed to GDP growth of over 3.5% a year over the past few years, and higher growth rates are forecast through 2001, according to a WTO report on the trade policies and practices of Madagascar. Inflation has been reduced from an annual rate of 45% in 1995 to 7.6% in 1999, but the current account situation remains difficult, says the report.

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

The report notes that agriculture (including fishing, livestock, and forestry) contributes some 30% to Madagascar's GDP, and accounts for about 40% of the value of merchandise exports. Manufacturing, dominated by light industries (e.g. food processing, textiles, clothing, footwear, and beverages), represents some 12% of GDP and nearly 60% of merchandise exports in value (mostly textiles and apparel goods). Development of the sector is constrained, inter alia, by poor infrastructure and high transportation costs. The mining sector, centered around chrome ore and graphite, is still underdeveloped despite its potential. The services sector accounts for around 52% of GDP, with large potential still unexploited in the tourism subsector. Madagascar is a net importer of services.

In addition to its WTO membership, Madagascar has increasingly participated in regional trade agreements. Madagascar's main trading partners are the European Union, the United States, and Japan Madagascar's exports are primarily agricultural commodities, mainly shrimps, coffee, vanilla, cloves and clove essence. Machinery, transport equipment, food, fuel, and chemicals are the major imported products. Due to the decline in agricultural production during the past few years, largely attributable to climatic conditions, food and foodstuffs imports have increased, says the report.

The report also notes that Madagascar has made considerable efforts to create an environment conducive to private investment, both domestic and foreign. With a few exceptions (including in real estate and areas still under State control), 100% foreign ownership is permitted in most economic activities.

Madagascar, the report says, has significantly liberalized its trade regime in recent years. Its present trade policy framework is essentially based on tariffs. MFN customs tariff rates have been organized into four bands ranging from zero to 30%. The simple average of applied MFN import duties (including an import tax also ranging up to 30%) is 16.2%; the duties average 17,7 % in agriculture, including fishing, livestock and forestry, and 16,2% in manufacturing. Tariff escalation in certain branches provides higher effective rates of protection to many processed products. Export restrictions have been eliminated, as have foreign exchange controls.

Madagascar has bound customs tariffs at 30%, and other duties and charges at 250%, on all agricultural products and on imports of chemical products. All quantitative restrictions on imports have been eliminated, except for prohibitions or prior authorization requirements maintained under international conventions for health, phytosanitary or security reasons, or on products deemed strategic by the Government (e.g. vanillin and precious stones). Madagascar does not have legislation on anti-dumping, countervailing or safeguard measures. The country is neither an observer nor signatory to the WTO Plurilateral Agreement on Government Procurement.

Several state-owned companies have been either privatized or liquidated under a program launched in 1996. In agriculture, most marketing boards have been liquidated and price controls abolished on virtually all products. Monopolies held or exclusive rights exercised by state-owned companies, which are still operating in the agriculture sector, have virtually been abolished. Companies such as HASYMA for cotton, and SIRAMA for sugar are to be privatized before the end of 2001. Nevertheless, the vacuum left by the boards has not been filled; this has limited the positive impact of the reforms on agricultural output.

The report notes that the implementation of the privatization program has contributed to significant liberalization of the services sector; the national carrier (Air Madagascar), the airport authority (ADEMA), and Telma (the incumbent supplier of basic telecommunications services, currently owned at 66% by the State), are among the companies earmarked for privatization before the end of 2001. Madagascar's commitments under the GATS, limited to certain business activities, do not reflect its liberalization efforts in the services sector. Steps have been taken, including enactment of new legislation, the report also says, to develop the mining sector.

The report concludes that the reforms have fallen short of reducing poverty in Madagascar. Once completed, the ongoing implementation of the privatization programme will further liberalize the economy, including the services sector, and contribute to a better allocation of resources.

Mike Moore

"The world needs a new WTO trade Round"

Director-General Mike Moore, before the German Foreign Policy Association, in Berlin on 23 April, stressed that the economic case for a new Round is "compelling". Excerpts from his speech:

Recent years have been full of promise for the world economy. The US economy has grown in leaps and bounds, surfing on the crest of a seemingly endless wave of technological innovation. The challenge for other countries has been to capture some of that zest for themselves. Though some people were afraid they would be left behind, the mood was generally optimistic.

This year is different. Share prices on the Nasdaq, the barometer of America's technology-fuelled optimism, have fallen back to earth. Its European counterparts, such as Germany's Neuer Markt, have equally suffered. The world economy suddenly looks fragile.

At the moment, US growth appears to have slowed significantly. A downturn in America is ominous for the rest of the world. The portents are particularly gloomy in Canada, Malaysia and Mexico, where exports to the United States contribute significantly to their respective GDPs. Big exporters of electronic goods, like Korea and Taiwan, are also nervous as American spending on information technology declines. Developing countries with large current-account deficits, like Brazil and other Latin American economies, are vulnerable if an American recession causes a flight of capital to safety.

Nor is Europe immune to America's ills. Admittedly, exports to the US are only 2% of EU GDP. But Europe is also exposed to the American economy through foreign investment. A slowdown in America is bad news for companies with big American-based affiliates, such as Daimler Chrysler. And it is worrying for the employees of American firms with big operations in Europe, such as General Motors.

An upsurge in protectionism could make things much worse. Even during the good times, there has been a worrying increase in anti-dumping and anti-subsidy investigations in both developed and developing countries. Over 400 were launched in 1999, up from only 166 in 1995. And the OECD has noted that producer support estimates for agriculture are rising again.

Things could turn nasty if companies squeezed by falling profits convince governments that they need protection from foreign competition. The virtuous circle of trade liberalization and economic growth could all too easily become a vicious spiral of protectionism and stagnation.

It need not come to that. The nervousness this year provides an opportunity as well as a threat. The prospect of stagnant, or even shrinking, domestic markets increases the lure of new, foreign ones. This can help muster an export lobby powerful enough to overcome the entrenched interests opposing freer trade.

For the multilateral trading system, the stakes this year could not be higher. In November, Qatar will host the next WTO Ministerial Conference. Our aim is to launch a new round of multilateral trade negotiations. It is a big challenge, but with focus and flexibility we can succeed.

The WTO headquarters: "For the multilateral trading system, the stakes this year could not be higher."

Launching a new round would help steady nerves and send a powerful signal that governments do not intend to let the huge gains from liberalization slip away. The risk is that the global rules-based system based on non-discrimination could give way to a patchwork of discriminatory regional deals and even potentially hostile blocs, combined with aggressive unilateralism by the big guys. Everyone would lose from this. But the biggest losers would be the poor and the weak.

The economic case is compelling

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

All countries would gain from further multilateral liberalization. Cutting trade barriers by a third would boost Mexico's economy by $6.5 billion and South Korea's by $14 billion. The United States would gain $177 billion, the EU and EFTA $169 billion, Japan $124 billion.

Of course, these are only estimates. Reasonable people can quibble about the exact size of the gains from a new round. But the basic message from study after study is clear: a new round brings huge benefits to all parts of the globe.

The political challenge is to ensure that we grasp the opportunity of freer trade rather than succumbing to the threat of protectionism. Negotiations in Geneva on liberalizing trade in agriculture and in services are entering their second year. Progress has been good. But we urgently need to broaden the agenda beyond the mandated negotiations.

Why? Because it creates political trade-offs. Take agriculture. The European Union and Japan have stated that they are willing to negotiate meaningfully on reducing agricultural protection. They are committed to negotiate by Article 20 of the WTO's Agreement on Agriculture. The looming expiry of the Peace Clause in 2003 gives them a strong incentive to negotiate in earnest. Yet agricultural liberalization is extremely sensitive politically. There is a much greater chance of reducing agricultural support in Europe and Japan if other countries are willing to make concessions in areas where Europe and Japan have demands.

A similar logic applies to implementation-related issues. Some developing countries have concerns about the burden of implementing their Uruguay-Round commitments and its perceived inequities. They have raised a number of issues which are being discussed in the WTO's General Council and in WTO committees. Modest progress has been made, notably at a special session of the WTO General Council last December. But I believe there is now a growing recognition that further efforts relating to past agreements require new negotiations. Instead of being a stumbling-block, implementation could thus become yet another building block of a new round. Here we need more focus and flexibility for capitals to make progress. Unless developing countries have confidence that their issues will be addressed in a meaningful way, no new round will start and no new round will conclude.

Another potential building block is manufacturing, which has been at the heart of every previous round. There are still many damaging trade barriers in manufacturing. And most of their burden falls on developing countries. Manufactures now account for around three quarters of developing-country exports, up from around 30% in the early 1980s. Moreover, developing-country exports of manufactures face much higher trade barriers than exports from developed countries. In one World Bank study it is estimated that barriers to manufacturing exports account for around 70% of the total export barriers faced by developing countries and that three quarters of the gains from further manufacturing liberalization would go to developing countries. Clearly, then, manufacturing could be at the heart of a new round if it is truly to benefit developing countries.

Setting the agenda

Setting the agenda for a new round is not just about including issues. It is also about excluding some. From what I have seen, WTO members will never agree to use trade sanctions to enforce labour standards. It is a line in the sand that developing countries will not cross. They fear that such provisions could be abused for protectionist purposes. They also believe such matters are more appropriately considered in other international fora.

The environment issue is different. Our work at the WTO dovetails with environmental aspirations in potentially important ways. It is already part of our process now. In areas like agriculture and fisheries, some existing subsidies can compromise environmental quality. We should work together to address these issues. More importantly, poverty is no friend of the environment. The virtuous circle of open trade and growth contributes to poverty reduction, and the WTO has a positive role to play here too. But potential conflicts also exist, most notably when it comes to environmental quality issues that spill across national frontiers. Here we need greater cooperation among governments. The WTO cannot solve these problems alone. Punitive sanctions in the absence of international agreements are hardly the answer. It should not be impossible for governments to square their commitments at the WTO with those in MEAs.

Between now and July, we at the WTO shall make every effort to hammer out an agenda for a new round so that ministers can put the final touches to it in Qatar in November. And we need always to keep in mind that this is about launching a round – not concluding a round. The agenda has to be broad enough to have something in it for everyone, but must exclude issues that are inappropriate or where compromise is impossible. It has to be detailed enough to be meaningful, but not so detailed that it becomes a pre-negotiation. By July, we need to have a reality check, we need to have identified and boiled down our differences to a few issues that we can then put to capitals and Ministers so they can resolve them at the highest level. We have learnt that Ministerial Conferences cannot resolve dozens of differences. If we have the same differences in July as we had in Seattle, we will have the same result as in Seattle. We are in the hands of our owners — the Members.

Time is short. That may be a good thing if it helps to focus minds. What we need now is the political will from Members to compromise. Finding it will be difficult and will require courage and commitment. But once found, progress can be swift.

There are many positive signs. The new US administration has made a new trade round a priority. President Bush is a committed free-trader. The new United States Trade Representative, Robert Zoellick, is a man of the highest calibre and a strong supporter of the multilateral system. As is Pascal Lamy, the EU's trade commissioner, and they have a good working relationship. Their personal chemistry could be a crucial catalyst for brokering a transatlantic deal. I welcome the real progress they have made recently in their long-standing dispute over bananas.

The European Union is also showing signs of flexibility. Its new approach to a new round is more realistic.

Developing countries too are being more realistic. Many of them have abandoned their previous opposition to a new round. They increasingly recognize that dwelling on the perceived injustices of the past does nothing to prevent even greater injustices in future. They increasingly say that the greatest threat to their economies is not globalization, but marginalization. As a study by the Tinbergen Institute points out, the potential benefits of a new round to the developing world are three times what it receives each year in overseas aid. OECD subsidies is equal to the total GNP of Africa.

As storm clouds gather over the world economy, the prospect of launching a new round is a ray of sunlight. Now is the time to move from words of support for a new round to making the compromises needed to launch one. Now is the time to question narrow, selfish interests in the interest of the overwhelming national good. This takes courage and vision. In Geneva, at every occasion, I am urging Governments to show flexibility, to revisit old positions and to put old speeches in the shredding machine. Now is the time to look beyond yesterday's battles towards tomorrow's opportunities. The world needs a new WTO round. Let's launch it as soon as possible, this year.

Significant barriers remain

(Continued from page 1)

Some of the findings presented in the new WTO Secretariat study are:

- Among the 42 developed and developing countries surveyed the average level of bound tariffs for industrial products ranges from 1.8% to 59%.
- Numerous countries have bound their industrial tariffs at levels significantly above the levels actually applied, with differences between the average bound and average applied rates reaching more than 30% in some countries. In such cases, bindings contribute little to the stability of the applied tariffs.
- Forty-seven WTO Members and five Observers participate in the Information Technology Agreement which provides for the elimination of tariffs on IT products. These countries currently account for 93% of world trade in IT products.
- Among the Asian countries in the sample, the share of agricultural tariff lines with bound duties above 100% ranges from zero to 69%, while among European countries the figure ranges from 1% to 45%.
- Of the 160 possible services subsectors on which Members can choose to schedule specific commitments, the "typical" WTO Member has undertaken commitments on 25 subsectors.
- The nine countries that joined the WTO between January 1995 and July 2000 have assumed higher levels of commitments, in terms of services sectors included, than incumbent Members at comparable levels of development.
- In services the two most important modes of supply are mode 1 (cross-border supply) and mode 3 (supply through commercial presence). So far members appear to have concentrated much of their negotiating effort on mode 3. There may, however, be a greater focus on mode 1 commitments in the current negotiations as a result of the growth of e-commerce.

The main conclusions of Market Access: Unfinished Business are the following:

- The Uruguay Round has significantly contributed to the liberalization of international trade but the post-Uruguay Round situation still has many distortions;
- While there is scope for mutually beneficial agreements in the mandated negotiations on agriculture and services, this scope can be broadened significantly if industrial tariffs are drawn into the picture;
- Access to other developing countries' markets is becoming increasingly important to developing-country exporters;
- The products of greatest interest to the least-developed countries, many agricultural products together with clothing and other labor-intensive manufactures, are among the most heavily protected in the markets of their current and potential trading partners, both developed and developing.

MEETINGS

June 2001	
5, 7	Trade Policy Review: WTO members of the Organization of East Caribbean States
6	Committee on Trade in Civil Aircraft
11-15	Textiles Monitoring Body
13-14	Working Group on Trade and Investment; Working Party on the Accession of Ukraine
15	Committee on Market Access
18-22	Council for TRIPS
20	Dispute Settlement Body
26-27	Working Party on the Accession of Russia
27-28	Committee on Trade and Environment
28-29	Committee on Agriculture; Committee on Technical Barriers to Trade

2001 Chairpersons

The Council for Trade in Goods, on 14 March, agreed on a slate of chairpersons of its subsidiary bodies for 2001:

- Committee on Agriculture: Amb. Apiradi Tantraporn (Thailand); Vice: Mr. Yoichi Suzuki (Japan)
- Committee on Anti-Dumping: Mrs. Sahar Hosni Abdelaziz (Egypt)
- Committee on Customs Valuation: Mr. K. Weerasinghe (Sri Lanka)
- Committee on Import Licensing: Ms. Simone Rudder (Barbados)
- Committee on Market Access: Mr. Yair Shiran (Israel)
- Committee on Rules of Origin: Mr. Ho Young Ahn (Korea)
- Committee on Safeguards: Mr. Martin Pospisil (Czech Rep.)
- Committee on Sanitary and Phytosanitary Measures: Mr. Wiliam Ehlers (Uruguay)
- Committee on Subsidies and Countervailing Measures: Mr. Remo Moretta (Australia)
- Committee on Technical Barriers to Trade: Mr. Joshua Phoho (Lesotho)
- Committee on Trade-Related Investment Measures: Mr. Paul Bennett (Ireland)
- Working Party on State Trading Enterprises: Ms. Maija Manika (Latvia)

WTO FOCUS
Newsletter published by the Information and Media Relations Division of the WTO.
Centre William Rappard, 154 rue de Lausanne, 1211