

**General Council  
18 and 19 July 2001**

**MINUTES OF MEETING**

Held in the Centre William Rappard  
on 18 and 19 July 2001

*Chairman: Mr. Stuart Harbinson (Hong Kong, China)*

<u>Subjects discussed:</u>	<u>Page</u>
<b>1. International Trade Centre UNCTAD/WTO .....</b>	<b>2</b>
(a) Report of the Joint Advisory Group.....	2
<b>2. Accession of Iran .....</b>	<b>3</b>
(a) Communication from Iran.....	3
<b>3. Accession of the Bahamas .....</b>	<b>3</b>
(a) Communication from the Bahamas .....	3
<b>4. Accession of Tajikistan .....</b>	<b>7</b>
(a) Communication from Tajikistan .....	7
<b>5. Committee on Budget, Finance and Administration .....</b>	<b>10</b>
(a) Report of the Committee.....	10
<b>6. Attendance of Observers at the Fourth Session of the Ministerial Conference .....</b>	<b>10</b>
(a) International intergovernmental organizations .....	10
<b>7. Election of Vice-Chairpersons of the Fourth Session of the Ministerial Conference .....</b>	<b>13</b>
<b>8. Waivers Under Article IX of the WTO Agreement .....</b>	<b>13</b>
(a) Switzerland – Preferences for Albania and Bosnia-Herzegovina .....	13
(i) Request for waiver .....	13
(b) Customs Valuation Agreement .....	13
(i) Request for a waiver by Madagascar .....	13
<b>9. Concessions under the harmonized commodity description and coding system – a procedure for introduction of harmonized system 2002 changes to schedules of concessions .....</b>	<b>14</b>
(a) Draft decision.....	14
<b>10. Work Programme on Electronic Commerce.....</b>	<b>14</b>
<b>11. Review of Procedures for Circulation and Derestriction of WTO Documents .....</b>	<b>19</b>

<b>12.</b>	<b>Proposal to amend certain provisions of the Understanding on Rules and Procedures Governing the Settlement of Disputes Pursuant to Article X of the Marrakesh Agreement Establishing the World Trade Organization .....</b>	<b>22</b>
(a)	Submission by Bolivia, Canada, Chile, Colombia, Costa Rica, Ecuador, Japan, Korea, New Zealand, Norway, Peru, Switzerland, Uruguay and Venezuela for examination and further consideration by the General Council .....	22
<b>13.</b>	<b>Work in the Committee on Regional Trade Agreements .....</b>	<b>24</b>
(a)	Report by the Chairperson .....	24
<b>14.</b>	<b>Reorganization of WTO Technical Cooperation .....</b>	<b>31</b>
(a)	Report by the Director-General .....	31
<b>15.</b>	<b>Implementation-related issues .....</b>	<b>33</b>
(a)	Report by the Chairman of the Committee on Rules of Origin .....	33
(b)	Reports by the Vice-Chairman of the Committee on Agriculture .....	39
(c)	Report by the Chairman of the Committee on Sanitary and Phytosanitary Measures.....	40
(d)	Report by the Director-General on activities of international financial organizations on SPS/TBT-related programmes .....	41
<b>16.</b>	<b>Reports of the Special Sessions of the Committee on Agriculture and of the Council for Trade in Services .....</b>	<b>42</b>
<b>17.</b>	<b>India – Statement on material on different WTO Agreements provided to other International intergovernmental organizations and the WTO website by the Secretariat.....</b>	<b>44</b>
<b>18.</b>	<b>Switzerland – Presentation on modifications to its GSP Scheme in favour of least- developed countries.....</b>	<b>45</b>
<b>19.</b>	<b>Director General – Statement on certain aspects of the logistical preparation for the Fourth Ministerial Conference.....</b>	<b>45</b>
<b>20.</b>	<b>Chairman – Announcement concerning the Chairmanships of the Working Parties on the Accession of Cape Verde and the Federal Republic of Yugoslavia.....</b>	<b>46</b>

## **1. International Trade Centre UNCTAD/WTO**

- (a) Report of the Joint Advisory Group (ITC/AG(XXXIV)/188)

1. The Chairman said that the Joint Advisory Group of the International Trade Centre UNCTAD/WTO had held its Thirty-Fourth Session from 30 April to 4 May 2001 and its report had been circulated in document ITC/AG(XXXIV)/188. At its meeting in May 2001, the Committee on Trade and Development had examined the report and had forwarded it to the General Council for adoption.

2. The General Council took note of the statement and adopted the report in ITC/AG(XXXIV)/188.

## 2. Accession of Iran

### (a) Communication from Iran (WT/ACC/IRN/1)

3. The Chairman drew attention to the communication from Iran in document WT/ACC/IRN/1 requesting accession to the WTO Agreement. He recalled that this item had been on the agenda of the 8-9 May 2001 General Council meeting at the request of Egypt, subsequently confirmed by Malaysia on behalf of the Informal Group of Developing Countries, and that the General Council had agreed to revert to this matter at the present meeting.

4. The representative of the United States said that her Government was currently reviewing this matter and was not in a position to provide a response at this moment.

5. The representative of Malaysia, on behalf of the Informal Group of Developing Countries, thanked the representative of the United States for her statement. Since the General Council meeting on 8-9 May 2001, the Informal Group of Developing Countries had been looking forward to an appropriate response so that normal procedures would be followed on this issue. However, having listened to the US, he renewed his hope that an appropriate response would be forthcoming and requested that the item be on the agenda of the General Council at its next meeting.

6. The General Council took note of the statements and agreed to revert to this matter at its next meeting.

## 3. Accession of the Bahamas

### (a) Communication from the Bahamas (WT/ACC/BHS/1)

7. The Chairman drew attention to the communication from the Bahamas requesting accession to the WTO Agreement (WT/ACC/BHS/1).

8. The representative of the Bahamas, speaking as an observer, said that his country's formal application for accession to the WTO Agreement was a critical step in its effort toward full integration into the multilateral trading system. Free and fair trade promoted economic growth and prosperity and the WTO was providing a rules-based environment for such a trade to occur. Since July 2000, the Bahamas had been an observer in the WTO and had been able to acquaint itself fully with its work. The importance of the WTO to world economic stability was clear, as it was the principal organization in the world for the liberalization of international trade and the peaceful settlement of trade disputes. It was for this reason, among others, that the Bahamas had decided to elevate its participation in the WTO. As a former colony of Great Britain, the Bahamas had achieved its independence on 10 July 1973. Parliamentary democracy had continued uninterrupted for nearly 275 years, forming the basis of the Bahamas' political stability. The Bahamas had a small but stable economy. In 2001, its Gross Domestic Product (GDP) was estimated at US\$5 billion, having increased by some 52 per cent over the last eight years with a growth rate average of 3.05 per cent. The Bahamian economy was primarily service-based, with tourism accounting for about 40 per cent of GDP and financial services accounting for about 15 per cent. At present, the Bahamas' per capita income was approximately US\$15,000. The Bahamas had an open trading economy, its largest trading partners being the United States and Canada. The significant deficit of its trade in goods account was mainly financed through a surplus of its trade in services account, particularly tourism. Strong inward foreign direct investment within the last nine years had been a catalyst for the Bahamas' recent economic expansion. The unemployment rate decreased from 14.8 per cent in 1992, to about 7 per cent at present. The Bahamas had maintained a fixed exchange rate regime throughout its modern history, with the Bahamian dollar on par with the US dollar. Maintaining the parity between the Bahamian dollar and the US dollar was an important factor underlying its fiscal and

monetary policy. Today, that parity remained more secure than ever. Its economic expansion to date underpinned the important progress made by the Bahamas in improving health, education, infrastructure and governance. His Government fully recognized the need to sustain and expand its economic success and was committed to continue the fiscal discipline and reform, private sector expansion, liberalization of trade and global integration. For the fiscal year 2001/2002, the Government had presented to Parliament a balanced budget, the first in two decades. This had been an important step toward sound financial management of the country's finances. Although committed to fiscal prudence, the Government was reforming the tax system in order to prepare for the new economic order in which the country found itself. No taxes were levied directly on income, capital gains, withholdings or other sources of income. Indirect taxes were mainly in the form of customs duties, stamp taxes, real property taxes and taxes on hospitality services. Customs duties and a stamp tax on import items currently represented 60 per cent of government revenues. Since 1996, the number of tariff categories had been reduced from 129 to 29 in accordance with the "Harmonized Commodity Description and Coding System" of the World Customs Organization. The average tariff rate had also been reduced from about 42 per cent a decade ago to about 30 per cent at present. With the assistance of the International Monetary Fund (IMF), the Government was reviewing its current system of taxation with the view to initiate a programme aimed at reducing reliance on customs duties as a source of revenue.

9. The Bahamas considered the private sector as the main engine of economic growth. The Government was committed to facilitating business expansion and therefore to ensuring that its laws, regulations and policies promoted competition. As tourism and financial services would remain the main pillars of its economy, the necessary steps were being taken to ensure that private businesses within these sectors continued to benefit from the opportunities that a more liberal international trade and a globalized economy offer. In terms of increased opportunities for private sector expansion, the Government was putting in place the legislation, policies, educational programmes and infrastructure necessary to establish e-commerce as the third pillar of the Bahamian economy. The Bahamas was also committed to privatizing state monopolies in a number of sectors, including telecommunications and energy. The Government recognized that an open economy had been beneficial to the Bahamas' economic progress. The Bahamas' trade regime had remained liberal. Customs duties were the main barriers to trade, though they were used primarily for generating government revenue rather than as an instrument of trade policy. Tariffs did not discriminate against goods on the basis of their country of origin. There were only few import and export quotas and their trade impact was minimal. In the area of services, trade was generally liberal with foreign service providers having reasonable access to the domestic services market. The Bahamas expected to have an even more liberal trade regime, as it integrated further into the multilateral trading system. Additionally, the Bahamas was currently reviewing its legislation and policies related to intellectual property rights in order to bring them into conformity with the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS).

10. The Government acknowledged that globalization was a fact of life of the modern world and that trade liberalization was a broadly endorsed policy of the international community. Both offered excellent opportunities for growth and prosperity as well as significant challenges. As a small, open, service-based economy, the Bahamas was vulnerable to the vagaries of external shocks in a liberal, globalized economic system and the Bahamas' best prospects for success in such an environment was systematic integration. As a member of the Caribbean Community but not the Common Market, the Bahamas was giving consideration to limited or full participation in the Caribbean Single Market and Economy (CSME) which would integrate both the Caribbean Community and the Common Market. The Bahamas was participating fully in negotiations to create a Free Trade Area of the Americas (FTAA) among the 34 democracies of the Western Hemisphere. Indeed, the Bahamas was chairing the Services Negotiating Group of the FTAA process. Finally, the Bahamas was applying to become full Member of the WTO which would be a critical step in its international trade development process. The willingness to more fully integrate into regional and multilateral systems was not without challenges. Like many small developing states, the Bahamas was hard pressed to identify the human,

financial and technical resources necessary to fully engage the processes of negotiation involved with the Caribbean Single Market and Economy, the Free Trade Area of the Americas participation and the WTO accession. Implementation and adjustments required, if and when negotiations were completed, would be complex and costly. The Bahamas was challenged to build confidence within civil society with regard to global developments, as there was often a high cost associated with information sharing and adjustment support. Because of the macro-economic success of the Bahamas, the significant challenge of its geographical configuration was sometimes overlooked. Of the 700 islands of the Bahamas, 29 were inhabited. As a consequence schools, medical facilities, social services, airports, seaports and other public infrastructures and services had to be replicated in order to meet the needs of its people. There were therefore cost constraints not necessarily experienced by countries with one contiguous land mass. Additionally, economic growth and development was not evenly experienced across the islands.

11. The Bahamas acknowledged the availability of WTO technical assistance and training and hoped to avail itself of the same. His Government was committed to the ideals of free and fair trade, convinced that when combined with the appropriate economic, social and political policies, it promoted prosperity and reduced poverty. It was the intention of the Bahamas to be expeditious in complying with the established policies and procedures in this accession process. The Bahamas looked forward to interacting with the Working Party in multilateral and bilateral discussions leading to the conclusion of a mutually satisfactory Protocol of Accession and Schedule of WTO commitments. The Bahamas was ready to provide any information that might be useful with regard to its application for accession.

12. The representatives of Trinidad and Tobago, Jamaica, Barbados, Saint Lucia, United States, Canada, European Communities, Honduras, on behalf of the GRULAC, Cuba, Mauritius, Romania, on behalf of the CEFTA countries and Croatia, Estonia, Latvia and Lithuania, Zimbabwe, on behalf of the ACP and the African Group, Malta, India, Pakistan and the Philippines, on behalf of the ASEAN Members welcomed the application of the Bahamas for accession to the WTO Agreement and supported the establishment of a working party to examine its request. The representatives of Jamaica, Barbados, Saint Lucia, Mauritius, Pakistan and the Philippines, on behalf of the ASEAN Members looked forward to an expeditious and smooth accession process of the Bahamas. The representatives of Saint Lucia, European Communities, Romania, on behalf of the CEFTA countries and Croatia, Estonia, Latvia and Lithuania pledged assistance and support to the Bahamas throughout its accession process. The representative of Trinidad and Tobago, United States, Canada, European Communities, Romania, on behalf of the CEFTA countries and Croatia, Estonia, Latvia and Lithuania, Zimbabwe, on behalf of the ACP and the African Group looked forward to working with the Bahamas in its accession negotiation. The representatives of Honduras, on behalf of the GRULAC, Romania, on behalf of the CEFTA countries and Croatia, Estonia, Latvia and Lithuania and Pakistan looked forward to welcoming the Bahamas as a full Member in the near future.

13. The representative of Trinidad and Tobago said that the Bahamas, a CARICOM member, was a small and politically stable developing country consisting of an extensive island chain, with a population of approximately 305,000 inhabitants. Like other CARICOM member countries, the economy of the Bahamas was heavily dependent on a limited number of resources for generating income. Services constituted some 90 per cent of its GDP, with tourism alone accounting for more than 40 per cent. As noted in a 1999/2000 economic survey of Latin America and the Caribbean issued by ECLAC, the budgetary allocations of the Bahamian Government reflected its primary policy areas: health care, education, the justice system, social services, youth and the environment. Because of its geographical configuration and small size, the Bahamas was consistently challenged in seeking to attain its development objectives. It had to deal not only with the constraints of its small size but also with the administrative challenges as the result the country's geographical configuration which consisted of many small islands. The Bahamas had also to face the challenge of being subject to difficult weather conditions such as hurricanes and tropical storms that if severe enough, could

wipe out its tourism industry in one stroke, and the challenges of wealthier nations that had launched attacks on the performing financial sectors of many of the Caribbean countries. Trinidad and Tobago congratulated the Bahamas for its decision to apply for accession to the WTO. This decision provided concrete proof of the sub-region's commitment to, and support for, a fair and equitable rules-based multilateral trading system, which allowed their countries the necessary room for manoeuvre and which did not reverse the progress in the economic, social, educational, health and other fields that their societies had painstakingly achieved over the years.

14. The representative of Jamaica said that her delegation commended the application of the Bahamas, which was a CARICOM member, as a demonstration of their desire to participate more effectively in the global economy and their commitment to the multilateral trading system. In this context, she hoped that Members would not make demands over and beyond obligations currently required in the WTO Agreements.

15. The representative of Barbados said that her country fully supported the application of the Bahamas given their commitment to an open and liberal trade regime and the challenges which the Bahamas had to face as a small open economy.

16. The representative of Saint Lucia said that the Bahamas was a member of the Caribbean Community and was engaged in the negotiations in the CSME. The Bahamas was the only independent state of their hemisphere which was not a WTO Member. The Bahamas had been able to develop a promising service-based economy which underscored the potential of the services sector for small vulnerable economies. The Uruguay Round Agreements had held out great promises for all developing countries, the credibility gap however had been the realization of the promised benefits. She hoped that the promise of WTO membership would bring continued growth and prosperity.

17. The representative of the United States supported the Bahamas to adopt the WTO multilateral trading rules. The focus on trade in services in the Bahamian economy provided strong incentive for WTO membership. Her delegation looked forward to working with the Bahamas in negotiations to expand WTO coverage in this area.

18. The representative of Canada noted the Bahamas' commitments to trade liberalization and to open internationally-oriented economy.

19. The representative of the European Communities said that the Bahamas was a partner within the framework of the ACP agreement. The Community agreed that the Bahamas was engaged in a number of integration efforts at a regional and hemispherical level as well at a multilateral level and that the application to the WTO constituted a critical step. The Community was confident however that the Bahamas would meet the challenges of the negotiating process.

20. The representative of Honduras, on behalf of the GRULAC welcomed the tremendous efforts that had been deployed by the Bahamas in carrying out its present economic reforms.

21. The representative of Mauritius looked forward to the accession of the Bahamas to the WTO under appropriate terms and conditions, bearing in mind the comparatively simplified structure of the country's economy and the specific challenges that the Bahamas had to face as an archipelago. She also wished to recall that the accession process for some other small island states, such as the Seychelles and Vanuatu, had not yet been finalized and hoped that this could also be completed expeditiously.

22. The General Council took note of the statements and of the expressions of support and agreed to establish a working party with the following terms of reference and composition:

Terms of Reference:

"To examine the application of the Government of the Bahamas to accede to the WTO Agreement under Article XII, and to submit to the General Council recommendations which may include a draft Protocol of Accession."

Membership

Membership would be open to all Members indicating their wish to serve on the Working Party.

Chairperson

The General Council would authorize its Chairman to designate the Chairperson of the Working Party in consultation with representatives of Members and with the representative of the Bahamas.

The Chairman then invited the representative of the Bahamas to consult with the Secretariat as to further procedures, in particular regarding the basic documentation to be considered by the Working Party. He also invited the Bahamas, on behalf of the General Council, to attend meetings of the General Council and, as appropriate, meetings of other WTO bodies as an observer during the period when the Working Party was carrying out its work.

**4. Accession of Tajikistan**

(a) Communication from Tajikistan (WT/ACC/TJK/1)

23. The Chairman drew attention to the communication from Tajikistan requesting accession to the WTO Agreement (WT/ACC/TJK/1).

24. The representative of Tajikistan, speaking as an observer, said that as Members were aware, since its independence on 9 September 1991, Tajikistan had initiated the building of a democratic and secular state, as well as radical economic reforms. However, during the early stages of its independent political system, Tajikistan had been faced with a number of economic, social and political difficulties. The situation had deteriorated during the civil conflict that had taken place in the country and which had led to the destruction of the national economy. Since 1997 the social and political situation of the country had been stabilized. At present the Government was undertaking measures towards the transformation of Tajikistan's political and economic systems. The normalization of the political situation had an immediate effect on its economic stabilization. Since 1997 Tajikistan had achieved macroeconomic growth and stability, in accordance with the middle-term programme of economic reforms adopted jointly by Tajikistan, the International Monetary Fund and the World Bank. This programme provided for reforms of its banking, financial, social, and tax systems, and for privatization of medium- and large-scale enterprises. Tajikistan was also undertaking institutional reforms. The measures taken by Tajikistan contributed to monetary and fiscal stabilization. A new national currency – Somony – had been introduced and reflected the national and cultural values of the Tajik people.

25. On the international side, since 1995 Tajikistan had been carrying out foreign trade liberalization policies. At present all non-tariff regulations had been abolished, the only exception was with regard to products and services which had direct effect on state security. A number of legislative acts had been adopted which granted all economic agents equal rights with regard to external economic activities and protected their interests both in the country and abroad. Overall, the foreign trade policy and tariff regimes of Tajikistan were creating favorable conditions for a fruitful

development of trade with its main trading partners. Considering the importance and necessity of world economic integration and taking into account the role of the WTO in the promotion of global international trade, Tajikistan attached great importance to its accession to the WTO. Moreover, his Government had already taken several preparatory steps towards completing the accession process. In particular, an inter-agency commission on the WTO accession had been set up within the Government and would be responsible for drawing up all the necessary documentation for the WTO accession negotiations. The accession of Tajikistan to the WTO would be another step towards further integration of its country into the world's economic community. Tajikistan was looking forward to Members' support throughout the accession exercise.

26. The representatives of Turkey, Switzerland, India, Romania, on behalf of the CEFTA countries and Croatia, Estonia, Latvia and Lithuania, United States, Kyrgyz Republic, Thailand, on behalf the ASEAN Members, European Communities, Mauritius, Pakistan, Zimbabwe, on behalf of the African Group and Honduras, on behalf of the GRULAC welcomed the application of Tajikistan for accession to the WTO Agreement and supported the establishment of a working party to examine its request.

27. The representative of Turkey said that the application of Tajikistan for accession to the WTO Agreement reinforced the universal character of the WTO. He believed that the accession process would be instrumental in consolidating Tajikistan and would serve its people to prepare for a more prosperous future. Tajikistan's accession would also contribute to peace and stability in the important region of Central Asia. He hoped that Central Asia would be fully integrated into the world economy through WTO membership.

28. The representative of Switzerland said that his delegation was convinced that Tajikistan's accession application was a clear expression of its firm determination to continue with its process of economic reforms which had already begun. He hoped that the implementation of reforms, in line with WTO rules, would contribute to the firm development of Tajikistan's economy. He hoped that Tajikistan's accession process would be completed as soon as possible to the benefit of all.

29. The representative of India said that the strong political and economic relations between the two countries would be further strengthened with the accession of Tajikistan to the WTO. He hoped that Tajikistan would be able to accede to the WTO on appropriate terms and conditions which would be beneficial to it as well as to the multilateral trading community of the WTO.

30. The representative of Romania, speaking on behalf of the CEFTA countries and Croatia, Estonia, Latvia and Lithuania said that Tajikistan's application for accession to the WTO was a very important step in making the WTO a truly universal organization. The accession process would contribute to the development of market economy reforms in Tajikistan as well as to the overall peace and stability in the region of Central Asia.

31. The representative of the United States said that for an economy moving away from state control towards more market oriented regulatory mechanisms, the WTO accession process could assist in promoting the kind of economic and trade reforms already under way, fostering greater transparency, predictability and rule of law in the application of trade measures, minimizing price controls, promoting privatization, eliminating quotas and bans in trade, and generally reducing government control of trade. The adoption of WTO provisions through trade liberalizing commitments in the accession process could also promote investment, foster competition and contribute to economic development. Tajikistan's efforts in the accession process would help it to become more fully integrated in the global economy. The framework for trade relations with all other Members resulting from the WTO accession would help build economic ties with countries outside the region and would provide a forum for the pursuit and the protection for national trade interest.



Her delegation looked forward to the accession negotiation and to welcoming Tajikistan as a Member at their conclusion.

32. The representative of the Kyrgyz Republic said that as a neighbouring country, trade relations between the two countries were growing. Accession to the WTO would be the framework for a sustainable trade development and the economic growth of Tajikistan and of the region as a whole.

33. The representative of Thailand, speaking on behalf of the ASEAN Members looked forward to working closely with Tajikistan to reach a mutually beneficiary result in its accession negotiations as soon as possible.

34. The representative of the European Communities said that his delegation fully shared the assessment of previous speakers regarding the importance of this request for accession for the further transition of Tajikistan.

35. The representative of Pakistan said that his country had a good relationship with Tajikistan and hoped that in due course Tajikistan would become a fully-fledged Member of the WTO and would be in a position to play an effective role in the multilateral trading system. The growing number of requests to become a Member of the WTO was a reflection of the confidence which countries placed in the multilateral trading system.

36. The representative of Honduras, speaking on behalf of the GRULAC hoped that Tajikistan would be part of the WTO in the near future.

37. The General Council took note of the statements and expressions of support and agreed to establish a working party with the following terms of reference and composition:

Terms of Reference:

"To examine the application of the Government of Tajikistan to accede to the WTO Agreement under Article XII, and to submit to the General Council recommendations which may include a draft Protocol of Accession."

Membership

Membership would be open to all Members indicating their wish to serve on the Working Party.

Chairperson

The General Council would authorize its Chairman to designate the Chairperson of the Working Party in consultation with representatives of Members and with the representative of Tajikistan.

The Chairman invited the representative of Tajikistan to consult with the Secretariat as to further procedures, in particular regarding the basic documentation to be considered by the Working Party. He also invited Tajikistan, on behalf of the General Council, to attend meetings of the General Council and, as appropriate, meetings of other WTO bodies as an observer during the period when the Working Party was carrying out its work.

## 5. Committee on Budget, Finance and Administration

### (a) Report of the Committee (WT/BFA/53)

38. The Chairman drew attention to the report of the Committee on budget, Finance and Administration contained in document WT/BFA/53. Mr. Supperamaniam (Malaysia), Chairman of the Committee on Budget, Finance and Administration, introducing the Committee's report, said that the Committee had met on 14 May 2001 and had examined: (i) various administrative up-dates and progress reports; (ii) external auditor: the formation of a Working Group; (iii) a proposal to create a trust fund to finance the travel expenses of the delegates of the least-developed countries to the Doha Ministerial Conference; (iv) consideration of a proposed contribution from a non-governmental donor; (v) the ITC 2002 Budget outline; and (vi) the election of the chairperson. He wished to comment on the essential points examined by the Committee.

39. With respect to the participation of the least-developed country representatives at the Doha Ministerial Conference, the Secretariat had recalled the past practice of establishing a Trust Fund to finance the travel expenses of the LDC delegates in Ministerial Conferences. In this context, the representative of Qatar informed that his Government would provide free accommodation and subsistence allowance to all LDC representatives attending the Ministerial Conference in Doha. The Committee had taken note that a Trust Fund would be established to this effect and recommended that the General Council urge interested donors to indicate to the Secretariat as soon as possible the level of financial support they would be prepared to provide. In this regard, he informed that Norway would contribute Sw F 100,000 to this Trust Fund. However, as needs amounted to approximately Sw F 700,000 he wished to take this opportunity to remind Members that time was passing and he therefore requested Members to give this question urgent and sympathetic consideration.

40. As regards voluntary contributions from non-governmental donors, a German-based non-profit foundation – Friedrich-Ebert-Stiftung (FES) – had proposed a donation in kind estimated at Sw F 115,000 to facilitate the participation of developing country journalists in a series of two and a half-day seminars designed to familiarize these journalists with current WTO issues and build their capacity to write on WTO topics. The Committee had examined the proposed contribution in light of the guidelines established for such contributions<sup>1</sup> and had decided that the Director-General could accept the donation in question.

41. With regard to the issue of the WTO External Auditor, the Committee had noted that a Working Group on the selection of the WTO External Auditor would be established to examine the five tenders received for the appointment of the WTO External Auditor. Finally, the Committee had also heard the International Trade Center 2002 budget outline.

42. The General Council took note of the statement, endorsed the Budget Committee's specific recommendation in paragraph 10 of its report in WT/BFA/53, thereby urging interested donors to indicate to the Secretariat as soon as possible the level of financial support they would be prepared to provide to facilitate the participation of least-developed country representatives at the Doha Ministerial Conference and adopted the report in WT/BFA/53.

## 6. Attendance of Observers at the Fourth Session of the Ministerial Conference

### (a) International intergovernmental organizations

43. The Chairman recalled that at the General Council meeting on 8 May 2001, he had drawn attention to three requests for observer status at the Fourth Ministerial Conference by international

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<sup>1</sup> WT/L/386.

intergovernmental organizations which had been neither observers in the General Council nor in other WTO bodies. These organizations were the following: the Arab Authority for Agricultural Investment and Development (AAID), the Gulf Organization for Industrial Consulting (GOIC) and the Organization of the Petroleum Exporting Countries (OPEC). At that meeting, the General Council had agreed that unless any objection was received by the Secretariat from any Member by 25 May 2001, these organizations would be granted observer status to the Fourth Ministerial Conference. The Secretariat had received an objection before the agreed deadline concerning the request for observer status by OPEC. Therefore, this organization had not been granted observer status at the Fourth Ministerial Conference. Since no objection had been received by the Secretariat in relation to the request by GOIC and AAID, observer status at the Fourth Ministerial Conference had been granted to these organizations.

44. Since the General Council meeting on 8 May 2001, the Secretariat had received three new requests for observer status at the Fourth Ministerial Conference by international intergovernmental organizations that had not been observers at the Third Ministerial Conference and that were neither observers in the General Council nor in other WTO bodies. These international intergovernmental organizations were: the League of Arab States (LAS), the Arab Monetary Fund (AMF) and the Advisory Centre on WTO Law. Members wishing to consult the communications sent to the Secretariat by these organizations were invited to contact the External Relations Division. Since the Qatari authorities had set a deadline of 31 July for the registration of participants to the Ministerial Conference, he proposed that unless any objection was received by the Secretariat from any Member by 25 July 2001 concerning these requests, these organizations be granted observer status to the Fourth Ministerial Conference.

45. The General Council so agreed.<sup>2</sup>

46. The representative of Egypt expressed regret that some organizations had been objected to. Her delegation would have preferred to have those organizations accepted, or at least know the reasons for the objections. The question of observer status of international intergovernmental organizations had been a long standing issue, even before the Third Ministerial Conference when the similar requests had been discussed. As Members were aware Egypt, together with a large number of Members, had constantly and consistently stated that the requests from international intergovernmental organizations for observer status to the WTO should not be politicized. With regard to the request of LAS to participate in the Doha Ministerial Conference, she recalled that at the General Council meeting in May, her delegation had informed of the forthcoming request by that organization. When visiting Geneva, the Minister of Economy and Trade of Qatar, in his capacity as representative of the host country, had also raised the issue with the General Council Chairman and with the Director-General. The Arab Trade Ministers, who had recently met in Cairo, had discussed the issue of the request of LAS to participate at Doha and had sent a letter to the Director-General asking for his assistance in order to get a positive outcome with respect to the request of LAS. In that letter the Arab Trade Ministers had stated that it was particularly opportune for such participation to be initiated at the Fourth Ministerial Conference which would be held in Qatar, an Arab country. Such an issue had to be considered from the perspective that this would be the first Ministerial Conference in an Arab country and it would be inconceivable to have that Conference without the participation of LAS. Her delegation would be ready to consult with all parties concerned and requested the Chairman to undertake consultations, together with the Director-General in order to reach a consensus with respect to the request by LAS. Her delegation believed that one should avoid turning this request into a confrontational issue.

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<sup>2</sup> Subsequent to the meeting, two objections were made to the granting of observer status to the League of Arab States (LAS) at the Fourth Ministerial Conference.

47. The Chairman said that with respect to the statement made by Egypt he wished to clarify that only one out of the three requests had been objected to.

48. The representative of Qatar said that his delegation supported Egypt's statement and that the request of LAS for observer status to the Fourth Ministerial Conference was of great importance to Qatar. As an Arab country and as the host of the Conference, Qatar considered the attendance of LAS in the Ministerial Conference essential. His delegation therefore urged and encouraged all Members to accept this request and was ready to consult with Members so as to reach a consensus on the matter.

49. The representative of Jordan fully supported the statements made by Egypt and Qatar. The issue of the participation of LAS as an observer to WTO meetings and in particular to the Fourth Ministerial Conference which would be held in an Arab country was important to Jordan and to all Arab countries.

50. The representative of Oman supported the statements made by previous speakers. As Members were aware LAS represented 22 Arab countries, 11 of which were WTO Members and five were observers. The WTO image was currently not very good in the Arab world and that image would never improve if the request of LAS for observer status to the Ministerial Conference in Doha was not agreed to. She therefore asked Members to look into this sensitive and important issue seriously.

51. The representatives of Bahrain and Morocco fully supported the statements made by previous speakers.

52. The representative of India supported Egypt's statement on the granting of observer status to LAS.

53. The representative of Malaysia endorsed the statement made by Egypt and urged Members to give positive consideration to the request for observership of LAS.

54. The representative of Pakistan expressed his delegation's support to the request of LAS and fully supported the statement made by Egypt.

55. The Chairman said that it would be his intention to discuss this matter further with the Director-General, who unfortunately could not attend the present meeting, to see if and how this matter could be handled to everyone's satisfaction.

56. The representative of Egypt expressed appreciation to delegations for their support to the request of LAS to attend the Doha Ministerial Conference. Since the deadline for the registration of participants to the Ministerial Conference was 31 July she asked the Chairman whether he could inform her delegation of any objection to this request in due course.

57. The Chairman said that he took note of that request.

58. The representative of Indonesia said that Indonesia was one of the proponents for the granting of observer status to OPEC at the Ministerial Conference. Since that organization had not been granted observer status at the Fourth Ministerial Conference, he informed the General Council that he would consult his Government and reserved the right to revert to this issue at a later stage.

59. The representative of Venezuela supported Egypt's statement and expressed concern that OPEC had not been granted observer status to the Fourth Session of the Ministerial Conference.

60. The General Council took note of the statements.

## **7. Election of Vice-Chairpersons of the Fourth Session of the Ministerial Conference**

61. The Chairman recalled that at the meeting of the General Council on 8-9 May 2001, Members had agreed to revert to the election of the three Vice-Chairpersons of the Fourth Ministerial Conference in order to allow for consultations to take place. In this regard, he informed that consultations were taking place on the basis of a suggestion made by him of appointing one vice-chairperson from the European region, one vice-chairperson from Africa and one vice-chairperson from Latin America. Progress was being made, however he was not in a position to put names before Members for agreement at the present meeting. He proposed therefore that the General Council agree that he would call a special meeting of the General Council on short notice to elect the vice-chairpersons before the next regular meeting of the General Council in October.

62. The representative of Japan said that he wished to have some information about the functions of vice-chairpersons in Ministerial Conferences.

63. The Chairman said that in previous Ministerial Conferences the function of vice-chairpersons had been to chair in turns plenary sessions of the Ministerial Conferences in which Ministers were making their customary statements.

64. The General Council took note of the statements and agreed to revert to this matter at a future meeting after the consultations have been finalized.

## **8. Waivers Under Article IX of the WTO Agreement**

(a) Switzerland – Preferences for Albania and Bosnia-Herzegovina

(i) *Request for waiver (G/C/W/257)*

65. The Chairman drew attention to the request from Switzerland for a waiver from its obligations under paragraph 1 of Article I of the GATT 1994 until 31 March 2004 and to the related draft decision (G/C/W/257).

66. Mr. Major (Hungary), Chairman of the Council for Trade in Goods, reporting on the Council's consideration of this request, said that the Council had agreed to forward the draft decision (G/C/W/257) to the General Council for adoption.

67. The General Council took note of the report and, in accordance with the Decision-Making Procedures under Articles IX and XII of the WTO Agreement agreed in November 1995 (WT/L/93), adopted the draft decision in G/C/W/257.<sup>3</sup>

(b) Customs Valuation Agreement

(i) *Request for a waiver by Madagascar (G/C/W/259, G/C/W/268)*

68. The Chairman drew attention to the request from Madagascar for a waiver from its obligations under the Agreement on the Implementation of Article VII of the GATT 1994 until 17 November 2003 (G/C/W/259) and to the related draft decision (G/C/W/268).

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<sup>3</sup> The Decision was subsequently circulated as WT/L/406.

69. Mr. Major (Hungary), Chairman of the Council for Trade in Goods, reporting on the Council's consideration of this request, said that the Council had agreed to forward the draft decision (G/C/W/268) to the General Council for adoption.

70. The General Council took note of the report and, in accordance with the Decision-Making Procedures under Articles IX and XII of the WTO Agreement agreed in November 1995 (WT/L/93), adopted the draft decision in G/C/W/268.<sup>4</sup>

**9. Concessions under the harmonized commodity description and coding system – a procedure for introduction of harmonized system 2002 changes to schedules of concessions**

(a) Draft decision (G/C/W/271)

71. The Chairman drew attention to document G/C/W/271 containing a draft decision on a procedure for introducing HS 2002 changes to schedules of concessions which had been approved by the Council for Trade in Goods on 5 July 2001 and forwarded to the General Council for consideration and adoption.

72. The General Council adopted the draft decision in G/C/W/271.<sup>5</sup>

**10. Work Programme on Electronic Commerce**

73. The Chairman recalled that this was a standing item on the General Council's agenda. He also recalled that at the General Council meeting in May 2001, delegations had engaged in a first substantive discussion on the reports submitted by the subsidiary bodies to the General Council in July 1999 and December 2000. At that meeting, it was agreed that the Chairman would ask the Secretariat to prepare a list of cross-cutting issues identified by Members, and would consult further with them on this list. Members had also agreed to have a dedicated discussion on electronic commerce to address cross-cutting issues in June. Following the General Council meeting in May 2001, he had asked Mr. Stoler, Deputy Director-General, to consult with delegations on a preliminary list of cross-cutting issues prepared by the Secretariat, and some changes were made to the list on the basis of an informal consultation held with delegations on 6 June 2001. A dedicated discussion on the cross-cutting issues identified by delegations took place on 15 June 2001 under the auspices of the General Council. As agreed by Members at the dedicated discussion, the Secretariat had subsequently prepared under its own responsibility a summary of the issues raised at the dedicated discussion of the General Council for information.<sup>6</sup>

74. Mr. Stoler, Deputy Director-General said that the Secretariat's summary of the issues raised at the dedicated discussion on 15 June 2001 constituted a fair and accurate account of the meeting. In addition to the list of cross-cutting issues, which had served as the de facto agenda for the dedicated discussion<sup>7</sup>, Members had also benefited from written contributions submitted ahead of the meeting by MERCOSUR Member States, Singapore, Japan and the European Communities. In his view, the dedicated discussion had treated two kinds of cross-cutting issues: first, those of a longer term systemic interest where Members believed more study was in order, and second, an issue which appeared to require a resolution. In the first category, he placed the development-related issues, the fiscal implications of e-commerce, the relationship between e-commerce and traditional forms of commerce, questions relating to customs duties, competition and certain legal questions. In the

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<sup>4</sup> The Decision was subsequently circulated as WT/L/408.

<sup>5</sup> Subsequently issued in WT/L/407.

<sup>6</sup> This summary was circulated in document WT/GC/W/436.

<sup>7</sup> The list of cross-cutting issues is contained in document WT/GC/W/436.

second category he put the issue of classification of the content of certain electronic transmissions, where he thought Members had to recognize the need to find a solution acceptable to all Members. Although the issue of classification affected only a limited number of products, there was potential for a considerable volume of trade in these few product categories and it thus behoved Members to find an agreed approach to this issue as soon as practicable.

75. The Chairman thanked Mr. Stoler, Deputy Director-General, on behalf of the General Council, for his assistance in relation to the work on electronic commerce. He noted that work in the subsidiary bodies was continuing and asked delegations to focus in their statements on the next steps in the General Council's work on e-commerce.

76. All the representatives who spoke said that the dedicated discussion on cross-cutting issues held under the auspices of the General Council on 15 June 2001 had been useful. The representatives of Brazil, Hungary, Singapore, Thailand, Korea, Panama, United States, Malaysia, Slovak Republic, Cuba and Venezuela thanked the Secretariat for its summary of the issues raised at the dedicated discussion.

77. The representative of Japan said that the participation of experts from capitals in the dedicated discussion on e-commerce had allowed for a substantive exchange of views. In order to assist in the discussion, Japan had submitted a paper on classification prior to the meeting, which he hoped had contributed to a better understanding of the issue. The dedicated discussion had nonetheless demonstrated that further analysis of the cross-cutting issues was necessary and Japan was now considering ways to maintain the momentum of this discussion on cross-cutting issues. One option was to hold another dedicated discussion before the Doha Ministerial Conference. Moreover, in order to ensure the continuation of the discussion after the Doha Ministerial Conference, Japan proposed to establish in Doha a new forum under the auspices of the General Council to carry on with future discussion on cross-cutting issues. Nevertheless, Members should keep this issue moving forward and Japan remained open to any suggestion that would contribute to this objective.

78. The representative of Hong Kong, China said that he appreciated the importance Members generally attached to issues such as classification and development, which were crucial to the development of e-commerce. Discussions so far had reflected the complex nature of some of the issues at stake, such as classification. His delegation appreciated the contributions by some Members on classification and considered that more discussion was required on this subject. In-depth exploration and exchanges would also be necessary for devising effective ways to take forward developmental objectives. In this regard, he noted with appreciation the initiative by the Committee on Trade and Development to devise a work programme on e-commerce to help identify possible future tasks that could address Members' concerns and developmental needs. In light of the complexity and cross-cutting nature of the issues identified, Hong Kong, China would support further dedicated discussions at the General Council level. Apart from cross-cutting issues, Members would have to deal with the status of the moratorium on the imposition of customs duties to electronic transmissions, as an early settlement of this issue would help alleviate the burden of the preparatory work for the Fourth Ministerial Conference. Hong Kong, China was prepared to consider an extension of the moratorium conducive to all e-commerce participants and encouraged Members to engage in timely and active discussions on this issue.

79. The representative of Brazil said that the dedicated discussion had provided Members with an opportunity to have a thorough exchange of views on important subjects such as classification. Despite the breadth and richness of the debate, discussions had revealed the need to examine and clarify further all of the cross-cutting issues, particularly the issue of classification and related topics such as the concept of technological neutrality. In Brazil's view, particular attention should be given to classification since the treatment of this issue was closely linked to the question of what WTO rules should apply to certain contents delivered electronically, and had therefore an impact on the

coherence, consistency and predictability of Members' rights and obligations. Other cross-cutting issues of particular interest to his delegation were development-related issues and the fiscal implications of electronic commerce. Dedicated discussions on cross-cutting issues in the General Council should thus continue, focusing on classification and development-related issues and fiscal implications.

80. The representative of the European Communities said that the dedicated discussion had allowed a first substantive exchange of views on the issue of classification without prejudice to its cross-cutting nature, which had shown widespread agreement among Members on the need for legal certainty for operators. He also noted that no-one had argued that there were virtual goods, but there remained a key issue of market access that Members needed to address. Another pointer in respect of future work was the role of the Committee on Trade and Development. Although the question as to how far the General Council would need to be involved as opposed to the subsidiary bodies was not entirely clear to him, he noted first that Members should set aside for the moment the issues that did not seem to be relevant or ripe for WTO work, for example the issue of jurisdiction and second that the General Council should encourage the work of the Committee on Trade and Development, in particular in making a study of the impact of e-commerce on public revenues. In assessing how to move forward with the work on e-commerce, Members would need to take into account the workload in connection with the preparations for the Fourth Ministerial Conference. With regard to the issues on which there was yet no consensus, Members ought to consider how far these issues could be taken at this stage, or alternatively whether to revert to them at some later stage when the workload would permit.

81. The representative of Hungary said that as agreed in paragraph 1.2 of the Work Programme on Electronic Commerce, the horizontal issues should continue to be discussed in the General Council, preferably not in parallel to other meetings of this body. The dedicated discussion had been useful mainly for three reasons. First, Members had engaged in a substantive discussion on classification where a number of important arguments were made and relevant questions raised. The dedicated discussion had revealed that the issue of classification was of key importance and should be given priority in the deliberations, since the resolution of this issue would have a bearing on a number of issues to be tackled in the Work Programme. Second, all delegations agreed that development-related issues were of fundamental importance in the discussions on e-commerce. Hungary was of the view that these issues should also be given priority, and were best tackled in the Committee on Trade and Development. Third, the exchange of views or the lack of discussion on some of the issues identified by delegations as being cross-cutting reinforced Hungary's conviction that a number of these cross-cutting issues were not within the purview of WTO rules and should thus be dropped. Among these issues were jurisdiction, competition, tax implications of e-commerce, electronic contracts and electronic signature.

82. The representative of Singapore said that although the dedicated discussion had been useful, a number of issues were not resolved and required further work. With regard to future work on e-commerce, Singapore was open to have further dedicated discussions or alternatively to establish a new forum to deal with cross-cutting issues. Given the outstanding work for the Fourth Ministerial Conference, Singapore did not envisage to have another dedicated discussion before then, but would look forward to a mandate for a work programme from Ministers in Doha, as well as an extension of the moratorium on the imposition of customs duties on electronic transmissions and a set of principles to be agreed by Members.

83. The representative of Thailand said that the dedicated discussion had provided Members with an opportunity to have a first exchange of views on various cross-cutting issues and that Members should continue to focus on substantive issues. Thailand also welcomed recent developments in some of the subsidiary bodies, particularly in the Council for Trade in Goods and the Committee on Trade and Development. However, discussions in various fora had shown that there could be some overlap



between the issues raised in different bodies. Thailand therefore supported, in principle, a coherent work programme for future undertakings on e-commerce. His delegation remained open as to the scope of such a work programme and would welcome further suggestions by other Members.

84. The representative of Korea said that considerable progress had been made at the dedicated discussion on the issue of classification, as well as development-related issues. Nevertheless, different opinions remained among Members on the issue of classification, showing a need for further discussion on this subject. Furthermore, other prominent cross-cutting and sectoral issues may also require further elaboration. Korea believed that the Fourth Ministerial Conference should invigorate e-commerce by providing concrete direction for future work, for example by extending the mandate to continue the work programme set up at the 1998 Geneva Ministerial Conference. Other important issues such as the extension of the moratorium on the imposition of custom duties on electronic transmissions or the capacity-building of developing countries could also be addressed at the Doha Ministerial Conference and appropriately incorporated into the Ministerial Declaration.

85. The representative of India said that her delegation attached importance to the process of focused discussion on cross-cutting issues in the General Council and supported holding further dedicated discussions on these issues. Members should maintain the momentum generated by the dedicated discussion on 15 June in promoting a deeper understanding and appreciation of the complexity that underpinned electronic commerce. All the cross-cutting issues identified by Members should be the object of further discussion, although this should not preclude Members from adding new issues to the list as the debate progressed further. India also believed that it may not be appropriate for Members to create a priority or hierarchy among the cross-cutting issues, since they were inter-linked. However, as was evident from the Secretariat's summary of the issues raised at the dedicated discussion, there had been a natural focus in the discussion on classification and development-related issues since these issues had wider implications on other cross-cutting issues. It was important for Members to recognize that the cross-cutting issues were not in themselves stand alone issues. The Secretariat's summary had also highlighted the fact that Members could not reach conclusions on the issues discussed. Therefore, it may not be appropriate to exclude any issue from future discussions. The General Council should mandate the subsidiary bodies to continue their work on issues identified in the 1998 Work Programme on Electronic Commerce. In this context, she drew attention to the deliberations in the Committee on Trade and Development aimed at developing a work programme in order to give greater focus and depth to the discussions on development issues. Some delegations had made observations on proposals regarding the moratorium on the imposition of customs duties on electronic transmissions that were under consideration separately in the General Council in its preparations for the Fourth Ministerial Conference. In this regard, she noted that the dedicated discussion on 15 June had refrained from addressing proposals such as these in full respect of a prior General Council decision to reinvigorate the Work Programme on Electronic Commerce and focus only on the examination of trade-related aspects of e-commerce. India believed that in the course of future work, Members should continue to take into account this decision of the General Council.

86. The representative of Panama said that his delegation supported the statement by Brazil, particularly regarding the issues on which Members should now focus in light of the outstanding preparatory work for the Doha Ministerial Conference. In this respect, Members should ensure that any issue added to the basic agenda falls within the competence of the WTO.

87. The representative of the United States said that the dedicated discussion had highlighted the fact that e-commerce was an evolving area that warranted consideration. The United States would continue to be engaged actively on these issues in the WTO. In the context of the preparations for the Doha Ministerial Conference, the United States was open to discuss ways to make the Work Programme more useful, including through the establishment of an ad hoc task force or some other

group under the auspices of the General Council, which could direct the subsidiary bodies to continue work in particular areas as appropriate.

88. The representative of Malaysia said that given their complex nature many of the issues addressed at the dedicated discussion had not yet been agreed upon. Among these, the issue of classification was of fundamental importance since a failure to reach an agreement on this question could have an impact in terms of assessing the applicability of WTO rules on e-commerce. Malaysia was in favour of holding at least one other dedicated discussion before the Doha Ministerial Conference to consider whether Members could reach a common understanding on some of the most difficult issues. This was necessary in order to ensure that what would be agreed in Doha would actually reflect the situation on the ground, and would not prejudice the outcome on some of the pending issues such as classification and the applicability of WTO rules to e-commerce. The development aspect was also an integral part of the work on e-commerce. While the Committee on Trade and Development was devising a programme for future work on e-commerce, Members should also assess whether the Committee on Trade and Development would be able to agree on a work programme that would actually enhance developing countries' capacity in this area, rather than being only educative in its scope, in terms of the different kinds of technical cooperation that could be provided to developing countries. If Members felt that there could be a gap in this respect, the issue would have to be considered in a different light.

89. The representative of Canada said that the dedicated discussion on e-commerce held on 15 June under the auspices of the General Council had helped Members focus on some of the cross-cutting issues identified, including classification. In Canada's view, further dedicated discussions should be held under the auspices of the General Council. Members should also give some thought to finding an appropriate structure to pursue the educational and analytical work on cross-cutting issues. Although Canada had been a strong advocate of an ad hoc non-negotiating task force to examine cross-cutting issues and would continue to support this idea, it remained open to exploring and considering other alternatives that would allow Members to effectively pursue the work on cross-cutting issues.

90. The representative of the Slovak Republic said that the cross-cutting issues related to e-commerce should continue to be discussed in the General Council in parallel with the work in the subsidiary bodies. Ministers should agree in Doha on a mandate for future work on e-commerce, and e-commerce should also be part of the agenda of a comprehensive round. As to the concrete problems to be discussed in the future, her delegation supported the continuation of the discussion on classification, competition, and legal certainty for operators. She also noted that the moratorium on the imposition of customs duties on electronic transmissions should be extended, and that special attention should be given to the developmental dimension of e-commerce.

91. The representative of Cuba said that her delegation was in favour of continuing the work on e-commerce in the four subsidiary bodies. However, there was a need to deal with some essential issues at the horizontal level, in order to move forward on more specific aspects of the work in the subsidiary bodies. While her delegation supported all the items on the list of cross-cutting issues, priority should be given to the issues of classification, the imposition of custom duties on electronic transmissions, as well as development-related issues. Cross-cutting issues should continue to be dealt with in special discussions in the General Council and given the full agenda in the run up to the Doha Ministerial Conference, work should continue after the Ministerial Conference.

92. The representative of Venezuela said that the dedicated discussion had been fruitful in allowing for a substantive discussion on the principal cross-cutting issues identified by delegations in the General Council. As reflected in the Secretariat's summary of the issues raised at the dedicated discussion, many important areas still needed to be clarified and should be considered in any future work programme on e-commerce in the WTO. Venezuela believed that Ministers in Doha should

decide how to proceed with the future work programme on e-commerce. In her delegation's view, such a work programme could provide for the continuation of the analytical work in the subsidiary bodies, as well as further dedicated discussions in the General Council.

93. The Chairman said that delegations had clearly appreciated the dedicated discussion held on 15 June, and that there seemed to be a will to continue to focus on e-commerce in a cross-cutting manner. Until the next General Council meeting in October, he encouraged delegations to continue to discuss among themselves and with him and Mr. Stoler, Deputy Director-General, the most practical and efficient way to carry forward future work in this important area, including the possibility of holding other dedicated discussions at some stage, as well as the link to the Doha Ministerial Declaration.

94. The General Council took note of the statements and agreed to revert to this item at its next meeting.

## **11. Review of Procedures for Circulation and Derestriction of WTO Documents**

95. The Chairman recalled that Mr. Rodriguez, Deputy Director-General, had been conducting informal consultations with Members on the question of the review of procedures for circulation and derestriction of WTO documents following a General Council decision at its meeting of 3 and 8 May 2000.

96. Mr. Rodriguez, Deputy Director-General, recalled that at the General Council meeting on 8 May 2001, he had reported that he would intensify his consultations on the issue of procedures for the circulation and derestriction of WTO documents. Since that meeting, he had held a number of consultations with interested delegations as well as an informal open-ended meeting on 8 June 2001, during which elements for a draft decision had been discussed. He was very much encouraged by the progress made so far. In fact, most Members were prepared to eliminate entirely the cumbersome and lengthy derestriction procedures currently in place and to move to much simpler procedures, which would entail significant gains in efficiency and reflect realities. It was widely acknowledged that the concept of keeping a document restricted was flawed and was not working in practice for an organization of 142 Members, such as the WTO. It was also widely recognized that current procedures for derestriction were unnecessarily lengthy and complex. The proposed procedures would imply that practically all official WTO documents would, as a general rule, be circulated as unrestricted. A large number of developed and developing countries alike had strongly urged that a decision to be taken soon. A few Members however still had difficulties with the suggested new approach. Therefore, more time was needed for consultations on the proposed elements of a draft decision. It was his impression that through further consultations it should be possible to accommodate the remaining concerns and to submit a draft decision for appropriate action at the next meeting of the General Council.

97. All representatives who spoke expressed gratitude to Mr. Rodriguez, Deputy Director-General for his efforts to propose elements for a draft decision on simplified derestriction procedures.

98. The representative of Bulgaria said that his country supported in principle further steps to accelerate and simplify the derestriction of WTO documents. He believed that for the sake of transparency it would be appropriate to include the drafts proposed by Mr. Rodriguez at the informal small group consultations and at the open-ended meeting, as well as substantive information on the reactions of different delegations to these drafts in the minutes of this meeting. This would be of interest especially to non-resident delegations and to the general public who would be the principal beneficiary of a further acceleration of the derestriction of WTO documents. As regards derestriction, his delegation believed that it should be dealt with in the broader framework of external and internal transparency. Therefore his delegation could not accept to deal with it separately, as a "stand alone"

issue. The accelerated and simplified derestriction procedures should enhance rather than diminish or serve as a substitute for genuine improvement of external and internal transparency in the WTO. Therefore it would be necessary to proceed with caution and to consider carefully any possible negative side effects before taking steps to change the existing procedures. If the possible negative side effects were not considered in advance and if no effective measures were taken to avoid such side effects, an apparently simple, straightforward and seemingly radical decision to derestrict all WTO documents might turn out to be counterproductive and lead to a deterioration, instead of an improvement, of the state of transparency in the WTO. One aspect which deserved particular and serious consideration was the link between external and internal transparency. A number of delegations on various occasions had called attention to this link and had pointed out that external and internal transparency were two sides of the same coin. The issue of derestriction was a very important aspect of this link. A radical derestriction of all WTO documents might enhance the inclination to submit informal rather than formal documents, which could lead, for example, to a proliferation of "Job" documents or other unofficial material which were of limited availability, did not remain in the records, would never be derestricted and thus were by their very status, or lack of it, more non-transparent. The worst case would be that an immediate derestriction could enhance the inclination not to submit any written advance documents at all but instead to table last minute proposals. Last minute proposals, possibly worked out in "green room" processes by small exclusive groups of Members were an eloquent form of extreme internal and external non-transparency. One should bear in mind that civil society, the general public, NGOs, interest groups and stakeholders were not interested in derestriction for its own sake. They needed transparency in order to be informed of and to be able to exercise a democratic control over WTO activities. Because of the intergovernmental character of the WTO, however, the appropriate way to exercise such a democratic control over WTO activities was through a consultation process by governments with their domestic constituencies. If WTO activities were not sufficiently transparent to governments, they would of course be even less transparent to the domestic constituencies. Hence, because of the intergovernmental character of the WTO, a deterioration of the state of internal transparency, including through a proliferation of unofficial documents and last minute proposals would also have a negative effect on external transparency. Genuine external transparency was impossible without real internal transparency and one way of enhancing external transparency was through the strengthening of internal transparency. For this reason, issues of transparency, including derestriction, should be approached in a sufficiently comprehensive way. Therefore it would be necessary, before taking any steps to further accelerate the derestriction of WTO documents, to first provide guarantees for at least a minimum degree of internal transparency and, specifically, to exclude the possibility of last minute proposals. Consideration of any issue in WTO bodies should be initiated well in advance of any decision by a formal proposal and draft decisions should be tabled as formal documents well in advance of their adoption. The specific measures to be taken before a further acceleration of the derestriction of WTO documents, in order to avoid possible negative side effects, should be the following: first, to take steps to exclude the possibility of last minute proposals. One such step would be to provide sufficient time between the formal submission of draft decisions and their adoption. The current time-frames in Rule 23 of the Rules of Procedure for Sessions of the Ministerial Conference and in Rule 28 of the Rules of Procedure for Meetings of the General Council were only 12 hours. This, in terms of internal transparency, was clearly insufficient for an inclusive decision-making process and, in terms of external transparency, these time-frames were making a process of consultation with capitals and, hence, with domestic constituencies impossible. In its communication in WT/GC/W/422, Bulgaria had already proposed that these time-frames be extended, so that draft decisions be circulated together with the notice convening the respective meeting. In light of the proposal for a radical and immediate derestriction of all WTO documents, it might be necessary to provide for an even greater extension of these time-frames and to specify that draft decisions be submitted as formal WTO documents and referenced in the convening notice for the respective meeting. In addition, a provision should be included in the Rules of Procedure of WTO bodies, requiring that consideration of any issue in WTO bodies should be initiated by proposals, submitted as formal WTO documents, in advance of discussions in the respective body. Second, to provide more transparency for informal WTO

documents. Currently "Job" documents were, as a rule, not placed on the Members' website and, in the exceptional and rare cases when they were placed there, were subsequently removed from the website. "Job" documents were not distributed to capitals. A clear and explicit provision should be included in the Rules of Procedure of WTO bodies that all informal documents circulated through the WTO Secretariat or for meetings of WTO bodies ("Job" documents) should be placed on the WTO Members' website and not removed from it and also that they should be sent to all capitals, including those of non-resident delegations. Third, to establish deadlines for the circulation of minutes of meetings. At present, there were no such formally established deadlines in the Rules of Procedure of WTO bodies. Minutes, however, were important both for internal and external transparency because it was through them that non-residents, small delegations which could not attend all meetings and the public at large could learn about WTO activities. From the point of view of external transparency, minutes seemed to be the single most important type of WTO documents, from which one could learn about WTO activities. It would make little sense to provide for immediate derestriction of minutes if, at the same time, no deadline was set for their circulation after the respective meeting. A provision should be included in the Rules of Procedure of WTO bodies requiring that minutes of WTO meetings should be normally circulated two weeks after the respective meeting was held and in any case before the circulation of the notice convening the next meeting of that body.

99. In conclusion, the adoption of the above measures would constitute an improvement in the functioning of the WTO, even if they were taken as separate "stand alone" measures, without introducing an immediate derestriction of all WTO documents. Such a radical derestriction, on the other hand, without having taken these measures in advance, could lead to the negative side effects already described. Therefore these measures should first be taken before any new decision on the immediate derestriction was taken. Bulgaria would also like to propose that the scope of further consultations on the derestriction of WTO documents be broadened to include measures dealing with the possible side effects of enhanced derestriction rules.

100. The representative of the United States said that as the WTO gained in stature it was critical to share information about WTO activities with the public in a timely manner. Her delegation believed that Mr. Rodriguez's efforts could help simplify WTO internal procedures on documents and make more documents immediately available to the public. The United States supported his efforts and hoped to work together in the next weeks to ensure concrete progress.

101. The representative of Canada said that his delegation hoped that a decision could be taken soon on these proposals and to that end would welcome further consultations on the proposed guidelines. With regard to Bulgaria's concerns as possible negative effects of these proposals on the timing of the submission of documents, he believed that ideas and discussion in the consultations conducted by Mr. Rodriguez would in fact alleviate these concerns. Endorsement of the proposals that had been formulated in these consultations would provide a concrete example of the type of transparency that the WTO should engage in and its key to maintaining public support for the multilateral trading system.

102. The representative of the European Communities that the Community was on record as being very much in favour of a more open policy of document circulation and derestriction. His delegation fully supported further efforts by Mr. Rodriguez to make progress on this issue and was confident that success was achievable within a short time-frame.

103. The representative of Japan said that his government believed that enhanced external transparency was important to sustain public support for the activity of the WTO. His delegation supported Mr. Rodriguez's efforts and hoped that Members would come to an agreement based on his proposal very soon.

104. The representative of India said that his delegation had participated in these consultations and had had some concerns about the draft proposal of the Deputy Director-General, especially relating to Secretariat documents and the time-period for derestriction of minutes. His delegation was prepared to continue to participate in the consultations but India's deep concerns in these two areas remained. India shared Bulgaria's views that external and internal transparency could not be delinked. Unless there was a time-limit for the circulation of minutes it would not be realistic to discuss the time-period for derestriction of the minutes after the minutes were issued. His delegation might change its position if the Secretariat accepted a time-limit of two weeks for the circulation of the minutes as suggested by Bulgaria.

105. The representative of Brazil supported a more simplified procedure for derestriction of documents. This was one issue, in the context of external transparency, where progress could be made. The only precondition for derestriction would be that WTO documents be circulated among governments into the three WTO official languages before they were made available to the general public. Brazil did not believe that a more accelerated derestriction policy would prompt an increase on informal papers of the type of job documents. She had participated in the informal consultations on derestriction of documents and had been surprised to find out that the documents that were produced and discussed during the ongoing negotiations, were already made available as soon as they were circulated among governments. She believed that those documents were of particular concern to some delegations and as far as she was aware that had not posed any problems to any delegation so far. Her delegation therefore welcomed further consultations on this matter.

106. The representative of Colombia said that in his delegation's view the proposal made by Mr. Rodriguez clearly constituted concrete progress and would certainly ensure greater transparency. Furthermore, his delegation shared in principle the comments made by India and Bulgaria with regard to the need to ensure that there would be no counterproductive impact. However, as stated by Brazil, it was quite reassuring to know that countries had put forward their proposals as unrestricted documents. Therefore any fears that might be harboured as to the possible massive submission of informal documents should not be overexaggerated.

107. The representative of Hungary said that his delegation would like to see concrete tangible results concerning this issue before the Doha Ministerial Conference. This would considerably improve the image of this organization.

108. The Chairman said that some Members believed that these consultations were proceeding well and should be pressed forward. Others felt that the Doha Ministerial Conference would provide an excellent opportunity to confirm Members' commitments to this aspect of transparency. However, others appeared to still have some concerns on some aspects of the proposals. Therefore Mr. Rodriguez and himself would hold further consultations on this issue.

109. The General Council took note of the statements and agreed to revert to this matter at its next meeting.

**12. Proposal to amend certain provisions of the Understanding on Rules and Procedures Governing the Settlement of Disputes Pursuant to Article X of the Marrakesh Agreement Establishing the World Trade Organization**

(a) Submission by Bolivia, Canada, Chile, Colombia, Costa Rica, Ecuador, Japan, Korea, New Zealand, Norway, Peru, Switzerland, Uruguay and Venezuela for examination and further consideration by the General Council (WT/GC/W/410 and Add.1, 2 and 3)

110. The Chairman said that this item was on the agenda at the request of the delegation of Japan on behalf of the co-sponsors of the proposal.

111. The representative of Japan, speaking on behalf of the co-sponsors of the proposal, said that since the last General Council meeting on 8-9 May 2001, the co-sponsors had organized another open-ended meeting on 8 June 2001 inviting all interested Members to discuss the proposal. He noted that the response by other Members had been good, and that there seemed to be an increasing level of support for the proposal. Nevertheless, some Members had expressed the view that certain aspects of the proposal needed to be discussed further before they could support it. For this reason, the co-sponsors intended to organize another open-ended meeting on 19 July 2001 to focus on two particular issues raised by a number of delegations interested in the proposal: (i) time-frames included in the proposal and (ii) right of appeal. In parallel to the discussion on the proposal, the co-sponsors intended to prepare a draft Ministerial decision that would include the necessary transitional provisions to enable the co-sponsors to submit the proposal to Ministers at the Doha Ministerial Conference once consensus was reached. Although a number of delegations were in favour of a more comprehensive approach in respect of an amendment to the Dispute Settlement Understanding (DSU) and wished to expand the scope of the present proposal, the co-sponsors were of the view that the Chairman of the General Council had already taken up this process by asking the Chairman of the Dispute Settlement Body to conduct on his behalf informal consultations on this subject. While the co-sponsors were prepared to take part in other discussions, they would continue to seek consensus around their own proposal.

112. All representatives who spoke thanked the delegation of Japan for its report as well as the co-sponsors of the proposal for the consultations held on this subject.

113. The representative of Thailand said that her delegation was prepared to join Members in working towards a Ministerial decision at the Doha Ministerial Conference, which could either be a binding decision to amend the text of the DSU or a decision to launch a mandate for a DSU review to begin after the Ministerial Conference. In view of these two possible options, Members should start working towards identifying priority issues for decision at the Doha Ministerial Conference. This should include the "sequencing issue", as well as other closely-related issues. The proposal by the co-sponsors appeared to be a good starting-point and Thailand was willing to take part in future consultations on this matter.

114. The representative of the United States said that her delegation continued to welcome the opportunity provided by this agenda item to re-engage in a discussion of needed improvements to the DSU. The United States hoped that in the coming months, Members would be able to agree to changes to the DSU that improved its provisions on the implementation of panel and Appellate Body reports and enhanced the transparency of the dispute settlement process, along with other technical changes. However, the United States believed that the proposal by the co-sponsors did not go far enough in enhancing the transparency of the dispute settlement process, and did not provide a basis at this time for the consensus required to adopt an amendment to the DSU. The United States was prepared to discuss improvements to the dispute settlement mechanism in the DSB when the time was right, and would listen with interest to other delegations' views on the proposal by the co-sponsors.

115. The representative of Canada urged Members to support the adoption of the proposal by the group of co-sponsors at the Doha Ministerial Conference. As Japan had noted, there was no disagreement among Members on the need to improve the existing DSU text on the "sequencing" issue. Moreover, the co-sponsors had made clear from the outset that the Proposed Amendment was not a "take it or leave it" offer. Canada therefore invited Members to address modifications to the proposal that would result in an amendment to the DSU that would command consensus. However, Members should approach such modifications with prudence, avoiding a full scale revision of the DSU in the little time remaining before the Fourth Ministerial Conference. Members should focus on the two priority issues that had been identified by many of them and outlined by Japan in its statement, i.e. a possible appeal of a DSU Article 21 *bis* panel report, as well as time-frames. Canada looked forward to discussing both issues in more depth at the meeting scheduled on 19 July 2001.

116. The representative of the European Communities said that the proposal by the co-sponsors did not enjoy consensus at this time and that it was unlikely that consensus would be reached by the time of the Doha Ministerial Conference. Nevertheless, the European Communities was grateful to the co-sponsors for giving Members an opportunity to discuss the proposal and was prepared to take part in further consultations on this subject.

117. The representative of Chile said that there was broad agreement among Members that the proposal by the co-sponsors was a positive contribution, and that although it may require minor adjustments, it was nonetheless heading in the right direction towards achieving a solution to the problems Members faced. He noted that certain Members had refrained from joining in a consensus on this specific proposal as they were hoping to obtain something more, thereby making the solution conditional to the fulfilment of other ambitions. He hoped that a more reasonable attitude would prevail over the next few weeks, thus allowing Members to reach a solution and take a final stand on this question at the Doha Ministerial Conference.

118. The Chairman proposed that the General Council take note of the statements and revert to the matter at a future meeting.

119. The representative of Bulgaria said that his delegation objected to a decision of the General Council to revert to a matter that had been put on the agenda by a group of countries. Bulgaria was of the view that there was no need for such a decision, as the co-sponsors would again propose the inclusion of this item on the agenda. Bulgaria felt that such a decision by the General Council could institutionalize one specific proposal on a DSU amendment while other proposals of a similar nature could be submitted in the future.

120. The Chairman said that he had proposed to revert to the matter at a future meeting and therefore it would be up to the co-sponsors to request the inclusion of this item on the agenda of any future meeting if they so wished.

121. The General Council took note of the statements and agreed to revert to the matter at a future meeting.

### **13. Work in the Committee on Regional Trade Agreements**

#### **(a) Report by the Chairperson**

122. The Chairman recalled that at the General Council meeting in December 2000, the then Chairman of the Committee on Regional Trade Agreements (CRTA) had made a report to the General Council highlighting the difficulties which had been encountered by the Committee in fulfilling its mandate. At its meeting on the 8-9 February 2001, the General Council had on its agenda an item on the situation regarding the work in the CRTA, following a proposal made by India on behalf of Australia, India, Japan, Korea, New Zealand, Pakistan, and Hong Kong, China. It was agreed that consultations would be conducted on the proposal made by India on behalf of the co-sponsors that the Chairperson of the CRTA be invited to report to the General Council on the current situation regarding the work in the CRTA.

123. Mrs. Dubois-Destriezais (France), Chairperson of the Committee on Regional Trade Agreements, said that the situation she had found herself in was something of a predicament. Five months after her election as Chairperson of the CRTA, after chairing one formal session of the Committee and a number of informal meetings and consultations, her assessment of the situation was a pessimistic one. Some Members might view her report as being presumptuous, as it added to the heavy workload of the General Council at a time when the primary focus was on the preparations for the Doha Ministerial Conference. However, she believed she owed Members this report. First, she



recalled that her assessment was entirely in keeping with that made by her predecessor, Mr. Custodio of the Philippines, who had drawn Members' attention at the General Council meeting in December 2000 to what he had himself described as an impasse in the CRTA's work. Members were familiar with the figures, which spoke for themselves. While a total of 145 agreements currently in force had been notified to the GATT/WTO and examined, the CRTA had in hand only 33 examination reports corresponding to agreements examined before 1995 by former working groups. Since its creation in 1996, the CRTA had completed the factual examination of 70 agreements but no report on these examinations had been finalized or distributed due to the contents of these agreements and the strategy adopted by most Members *vis-à-vis* these agreements. She felt that little progress had been made since she had succeeded her predecessor. Second, she noted that at the General Council meeting in February 2001 a number of Members had expressed the wish that the General Council's attention be drawn to the deadlock in the CRTA's proceedings, and it was thus normal that they be informed of any developments. She had informed the Committee members of her intention to deliver this report at the present meeting and none of them had objected to her decision. She nonetheless emphasized that the report was made in her personal capacity and that its content had not been discussed in the CRTA. Since February 2001, the CRTA had tried to resolve some of the difficulties by modifying the presentation of the five model reports on which the Committee had decided to focus as a matter of priority. Although modest progress had been made through informal, bilateral and multilateral consultations, this new approach had not enabled Members to overcome the usual divisions within the Committee. On the contrary, in some instances even greater differences had emerged, and she had therefore taken it upon herself not to pursue work on the basis of these five reports. She noted that some delegations, including mainly delegations that were not party to the relevant agreements, had been disappointed by the fact that the CRTA had not undertaken a detailed analysis of the five model reports. However, it was unlikely that divergences which had not been overcome in the course of bilateral consultations would be overcome by enlarging the number of participants in the discussion. In view of this situation, the simplest option would be for Members not to take any action. The CRTA would hold two more meetings in 2001, the systemic debate could be further enriched, and a new Chairperson would then be elected. There was, however, a more ambitious option. She noted that the deadlock in the Committee's work was a logical development. Given the importance of the dispute settlement system in the WTO, Members were reluctant to agree to formulations, analyses or conclusions that could later be used in some unforeseen manner or interpreted by a dispute settlement panel, to the extent that the dispute settlement system was the sole arbitrator of Members' compliance with the rules that they had approved and ratified. Her view on this matter had been reinforced by consultations held by the General Council's Chairman in the context of the preparations for the Doha Ministerial Conference, where many delegations had reaffirmed the primacy of the multilateral trading system and had expressed the wish that the CRTA's work be considered in this framework. This would provide to the membership an opportunity to move forward in the process if it so wished. She noted that the time might have come to ensure that the Committee at least assumed its role in enhancing transparency, and left this question to Members' appreciation. She did not wish to rush things in any way, as certain Members may consider the matter to be minor when compared to other questions currently facing the WTO. However, just as her predecessor had done, she felt it was her duty to bring Members' attention to the situation in the CRTA. She was ready to hold further consultations in collaboration with the Chairman of the General Council should Members deem it appropriate.

124. All the representatives who spoke thanked the Chairperson of the CRTA for her report on the situation of the work in the Committee.

125. The representative of the Philippines said that he was not surprised by the Chairperson's appraisal of the situation in the CRTA and shared her pessimism. In five years, the CRTA had only released one examination report and this was allegedly due to the vague provisions of Article XXIV of the GATT 1994. However, in his view, strong political will would enable Members to release some of the reports. The situation could only be ignored at the risk of eroding the primacy of the

WTO in terms of international trade policy. A majority of Members were engaged in regional trade agreements (RTAs), which presented differences in terms of scope, rules of origin, dispute settlement process, and which could be either in conflict with one another or inconsistent with the multilateral rules. Members could decide to either ignore the situation, or adopt some kind of interim agreement or process. The first interim measure that the CRTA had undertaken was the discussion of the systemic issues. However, the systemic issues were viewed in the context of individual country interest or vulnerabilities as far as the rules on consistency were concerned. Moreover, the attempt to clarify these vague provisions would require considerable time and even if Members were successful in this process, the grandfathering concept would not apply this agreement to the RTAs already in existence. Article XXIV:5(c) of the GATT 1994 established a requirement for information on the plan and time-frame of each interim RTA. Through the application of this provision, Members could progressively influence the formation of new RTAs, although parties to these RTAs could always claim that these were not interim agreements but rather agreements already in place. The third option, whereby the countries whose trade was impaired by RTAs would turn to dispute settlement, was in his view the worst scenario. With regard to the interim measures that Members should take in light of the current situation, he noted that the ongoing consultations would enable Members to agree on a strong message to be adopted by Ministers at the Doha Ministerial Conference, irrespective of individual countries' interests in the free trade agreements and RTAs that were being adopted. In the preparations for the Doha Ministerial Conference, he hoped that Members would be able to come up with a more objective and wilful mandate for the CRTA along with some interim measures. However in the end, an objective reassessment and reinterpretation of the provisions of Article XXIV of the GATT 1994 would be necessary.

126. The representative of Pakistan said that the Chairperson's report was objective, factual, and provocative. Pakistan felt that no progress had been made in the CRTA's work, as reflected in the report of the former CRTA Chairman presented to the General Council in December 2000, where he had stated that the CRTA had not been able to conclude any examination referred to it because of various political and practical difficulties. Pakistan had an interest in the CRTA's work, in respect of the examination of RTAs as well as from a systemic point of view. The questions raised in the Chairperson's report were therefore of great relevance and Members had to think of ways to break the deadlock in the Committee's proceedings. Pakistan could not support the first option presented by the Chairperson whereby Members would refrain from taking any action with regard to the work in the CRTA. His delegation was of the view that the General Council needed to give further consideration to the second option. With regard to the issue of RTAs in the context of the Doha Ministerial Conference, he noted that delegations were already aware of Pakistan's position. Pakistan was concerned about the proliferation of RTAs, which tended to be inherently discriminatory towards non-parties and which could thus marginalize non-party developing countries. Therefore, the trade diversion effects of these RTAs, especially for developing countries, had to be examined in the CRTA. The proliferation of RTAs was weakening the framework of the multilateral trading system by creating a two-tier international trading system. It was time to recognize the primacy of the multilateral trading system and to ensure that RTAs supplemented rather than supplanted the multilateral trading system. The CRTA had a mandate to bring the rules governing RTAs in conformity with the multilateral rules. As a custodian of the multilateral trading system, the WTO had the responsibility to speak up for full and faithful implementation of the WTO agreements and for upholding multilateralism over regionalism. Pakistan therefore wished that Ministers in Doha would not only take note of the slow progress in the CRTA, but also reaffirm the primacy of the multilateral trading system and give clear directions as to how to make the Committee more effective and successful in carrying out its mandate.

127. The representative of the European Communities said that the analysis presented by the Chairperson was relevant. The Community had played an active role in the recent consultations with the objective of finishing a first review group, and regretted that this had not been possible. He hoped that Members would have a better chance of resolving the systemic problems relating to the CRTA's

work in a wider round of trade negotiations. In the meantime, the European Communities would study all the possible options to make progress with respect to the pending reports, including those presented by the current Chairperson and the former Chairman of the CRTA.

128. The representative of Chile said that he agreed with the Chairperson's report, which was direct and frank. He also agreed with the Chairperson's conclusion that the CRTA's work had been affected by Members' fear of reaching specific outcomes in view of the legal consequences which could stem from this and which could prejudice the exercise of current rights in the dispute settlement system. However, Members were compelled to recognize that it was difficult to reach conclusions when the rules were vague and imprecise, both in Articles XXIV of the GATT 1994 and V of the GATS. It was time for Members to review these rules and adjust them in such a way that Members would be fully aware of the standards that future RTAs would need to comply with, and a new round could provide Members with an opportunity to make such a review. Thus Members would not only increase their understanding, but would also reduce the effect of trade distortion and diversion for Members that were not parties to the RTAs. He agreed with the Chairperson that something could be done in the meantime in terms of improving transparency and this could be discussed in the CRTA both before and after the Doha Ministerial Conference. He further noted that very few countries had the resources and capacity to read and analyse RTAs in order to fully assess their effects on their own trade interests. For this reason, Members needed to approach these questions from a new angle and more human resources were necessary to ensure a better understanding of RTAs. This could be a tool to improve analysis and transparency in the CRTA. At the Doha Ministerial Conference, Members could re-examine the current disciplines. Until and perhaps after the Ministerial Conference, the CRTA could focus on transparency. Finally, as highlighted by Pakistan, Members needed from Ministers in Doha a clear orientation on the primacy of the multilateral trading system.

129. The representative of Uruguay said that his delegation shared the views expressed by the Chairperson in her report. In his delegation's view, the problem was clearly related to the ambiguities of the existing rules, both in Article XXIV of the GATT 1994 and in the Understanding on this Article negotiated during the Uruguay Round. He noted that the reports could have been approved, despite these ambiguities. However, certain Members were of the view that such a procedure would not be appropriate and considered that the rules needed to be clarified before the compliance of the RTAs under examination could be assessed. On the contrary, other delegations, including his, believed that Members should first analyze the RTAs and see whether they complied with the rules, still bearing in mind the ambiguities, on the assumption that Members could re-examine the question at a later stage if they managed to negotiate specific rules. There was no doubt that Members were faced with a systemic problem in that they could not agree to negotiate on the interpretation of the rules. Members should not get caught in a debate on multilateralism and regionalism, as he did not think any Member believed that regionalism should prevail over multilateralism. In fact, when negotiating RTAs, many Members tried to ensure that the provisions of the RTAs were built on the WTO multilateral rules. With regard to the way forward, Uruguay believed that Members should consider the possibility of changing the CRTA's mandate, as the current mandate had not allowed Members to overcome the deadlock in the Committee's work. Uruguay agreed with the Chairperson's suggestion that the CRTA should concentrate for the moment on increasing transparency under a mandate akin to the trade policy review, whereby a prior analysis of all RTAs would be made by the Secretariat rather than pursuant to Article XXIV of the GATT 1994 or to the Enabling Clause as it was currently the case. This would set all Members on an equal footing and would increase their understanding of the functioning of these agreements. Members would be able to mutually benefit and learn from one another, avoiding the conflict which stemmed from the desire to comply with the current provisions with respect to reaching a conclusion on the compatibility of RTAs with WTO rules. Furthermore, consultations should be carried out at the General Council level to see how Members could overcome the problem of ambiguity of the current rules and Ministers should adopt a decision in Doha to clarify the rules as Members had done in the Uruguay Round. The most important thing was to overcome the

difficulties faced in the CRTA and for this purpose, the question of transparency based on a mechanism similar to that of the trade policy review was the most appropriate.

130. The representative of Hong Kong, China said that his delegation did see some movement in the CRTA, and was pleased to learn at the last CRTA meeting that the Secretariat was in the process of completing studies on the product coverage of the RTAs and their transition arrangements, as well as on preferential rules of origin, which should both be released before the next CRTA meeting in September 2001. His delegation looked forward to these studies, which constituted an important step in fulfilling the Committee's mandate to enhance Members' understanding of the systemic implications of RTAs for the multilateral trading system. He suggested that the Secretariat could consider holding an educational seminar early in 2002 to further Members' understanding on the relationship between RTAs and the multilateral trading system. Members could benefit from recent studies on the economic effects of the RTAs and sharing of experience from both RTA parties and non-parties. This idea had been supported by a range of Members and the Committee could pursue it to further fulfil its mandate on systemic issues. With regard to the examination of RTAs, the Chairperson had noted that the Committee had not yet succeeded in concluding any reports. Hong Kong, China had noticed however some flexibility already demonstrated by some RTA parties. He noted that at least Australia and New Zealand had indicated that they could accept their own report, as well as others. If some other RTA parties could also demonstrate some flexibility in refraining from linking up the conclusions of different RTAs, Members could make some breakthrough in the near future. His delegation was of the view that each RTA should be examined and concluded on its own merit and therefore differed from the Chairperson's conclusion that the deadlock in the CRTA's work was a logical development. He urged Members to continue to try to conclude reports in an objective manner and looked forward to further debates to examine each draft agreement on its own merits in an open and transparent manner with the view to concluding those examinations which commended consensus. As regards the way forward, a number of delegations, including his, had suggested in the course of the preparatory process for the Doha Ministerial Conference that Ministers in Doha could inject impetus in the CRTA's work and that the rules relating to RTAs should be clarified and reinforced where appropriate. With the proliferation of RTAs, the importance of the work in ensuring the consistency of RTAs with WTO rules would only be greater and he welcomed the fact that other delegations had expressed similar views at the present meeting, as well as in previous General Council meetings. His delegation could not accept the idea that the CRTA's mandate be limited to transparency.

131. The representative of Korea praised the Chairperson for her efforts to break the deadlock in the CRTA regarding the examination of the RTAs. The current situation in the CRTA was serious, as the impasse had existed for five years and the number of RTAs had rapidly increased during that time. The Chairperson's conclusion that the new approach with five model reports had failed compelled Members to recognize that there was an urgent need to do something about the situation. It was already well known that the crux of the problem was the lack of clarity in the relevant provisions of the WTO agreements and that current rules regulating RTAs were inadequate to ensure compatibility between RTAs and the multilateral trading system. Without providing clear standards for the examination of RTAs, it would be difficult for Members to agree on the consistency of certain RTAs with WTO agreements. Korea believed that it was time for all Members to make efforts to provide the CRTA with clear standards to examine the RTAs. Given the rapid proliferation of RTAs in recent years, Members could not continue to neglect the importance of the CRTA's role in the examination of RTAs. In this regard, Korea believed that the Doha Ministerial Conference provided an excellent opportunity to strengthen WTO rules on RTAs and hoped that a clear negotiating mandate to remedy current deficiencies in the WTO rules on RTAs would be included in the Doha Ministerial Declaration.

132. The representative of the United States commended the Chairperson for her attention to the problems in the CRTA. Her delegation could understand the general reason for pessimism with

regard to the CRTA's work, as the Committee had not been able to make any progress recently in deciding even on the format for issuing reports on the RTAs under review. However, the United States believed that in the recent months the Chairperson had steered the Committee to an approach that held some promise. The current problems appeared to stem from drafting differences rather than overall differences about the approach. The United States believed that Members should be able to resolve these drafting problems, but a first constructive step might be for the Secretariat to prepare a bracketed text for each point in order to help Members identify the precise problems.

133. The representative of Hungary, on behalf of the CEFTA countries and Croatia, Estonia, Latvia and Lithuania, said that the report by the Chairperson was not pessimistic but rather objective and realistic and he agreed with her assessment of the situation in the CRTA. The problem could be addressed in a wider context as was suggested by the Chairperson, provided that the question of adoption of pending reports be solved and that Members be assured that in any future mandate, new rules aimed at strengthening or clarifying existing rules would only apply to future RTAs. He emphasized that what was at stake was not the primacy of the multilateral trading system, but rather the relevance of the WTO.

134. The representative of India recalled that his country along with other countries, had submitted a proposal at the General Council meeting in February 2001, requesting that the Chairperson of the CRTA be asked to provide a report to the General Council. He was grateful to the Chairperson for her report which had raised a number of issues in a straightforward manner, and noted that it was now for the General Council to give the CRTA Chairperson the necessary assistance to take the Committee's work forward. First, he noted that as a derogation from Article I of the GATT 1994, Article XXIV of the GATT 1994 was a special provision that should be monitored carefully. In India's view, the problem was not related to RTAs *per se*, but rather to the fact that perhaps many RTAs did not measure up to the standards enshrined in Article XXIV of the GATT 1994. The crux of the problem was that Members shared different views with regard to the standards enshrined in Article XXIV. He agreed with Pakistan that the first option mentioned by the CRTA Chairperson was not appropriate. The Chairperson should continue to hold further consultations and in this respect, he agreed with Hong Kong, China that it was not appropriate to think in terms of changing the current mandate of the CRTA, which had taken considerable time to negotiate. A number of delegations, including his, felt that they needed some assistance to understand the implications of some of the RTAs notified to the CRTA. In his view however, this did not require to change the mandate but simply to add these procedural items to the CRTA's mandate. For example, reference was made to the help provided by the Secretariat in understanding the trade policies of different countries and a similar mechanism could be added on to the process in the CRTA without changing its mandate. He did not agree that a new round would solve all the problems related to Article XXIV of the GATT 1994. He recalled that prior to the Singapore Ministerial Conference, Members had thought that the establishment of the CRTA would solve all the problems. When embarking upon the work, there had been a debate as to whether Members should address first the systemic issues and then go into the examination of individual agreements or vice versa. The reality was that there were powerful Members with strong interests with regard to this provision, and for this reason Members faced many difficulties in arriving at a consensus on this issue. Although an interpretation by a panel or the Appellate Body on a particular RTA through dispute settlement was not an option favoured by India, it could bring a solution to the problem in the future. With regard to the Chairperson's conclusion that delegations were reluctant to agree to anything because they feared it could be used in a dispute settlement panel, he recalled India's proposal that the examination of the consistency of an RTA should be left to the CRTA alone, which had been objected to by Members. This was nonetheless a question that Members needed to resolve. India requested the CRTA Chairperson to continue to consult with delegations on how the work could be taken forward. The preparatory process for the Doha Ministerial Conference should be used to request Ministers to give a new momentum or further guidance to the CRTA so that the work in the CRTA would become more fruitful.

135. The representative of Turkey said that the Chairperson's report was realistic and called on Members to face reality with regard to the situation in the CRTA. His delegation shared the analysis and the views of the Chairperson. There were indeed only two possible options that Members had to choose from, and Members could not afford to put off that decision any longer. The broader framework of a round of negotiations would enable Members to find a way to overcome some of the problems in the CRTA.

136. The representative of Australia said that he was concerned at the adverse impact of the proliferation of RTAs on the multilateral trading system. He believed that the CRTA had an important role to play in providing for the transparency of RTAs and ensuring their compliance with Articles XXIV of the GATT 1994 and V of the GATS. These issues should be kept under consideration in the lead up to the Doha Ministerial Conference. In this context, he agreed with the Chairperson's assessment that the effectiveness of the Committee had been limited by uncertainties about the legal status of its evaluations and reports. However, the CRTA had not exhausted all means of moving forward with its evaluations and he welcomed the Chairperson's preparedness to continue to consult with Members on ways to move forward. As pointed out by other delegations, bilateral consultations had made some progress on the examination report on the agreement between Australia and New Zealand, which was now ready for adoption. As Hong Kong, China had mentioned, studies undertaken by the Secretariat on coverage of the RTAs and preferential rules of origin should also contribute to advance the discussion on these issues at the next formal CRTA meeting in September 2001. Moreover, he welcomed the suggestion by Hong Kong, China to hold a seminar on regionalism in 2002 and looked forward to participate in its preparation.

137. The representative of Canada agreed that there had been divergent views in the CRTA on the way to advance the Committee's work and this had culminated in the fact that none of the RTA examination reports had been finalized. Canada was prepared to continue to work in the Committee with the Chairperson and other Members to try to find solutions to this impasse, as it felt there was a way out of this situation. As mentioned by Australia, some work had been done in recent months and Canada hoped that work would continue towards finalizing examination reports. Canada continued to support the mandate of the CRTA, including not only the focus on transparency but also on consistency, as outlined in Articles XXIV of the GATT 1994 and V of the GATS, which were two important elements of the CRTA's mandate. With respect to the clarification and strengthening of existing rules on RTAs, Canada was not optimistic that Members could reach consensus on more explicit rules in the near future, but would not oppose a discussion on this matter. Canada was not convinced that the problem in the CRTA was the ambiguity in the WTO provisions.

138. The Chairperson of the CRTA said that she had been encouraged by the fact that her report had prompted positive reactions from certain delegations and reiterated her determination to continue to work with Members.

139. The Chairman said that it was a matter of concern when an important Committee such as the CRTA had been unable to make progress in its mandate over a prolonged period of time and such concern had been reflected by many delegations. He thanked the CRTA Chairperson for drawing this matter to the attention of the General Council. He noted that consideration was being given to some aspects of the problem in the context of the preparations for the Doha Ministerial Conference and thus it may be advisable for Members to see the developments in that context before directing further attention to the situation in regular meetings of the General Council. In the meantime, the CRTA, under the direction of its Chairperson, should continue its efforts to make progress in the work. It had been encouraging to hear from some delegations that they felt a little progress had been made and that new ideas, such as the organization of a seminar on regionalism, were being considered. It would be open to any delegation to raise the matter again for the attention of the General Council at any time.

140. The General Council took note of the statements.

## 14. Reorganization of WTO Technical Cooperation

### (a) Report by the Director-General

141. The Director-General said that the changes in the WTO Secretariat's technical assistance and training activities had been announced within the Secretariat on 1 June 2001 and had come into effect on 5 June 2001. In some instances, the changes built upon existing and successful programmes, but also comprised new initiatives aimed at rationalizing administrative structures and achieving greater efficiency and effectiveness in the delivery of technical assistance to least-developed and developing countries. The changes were as follows: the existing Technical Cooperation Division had been reorganized under a new Director, Mr. Chiedu Osakwe. The new Division had absorbed the former Secretariat Working Group on the Integrated Framework and LDC Issues, placing the management of WTO Secretariat technical cooperation under a single structure. A new Management Committee on Trade-Related Technical Assistance had been established under the Chairmanship of Mr. Paul-Henri Ravier, Deputy Director-General. Other members of the Committee included the Directors of the following Divisions: Technical Cooperation Division, Development Division, Technical Cooperation Audit, as well as the Director of the WTO Training Institute and a representative from the Administration and General Services Division. Representatives of Divisions responsible for trade-related technical assistance in their fields of expertise would also attend Committee meetings, as well as representatives of the Secretariats of other intergovernmental agencies as appropriate. The Committee oversaw issues of general interest related to technical assistance, including strategy, priority-setting, and review of spending priorities. It would report to the Director-General and make policy recommendations. A Technical Cooperation Audit had been established earlier this year under the direction of Mr. Paul Rolian. The Unit was responsible for ongoing monitoring and evaluation of all forms of technical assistance provided by the WTO. This function aimed at ensuring that the financial and human resources engaged in WTO-administered technical assistance and training programmes were used for optimum effect. The former Training Division had been reconstituted as the WTO Training Institute under the direction of Mr. Claude Mercier. The Training Institute's activities extended beyond the provision of traditional trade policy courses to include training for trainers, a diversified range of short-term policy courses, distance learning services, and cooperation with universities and other institutions. A Board would be formed to advise the Institute and offer fresh perspectives on approaches to training. The Board would include representatives from the Members, Secretariat, other agencies and the academic community. He emphasized that the Boards' role would only be advisory and would have no executive or decision-making authority. A Trade Information Centre was being established to facilitate fuller participation of all Members, observers and others wishing to join the WTO, by enhancing access to information through the use of information technologies. Mr. Jean-Maurice Léger was Director of the Centre. Particular attention would be paid to the needs of least-developed, more capacity constrained and non-resident Members and observers. Even a cursory analysis of the kinds of technical assistance provided by the WTO Secretariat demonstrated that the main objective was to help Members meet their legal obligations and take full advantage of the opportunities open to them in the multilateral trading system. Technical cooperation, capacity building and assistance with compliance were therefore core functions of the WTO and were integral to the effective functioning of the system. The organizational changes he had outlined reflected the importance Members attached to technical assistance and training activities. He was confident that these changes would help improve coordination and coherence within the Secretariat and with donor countries, beneficiary governments and other international agencies. The changes would ensure that basic concepts of monitoring, auditing and evaluation would be firmly established in the Secretariat's activities related to technical assistance. In a broader sense, the changes would also ensure that WTO technical assistance was delivered within a coherent policy framework. The overall goal was to make certain that activities in the years ahead remained closely aligned to the real needs of Members and were delivered in a fully accountable and value-for-money way. Funding for technical assistance through the regular budget was modest. The success of technical assistance to date had been due largely to the voluntary

contributions of individual governments and he was grateful for this generosity. He hoped that the changes announced would allow to increase the volume and quality of the technical assistance provided and that Members would support his ongoing efforts to have technical cooperation financed on a more stable and predictable basis through the WTO regular budget.

142. The Chairman, as well as all the representatives who spoke thanked the Director-General for his report and for instituting these changes to the technical assistance provided by the Secretariat.

143. The representative of Argentina supported the efforts made to give attention to an area of great relevance to the WTO, particularly where the majority of Members were developing or least-developed countries. It was essential to the functioning of the WTO that the issue relating to technical cooperation and capacity-building of developing countries be addressed coherently. As Chairman of the Association of former participants in the GATT/WTO Trade Policy Courses, he thanked the Director-General for having raised the Training Division to a Training Institute. This decision would enable Members to maintain the high level of this course, which all the attendants had greatly appreciated. Finally, as a question of general policy, he highlighted the desirability of having technical cooperation and assistance financed through the general budget of the organization rather than through extra-budgetary contributions from Members.

144. The representative of Israel said that as a former Director of Training who was asked to upgrade the Training Division at his Foreign Ministry Department he could appreciate the difficulties but also the potential of such a reorganization. He would be looking more closely into the new structure and would discuss with people responsible for the WTO Training Institute opportunities to better serve Members.

145. The representative of the Philippines said that he welcomed the improvements announced and would be interested in the specifics of these new measures, particularly the participation of interested delegations as far as the rationalization and effectiveness of the programmes were concerned.

146. The representative of Kenya wished to congratulate the Director-General for his efforts in ensuring that technical cooperation became one of the core functions of the WTO and an integral part of the work programme and noted that it behoved to the membership to assist the Director-General in ensuring that this activity was undertaken through the WTO's regular budget.

147. The representative of Gabon, on behalf of the African, Caribbean and Pacific Group of States, thanked the Director-General for all of his endeavours in favour of least-developed and developing countries. Technical cooperation was an area of great interest for her delegation, as well as for a majority of Members. Gabon was of the view that technical assistance should be supported by the WTO's regular budget rather than extra-budgetary resources, which could vary from year to year. It also behoved developing countries to be more specific about their expectations in order to fully benefit from the Director-General's efforts in the area of technical assistance and cooperation, particularly in terms of mobilization of funds.

148. The representative of Senegal said that technical assistance was a matter of great importance to his country, as it was through such assistance that his country could improve progressively its standing within the multilateral trading system. He welcomed the Director-General's initiative to reorganize technical cooperation, which he hoped would contribute to improve the delivery of technical assistance. Senegal had received positive feedback from the new Training Institute, as one of its representatives had taken part in the last Trade Policy Course. Through this initiative, he hoped that the WTO would deepen its cooperation with other international organizations in order to better contribute to capacity-building in developing and least-developed countries.



149. The representative of Côte d'Ivoire said that his country was one of the countries that had benefitted the most from technical assistance and wished to express his gratitude to the Director-General for his continued efforts to make developing countries benefit from technical cooperation.

150. The representative of Paraguay said that his delegation was of the view that development could not be achieved without education, of which technical cooperation was a vital part. His delegation thus welcomed the reorganization announced by the Director-General in his report, which would help developing countries better understand and handle the issues dealt with at the WTO. Paraguay shared the view that financing should be autonomous and that the WTO's own funds should be used to promote technical cooperation.

151. The representative of Nigeria wished to congratulate the Director-General for the changes brought to Technical Cooperation and to the Training Division, and hoped that these changes would lead to a better delivery of technical assistance and training services to developing countries.

152. The representative of the European Communities said that developed countries wanted to give developing countries a chance to speak first on this subject and that their silence should not be interpreted as a lack of interest in the matter.

153. The Director-General thanked Mr. Ravier, Deputy Director-General, as well as the Secretariat for their focus. Their objective was to assure Members of their accountability regarding the efficient use of the funds. With regard to the Training Institute's advisory Board, he noted that the Secretariat had only just started to explore what could be done in terms of distance learning and other activities, and that the Secretariat would invite the WIPO, UNCTAD, World Bank, International Monetary Fund and other international organizations that were already doing work in this area to cooperate with the Secretariat.

154. The General Council took note of the report and of the statements.

## **15. Implementation-related issues**

(a) Report by the Chairman of the Committee on Rules of Origin

155. The Chairman recalled that at its Special Session on Implementation on 14-15 December 2000, the General Council had adopted a Decision concerning the Agreement on Rules of Origin: "Members undertake to expedite the remaining work on the harmonization of non preferential rules of origin, so as to complete it by the time of the Fourth Ministerial Conference, or by the end of 2001 at the latest. The Chairman of the Committee on Rules of Origin shall report regularly, on his own responsibility, to the General Council on the progress being made. The first such report would be submitted to the Council at its first regular meeting in 2001, and subsequently at each regular meeting until the completion of the work programme."

156. Mr. Ahn (Korea), Chairman of the Committee on Rules of Origin, in introducing the report<sup>8</sup>, said that in his first report in May 2001 he had made two points. First, thanks to the mandate from the General Council to the Committee on Rules of Origin (CRO) the Committee was making much-appreciated progress with regard to the Harmonized Work Programme (HWP). Second, the progress made in terms of the HWP should not blind them from the enormity of the work ahead.

157. In this second report, he wished to reiterate the same two points. First, the progress made in the CRO had been summed up in section 2 and 3 of the report circulated earlier that morning. The

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<sup>8</sup> The full text of the report of the Chairman of the Committee on Rules of Origin on Implementation related issues is reproduced in Annex I.

table in section 2 had summed up the progress made in the HWP which had taken place over the past several years. While from September 1997- September 2000 there had been 23 sessions of the CRO, the Committee had reached consensus on only 22 issues, which was less than one issue per session. In November 2000 the Committee reached consensus on eight issues, and the speed had increased such that in March 2001 the Committee had agreed on 24 issues, and in May 2001 42 issues had been agreed upon. This had been impressive growth, and the speed in reaching consensus on many of the remaining issues had been exponential. Thus, he hoped that if these dynamics continued at the ongoing session, much progress would be made and perhaps resolving 100 issues.

158. Other developments since his May report were summed up in section 3 of the second report. An informal discussion had taken place on 19 June 2001 on implications of the HWP for other agreements of the WTO, i.e. what implications rules of origin, when agreed upon, would have on the Agreements on Sanitary and Phytosanitary Measures, Technical Barriers to Trade, Safeguards and Anti-Dumping. That discussion had taken place because some Members had thought that if there was a prior understanding of the scope of application of harmonized rules of origin, that would help them to become more flexible, while other Members did not share this view.

159. The enormity of the task ahead had been summed up in section 4 of the report. He reiterated that the CRO looked to the General Council for guidance and support so that the HWP could be completed before the Fourth Ministerial Conference in Doha. Concrete illustrations of the difficulties faced by the CRO were summed up in paragraph 4.4. While Members were represented in the CRO by experts who were aware of their national interests, he felt that all Members recalled that the CRO worked on the mandate from the General Council and that the work of HWP should be completed by the Fourth Ministerial Conference at Doha. A second difficulty was that at the discussions from 9-11 July 2001 on machinery chapters, the outcome of the three-day discussion had been frustrating. No meaningful move could be made on any of the issues, with the difficulty being a rather fundamental one.

160. The Chairman of the Committee on Rules of Origin recommended the need for a threshold rule. All Members agreed that assembly of a machine was origin-conferring. Up to a certain threshold, the assembly would be simple, and beyond that it would become meaningful and origin-conferring. There had been no meeting of minds on this very important issue. Some Members believed there could be one general rule in the form of value-added. If it could be agreed that 30 per cent or 80 per cent was origin-conferring then one rule could provide the answer to all the questions. However, since some Members could not accept any value-added rules, he felt they would not get any closer to solving the problem. This was just one illustration of the problems in the CRO. Unless such fundamental issues could be resolved with guidance and support from the General Council, not much progress would be made in the period until the Fourth Ministerial.

161. Finally, he quoted from paragraph 4.5 of the report: "Conclusively, the HWP is at a crucial stage. Members' renewed resolve and agreement on the underlying fundamental issues would lead to a continued resolution of the remaining issues and the completion of the HWP by the Fourth Ministerial. Otherwise, the outcome would be a far short of the mandate of the General Council".

162. The Chairman noted the extremely substantive nature of the report, in which the Chairman of the Committee on Rules of Origin sought guidance on a number of important and complicated points. That was the first time that he and Members had seen the report and thus he was not sure whether Members would be able to have a substantive debate on this important issue. Therefore he requested Members' views on how to proceed on the matter.

163. The representative of India said that his country had expressed its views on the Rules of Origin Agreement over the past two and a half years. While noting that the report had not been seen prior to the meeting, he thanked the Chairman of the Committee on Rules of Origin for the very

substantive and thought-provoking report. He recognized that the Chairman had rushed from the Committee meeting to present this report, but it would be helpful if reports were made available at least the previous evening. It would then be possible for Members to provide some meaningful reaction. India recognized that all the Chairpersons were under tremendous work-pressure, but hoped that in the future reports would be presented at least the day before the meeting. While acknowledging the enormous pains the Chairman of the CRO had taken to move the process forward, he wished to discuss a few aspects raised. He would speak later if the discussion was suspended. However, he said that the General Council's mandate to the Committee on Rules of Origin to complete its work by the Doha Ministerial must, at the minimum, be reiterated.

164. The representative of the Philippines acknowledged that the report was very substantial. Her delegation had been deeply involved in the work of the Committee on Rules of Origin, and saw merit in suspending further discussion.

165. The Chairman suspended discussion on this report for that day, and resumed discussion the following day.

166. All representatives who spoke expressed appreciation for the report by the Chairman of the CRO and his efforts to resolve the numerous difficulties on the Committee's work.

167. The representative of Brazil said that the report clearly outlined the progress that it had been possible to achieve, and Brazil was grateful in this regard for the commitment and dedication of the Chairman with a view to accelerating the Committee's work. Such acceleration was evident from the figures reported in paragraph 2.2 of the report, but it was also evident that even this acceleration would not allow for compliance with the deadline established by the Council. In fact, even if the goals set out by the Chairman of the CRO for the current session were accomplished, they would still face almost 300 outstanding issues at the September session of the Committee. Brazil attached particular importance to concluding the Harmonization Work Programme within the time-frame established by the General Council. This was due, on the one hand, to the importance of harmonized non-preferential rules of origin in ensuring a more open and transparent framework for the conduct of commercial transactions among Members. On the other hand, the completion of this mandate would be viewed as a concrete expression of the membership to seriously address implementation concerns raised by a number of delegations.

168. In view of these factors, Brazil fully supported the proposal put forward by the Chairman of the CRO, and endorsed by the delegation of India, that the General Council reaffirm its mandate to the CRO to conclude the HWP by the Fourth Ministerial Conference. Brazil stood ready to actively and constructively engage in discussions within the CRO, on possible working methodologies that may enable it to achieve that goal. Regarding the issue of the threshold rule, the highly technical nature of the discussions within the CRO would, it seemed, discourage the General Council from providing substantive guidance on that point. It could perhaps help the work of the Committee if the Council were to underline the importance of adhering to the criteria laid down in Part IV of the Agreement on Rules of Origin on the process of harmonizing rules of origin. With regard to the implications of the HWP raised in the report, Brazil had participated actively in the consultations on that matter. Its views on this issue were based on one basic assumption, namely that the discussion of these issues must be aimed at constructively allaying particular concerns with regard to implications of a specific nature, but should not constitute an unnecessary obstacle in the progress of concluding the HWP.

169. The representative of Colombia agreed that work be completed by the Fourth Ministerial Conference, and that it was important to draw up threshold rules to make progress in the grey areas, where it was not yet clear how the rule of substantial transformation should be carried forward. Colombia agreed with the need to study the value-added criterion as an alternative and exceptional criterion which might however entail administrative difficulties.

170. Colombia also believed that there were many areas and sectors where it was important to set aside positions of principle but rather show flexibility so that progress could be made to conclude the programme of work within the set time-frame. In Colombia's view, the exercise of analysing the impact Rules of Origin on other WTO Agreements was useful as it contributed to a satisfactory balance between the parties. It ensured predictability and transparency in implementing the commitments stemming from the non-preferential rules of origin. The link that existed between consumers and producers in trade transactions could not be subject to interpretations and discretionary application which could be misleading. Therefore, there was a need for absolute clarity in applying the harmonized rules of origin and the disciplines stemming from different WTO Agreements.

171. The representative of the Philippines said that her country agreed that the work of the CRO be completed by the Fourth Ministerial Conference, since this was the third deadline for the work on this issue and the credibility of the WTO was at stake. The Philippines understood the difficulties faced by the CRO on the threshold or value-added rules, but wished to recall that harmonized rules of origin were being evolved to facilitate trade, and that purpose must be borne in mind. It was disturbing that in the report by the Chairman a distinction was being made between the implications of completed harmonized rules and the implications of proposed rules for harmonization. Article 9 of the Rules of Origin Agreement clearly stated that "rules of origin should be applied equally for all purposes as set out in Article 1". The General Council should consider this, and provide the necessary guidance to the Committee if the Conference deadline were to be met.

172. The representative of Chile expressed concern over the slow process in the CRO and the scope of issues still pending. This might prevent the Committee to complete its work by the Fourth Ministerial. He observed that agreeing to certain aspects, like what constituted assembly, might create a vicious circle which would require a consensus on many rules of origin. Aside from confirming the mandate and giving it the highest priority it deserved, there was also a need for awareness that in the area of rules of origin there would never be a perfect technical solution. While rules of origin that worked properly were required, since perfection in this area did not exist by definition, the decision would always be an arbitrary one. There must be awareness of this, so that all due flexibility could be manifested, and the Committee could complete its work by Doha. Another option would be that the Committee did not arrive at an agreed solution on all the chapters of the harmonized programme. While many issues might be ready, they should not be linked to other issues that remain pending. The goods sector, for example, might not be linked in any way to the metal or machinery chapter. Thus, Chile recommended consideration of a partial solution or conclusion, so that consensus could be achieved on those chapters where it had been possible to make progress, while leaving the other issues pending.

173. The representative of Canada reaffirmed the confirmation by the General Council of the Committee's mandate. With regard to the identification of a threshold rule, her country appreciated that this important issue had been brought to the attention of Members. Canada believed it was too early to make a final and definitive decision. Not all possible avenues had yet been explored or exhausted. Members needed to address this issue bilaterally and plurilaterally and to consider it seriously in their capitals. Only after all possible avenues had been exhausted, if no possible resolution had been reached in the CRO, should this critical issue become subject to a decision by the General Council.

174. The representative of India said that Members were aware of the importance India attached to the completion of the Committee's mandate by the Fourth Ministerial Conference.

175. As the Chairman of the Committee had pointed out in his report, there had been added momentum to the work being done. Equally, it was implicit in the Chairman's plea for guidance and support from the General Council that not enough had been done in the Committee, and that Members needed to find the political will that would enable the completion of the outstanding work within the

mandated time-frame. India therefore fully endorsed the Chairman's suggestion that the General Council remind the Committee that its mandate must be met, and that a slippage in meeting the deadline for the third time would have serious implications on the credibility of this Organization, and would spillover on other work. The necessary political will to resolve some key outstanding issues such as the assembly rule, which had been cited by the Chairman, would have an important impact in generating consensus on many other issues.

176. The Chairman of the Committee on Rules of Origin had also reported on the discussions in the Committee on the implications of some of the major proposals for harmonized rules on other WTO Agreements. India had been active in the consideration of various proposals seeking that the finally agreed rule did not alter the balance reached between the complementarity of the Rules of Origin Agreement and the other relevant Agreements. Article 1 of the Rules of Origin Agreement was very clear that the harmonized rules of origin shall be used in all non-preferential commercial policy instruments, without exception. Article 9 made it explicit that these harmonized rules shall be applied equally for all purposes. Therefore, a suggestion in the Committee by a Member that the Harmonized Work Programme would progress further if there was agreement that there may be some dichotomy in the application or use of these rules could not be borne out by the legal requirements. India believed that such discussion should not hinder the progress nor the momentum achieved more recently in the work programme. However, India was willing to discuss ways of furthering its understanding on the implications of the proposed rules so that Members could achieve the necessary resolution of their concerns.

177. The representative of Australia said his country attached great importance to the completion of the work programme, and while it was disappointed with the extent of the progress made at the present session, it recognized that at least more progress had been made. Australia supported the Chairman's recommendations, and in particular the exhortation that the Harmonized Work Programme be completed by the time of the Fourth Ministerial Conference. In order to meet this deadline, Australia urged delegations to focus more on the Chairman's recommendations as a basis for reaching consensus on the outstanding issues. It suggested that the onus be put more squarely on countries opposed to these recommendations to argue more cogently for their positions, or to cede to countries which had a greater economic interest. Members should attach appropriate importance to trade facilitating outcomes, and in particular to the Chairman's recommendations to achieve consensus.

178. The representative of the United States said that his country attached great importance to completion of the work that had been assigned to the CRO within the time-frame allotted by the General Council Decision. The United States appreciated the report of the Chairman on the progress made to date, and like others, noted that more progress would be needed to succeed. Certainly underlining the need to meet the deadline would be one way. However, that would by no means be sufficient. What was needed to achieve progress was flexibility from delegations. The United States had itself been very actively involved in this effort, invested a lot of resources in it, submitted proposals, offered compromises, acted as facilitator and would continue to do so. He pointed out that it was interesting that certain simple issues divided them. For example, people could still not agree whether there was a substantial transformation from grapes into wine, or raw meat into cooked meat. The fact that they could not reach closure on certain issues that intuitively would seem to be simple to resolve showed some of the difficulties they were having, and the need for flexibility on the part of delegations. Thus, the message to the Committee's members should be both the deadline and the need for flexibility.

179. The representative of Mexico thanked the Chairman of the Committee on Rules of Origin for his report. His country had taken an active part in all the work involving the HWP undertaken both in the Committee on Technical Rules of Origin of the WCO and in the WTO Committee on Rules of Origin, as established in respective agreements. Mexico would continue to participate, in a

constructive and positive manner in the work on rules of origin. It had no problem supporting the request put forward by the Chairman of the Committee with regard to confirmation of the mandate in order to complete the HWP. As regards other elements put forward by the Chairman of the CRO, those were related essentially to technical work, and they should for the time being be analysed by the Committee.

180. The Chairman of the Committee on Rules of Origin thanked all the Members for their kind words and ideas. With regard to the issue of implications, which had been mentioned by almost all speakers he said that for the time being, the Committee was focussing on the HWP itself. Once this had been completed, then other issues should be addressed by the CRO and the General Council, such as the "coherence exercise" followed by the "implementation exercise" and then "implications". On the reaffirmation of the mandate given to the CRO by the General Council, all Members had been unanimous on meeting the deadline for the Fourth Ministerial, and the CRO was also resolved to do so. However, the main focus of his report to the General Council had been that in order to meet this deadline several conditions had to be met. For example, the need to keep in mind that the rules of origin should facilitate trade rather than anything else. In September and early October there would be another two-week session of the CRO. That would be a crucial opportunity to come up with a package for the Fourth Ministerial. Members could be represented at that session of the CRO at a higher level so that the necessary flexibility could be shown on the part of each of the delegations. Thus, while he fully appreciated the mandate of the General Council, he reiterated that higher-level representation of delegates would be meaningful in that it would be indicative of their resolve to achieve something before Doha, and would make it easier for Members to have the necessary room for flexibility. Regarding the threshold rule, views had not been as unanimous as on other issues. While some Members felt the need for providing a guideline, others felt it would be too complicated or that the CRO may not have exhausted all the avenues at hand. Thus, the best case option for threshold rules would be if the General Council could give definite guidelines. The second best would be if all the Members represented at the CRO would be advised to have the necessary flexibility to come up with guideline on threshold rules. From bilateral consultations with a large number of delegations it had resulted that for further progress of the HWP, the single most important requirement would be a meeting of minds on the issue of threshold rules. There was a unanimous view on the need to resolve this very important issue soon.

181. The Chairman hoped that the discussion at the present meeting had been useful. It was clear that all Members attached considerable importance to the completion of the Harmonized Work Programme before the deadline of the Fourth Ministerial. A number of delegations, while recognizing that some progress had been made, had expressed concern at the amount of outstanding work. The General Council would reaffirm commitment to complete the Harmonized Work Programme by the agreed deadline. That would require delegations in the CRO to work even harder, and show a more pragmatic and flexible attitude. A number of delegations had also attached importance to the trade-facilitating aspect of the work of the Committee on the HWP, which was a point that had to be borne in mind. He asked Members to convey the tenor of this discussion to their representatives in the Committee, and ensure that it would be reflected in its future work. Despite its technical nature, this was important work and deserved high-level attention within missions. He also asked delegations to consider senior-level representation at the upcoming September-October meeting. He urged Members to show increased flexibility and pragmatism on the "threshold" rules, as that was a key for a successful outcome. There was also the implementation-review mechanism, where a meeting of the Special Session of the General Council would be held the next day. That avenue must at least be open if the General Council wished to follow up.

182. The General Council took note of the report and of the statements.

- (b) Reports by the Vice-Chairman of the Committee on Agriculture (G/AG/9 and Corr.1, G/AG/10)

183. The Chairman drew attention to the report contained in G/AG/9 and Corr.1 which concerned the question of the implementation of Article 10.2 of the Agreement on Agriculture and to the report contained in G/AG/10 which referred to the implementation of the Decision on Measures Concerning the Possible Negative Effects of the Reform Programme on Least-Developed and Net Food-Importing Developing Countries.

184. Mr. Suzuki (Japan), Vice-Chairman of the Committee on Agriculture, said details of the deliberation of the Committee were contained in the reports circulated in G/AG/9 and Corr.1 and G/AG/10. In addition to these, there was a third implementation-related issue, which was discussed in the Committee on Agriculture: the Addendum to the guidelines to be provided for the tariff rate quota management. Five proposals had been submitted to the Committee by developed country Members and a country in transition. These five had not been discussed at the Committee on Agriculture since Members had not had the time to look into the details. He hoped there would be a substantial discussion on this issue at the upcoming meeting of the Committee in September. With regard to the implementation of Article 10(2) of the Agreement on Agriculture, which provide to develop internationally agreed disciplines on export credits, export credit guarantees, and insurance programmes in agricultural trade, he said that it was the view, particularly of countries that had submitted a proposal, that the issue of developing internationally agreed disciplines on these matters was very much part of implementation, whereas eliminating the subsidy component of export credits, export credit guarantees and insurance was part of the negotiation. Therefore discussions would now take place both in the regular sessions of the Committee on Agriculture and in Special Sessions. On the question of developing internationally agreed disciplines, which was considered an implementation issue, Members had not been able to have a substantive discussion. This had been partly because Members had expected the OECD to make a substantial contribution to the work, although Members had been conscious that this was a WTO exercise, and they would not accept what had been agreed in the OECD. However, the OECD had so far failed to make an input. Some Members were still hopeful that there would be further developments in the OECD. However, he felt this might not be the case. He hoped that a more substantive discussion would take place in September 2001 on the basis of the proposal put forward by MERCOSUR and certain other countries; this would serve as a good checklist to identify the elements required to be discussed in the exercise to develop internationally agreed disciplines.

185. On the question of implementation of the Ministerial Decision on Net Food-Importing Developing Countries (NFIDCs) and Least-Developed Countries (LDCs), the Chairman had organised a Round Table and invited the World Bank, International Monetary Fund (IMF) and the Food and Agriculture Organization (FAO) to participate. The proposal put forward by the NFIDCs and LDCs contained three elements: (i) improving access to financing; (ii) food aid, and (iii) enhancing the technical and financial assistance to increase food production capacities in NFIDCs and LDCs. At the Round Table, the Vice-Chairman of the Committee on Agriculture had taken up the first question, related to the improvement of access to financial resources. As contained in the report, the IMF had explained that it did have sufficient financial facilities to assist the NFIDCs and LDCs, but that would only be provided in that context of balance-of-payments. Therefore, the concerns raised by the proponents to meet the short term need for improved access to financing would have to be seen in that context. The World Bank had reported that it too had facilities, but was worried that the request by the developing countries for rural development and other related activities had decreased considerably over the decade. The World Bank assistance was for longer term objectives to increase the food production capacity, and once again there were arguments whether these facilities were suited to meet the concerned proposals for the short-term financial needs.

186. He would continue to work on these questions and intended to organize an informal consultation once again to discuss first the question of financing, but also the other two issues of food aid and technical and financial cooperation as soon as possible. He would look for a convenient time-slot for all, convene another informal meeting and see how much progress he could make there.

187. The representative of Brazil thanked the Vice-Chairman for the report on export credits which captured had the opinions expressed in the last meeting. Brazil was pleased with the recent discussions that had taken place in the Committee on Agriculture on the implementation of Article 10.2. He acknowledged that there had been a good exchange of views and noted that some Members supported the MERCOSUR proposal on negotiating disciplines on export credits for agricultural products in the WTO, which was the legitimate forum to work towards the development of disciplines on export credits, credit guarantees and insurance programmes. He looked forward to making progress on the issue in the Committee on Agriculture, as well as during the Special Session. Brazil welcomed the views expressed by the Vice-Chairman of the Committee, particularly when he confirmed in paragraph 5 that there was an evident willingness among Members to make progress on the development of disciplines provided for in Article 10.2 of the Agreement in an appropriate way, and hoped that a more specific debate in this connection would ensue.

188. The representative of Pakistan thanked the Vice-Chairman of the Committee on Agriculture for his report and said that consultations had been held with a sincerity of purpose and with a view to resolving the issue of possible negative effects of the imports on Net Food-Importing Developing Countries. The Round Table which had been organized had led Pakistan to conclude that the facilities provided by the World Bank and IMF were not adequate to cater to the needs of NFIDCs and LDCs. The reasons had been explained by the proponents and the international financial institutions, and were contained in Annex 2 of the report in G/AG/10 addendum. He reiterated that the facilities available were not used by these countries because of the conditionalities attached to these compensatory financing facilities. The IMF had also indicated that such conditionalities were being further strengthened. At that moment only one country had used these facilities over a period of six and a half years. In the situation of further strengthened conditionalities there would be less chance to use these facilities. The case was not too different with the World Bank because of the conditionalities attached. The specific point emphasized in the World Bank financing facility was that social and environmental issues were genuine concerns in the view of donor countries. Therefore such conditionalities were attached to financing facilities. This was a concern for most LDCs and NFIDCs. In the course of discussions Pakistan had also indicated the need for a third window of possibility which was the International Fund for Agricultural Development (IFAD). Pakistan was hopeful that further consultations would be held by the Vice-Chairman.

189. The General Council took note of the reports in G/AG/9 and Corr.1 and G/AG/10 and of the statements.

(c) Report by the Chairman of the Committee on Sanitary and Phytosanitary Measures (G/L/455)

190. The Chairman recalled that at its meeting on the 18 October 2000, the General Council had invited the SPS Committee to examine the concerns of developing countries regarding the equivalence of SPS measures, and to come up with concrete options on how to deal with them. It had also been agreed that the Chairman of the SPS Committee would report to the General Council on this matter. The last report by the Chairman of the SPS Committee had been presented at the General Council meeting on 8-9 May 2001.

191. Mr. Ehlers (Uruguay), Chairman of the Committee on Sanitary and Phytosanitary Measures hoped that the brevity of his report would also convey the serious, detailed and serene manner in which discussions in this Committee had taken place. He and his predecessor had informed the General Council of developments in previous debates. He highlighted paragraph 5 of the report



(G/L/455) which had set out the basic ideas stemming from consultations. The second point, in paragraph 8, indicated that the Committee had before it a document that set out possible approaches to identify the concerns raised by developing countries in this area. These approaches had been identified by the Secretariat, and were reflected in the annex to the report. The Committee also had before it a series of ideas put forward by Argentina. These two papers would be examined by the Committee at upcoming meetings on 30 October 2001 and 1 November 2001. The Committee was open to any instructions from the General Council.

192. The General Council took note of the report in G/L/455 and of the statement.

(d) Report by the Director-General on activities of international financial organizations on SPS/TBT-related programmes (WT/GC/46/Rev.1)

193. The Chairman recalled that at the Special Session on Implementation on 18 October 2000, the General Council had invited the Director-General to explore with the relevant international standard-setting organizations and relevant intergovernmental organizations, financial and technical mechanisms to assist the participation of developing countries in standard-setting activities. The Director-General had already made two reports on this subject at the Special Sessions of the General Council on 15 December 2000 and 27 April 2001.

194. The Director General recalled that in October 2000, the General Council had requested him to "explore with the relevant international standard-setting organizations and relevant intergovernmental organizations financial and technical mechanisms to assist the participation of developing countries in standard-setting activities". In December 2000, he had provided the General Council with his first report on the contacts made with the standard-setting and financial organizations (WT/GC/42). In March 2000, he had reported on the very fruitful meetings that had been held with the relevant standard-setting organizations (WT/GC/45).

195. The current report was on the contacts with the relevant intergovernmental organizations which could provide financial assistance to developing countries (WT/GC/46/Rev.1). In November 2000, the Director General had requested the World Bank, the Asian Development Bank (ADB), the Islamic Development Bank, the Inter-American Development Bank (IDB) and the UN Development Programme (UNDP), for information on the kind of technical and financial assistance that they provided to developing countries to facilitate their participation in the work of international standard-setting bodies. He had also asked whether they could expand their assistance to developing countries. The main elements of the responses were as follows:

196. The World Bank had responded that it had a programme of research and capacity building in the area of standards, technical regulations, and trade, and also offered support through its lending operations for infrastructure modernization, export promotion and policy reform initiatives in a number of developing countries. It estimated that in fiscal year 1999, World Bank project funding for infrastructure related to standards totaled US\$419.2 million. The World Bank had launched a three-year series of initiatives on international standards, technical regulations and trade policy in November 1999. The overall goals of this initiative were: (i) increased understanding of the quantitative significance of standards and regulations as barriers to trade; and (ii) analysis of trade policy aspects of governments' technical regulations, with particular emphasis on developing countries. With additional resources, the Bank was prepared to develop educational tools and sponsor training seminars on international standards, and best practices in standards and regulatory reform. The WTO had been working with the World Bank in this area. The World Bank would be included in a high-level meeting planned for September to discuss further collaboration with the relevant standard-setting organizations.

197. The Inter-American Development Bank had informed the WTO that it had recently established a "Trade Facility" by which borrowing Member countries could obtain a credit line for up to US\$5 million through fast-track procedures for the strengthening of their trade institutions. These programmes had not yet included TBT and SPS-related projects in a very significant way, but the facility was flexible and allowed for the support of programmes in these areas.

198. The Islamic Development Bank had been giving special attention to WTO-related capacity building in Member countries. For this purpose, the Islamic Development Bank had organized various training courses, issue-specific workshops and seminars. In addition, the Islamic Development Bank was focusing its activities on preparing Member countries for future multilateral trade negotiations. To date, the Islamic Development Bank has organized four seminars related to the SPS and TBT Agreements. The WTO Secretariat had also participated in some of these activities.

199. According to the information received from the Asian Development Bank (ADB), its overarching goal was poverty reduction. Recently, in response to increased demand from its members and international organizations, the ADB had begun providing technical assistance in the trade sector. However, the ADB did not provide technical assistance directly related to the SPS and TBT Agreements.

200. The United Nations Development Programme (UNDP) activities were decentralized, and developed in partnership with the client countries. The UNDP information on technical cooperation activities was aggregated at the national level according to categories which did not allow the identification of specific programmes related to SPS and TBT activities.

201. In conclusion, the Director General said he had been actively pursuing the mandate of the General Council. All the above-mentioned organizations were now well aware of the concerns of developing countries with regard to standard-setting activities, and were attentive to their needs. Although the contacts and meetings with the relevant organizations had been very useful, the Director General reiterated that efforts would continue. Future discussions must focus on how to best cooperate among organizations to ensure the most effective results. With this in mind, the WTO was currently arranging for another meeting at the Deputy Director-General level with the relevant standard-setting organizations, to further develop these collaborative efforts. It was intended that the World Bank be included in this next meeting. The information that had now been received from the various financial institutions would be a valuable input for these discussions. He would report to the General Council on the outcome of that meeting.

202. The General Council took note of the report.

#### **16. Reports of the Special Sessions of the Committee on Agriculture and of the Council for Trade in Services (S/CSS/6, S/CSS/7)**

203. The Chairman recalled that at its meeting on 3 and 8 May 2000, the General Council had agreed that the reports of the special sessions of the Committee on Agriculture and the Council for Trade in Services would be a standing item on the General Council's agenda for the duration of the mandated negotiations in question.

204. Mr. Chemchaeng, in the absence of Ms. Tantraporn (Thailand) Chairperson of the Committee on Agriculture reported that at its meeting in March 2001 the Special Session of the Committee on Agriculture had adopted a work programme for the second phase of the negotiations for continuing the reform process under Article 20 of the Agreement on Agriculture. As outlined in the report to the General Council on that meeting (G/AG/NG/7 and Add.1) the second phase of these negotiations had consisted of "work in depth on all issues and options for policy reform set out in Members' proposals, with further elaboration as appropriate".

205. The work of the second phase of the agriculture negotiations was being undertaken in informal and formal Special Session meetings in relation to a series of topics, as agreed by Members. The first such meeting, an informal Special Session held on 21-23 May 2001, had taken up issues and options in respect of three subjects: (i) tariff quota administration; (ii) tariffs; and (iii) the amber box. Elaborated proposals and other informal papers had been submitted by individual Members or groups of Members in each of these areas, including a contribution by a group of developing-country Members on special and differential treatment. These informal papers (12 in total) had since been compiled and made available in the three working languages in an informal document SS(INF)AG/1 dated 8 June 2001.

206. The May 2001 informal Special Session meeting, following informal consultations, had also agreed on a listing of the further issues to be taken up at the informal Special Session meetings scheduled to be held through to the end of the current year.

207. The next informal Special Session meeting was to be held next week and this would be followed by both informal and formal Special Session meetings in the last week of September. In accordance with the agreed arrangements, the Chairman would be submitting a written report on these meetings to the General Council following the formal meeting of the Special Session of the Committee on Agriculture on 28 September 2001.

208. Mr. Jara (Chile), Interim Chairman for the Special Session on the Council for Trade in Services held in July 2001 said that since the last report to the General Council, the Council for Trade in Services had held two formal sessions on 14-17 May 2001 (S/CSS/6) and 9-12 July 2001 (S/CSS/7). As interim Chairman elected for the July 2001 session in the absence of Amb. Amorim (Brazil), he reported on the latter session.

209. With respect to the item on the assessment of trade and services, many delegations had pointed to the dearth of statistical information and the methodological problems that made it difficult to have a quantitative assessment of trade in services. Several delegations had stressed that the assessment should not be a purely academic exercise and that the discussion needed to be more focussed and conclusive. Some delegations had suggested that its objective was to determine if, and to what extent, developing countries had benefitted from developed countries' liberalization of their services markets in line with the objective of Article IV of the GATS. The Council had asked the Secretariat to produce a compilation of all the statements and submissions tabled with respect to the subject of trade in services in order to have a more focussed discussion.

210. Members had then held a second detailed discussion of the negotiating proposals submitted to the Special Session of the Services Council, and had addressed the movement of natural persons, and other horizontal issues (such as transparency, small- and medium-sized enterprises, classification, MFN exception) and the following services sectors: business services, communication services, construction and distribution services. New proposals had been tabled by the delegations of New Zealand, the MERCOSUR countries, Columbia, Japan, Australia, Brazil, Mexico and the United States. The debate had been very substantive and several comments had been raised with respect to certain elements of the proposals. Several Members had submitted their questions in advance of the meeting and more were encouraged to do so. The Secretariat had been mandated to produce a note on the application of economic needs tests, drawing upon available information in the Members' schedule and work undertaken by other intergovernmental organizations. Members had also agreed in principle that a symposium on movement of natural persons would be held after the Fourth Ministerial Conference.

211. The negotiating proposals on education, energy, environmental, financial, recreational, tourism and transport services would be taken up in October 2001. It had been decided that the horizontal issues under discussion would still figure on the agenda of the Special Session in October,

and new proposals on sectors not up for discussion may also be presented. The issue of modalities for the treatment of autonomous liberalization had been addressed in a dedicated meeting of the Special Session on 12 July 2001, structured around the annotated checklist of issues produced by the Secretariat (JOB(01)/65). Members had held extensive discussions on the issues therein. Several delegations had pointed to the need to make the discussion less academic and more operational. It was agreed that to facilitate the discussion at a political level, the Secretariat would prepare a brief paper outlining the broad views that were emerging on each of the different issues under discussion. Members would revert to the standing items in October 2001.

212. The representative of Brazil, commenting on paragraph 6 of the report in S/CSS/7, said that his country had no problem in principle with the idea of holding a symposium after the Fourth Ministerial on issues related to the movement of natural persons (mode 4). However, it would be preferable to wait until all the proposals on the remaining sectors had been discussed at the October session before taking a decision on this issue. This would ensure similar treatment or attention to areas of negotiation other than mode 4, which have also been the subject of proposals by members, including developing countries.

213. The General Council took note of the reports in S/CSS/5 and S/CSS/7 and of the statements made, and agreed to revert to this matter at its next regular meeting.

**17. India – Statement on material on different WTO Agreements provided to other International intergovernmental organizations and the WTO website by the Secretariat**

214. The representative of India, speaking under "Other Business" said that he wished to refer to certain communications between the WTO Secretariat and other international organizations and to background notes, communications and information distributed by the WTO Secretariat on the WTO website. In respect of these two categories his comments pertained only to those communications which contained explanations or questions and answers related to one or more of WTO Agreements. With regard to the first category of communications, he pointed out that the WTO membership as a whole was not receiving any information about them. There were reasons to believe that the WTO Secretariat had sent in the recent past, certain communications to other international organizations or their secretariats dealing with subject-matters under some of the WTO Agreements. There should be no difficulty for the Secretariat to share those communications with the WTO membership. For example, communications, if any, between the TRIPS Division of the WTO Secretariat and World Health Organization (WHO) on matters relating to the TRIPS Agreement could be available to the TRIPS Council and communications, if any, between the Market Access Division of the WTO Secretariat and the World Customs Organization (WCO) in Brussels could also be made available to the Committee on Market Access.

215. With regard to the second category of communications like background notes, information, etc. distributed by WTO Secretariat on the WTO website, Members could be helped by being supplied with hard copies of such material through "Information Series Documents". Such an approach would be useful for those delegations which were lacking resources and downloading from the WTO website was not always easy. It would also be useful if there was an indication in the WTO website materials as to their source within the WTO Secretariat. Sometimes there was some confusion as to whether certain material had been distributed by the Division dealing with the subject or by the Media Relations Division and that was avoidable. India had no problem with the WTO Secretariat corresponding with other international organizations or putting material on the WTO website. India only sought that when such communications involved elements relating to the explanation of an agreement, copies of such communications should be available to the membership as a whole. The WTO Secretariat had to ensure that even inadvertently it did not assume for itself the power to provide legal interpretations for any provision of any WTO Agreement. India pleaded for greater transparency of the WTO Secretariat's communications relating to provisions of various WTO

Agreements *vis-à-vis* the WTO membership. Such transparency would ensure greater acceptability as well as accountability. He was confident that the Director-General would be sensitive to the concerns expressed by India and would respond positively to its suggestions.

216. The Chairman proposed to draw this matter to the attention of the Director General for consideration.

217. The General Council took note of the statements.

**18. Switzerland – Presentation on modifications to its GSP Scheme in favour of least-developed countries**

218. The representative of Switzerland, speaking under "Other Business", informed Members of recent developments in Switzerland's General System of Tariff Preferences (GSP). This system had already been subject to a major overhaul in 1997 through which customs duties on industrial goods originating in least-developed countries (LDCs) had been completely eliminated. This had also been the case for most agricultural goods. In response to appeals being made by developing countries and in order to contribute to the integration of LDCs in international trade, the Government of Switzerland had approved on 27 June 2001 a proposal intended to progressively eliminate customs duties affecting a small number of agricultural products from LDCs, which were not already admitted duty-free. As a result of this operation all products from LDCs would enter Switzerland duty-free and quota-free. This revision of Switzerland's GSP Scheme was along the same lines as initiatives taken by other Members, such as the European Communities and Norway. The LDCs would benefit in a first stage i.e. as of 1 January 2002 from an average custom reduction of 30 per cent of the normal tariff on all their agricultural goods which did not yet benefit from tariff preferences. As from 1 April 2004 these tariff levels would drop again by 30 per cent. The Parliament would then decide in 2005 on the date of the last phase of implementation. Details of the recent changes in Switzerland's GSP Scheme would be notified to the relevant WTO bodies.

219. The General Council took note of the statement.

**19. Director General – Statement on certain aspects of the logistical preparation for the Fourth Ministerial Conference**

220. The Director General, speaking under "Other Business", drew the attention of Members to the enormous pressure the WTO faced in terms of available rooms in Doha. He recalled that the Government of Qatar had undertaken to make available 4,400 rooms for the Conference. Members had accepted this offer and in all meetings he had had with Qatari officials they had reassured him concerning that commitment. But all the Members had a duty to support the host because their offer had been made on the basis of a certain number of rooms and they were honouring their commitment. In light of the number of rooms Members had agreed to for the Conference, there was a need to exercise the greatest possible restraint in deciding on the size of their delegations. The Secretariat would do the same. He therefore appealed to Members to show restraint. He added that Members had agreed on attendance at the Conference by other key categories such as media and non-governmental organizations. Their attendance must be managed within the agreed number of rooms. Regarding the official delegations, he said that the deadline for Members to return their registration forms and give information concerning delegations was 31 July. This deadline had been decided upon in order to give Qatar sufficient time to do the appropriate processing. The registration forms were contained in the box files sent to delegations some time ago. It was essential that the required information be provided in timely fashion. In the event that Members were not able to provide the full information by the requested deadline, it was crucially important that by the end of the month they gave the WTO Secretariat at the least some indication of the size of their delegation. He asked Members to supply the name of their Delegation Coordinator to the office of Mr. Jacques Chabert,

Head of the Secretariat's Logistical Task Force. Members could not rule out the possibility to discuss and decide on a more radical means to achieve the right balance.

221. Regarding non-governmental organizations, the Director-General said that at its meeting on 8 May, the General Council had agreed to specific procedures for registration and attendance of NGOs at the Doha Conference. Following that meeting, the procedures had been immediately circulated for the information of Members in document WT/MIN(01)/INF/3. They had also been placed on the WTO website to inform interested NGOs of how to register for the Conference. The WTO had also disseminated the information in its regular NGO Bulletin and through other activities. He was aware too that many Member governments had circulated the information to NGOs in their respective countries. Some of the larger NGOs had also been proactive in that regard. Concerning the agreed deadlines, the 2 July deadline for NGOs to submit their registration requests had now passed and no further applications would be processed. The requests received before the deadline were now being reviewed and in order that the Secretariat, the host country and NGOs had sufficient time to prepare for the Conference, the Secretariat was required to prepare a list of organizations eligible for registration (under the agreed criteria) and circulate that list to WTO Members for their information. Immediately thereafter, NGOs would be informed about further arrangements concerning their attendance and registration forms would be sent to them. NGOs must complete and return the forms by 17 September. Confirmation of registration would be sent to the NGOs as from 1 October. In deciding on the procedures regarding registration and attendance by NGOs at Doha, the General Council had noted that depending on the number of NGOs wishing to attend, it could not be excluded that certain limits might be imposed. It was already evident that the number of NGOs that wished to attend was considerable and the WTO would need to insist on some limits. At the same time, however, the WTO was still awaiting clear information from Members as to their accommodation requirements. In light of these factors, and with the agreement of Members, it was his intention to proceed as follows. The list of NGOs eligible for registration would be circulated for the information of Members on Friday, 3 August. NGOs would then be advised on Friday, 10 August giving them just over a month to complete and return the relevant registration forms. He realized that this procedure included work in the August break, but it was important that NGOs were given adequate time to prepare.

222. Regarding the media, the Director-General said that media interest in the Conference would be considerable. It was important, therefore that adequate provision was made for their attendance. The deadline for media registration was 24 September but already indications were that requests would exceed even the number of NGOs wishing to attend. As logistical preparations proceeded he would be working to ensure that suitable provision was made for media attendance.

223. The General Council took note of the statement.<sup>9</sup>

**20. Chairman – Announcement concerning the Chairmanships of the Working Parties on the Accession of Cape Verde and the Federal Republic of Yugoslavia.**

224. The Chairman, speaking under "Other Business", informed the General Council that on the basis of consultations held, Mr. David Shark (United States) had agreed to chair the Working Party on the Accession of Cape Verde and that Mr. Milan Hovorka (Czech Republic) had agreed to chair the Working Party on the Accession of the Federal Republic of Yugoslavia.

225. The General Council took note of the information.

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<sup>9</sup> Subsequently circulated in JOB(01)/117.

## ANNEX I

### Report by the Chairman of the Committee on Rules of Origin

#### 1. Background

1.1 The General Council, at its meeting on 15 December 2000, adopted the following decision concerning the Agreement on Rules of Origin:

"Members undertake to expedite the remaining work on the harmonization of non-preferential rules of origin, so as to complete it by the time of the Fourth Ministerial Conference, or by the end of 2001 at the latest. The Chairman of the Committee on Rules of Origin (CRO) shall report regularly, on his own responsibility, to the General Council on the progress being made. The first such report would be submitted to the Council at its first regular meeting in 2001, and subsequently at each regular meeting until the completion of the work programme." (WT/L/384)

1.2 The first such report was made at the General Council meeting on 9 February 2001 and the second was made on 9 May 2001. This is the third report.

#### 2. Progress made at the May 2001 Session of the CRO

2.1 The Committee on Rules of Origin held another round of negotiating session from 7 to 18 May 2001. During this negotiating session, the Committee discussed outstanding issues concerning rules of origin of Chapters 1-24 (agricultural products and fish), Chapters 25-27 (mineral products), Chapters 41-43 (leather), Chapters 44-49 (wood and paper), Chapters 50-63 (textile products), Chapters 64-67 (footwear and headgear), Chapters 86-89 (transportation equipment) and Chapters 92-97 (musical instruments and other articles).

2.2 The outcome of the discussions was very positive; consensus has been reached on no less than 42 issues (G/RO/M/36). The progress since 1997 can be summed up in the following table.

Number of issues referred to the CRO	Number of resolved issues
486	September 1997-September 2000: 22 (less than 1 per session) November 2000: 8 March 2001: 24 May 2001: 42 Total: 96 ( with 390 outstanding issues)

2.3 The new working methodology adopted in April 2001 was helpful. The positions recommended by the Chairman under the new methodology served as a neutral basis for negotiations and many Members showed welcome flexibility to support the Chairman's recommendations. The revised recommendations were circulated in mid-June 2001 for the CRO session from 9-23 July 2001.

#### 3. Implications of the HWP

3.1 Another important issue discussed at the CRO since its report to the General Council on 9 May is the implications of the implementation of the harmonized rules of origin on other WTO Agreements. The discussion took place at the informal meeting of the CRO held on 19 June 2001.

Previously, the CRO had been discussing this issue since May 1998. In this context, there had been submissions from the Dominican Republic and Honduras (G/RO/W/33), El Salvador (G/RO/W/34), India (G/RO/W/28/Rev.1, G/RO/W/30, 42 and 50), Japan (G/RO/W/66), Korea (G/RO/W/38) and the United States (G/RO/W/32, 48 and 56).

3.2 The summary of discussions held on 19 June is as follows:

- The informal discussion on the implications of the HWP for other WTO agreements was conducted with respect to (1) the implications of the completed harmonized rules and (2) the implications of the proposed rules for harmonization.
- Discussions on both subjects were lively and helped to identify many of the important problems that should be addressed both before and after the completion of the HWP. However, the discussion could not lead to any agreement on concrete actions.
- All the Members agreed that any discussion on the implications of the HWP should be conducted in such a manner as to facilitate the HWP and should not hinder its progress.

#### **4. Work up to Doha**

4.1 Although the HWP has clearly been expedited and the resolution of 72 issues over the last three rounds of meetings is significant, it should be recognized that 390 issues are still before the Committee.

4.2 The July session of the CRO began on Monday 9 July and will continue until Monday 23 July, with 12 working days, including a Saturday session on 14 July. The September/October session is scheduled from 24 September to 5 October 2001. The Doha Ministerial is scheduled on 9-13 November 2001.

4.3 Thus, according to the temporal deadline contained in the mandate of the General Council, the CRO is now entering the final phase of its HWP. In this connection, the same plea is to be made as in the second report to the General Council: *id est*, the CRO continues to look up to the General Council for guidance and support so that the Council's mandate could be fully achieved with best efforts on the part of the CRO.

4.4 In particular, the General Council's guidance on the following points would be highly appreciated:

- (Confirmation of the General Council's mandate) The delegates at the CRO should be firmly reminded that the HWP is to be completed by the 4<sup>th</sup> Ministerial.
- (Identification of the threshold rule) With respect to most of the issues remaining before the CRO, solutions can be found only through agreement on the applicable threshold rule. As an example, there is no question that assembly is origin-conferring. However, assembly cannot be always origin-conferring. Thus, the real question is to identify the threshold of the assembly work, over which assembly can be considered as 'substantial transformation'.
- So far, there has been no meeting of mind on this critical issue. Some delegations believe that value-added rule can provide a general threshold rule, especially for machinery chapters. Other delegations find it difficult to accept value added rule for technical difficulties involved. For this reason, no substantial progress could be made in the CRO's



discussion held on 9-11 July on the machinery chapters. Without the resolution of this critical issue, further meaningful progress in the HWP is difficult to be expected.

4.5 Conclusively, the HWP is at a critical stage. Members' renewed resolve and agreement on the underlying fundamental issues would lead to continued resolution of remaining issues and the completion of the HWP by the 4<sup>th</sup> Ministerial. Otherwise, the outcome would be far short of the mandate of the General Council.

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