

## TARIFFS AND TRADE

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### BUDGET ESTIMATE FOR THE TRADE POLICY REVIEW MECHANISM

#### Note by the Secretariat

#### Introduction

1. The budget for 1989 includes a provision of Sw F 500,000 for the Trade Policy Review Mechanism (TPRM) envisaged under proposals then under negotiation in the Uruguay Round negotiating group on Functioning of the GATT System. This provision was approved on the understanding that the funds would be frozen until the Council, based on the recommendation of the Committee, had duly approved the detailed expenditure of these funds for financing exclusively TPRM activities.
2. On 12 April 1989, the CONTRACTING PARTIES adopted a Decision (L/6490) approving the establishment of a Trade Policy Review Mechanism. At its meeting on that date, the Council instructed the Budget Committee to take appropriate action on the financial aspects of this Decision. The purpose of the present note is to provide the Committee with detailed estimates on which it can base its recommendation regarding the allocation of the Sw F 500,000 included in the 1989 Budget. The 1990 estimates, of course, would have to be approved within the 1990 GATT Budget.
3. The Decision on the TPRM, whose basic elements are outlined for the information of the Committee in Annex I to the present note, establishes it with immediate effect, on a provisional basis. In the light of experience gained from its operation, the CONTRACTING PARTIES will, at the end of the Uruguay Round review, and if necessary modify, the arrangements made. The present need is therefore to establish arrangements which will operate during the remainder of 1989 on a limited scale, but which will be more fully operational in 1990 and can thus provide the experience required for an informed decision by the CONTRACTING PARTIES when the Uruguay Round ends. The present note has been prepared in this perspective: it considers, first, the estimated budgetary requirements for full operation of the TPRM, and on that basis makes more limited and specific proposals for 1989.
4. Only experience will confirm whether the present estimates represent an accurate measure of the budgetary requirements for the TPRM. However, they have been drawn up on the basis of detailed examination of the implications of the TPRM for the work of the Council and the Secretariat. The estimates make provision for technical assistance that may be requested, under the terms of the Council Decision, by developing countries, as well as for costs of translation, reproduction and distribution of reports under the TPRM and of reports of Special Council

sessions. As regards staffing, the estimates take account of preparation of the review reports, technical assistance, maintenance of country data, monitoring of policy developments and ensuring fulfilment of reporting requirements. They also cover preparation of the annual overview report to be presented by the Director-General. In addition, provision is required for direction of the Secretariat unit responsible for the TPRM and for supporting staff.

5. The Director-General has decided to establish a separate unit in the Secretariat whose primary responsibility will be for the TPRM, but which will also take over servicing the Committee on Balance of Payment Restrictions (BOP) and the Uruguay Round Surveillance Body, existing responsibilities that require Secretariat support of a similar character. This unit will be constituted from three sources: (a) certain staff currently engaged in surveillance activities (Uruguay Round and Special Councils) and the BOP Committee; (b) internal transfers and (c) recruitment either direct to TPRM posts or to replace existing staff, now performing other duties, who are transferred to the TPRM unit.

6. Preparation of the first reviews which will take place in 1989 will have to be undertaken largely by existing staff, since recruitment procedures are time-consuming. However, the additional burden on the existing staff, already heavily engaged in the Uruguay Round, can only be borne for a limited period. Apart from preparing the 1989 reviews, work for the 1990 reviews will have to start before the end of the year. Reporting procedures and data collection arrangements will also have to be put in place. Every effort should therefore be made to complete recruitment promptly, and most of the unit should be staffed by October 1989. It is anticipated that there will be three or four country reviews in 1989, including two of the largest trading entities, and a full programme of reviews, i.e., which would cover up to 16 countries in 1990.

7. The costs of the TPRM in 1990, full year, and in 1989 are as follows:

(i) Staffing (Salaries and Common staff costs)

Requirements for the new unit are estimated at nine Professional posts, plus one Director<sup>1/</sup> and three General Service posts. Of the Professional posts, six and a half would be for staffing country reviews (including maintenance of reporting system and servicing of special Councils and editing of reports), half a post for technical assistance, one post for maintenance of country data (including preparation of overview) and one post for the existing tasks of servicing the BOP Committee and the Uruguay Round Surveillance Body. Of these requirements, three Professional posts (one P5, one P4 and one P3), and one General Service post (one G4), will become available through redeployment. The net requirement is therefore estimated as one Director (D1) and six Professional posts (one P5, two P4, two P3 and one P2) and two General Service posts (G5 and G4). In regard to the translation and processing of

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<sup>1/</sup> Job descriptions for these posts are outlined in Annex III.

documents, see sub-section (v) below, 720 work days of translators, 720 work days of typists (typing Pool) and 360 work days of Roneo clerk would be required. All new staffing requirements will be provided for under the temporary assistance budget.

Staffing of the new unit would not be completed until early 1990. In 1989 the Director-General intends that the unit shall consist of a Director (D1), six Professional posts (two P5, two P4 and two P3) and three General Service (one G5 and two G4). The unit will be completed in 1990 with an additional three Professional posts (one P4, one P3 and one P2). The additional translators, typists and roneo clerks will also be added in 1990.

(a) 1990, full-year:

The full-year cost of the net requirement in new posts (one Director, six Professional and two General Service categories), Translators, Pool and Roneo work days is

Sw F 1,655,000

(b) 1989:

In 1989, the D1, P5, P4, and P3 posts to be filled are required for three months each and 2 General Service support staff for six months each

Sw F 281,000

(ii) Common Services

Accommodation

The additional staff members (including support staff) would require ten additional offices. There are no empty offices either in the CWR or at 80, rue de Lausanne.

(a) 1990, full-year:

The full-year cost on the basis of charges currently payable for outside offices would be

Sw F 216,000

(b) 1989:

The 1989 provision for the ten additional offices would be

Sw F 50,000

Communications costs

(a) 1990, full-year:

Based on current operating expenditure, the full year cost of cable, telex, telefax and communications costs would amount to

Sw F 30,000

(b) 1989:

For 1989 these costs are estimated to amount to

Sw F 5,000

Permanent Equipment

(a) 1990, full-year:

The full year cost including five personal computers is estimated at

Sw F 49,000

(b) 1989:

The cost of additional equipment to be purchased including five personal computers is estimated at

Sw F 60,000

EDP machine time and costs related with the use of the International Computing Center (ICC)

(a) 1990, full-year:

The full year cost is estimated at

Sw F 110,000

(b) 1989:

(i) Staffing

The 1989 cost is anticipated at

Sw F 16,000

(iii) Missions

(a) 1990, full-year:

Twelve missions at a cost of

Sw F 180,000

(b) 1989:

Three missions at a cost of

Sw F 45,000

(iv) Meetings - Interpretation costs

As it is expected that the GATT team of interpreters will service the additional special Council meetings, there will be no need to recruit outside interpreters for this purpose, and consequently, no additional costs will arise.

(v) Documentation costs

The total annual volume of full and interim review reports by contracting parties and of review and overview reports by the Secretariat is estimated at 1,850 pages of original text. Allowing for cessation of production of the semi-annual reports on developments in the trading system, the net increase in documentation would be about 1,500 pages in the original language, or 4,500 pages when translated and reproduced in the three working languages. This represents a workload of over two million text pages a year. On the basis of present average per-page costs, the cost of reproducing and distributing the reports would be

(a) 1990, full-year:

The estimated annual cost is Sw F 50,000

(b) 1989:

The estimated requirement would be Sw F 13,000

(vi) Printing

Sixteen review reports will be published each year. Duplication will be undertaken in GATT but the cover should be commercially printed and the binding would also be made outside.

(a) 1990, full-year:

The estimated cost is Sw F 64,000

(b) 1989:

Only one report is likely to be ready for publication by the end of the year Sw F 4,000

(vii) Total costs

(a) 1990, full-year: Sw F 2,354,000

(b) 1989: Sw F 474,000

A detailed breakdown of the costs is shown in Annex II.

ANNEX I

Basic Elements of the Trade Policy Review Mechanism

The Decision establishing the TPRM provides that:

(i) A system of regular reviews of the trade policies of all contracting parties is initiated. These reviews are carried out by the Council, in special session. A number of reviews of individual contracting parties are carried out each year; in addition, the Council will conduct an annual overview of developments in the international trading environment.

(ii) The frequency with which individual countries are reviewed depends on their share in the total trade of contracting parties. The four largest - currently the European Community (counted as one), the United States, Japan and Canada - are each reviewed every two years. The next 16 are each reviewed every four years, and the remainder every six years, except that a longer period may be fixed for least-developed countries. For contracting parties consulting fully with the Balance-of-Payments Committee, administrative arrangements to be devised may postpone reviews by up to twelve months, but will only marginally affect the overall schedule of TPRM reviews. These frequencies laid down by the Decision imply that, each year, reviews will take place of two of the four largest traders, four of the next 16 largest, and - on the assumption that least-developed countries are examined, on average, every 8-9 years - about 10 of the remaining contracting parties: a total of 16 country reviews each year.

(iii) Country reviews will be based on reports both by the contracting party concerned and by the Secretariat. Contracting parties will submit full reports, based on an agreed format, in years when they are subject to review, subject to the proviso that all will submit initial full reports within four years after establishment of the TPRM. All contracting parties will also submit annual updates of the statistical elements in the reports, as well as interim reports when their trade policies change significantly. The Secretariat is to provide technical assistance, on request, to developing countries. The Secretariat's own reports, drawn up for each review on its own responsibility, will be based both on information available to it and that provided by the contracting parties reviewed: the Secretariat is to seek clarification from these contracting parties of their trade policies and practices.

(iv) The reports by the contracting party under review and by the Secretariat, as well as the summary record of the Council session concerned, will be published promptly after the review.

(v) The TPRM will replace the present twice-yearly special sessions of the Council to review developments in the trading system.

(vi) The annual overview by the Council is to be based on a report by the Director-General.

Estimated net additional costs: (i) in 1989, (ii) in 1990, full-year

	1989		1990, full-year	
	<u>Sw F</u>		<u>Sw F</u>	
I. <u>Meetings - Interpretation costs</u>				
It is assumed that meetings will be serviced by the GATT team of interpreters, therefore no additional interpretation costs will arise	-		-	
II. <u>Salaries</u>				
a) <u>Posts</u>				
Professionals and General service support staff	1 D1, 3 P (1 P5, 1 P4 and 1 P3) and 2 GS support staff (In total, 12 work months for P and higher staff and 12 work months for GS staff)	172,000	Continuation of 1989 requirement and an additional 3 P (1 P4, 1 P3, 1P2) and 3 GS (In total, 84 work months for P and higher staff and 60 work months for GS staff)	1,000,000
b) Common staff costs		109,000 <sup>1/</sup>		367,000 <sup>1/</sup>
c) Translators (work days)		-	720 work days	288,000
III. <u>Missions</u>				
Average duration of 5 days	3 missions	45,000	12 missions	180,000
IV. <u>Common services</u>				
a) additional office space	10 offices	50,000	10 offices	216,000
b) cable, telex, telefax, rental of equipment and communication		5,000		30,000
c) reproduction of documents	500 000 pages	13,000	2 million pages	50,000
d) permanent equipment	including 5 PCs	60,000	including 5 PCs	49,000
e) EDP (ICC machine time)	ICC machine-time	16,000	ICC machine-time	110,000
V. <u>Printing</u>	1 review report	4,000	16 review reports	64,000
VI. <u>Total</u>		474,000		2,354,000

<sup>1/</sup> Including recruitment costs

ANNEX III

Job Descriptions for TPRM Professional and Higher Category Posts

- One post of Director (D1) to direct and administer the unit responsible for the TPRM, its staff and resources.
- 6 1/2 posts of country review officers, who will conduct research into the trade policy of the countries under review, including the maintenance of the reporting system whereby the countries supply information to the Secretariat. They will draft the Secretariat reports, taking into account consultations with national authorities, including visits to capitals as required. They will prepare the Council sessions at which consideration is given to the reports, after reviewing them with the discussants. They will service those sessions, and draft the reports of their proceedings.
- One post for the existing tasks of servicing the BOP Committee and the Uruguay Round Surveillance Body
- One post for the maintenance of data on national trade policies and practices, which will serve as resource material for the conduct of the reviews. This post will also be responsible for principal input into the preparation of the annual overview report to be considered by the Council. This is essentially the continuation of work carried out at present for the preparation of the special sessions of the Council dealing with Developments in Trade Policy.
- Half a post of economics affairs officer to provide technical assistance, on request, to developing countries whose trade policies are due for review.