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**CURRENT ISSUES OF IMPORTANCE TO THE ESCWA REGION
(ESCWA RESOLUTION 119 (X))**

**CONCERNS OF THE ESCWA MEMBER STATES REGARDING THE WORLD
TRADE ORGANIZATION, THE RELATED AGREEMENTS AND FUTURE
TRADE NEGOTIATIONS***

Note by the Executive Secretary

CONTENTS

	<u>Page</u>
Introduction	3
 <u>Chapter</u>	
I. THE WORLD TRADE ORGANIZATION AND THE AGREEMENTS THAT GOVERN IT	5
A. The World Trade Organization	5
B. Dispute settlement system	7
C. International agreements on trade in goods	7
D. Agreement on Trade-Related Aspects of Intellectual Property Rights	11
E. Trade in services	12
F. Special treatment of developing and least developed countries under the WTO agreements	13
II. ESCWA MEMBER STATES AND MEMBERSHIP IN THE WORLD TRADE ORGANIZATION	15

* Provisional.

CONTENTS (continued)

	<u>Page</u>
A. Member States	16
B. The principal specific commitments of member States	17
C. The rights of ESCWA countries members of WTO	18
D. Negotiations for WTO membership	19
III. ISSUES ON THE FUTURE AGENDA OF THE WORLD TRADE ORGANIZATION . .	22
A. The international trade system and core labour standards	22
B. Agreement on the liberalization of trade in information technology products and certain pharmaceuticals	23
C. Government procurement	24
D. Investment and rules of competition	24
IV. ESCWA ACTIVITIES AND WTO CONCERNS	25
<u>Table.</u> Principal topics on the agenda of the World Trade Organization for the coming years	26

FIGURES

I. Agreements of the Final Act of the Uruguay Round	6
II. Organizational structure of the World Trade Organization	8

ANNEXES

I. Challenges and opportunities in agriculture under GATT and WTO in the ESCWA member countries with special reference to Egypt	30
II. The challenges and opportunities of the new international trade agreements resulting from the Uruguay Round: post-Uruguay preparations and adjustment in the textiles and clothing sector in the ESCWA region	33
III. Crude oil, petroleum products and the petrochemical industries in the ESCWA member countries: challenges and opportunities connected with the new international trading system: the Uruguay Round agreements	35
IV. The Agreement Establishing the World Trade Organization and its implications for technology transfer in the pharmaceutical industry in selected ESCWA member countries	38

Introduction

1. At the start of 1995, the World Trade Organization (WTO) began its activity with a view to becoming the international organization responsible for the international trading system arising from the agreements of the Uruguay Round of multilateral trade negotiations that were signed in Marrakesh, Morocco, in April 1994. In the final round of negotiations of the General Agreement on Tariffs and Trade (GATT), which lasted seven years and in which both industrial and developing countries participated for the first time, the international community strove to set up an adaptable, global multilateral trading system, taking into account the interests of countries at various levels of development and based on the total conviction that the multilateral trading system should guarantee that all parties, whether strong or weak, large or small, are on an equal footing with the rest in terms of respect for obligations and the defence of rights, all within a balanced framework.

2. The creation of the World Trade Organization is considered one of the most important results of the Uruguay Round of multilateral trade negotiations, which also gave rise to 28 agreements in areas such as trade in goods and services and trade-related aspects of intellectual property rights. This package of agreements brought greater liberalization of international trade and established firm bases for fair competition, leading some economic analysts to fear the consequences of the Round, especially for developing and newly industrialized countries.

3. In summarizing the results of the negotiations, one might say that they proceeded in two main directions:

(a) Horizontally, broadening the content of the international trading system to include trade in textiles and agricultural products, in addition to arriving at the first multilateral international trade agreement on trade in services as well as an agreement for the regulation of trade-related aspects of intellectual property rights;

(b) Vertically, formulating new rules for establishing firmly the principle of fair competition in which flexibility towards developing and least developed countries constituted a goal. In addition, a number of rules contained in GATT 1947 were amended with a view to greater clarity in terms of wording and application, based on the practical experience gained in their implementation over the past decades, and improvements were made in the dispute settlement system.

4. The international trade agreements concluded are considered on the whole to be a positive development in international economic relations which no country jealous of its international standing can ignore. The post-War international economic system, which successfully created two supervisory institutions for monetary affairs and international capital transfers (the International Monetary Fund and the World Bank), as well as the GATT, reached its completion with the creation of the World Trade Organization.

5. The set of agreements administered by WTO includes a number of obligations and rights. It must be borne in mind that more than 100 countries, each with its own particular interests, often conflicting or even incompatible with the interests of other parties, participated in the drafting of these multilateral agreements. It is natural, therefore, that the final product should be in some way a reconciliation of conflicting interests, inasmuch as it must not turn out that one party has satisfied all its interests while other parties have to bear all the burdens. It is natural that rights and obligations should be balanced so that the final result will be a situation of equilibrium, for what counts is the end result.

6. Thus, in assessing the results of the Uruguay Round, one must examine the final upshot and whether there is any advantage in joining the new international trading system in spite of whatever burdens it may entail, or whether one should rather reject it. The Final Act embodying the results of the Uruguay Round called attention to this, and the question is proposed to the parties in a single take-it-or-leave-it package. It is not possible for a country to accept some of the provisions while expressing reservations regarding others. It should be noted, however, that a number of the agreements will affect non-member States, not only because the international trade of the States that have acceded to them represents more than 90 per cent of the world trade volume, but also as an inevitable consequence of the fact that non-member States have vital trade interests with parties to the WTO Agreement, and there is an obligation for the latter to abide by the WTO Agreement vis-à-vis the other members of the new organization.

7. Both Kuwait (1963) and Egypt (1971) managed to join GATT and both took part in the Uruguay Round of multilateral trade negotiations. Some ESCWA member countries, on the other hand, enjoyed de facto membership (some Gulf countries and Yemen) owing to the fact that GATT policies were applied during the British Mandate. Moreover, although both the Syrian Arab Republic and Lebanon were among the founding members (23 countries) of GATT in 1947, they both withdrew from it in the 1950s.

8. The Final Act Embodying the Results of the Uruguay Round, which contained the provisions governing the creation of the World Trade Organization and the set of international trade agreements, was signed by 117 States. Five of them are members of the Economic and Social Commission for Western Asia (ESCWA), namely Kuwait and Egypt (by virtue of their full membership in GATT and their acceptance of the results of the Uruguay Round), and Bahrain, the United Arab Emirates and Qatar, owing to the fact that they had enjoyed de facto membership in GATT. These States accepted specific commitments in the areas of goods and services.

9. The Kingdom of Saudi Arabia applied for membership in GATT (1993), which was transferred to the World Trade Organization (1995), as did Jordan (1994) and Oman (1996). Working committees were set up to examine applications for membership and complete the requirements for it, including discussion of the specific and general commitments of new States. Completing the procedures for full membership in the World Trade Organization is a process that takes several years.

10. The interest of the Arab States members of ESCWA in membership in the World Trade Organization has grown over the past few years, owing in particular to the start of ambitious plans for the diversification of local production, a trend towards export within the framework of a general movement in the direction of economic reform and a liberalization of foreign trade that has included most of the countries of the region. Moreover, one of the most important results of the Uruguay Round was its inclusion of trade in services in the new international trading organization. The growing importance of that sector for the majority of the ESCWA member countries has generated greater interest in membership in the new organization.

11. The present paper deals with issues and concerns of the ESCWA member States regarding WTO topics and contains a review of the agreements. It takes an overall look at the future of trade negotiations following the start of the new organization's activity at the beginning of 1995 and the holding of its first Ministerial Conference (Singapore, December 1996). The paper is divided into four chapters, as follows:

- I. The World Trade Organization and the agreements that govern it;
- II. ESCWA member States and membership in the World Trade Organization;

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- III. Issues on the future agenda of the World Trade Organization;
- IV. ESCWA activities and WTO concerns.

I. THE WORLD TRADE ORGANIZATION AND THE AGREEMENTS THAT GOVERN IT

12. The Uruguay Round negotiations resulted in a set of multilateral agreements governing international trade in the following three areas: trade in goods, trade in services and trade-related aspects of intellectual property rights. It also produced a special Agreement Establishing the World Trade Organization, which is to be the international organization concerned with world trade matters and in charge of the implementation of the agreements reached (figure I).

A. The World Trade Organization

13. During the final stages of the Uruguay Round negotiations, with a view to the success of those negotiations and in keeping with the desire of the various parties to implement the agreements reached during the Round, there arose the notion of a world trade organization that would be the organizational and institutional framework for the implementation of those agreements and that would assume the following tasks:

- (a) Supervision of the implementation of the 24 multilateral agreements governing trade relations among the member States, in addition to the 4 plurilateral (non-compulsory) agreements;
- (b) Organization of future negotiations among member States around topics relating to the rules of international trade practice agreed upon during the Uruguay Round, in addition to negotiations in future rounds with a view to the further liberalization of trade in general;
- (c) Settlement of any disputes that may arise among the member States in connection with the implementation of international trade agreements, in accordance with the Understanding concluded in that regard;
- (d) A review of the trade policies of the member States in accordance with the agreed mechanisms, including the conformity of such policies with the rules and bases found in the texts of the agreements;
- (e) Cooperation with the International Monetary Fund and the World Bank with a view to guaranteeing greater uniformity in the economic policy-making process at the international level.

14. The organizational structure of the World Trade Organization is as follows:

(a) **Ministerial Conference:** The Ministerial Conference meets at least once every two years and includes representatives of all member States. The Conference is responsible for the functioning of the organization and adopts the necessary measures and decisions for that purpose. In addition, it takes decisions, at the request of member States, on all matters coming under the multilateral agreements;

(b) **General Council:** This is the body that oversees the day-to-day work of the organization. It also assumes the duties of the Ministerial Conference between its sessions as well as dispute settlement functions

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Figure I. Agreements of the Final Act of the Uruguay Round

Market access	Rules and procedures	New areas
<ul style="list-style-type: none"> * Agriculture * The Application of Sanitary and Phytosanitary Measures * Textiles and Clothing 	<ul style="list-style-type: none"> * Technical Barriers to Trade * Dumping and anti-dumping measures * Customs valuation * Preshipment Inspection * Rules of Origin * Import Licensing Procedures * Subsidies and Countervailing Measures * Safeguards * Rules and Procedures Covering the Settlement of Disputes * Trade Policy Review Mechanism 	<ul style="list-style-type: none"> * Trade in Goods * Trade-Related Aspects of Intellectual Property Rights * Trade-Related Investment Measures
+		
<u>Commitment schedule</u>		
<u>Goods-related</u>		
Agriculture		
Textiles		
Others		
<u>Services-related</u>		
Financial		
Transport, etc.		
		<ul style="list-style-type: none"> - Plurilateral agreements - Agreement on Trade in Civil Aircraft - Agreement on Government Procurement - International Dairy Agreement - International Bovine Meat Agreement

.../

and the task of reviewing the trade policies of member States. The Council, which is composed of representatives of all member States, meets whenever necessary. Branching off from it are the following three specialized councils:

- (i) Council for Trade in Goods (replaced the earlier GATT Council of 1947);
- (ii) Council for Trade in Services;
- (iii) Council for Trade-Related Aspects of Intellectual Property Rights.

(c) **Subsidiary committees:** These committees, created by the Ministerial Conference, include the Committee on Trade and Development, the Committee on Balance-of-Payments Restrictions, the Committee on Budget, Finance and Administration and any other committees that may need to be created;

(d) **Secretariat:** The organizational structure includes a secretariat headed by a Director-General appointed by the Ministerial Conference, which determines his powers and duties. The Director-General appoints the members of the staff of the secretariat, determining their duties, powers and terms of service in accordance with general regulations adopted by the Ministerial Conference.

15. Figure II shows the structure of the World Trade Organization.

B. Dispute settlement system

16. The General Council of the World Trade Organization is responsible for overseeing the mechanism for the settlement of trade disputes among member States in accordance with the Understanding on Rules and Procedures Governing the Settlement of Disputes. Under the terms of the Understanding, any member that suffers damage or loss as a result of a violation by another member or members of the agreements whose implementation is overseen by the organization may file a complaint with the organization after exhausting other possibilities for arriving at an amicable solution in keeping with the existing agreements. In such an event, a panel is established to examine the case and propose the appropriate ruling. The agreement includes a definition of the operation of such panels and the procedures to be followed by them in accordance with a clearly defined timetable. Member States are forbidden to take any decision in consequence of a violation of any obligation undertaken by any member State otherwise than through the organization's dispute settlement mechanism. Consequently, no retaliatory measure based on a unilateral decision may be adopted in the event of a violation. The Uruguay Round also created a system of appeals.

C. International agreements on trade in goods

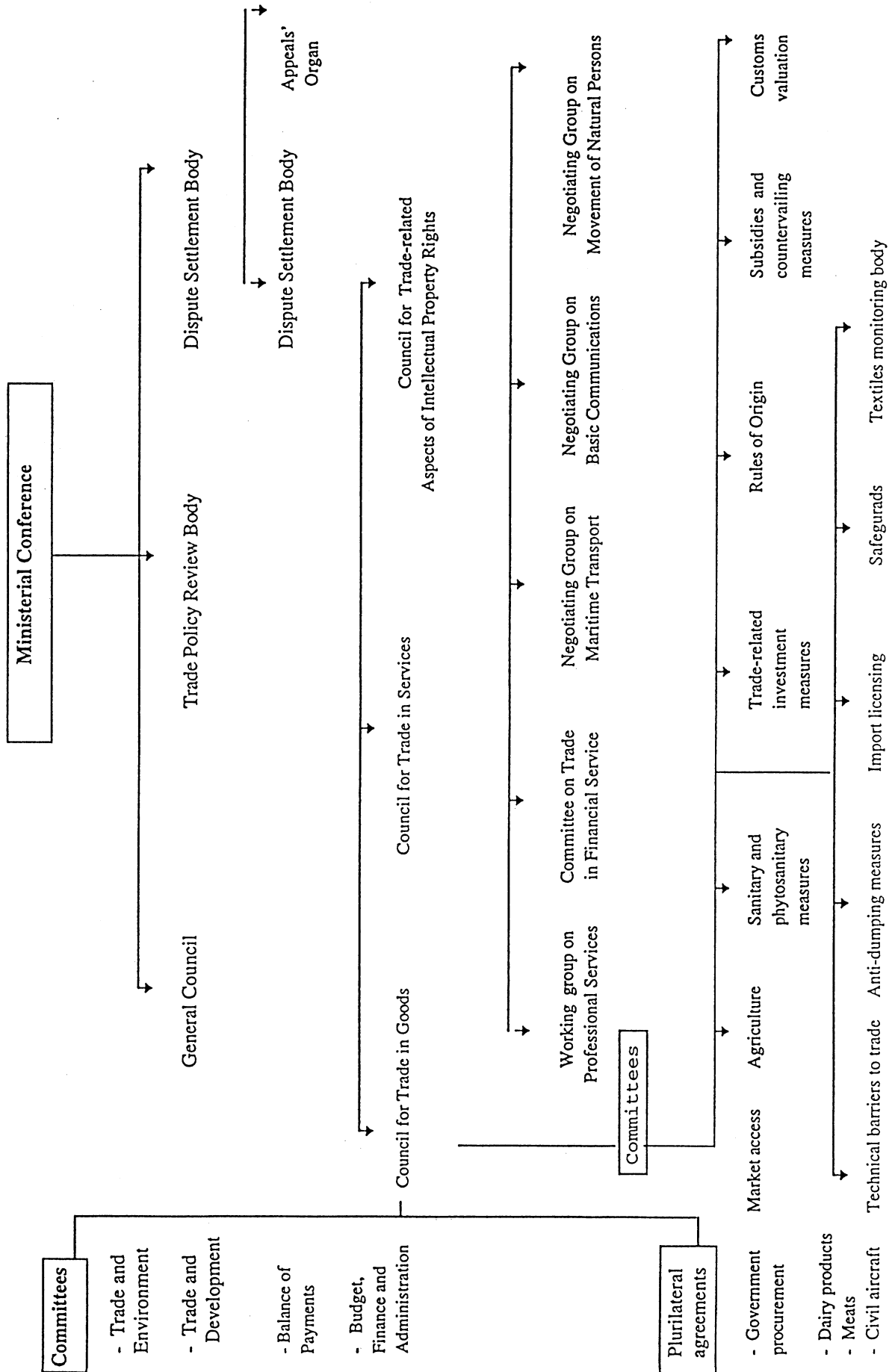
17. The agreements on trade in goods are in two parts: the first includes the protocol on market access, the Agreement on Agriculture and the Agreement on Textiles and Clothing, while the second comprises those relating to the strengthening of the GATT rules on trade in goods, the most important of which are the Agreement on Subsidies and Countervailing Measures, the anti-dumping agreement and the Agreement on Safeguards.

1. Market access

18. The agreements reached in this area include the following:

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Figure II. Organizational structure of the World Trade Organization



(a) The protocol on market access: This protocol, which is known as the Uruguay Round protocol, consists of schedules of specific commitments for each country which record the results of the bilateral negotiations between the parties to the agreement relating to the removal or lowering of tariff and non-tariff restrictions. In this area, the major industrial countries agreed that the mean tariff decrease would be no less than the level reached in the previous (Tokyo) Round, i.e. 33 per cent, while there was no specific level for the commitments of the developing countries, except as arrived at in other agreements relating to agriculture and textiles;

(b) Agreement on Agriculture: This agreement is the first of its kind in this field, inasmuch as efforts to deal with this question in earlier rounds had been unsuccessful. It is a positive step in the direction of freeing international trade in agricultural commodities and subjecting them to the GATT regulations. The agreement covers commitments in the following areas:

- (i) A 24 to 36 per cent reduction in customs restrictions after the conversion of non-tariff restrictions to customs tariffs with stabilization and reduction over a period of 6 to 10 years (with the developing countries applying the lower rate of reduction and the longer period);
- (ii) The opening of markets to imports which had been subject to non-tariff restrictions to the extent of no less than 3 per cent of actual imports, to be increased to 5 per cent by the year 2000.
- (iii) A 21 to 36 per cent gradual decrease in production and export subsidies (only two thirds of this percentage in the case of developing countries);
- (iv) Regulation of countries' right to exercise sanitary and veterinary monitoring in such a way as not to constitute an obstacle to trade (an agreement was reached in this regard).

(c) Agreement on Textiles and Clothing: The agreement stipulates that the textile sector is to come under the GATT rules, with the gradual elimination of the quota system that previously regulated international trade in textiles. The system is to be phased out in four stages in the percentages indicated below:

Stage	Date	Percentage liberalized
1	1 January 1995	16 per cent
2	1 January 1998	17 per cent
3	1 January 2002	18 per cent
4	1 January 2005	49 per cent

2. Strengthening of the GATT rules on trade in goods

19. The chief agreements in the area of reinforcement of the GATT system and regulations are those relating to subsidies, safeguards and dumping. These agreements are not new in the international trade system, but have been applied since the Tokyo Round. During the Uruguay Round, agreement was reached, through negotiation, on clarification and minor changes aimed at producing texts characterized by greater ease of application, in the light of the practical experience acquired since the contracting parties began

implementing these agreements following the conclusion of the Tokyo Round. A brief description of the three agreements follows:

(a) **The Agreement on Subsidies and Countervailing Measures:** The Tokyo Round resulted in an agreement on subsidies. The Uruguay Round negotiations moved towards strengthening the system of imposing countervailing duties on subsidized goods, while at the same time clearly indicating how to establish that national industry is being harmed by a policy of export subsidies. The agreement applies to industrial goods, while the Agreement on Agriculture applies to support for agricultural commodities only;

(b) **Agreement on Implementation of Article VI of the General Agreement on Tariffs and Trade 1994:** The Tokyo Round concluded with an agreement against dumping. The negotiations at the Uruguay Round sought to clarify and elucidate the provisions of the agreement, especially those relating to the identification of products being dumped, standards for defining the harm caused to local industry by the imported product, measures to fight dumping and the manner in which they should be implemented;

(c) **Agreement on Safeguards:** Under this agreement, countries are permitted to take governmental measures to protect their local industry in the case of an unexpected increase in imports of a specific product that causes serious injury to that industry. The agreement allows any of the following alternatives:

- (i) Imposition of a quota on the imported product;
- (ii) Imposition of additional duties on it;
- (iii) Withdrawal of a commitment to reduce tariffs on the item in question, together with compensation;

These measures may be applied for a period of four years, which may be extended to eight years if it is ascertained that serious injury to local industry continues;

(d) **Agreement on Technical Barriers to Trade:** The new agreement amends the agreement reached on this subject in the Tokyo Round negotiations and seeks to strike a balance between the rights and obligations of countries with regard to the imposing of the requisite standards for the protection of local production *vis-à-vis* foreign imports, the intent being that such standards should not, however, create obstacles to international trade;

(e) **Agreement on Implementation of Article VII of the General Agreement on Tariffs and Trade 1994:** The agreement on customs valuation contains the rules governing the relations between the customs authority and importers in determining the value of goods for the purposes of customs duties. The agreement seeks to achieve predictability in such operations and a balance between the right of the customs authority to determine the value of the imported goods and collect the proper customs duties, on the one hand, and the right of the importer to be guaranteed against the imposition of excessively high, arbitrary duties by those authorities, on the other hand;

(f) **Agreement on Preshipment Inspection:** The agreement establishes allowable controls and countries' rights to have imported goods inspected before they enter their territory, with regard to quantity,

price, quality, technical specifications and standards. This agreement applies in cases where the importer and exporter agree that such reshipment inspection is to be carried out;

(g) **Agreement on Rules of Origin:** The agreement covers the rules established by countries for defining the origin of goods imported into them, including those pertaining to customs classification and grading and the determination of percentages of origin in the case of assembled products, provided that such rules do not create obstacles to international trade either in importing or exporting;

(h) **Agreement on Import Licensing Procedures:** The agreement establishes the right of the authorities to impose a system for import licensing on imported goods with a view to regulating their entry. It stresses that the granting of such licences should be automatic and establishes the necessary rules for cases in which States use non-automatic licensing. Such procedures, however, should not constitute obstacles to international trade. In addition to the traditional subjects of GATT activity, the Uruguay Round covered new topics that were included for the first time in the agenda of the multilateral trade negotiations, one of which was the Agreement on Trade-Related Investment Measures;

(i) **Agreement on Trade-Related Investment Measures:** One of the aims of the negotiations was to eliminate certain conditions imposed on foreign investors which were inconsistent with the GATT, especially with regard to national treatment and the imposition of quantitative restrictions. Investment requirements that result in such distortions are:

- (i) The requirement to use a certain level of local components in the final product;
- (ii) The requirement to export a certain production quota or, on the contrary, to earmark a percentage of production for the domestic market;
- (iii) A required balance between exports and imports.

The agreement in this area calls for the application of the principle of national treatment, which requires equality between local enterprises and foreign investments. The agreement grants developing countries a transition period of five years to eliminate non-conforming measures, if necessary.

D. Agreement on Trade-Related Aspects of Intellectual Property Rights

20. The negotiations held on this subject and the resulting agreement were aimed at protecting intellectual property rights and encouraging creativity and the transfer and dissemination of technology with a view to serving the joint interests of the producers and users of technological know-how in a manner that meets economic and social needs and achieves a balance between rights and obligations.

21. The new agreement sought to reaffirm the commitment to the provisions of the international agreements and conventions on the various types of intellectual property rights. In addition, the agreement consecrated two principles of the main GATT agreement, namely:

(a) The most-favoured-nation clause, under which advantages granted to one country must be granted to all other members;

(b) National treatment clause, or in other words, the granting to foreigners of the same treatment as that granted to nationals.

22. The agreement also established a guarantee of the effective protection of intellectual property rights through the establishment of effective procedures to ensure that the holder of the rights actually obtains those rights, while at the same time guaranteeing that they shall not be used in a manner considered as constituting an obstacle to lawful trade. The agreement became effective on 1 January 1996; the developing countries, however, were granted a longer period, so that it is to become applicable for them starting 1 January 2000. In addition, for some parts of the agreement, such as that relating to patents, an additional five-year period was granted; thus the requirement to comply with it begins on 1 January 2002.

23. This agreement represents a compromise solution that attempts to reconcile the conflicting interests of the States that participated in the negotiations, which were arduous and complicated.

24. The content of this agreement can be divided into two main areas:

(a) Area 1: Copyrights and rights to audiovisual literary works, including computer software;

(b) Area 2: Most important here are patents in the fields of foodstuffs, drugs and chemicals. In addition to actual products, the agreement covers the methods for producing them, something that may result in some additional burdens for national industry.

E. Trade in services

25. The agreement reached in the Uruguay Round was the first multilateral international agreement for the regulation of international trade in services. It includes a set of rules developed from the GATT and brought into line with the nature of the services transferred from the territory of one State to that of another via four channels, namely:

- (a) Trans-border;
- (b) Traffic in consumer goods;
- (c) Rights of incorporation;
- (d) Movement of natural persons (labour).

26. The agreement contains a set of general commitments representing its basic principles, such as the most-favoured-nation clause and national treatment. In addition, it contains another set of specific commitments which are set out in schedules of commitments of the States participating in the agreement, whereby foreign supplies are permitted to penetrate the domestic market and receive national treatment, according to the channels of transfer of services indicated above.

27. Attached to the agreement is a set of sectoral annexes dealing with the details of the agreement, account being taken of the differences that define the nature of each service sector. A total of four annexes were appended to the agreement, covering the following sectors:

- (a) Financial services;
- (b) Communications;

- (c) Air transport;
- (d) Movement of natural persons (labour).

F. Special treatment of developing and least developed countries under the WTO agreements

28. Most of the agreements that resulted from the Uruguay Round contain provisions guaranteeing special treatment in favour of developing countries, which constitute the majority of the member States of the World Trade Organization. In addition, they contain provisions guaranteeing even more preferential treatment for the least developed countries, based on the United Nations classification. States belonging to the Economic and Social Commission for Western Asia (ESCWA) fall within these two groups.

29. When GATT was established in 1947, no distinction was made between States with regard to their level of development, inasmuch as the idea of dividing countries into developed and developing nations did not appear in international economic thinking until the late 1950s and the early 1960s. As the importance grew with respect to developing countries, an international conference on trade and development was held in the early 1960s, and was immediately followed by the addition of part IV of the GATT, entitled "Trade and Development". The Tokyo Round resulted in a Framework Agreement which includes an Enabling Clause under which developing countries can obtain advantages not generally available to other GATT members. In addition, they can exchange, among themselves, advantages which are also not generally available.

30. The negotiations at the Uruguay Round began with the Punta del Este Declaration, which established that developing countries should not assume commitments in conflict with their development plans and economic plans and that the industrialized countries should not expect developing countries to apply the principle of reciprocity in respect of the commitments undertaken by the industrialized countries within the framework of the Round.

31. The Uruguay Round agreement includes provisions that accord flexibility to developing countries. It used the term "least developed countries" for the first time, and established definitions appropriate to the conditions of developing countries, such as: net food-importing developing countries, exporting small countries, developing countries in which the per capita gross national product (GNP) does not exceed US\$ 1,000 per year, volume of exports of developing countries on the market, and the like. The following is a brief description of the most important aspects of the agreements which concern the ESCWA countries as developing countries as well as the preferential treatment which they can obtain under those agreements:

(a) Agreement on Agriculture

- (i) Developing countries enjoy lower reduction rates over longer periods for the implementation of the terms of the agreement (market access, domestic support, export subsidies). Developing countries are exempt from the commitment to reduce domestic support if such support does not exceed 10 per cent of the gross value of the product. This is twice the percentage permitted in the case of industrialized countries (5 per cent);

- (ii) Developing countries may grant domestic support to agricultural production in the areas of investment and production inputs. They alone are also allowed to provide subsidies to reduce the cost of export marketing as well as international transport costs;
- (iii) The Marrakesh meeting issued a Ministerial Decision on net food-importing developing countries entitling them to compensation for adverse price effects that might result from the implementation of the Agreement on Agriculture. Such compensation may be in the form of food aid and/or purchase on easy terms and/or loans.

(b) Agreement on Textiles and Clothing

Small exporting countries enjoy preferential treatment in terms of increase in growth rate (over a 10-year transition period) in relation to residual quotas remaining after they are phased out in four stages over a 10-year period (1995-2005).

(c) Agreement on Subsidies and Countervailing Measures

The agreement grants developing countries whose yearly per capita gross national product is lower than US \$1,000 the right to subsidize exports without being subject to the imposition of countervailing duties by other States.

(d) Agreement on Safeguards

The agreement grants developing countries an additional two years beyond the time limit granted to other countries for the effective period of safeguard measures (eight years).

(e) Agreement on Trade-Related Investment Measures

The agreement grants developing countries a transition period of five years before its implementation, as opposed to two years in the case of industrialized countries.

(f) Agreement on Trade-Related Aspects of Intellectual Property Rights

The agreement grants developing countries a transition period of five years before its implementation, in addition to five additional years for patents pertaining to foodstuffs, drugs and pharmaceutical preparations.

(g) General Agreement on Trade in Services

The services agreement offers flexibility with regard to the review of balance-of-payments problems faced by developing countries, release from certain commitments, the right to form economic groups in the area of services and other exceptions established in connection with goods, such as the safeguarding of morals and public order and the protection of human, animal and plant life and health. More important than the flexibility provided in respect of general commitments is the establishment of the principle of the affirmative list of service sectors and subsectors open to foreign suppliers, the definition of the conditions of access to the domestic market and the right to distinguish between domestic and foreign suppliers in the schedules of specific commitments.

(h) Understanding on Rules and Procedures Governing the Settlement of Disputes

The dispute settlement procedures establish the right of developing countries to terminate a dispute within a short period of time, attention being paid, during the consultations relating to the dispute, to the problems and interests of such countries. They further establish the right to have one of the members of the arbitration panel be from a developing country, with the understanding that the panel must indicate in what way treatment favourable to developing countries is to be taken into account.

**II. ESCWA MEMBER STATES AND MEMBERSHIP IN THE
WORLD TRADE ORGANIZATION**

32. The Uruguay Round is one of the most important developments to have taken place in the world economy in recent years. It culminated in the establishment of the WTO following the conclusion of a number of multilateral trade agreements. Although most of the ESCWA member States were not members of GATT, which was replaced by the WTO after new dimensions were added to the agreements on international trade, these States are an integral part of the world economy and will certainly be affected by it and, in their turn, influence it, whether or not they become members of the new organization.

33. Just as the economies of the ESCWA member countries differ, their interests in the issues dealt with in the WTO agreements also differ. It is only natural that these interests should vary from one country to another. However, the wide scope of the WTO agreements leaves no doubt as to their impact on all countries regardless whether or not they are members of the organization. For example, the countries of the Gulf Cooperation Council (GCC), as oil-producing countries, depend primarily on oil exports (crude oil and petroleum products). While crude oil is not subject to customs barriers (tariffs) or non-customs barriers in the oil-importing countries, but may on the contrary sometimes receive favourable treatment, petroleum products and other non-petroleum exports that have now begun to appear in the list of exports of those countries as a result of diversification of production and exports may be subject to non-customs barriers. It is therefore necessary to consider abolishing or at least alleviating those restrictions that impede trade and influence national and foreign investment, in order to strengthen the capabilities of the GCC countries in the area of production of petrochemicals and other industrial products and remove obstacles to their access to the international market.

34. Other ESCWA member countries are interested in agricultural products: their import, export and production. The agreement on trade in agricultural products states that the agricultural sector will gradually become subject to the principles of the GATT after the conclusion of an agreement on the reduction of domestic subsidies and export subsidies and the gradual reduction of the tariffs imposed on agricultural products. This will influence international price trends and improve opportunities for access to world agricultural-product markets. There is no doubt that in the agricultural sector in particular, the developing countries will be affected by the potential increase in prices resulting from the reduction of subsidies of various kinds, regardless whether they are members of WTO or not. Needless to say, the right to compensation stipulated in the Ministerial Declaration will apply to non-members, and non-members may not be entitled to gain access to markets after the reduction of non-tariff restrictions or to benefit from the tariff reductions.

35. Trade in services is of interest to most of the ESCWA member States. The Gulf countries are interested in banking and are eager for access to international markets in that area; moreover, they are willing

to import such services from other countries. Egypt and Saudi Arabia occupy a prominent position with regard to volume of international trade in services. Saudi is the biggest air-transport company in terms of turnover and ranks first among transport companies in the developing countries.

36. All ESCWA member countries are interested in professional services since they are recipients of many of those services and some ESCWA member countries are also exporters of such services to other countries in the region and elsewhere in the world. The conclusion of the agreement on trade in services led to an increase in the region's interest in this area.

37. As for international trade in commodities, the rules of fair competition approved by the agreements on subsidies and countervailing measures and on dumping and measures against dumping create a genuine interest in the protection of national production in accordance with the internationally accepted code of conduct, especially in view of the importance attached to the commodity import sector in most ESCWA member countries.

38. The rules of dispute settlement approved as part of the package of agreements of the Uruguay Round entitle the weaker parties to protection from individual measures which are not consistent with the rules and principles agreed upon and cannot be solved outside the WTO framework.

39. All of these agreements provide for flexibility with respect to the least-developed countries, reducing their commitments so that they will be commensurate with their rights. In addition, the WTO is the international forum for future negotiations in which all countries can present their concerns and defend their growing interests in the various fields of international trade.

A. Member States

40. Five ESCWA member States are founding members of the new organization. Egypt and Kuwait, as members of GATT, participated in the Uruguay Round negotiations down to the signing of the final act establishing the WTO and the texts of the agreements concluded at the Ministerial Meeting held in Marrakesh (April 1994). Bahrain, the United Arab Emirates and Qatar signed the Final Act as de facto members of GATT since the time of the British Mandate, though they did not participate in the Uruguay Round. These five countries have completed all the formalities for full membership, accepting the specific commitments in the areas of goods and services of the rest of the members of the Organization and completing the constitutional formalities in accordance with their respective national legislations. The following table presents the WTO status of ESCWA members:

MEMBERSHIP OF ESCWA MEMBERS IN THE WTO

Members	Observers ^{a/}	Non-members
Bahrain	Jordan	Iraq
Egypt	Oman	Lebanon ^{b/}
Kuwait	Saudi Arabia	Palestine
Qatar		Syrian Arab Republic
United Arab Emirates		Yemen

^{a/} Countries in different stages of accession to full membership in the Organization.

^{b/} The Lebanese Council of Ministers has approved the application for membership in the Organization.

B. The principal specific commitments of member States

41. In accordance with the basic principles of membership in the WTO, the five member States agreed to adhere to the code of conduct in international trade as contained in the set of agreements concluded (taking into consideration the flexibility granted to developing countries in the texts of the agreements). They also agreed to specific commitments in accordance with the detailed schedules in the membership protocol regarding the areas of goods and services. The following is a summary of the commitments undertaken by ESCWA member States.

1. Goods

42. The specific commitment regarding trade in goods can be summarized as binding tariffs at certain levels so that they can be adjusted upward only after consultation and agreement with the other trading partners members of WTO. This requirement is in accord with the procedures set forth in the special articles on adjustment of specific commitments in the agreements, whereby other partners must be notified of such an adjustment in order to determine any ensuing injuries. Injured parties are entitled to obtain acceptable compensation through the reduction and/or binding of other items of equivalent value as compensation for injury resulting from the adjustment. Though complex, these measures are legally feasible. Below is a summary table of the tariff-pegging limits of ESCWA States members of WTO.

Member States ^{a/}	Agricultural goods (percentage)	Other goods (percentage)	Remarks
Bahrain	35	35	
Egypt ^{b/}	Highest 80	3-70	Various categories with exceptions ^{c/}
Kuwait	100	100	
Qatar ^{b/}	12-20	5-30	Various categories with exceptions and commitments for reduction over a period of 10 years
United Arab Emirates	40	40	

^{a/} All ESCWA member countries have adopted tariff-binding levels higher than the applied tariff.

^{b/} Exceptions for Egypt and Qatar are basically religiously motivated (pork meat and alcoholic beverages, on which higher tariffs are imposed).

^{c/} Import restrictions on textiles will be eliminated in 1998.

2. Services

43. The principles of the General Agreement on Trade in Services (GATS) are different from those of the agreements on trade in goods. The reason lies in the different nature of the movement of services from one State to another. Four types of movement are identified in the agreement, as noted above in the section containing the summary of the agreements. Specific commitments are contained in a positive list of sectors and subsectors which alone are allowed access to the local market. Here it must be borne in mind that the most-favoured-nation clause is a general commitment. Special conditions for market access and national treatment must be mentioned in the schedules because the list of them is regarded as negative. In other words, failure to mention a condition means that market access or national treatment is open in the services sector specified in the schedules of service commitments.

.../

44. The services agreement stipulates the possibility of modifying commitments provided that this takes place three years after the undertaking to adhere to the terms of the agreement. The principle of consulting with other parties and of compensation for damages referred to in connection with goods applies here as well.

45. In addition, under the articles of the agreement, the member States commit themselves to the principle of progressive liberalization. Indeed, during the Ministerial Meeting in Marrakesh, the following was agreed:

(a) Continuation of negotiations to improve specific commitments in certain sectors (financial services, basic communications, movement of persons and maritime transport). Up to now, the protocol on financial services has been signed; It was agreed that the negotiations would continue during the first Ministerial Meeting in Singapore in April 1997; agreement has been reached on specific commitments regarding basic communications (February 1997); and maritime transport has been postponed until the next round of the negotiations on services.

(b) Start of the next round of negotiations on services will start in 2000, as stated in the ministerial declaration issued at Singapore in December 1996.

46. The services sectors in which ESCWA member countries that are members of WTO have made commitments are summarized in the following table:

Member States	Unscheduled services sectors under the agreement on services ^{a/}
Bahrain	Insurance and reinsurance
Egypt	Construction and engineering services, travel and tourism, banking services, financial market, insurance and reinsurance, maritime transport and support services
Kuwait ^{b/}	Business, construction and engineering services, environmental services, health and social services, travel and tourism
Qatar	Some professional services (engineering consultancy, medical services, research and computer services), postal services, construction, environment, financial services and tourism
United Arab Emirates	Some business services, express mail, construction, environment, financial services and tourism

a/ It is important to refer to commitment schedules in services to determine subsectors and conditions pertaining to market access and national treatment.

b/ Kuwait submitted additional commitment schedules on financial services (banking).

C. The rights of ESCWA countries members of WTO

47. The accession of a State to WTO entails a number of rights which it is granted in exchange for the commitments which it undertakes. These rights are summarized in the following groups:

(a) The commitment undertaken by other members of WTO to apply general rules of conduct in trade when dealing with the State in question in all areas covered by the agreements: in other words, the general commitments undertaken by each State under the agreement are themselves rights for the other member States. For instance, the rules of fair competition included in the Agreement on Subsidies and Countervailing Measures and the anti-dumping agreement constitute commitments on the part of the member country vis-à-vis the other parties and are at the same time rights of that member country vis-à-vis all other WTO member countries;

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(b) The right of access of national goods and services to the markets of other member countries in accordance with the limits of tariff binding stipulated in their commitment schedules. In addition, in schedules of commitments of WTO members in respect of services, the civil service of a given member country has the right of access to the markets of other member countries based on their schedules, which indicate service sectors, conditions of market access and national treatment;

(c) The guarantee provided by membership in WTO of the possibility for member countries to obtain information regarding the trade policies of other countries, any measures contained in them that affect access to the market, and the consistency with international agreements. More important, the organization's organs constitute a forum for participation in future trade negotiations. Thus, a member country can raise issues of concern to it and take part in the formulation of new agreements, many of which have been included in the WTO agendas for the future;

(d) The mechanism for the settlement of international trade disputes is an important achievement of the former GATT. This mechanism was developed further during the Uruguay Round to enable member countries to defend their interests and eliminate any measures that might be taken by trading partners in contravention of the agreements concluded, thus ensuring the just implementation of those agreements for all member countries;

(e) Participation in future negotiations. This will enable member countries to defend their interests in trade and in the formulation of new agreements adopted by the Ministerial Meetings.

D. Negotiations for WTO membership

48. Jordan, Oman and Saudi Arabia have started negotiations for becoming full members of WTO. Lebanon is also expected to begin negotiations at a later time, while a number of other ESCWA member countries are currently studying the question. The following section deals with the stages and procedures of negotiation.

49. The WTO Agreement stipulates (article XII) that membership in the organization is subject to conditions to be agreed upon between the State requesting membership and the other States (contracting parties) members of WTO. Thus, any State wishing to become a member of WTO is required to meet the following conditions:

(a) Acceptance of the Uruguay Round agreements (Marrakesh, 1994) on trade in goods, trade in services and trade-related aspects of intellectual property rights, as well as the Understanding on Rules and Procedures Governing the Settlement of Disputes and the Trade Policy Review Mechanism. It should be noted that accession to these agreements (24 in number) as a package is compulsory, while it is optional in the case of four other agreements (the Plurilateral Trade Agreements), namely:

- (i) The International Bovine Meat Agreement;
- (ii) The International Dairy Agreement;
- (iii) The Agreement on Government Procurement;
- (iv) The Agreement on Trade in Civil Aircraft;

(b) Submission of tariff-binding schedules. Such schedules contain tariff items to be bound (stabilized). In binding tariffs, member countries commit themselves to raise the level of those tariffs only after consulting with the other contracting parties' members of WTO and in accordance with the rules and provisions governing adjustment of tariffs bound at the time of accession;

(c) Submission of commitment schedules for services. These schedules are lists of service sectors and subsectors which the member country undertakes to open to foreign suppliers of the service, in accordance with the conditions contained in those schedules at the time of access to the national market and with national treatment, and in accordance with the provisions of the General Agreement on Trade in Services.

50. The request for WTO membership is subject to organizational procedures for the obtainment of the preliminary approval of the WTO General Council. A working group is established, headed by a WTO member country, to examine the membership application. Membership in the working group is open to all WTO members. The working group carries out negotiations on behalf of the organization and submits the results to the General Council of WTO for approval or further negotiation. Membership negotiations are carried out in the three stages described below:

51. Stage 1: Discussion of the trade policies of the applicant country. The country prepares its report on trade policy in accordance with a model established by the WTO secretariat. The discussion, which takes place in at least one plenary session, attended by all the contracting parties belonging to WTO, revolves about two central issues:

(a) Understanding the trade policy of the proposed member and its future directions;

(b) Showing to what extent the policies of the applicant State are consistent or in conflict with the rules and regulations contained in the international trade agreements.

52. For this purpose, discussions are held in bilateral formal and/or informal meetings between the member States and the applicant. These discussions can take the form of questions addressed in writing, to which the answers may be given also in writing or during the negotiating meetings for accession.

53. The outline established by the WTO secretariat for the memorandum on the applicant's trade policy contains the following main points:¹

(a) An introduction on the applicant's national economy and economic development plan;

(b) A somewhat detailed presentation of the applicant's various economic, monetary, fiscal and pricing policies, foreign payments system, relations with the International Monetary Fund (IMF), domestic and foreign investment policies and policies on competition. Both discussions and questions have come to be characterized by requests for elaborate details on many fields related to the applicant's internal policies, such as pricing laws, procedures and practices, the tax system, subsidies granted to specific sectors of the economy, in particular agriculture, foreign investment, balance of payments, tariff system and preferential

¹ ESCWA is preparing an Arabic version of a document of the WTO secretariat concerning the contents of this memorandum.

tariff treatment for specific countries, tariff exemptions, import licensing regulations, State enterprises that engage in trade, technical regulations and standards for imports, sanitary measures, foreign exchange transactions, statistics, foreign trade bulletins, and the intellectual property regime;

- (c) Information on trade in services and the related legal framework;
- (d) Entities responsible for implementing economic policies and their impact on trade;
- (e) Details on policies affecting trade in goods (industrial policy and policy on subsidies, if any), free zones and transit trade, and government procurement;
- (f) Agricultural policies (production, import and export);
- (g) Protection of intellectual property (legal framework and impact on trade);
- (h) Bilateral trade agreements binding the applicant to other States.

54. Second stage: Exchange of requests and offers concerning specific commitments. The contracting parties of WTO request the Government of the applicant to prepare a draft schedule of specific commitments in both trade in goods and trade in services. The applicant submits both proposals in writing to the WTO secretariat for consideration by all member States. All the contracting parties are entitled to submit their specific requests with a view to examining whether they can be satisfied and included in their specific proposals during this stage.

55. In practice, there may be overlapping in the presentation of offers and requests. This can also happen during the discussion of general policy in the first stage, as there is some flexibility regarding the overlapping of the various stages, which can take the form of bilateral or multilateral negotiations conducted in one round or possibly even several rounds.

56. During the first and second stages of negotiation, the applicant may alter its schedule of commitments, adding or removing items as needed in order to strike a balance between:

- (a) The requests of trading partners which are necessarily geared towards lowering and stabilizing tariffs, and greater opening up of the services sector to foreign suppliers of services;
- (b) The need for legitimate, acceptable protection of domestic goods and services as stipulated in the agreements.

57. The decision regarding the balance between these two opposing requirements is taken on the basis of an assessment of the obligations and the rights that the acceding State will acquire in actual practice.

58. Third stage: Preparation of the draft protocol of accession. This takes place after the completion of the first two stages, upon the conclusion of the general discussion, and the determination of the specific commitments of the applicant as stipulated in the various agreements concerning goods and services. The draft protocol must be prepared in a manner that reflects the results of the negotiations and discussions held with WTO member States with regard to these specific commitments. This last stage includes the preparation

of a draft protocol of accession to full membership, which must be approved by a two-thirds majority of the WTO General Council.

III. ISSUES ON THE FUTURE AGENDA OF THE WORLD TRADE ORGANIZATION

59. The Uruguay Round concluded with a series of international trade agreements governing international rules of conduct in the field of trade in goods, trade in services and the trade-related aspects of intellectual property rights. Complicated mechanisms have been established that must be followed by member States, including a permanent requirement to provide notification about any measures taken by national Governments, so as to make it possible to check their consistency with those agreements, which puts a heavy administrative burden on small countries, in addition to the requirements of the Trade Policy Review Mechanism (TPRM).

60. In addition, the texts of some of the agreements and ministerial decisions and declarations contained in the Final Act of the Uruguay Round included what might be considered a programme of work for the coming years, adopted for certain topics.

61. Moreover, some countries expressed the wish, during the final stages of the Uruguay Round, to reach international understandings on other issues in the near future, including the agenda of the Preparatory Committee for the World Trade Organization. These issues include trade and environment, trade and competition, and the relationship between international trade and core labour standards. At a meeting held in Marrakesh in 1994, the Ministers decided to establish a Committee on Trade and Environment to discuss issues related to those topics (including both trade in goods and trade in services). It was agreed that the Preparatory Committee should be able to add additional subjects that some States might refuse to include in the future agenda, such as the relationship between the international trading system and internationally recognized core labour standards, trade-related issues and policy on competition, which includes rules of export financing and export trade practices, regional policies, and trade and investment.

62. The table below (see page 26) contains a summary of the main issues in the WTO work programme in line with the decision reached during the Ministerial Meeting for the conclusion of the Uruguay Round (Marrakesh, 1994) as well as the first Ministerial Conference of the World Trade Organization (Singapore, 1996).

63. The following is a brief presentation of the main issues in the WTO work programme that relate to the ESCWA member countries and the decisions taken regarding them at the above-mentioned first Ministerial Conference.

A. The international trade system and core labour standards

64. The efforts aimed at including the issue of core labour standards and their relationship to international trade predate the Uruguay Round, inasmuch as the United States of America, with the support of some of the contracting parties of GATT 1947, submitted to the GATT Council a series of proposals aimed at a consensus on the establishment of a working group to study this subject. All these proposals were rejected, yet that did not prevent further attempts to introduce the subject at the level of the GATT Council and committees, where it was again rejected. Developing countries and some industrialized countries viewed the issue as a protectionist ploy aimed at hindering the free flow of trade and compelling developing countries

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to adopt specific labour standards within a context of new conditions of access to international markets. This would undermine the comparative advantage enjoyed by developing countries in the production of certain industrial and agricultural products and their export to international markets.

65. The issue of core labour standards and their relationship to international trade, also referred to as the "social provision", was raised during the final stages of the Uruguay Round negotiations. However, the proposals of the United States of America once again failed to win a consensus and the Ministerial Meeting held in Marrakesh simply noted the wish of some parties to study this issue in the future, but did not take any decision in that regard.

66. It is worth mentioning that GATT 1947 contains a partial reference to this subject among the exceptions to its application that allow contracting parties to be released from their obligations (article 20, paragraph (e)), wherein it is stipulated that such exceptions include only products connected with prison labour.

67. In the context of the Preparatory Committee for the first Ministerial Conference, it was suggested that this issue should be submitted to the 1996 Singapore Ministerial Conference. However, no draft resolution could be reached on this issue during the preparatory work. Many developing countries and some developed countries objected to the tying of trade issues to core labour standards on the ground that it might have a negative impact on the outcome of the Uruguay Round and the opportunities it provided. Indeed, it would undermine those countries' comparative advantages, since the establishment of such a link would increase their export costs and push them out owing to high prices, and they might face trade restrictions.

68. The Singapore Ministerial Conference confirmed that the International Labour Organization (ILO) was the competent authority for core labour standards. It affirmed that such standards must not be used as a protectionist tool and agreed that the comparative advantages of low-wage countries, in particular developing countries, must not be impaired. It also drew attention to the ongoing collaboration between the WTO secretariat and ILO in this area.

69. Thus the Conference did not give the WTO secretariat any authority in such matters, nor did it preclude the raising of this issue again on future occasions.

B. Agreement on the liberalization of trade in information technology products and certain pharmaceuticals

70. A draft agreement was submitted to the Singapore Ministerial Conference by a group of 28 countries (producing approximately 90 per cent of the world volume of information technology products) on the total elimination of customs tariffs and other duties and taxes in a number of stages beginning in 1997 and ending in the year 2000. The draft specifies the items to be covered by the proposed agreement. In addition, it provides for total exemption from customs duties for more than 400 pharmaceuticals. The countries which endorsed this proposal include the main industrialized countries as well as a group of developing countries that produce these goods (China, India, Indonesia, Romania, Singapore, the Republic of Korea and Thailand) in addition to Hong Kong.

71. The purpose of this agreement is to enhance efficiency worldwide in the transfer of modern technology by facilitating international trade in these products. The Conference decided to hold a meeting of experts

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in Geneva in early 1997 to work out the details of the agreement, such as the stages in the gradual elimination of tariffs, duties and other taxes, review and classification of the items covered by the agreement, consultation and settlement of disputes regarding the agreement and acceptance of the agreement by other parties. There is a tendency to apply the most-favoured-nation principle to countries that have not acceded to the agreement in order that products covered by the agreement that are produced by them may be exported to other parties.

C. Government procurement

72. The Agreement on Government Procurement is one of the plurilateral agreements adopted during the Uruguay Round, i.e., one of the four agreements to which accession by WTO member States is optional.

73. This Agreement is based on the reciprocal right of market access for goods and products bought or imported by government agencies and institutions in the States parties to the Agreement, most of which are developed countries. In view of the significance of government procurement in developing countries on the one hand, and the inability of their goods to gain access to government agencies on the markets of the industrialized countries, on the other hand, most developing countries have not acceded to the Agreement for lack of an acceptable balance between their obligations and rights. No ESCWA member country is a party to this Agreement.

74. It is worth mentioning that the application of the Agreement on Government Procurement in the services sector has been left to the discretion of developing and developed countries alike. It has been decided, however, that negotiations on this subject will start at a later time in the Committee on Services.

75. Industrialized countries have exerted pressure to have the question of compulsory adherence to the Agreement on Government Procurement by all parties placed on the agenda for the coming period, owing to the considerable size of international trade in this area. The issue has been tied to the fight against corruption and bribery in some countries. The Singapore Ministerial Conference agreed to set up a working group to study transparency (information exchange) in government procurement practices. The resulting study would serve as a basis for a future agreement on transparency in that area, taking into account national policies, so as to make possible the granting of preferential treatment to national suppliers in the area of government procurement.

D. Investment and rules of competition

76. The Uruguay Round negotiations resulted in an Agreement on Trade-Related Investment Measures (TRIMs) prohibiting restrictions imposing local content requirements in goods for export or prohibiting selling on the domestic market. Such restrictions are considered violations of the GATT regulations, since they involve distortions and obstacles to trade. For this reason, the countries agreed to eliminate such restrictions under the TRIMs Agreement.

77. Similarly, the covenants contained in the General Agreement on Trade in Services and the acceptance of specific commitments by some members—in connection with the right of establishment in certain sectors or subsectors—give foreign investment the right to a presence on the domestic market in countries that accepted this specific commitment in the services sector.

78. Nevertheless, the developed countries seek further opening of world markets in the area of investment through the conclusion of a new international agreement on investment similar to the trade agreements to take the place of bilateral and regional agreements and establish new controls on freedom of investment among the WTO member countries.

79. The rules of competition contained in the agreements on dumping and subsidies and certain controls provided for under other agreements limit the adverse effects of free trade that might have harmful implications for competition in the fields of goods and services. In addition, the role played by the United Nations Conference on Trade and Development (UNCTAD) in respect of trade-restrictive practices complements the WTO agreements.

80. Following intensive discussions during the preparations for the Singapore Conference as well as during the ministerial meeting, this subject was at the top of the agenda. A compromise formulation was reached which called for the establishment of two working groups: one to examine the relationship between trade and investment, and the other, trade-related issues and competition policy. The role of UNCTAD in this area was established in the text and the General Council of WTO was given a two-year period to review, discuss and approve by consensus the results of the work of the two groups. Consequently, any future negotiations on the establishment of multilateral controls on investment and competition would require the consensus of the organization. The Ministerial Declaration provided that the study of these topics should take into account development conditions in developing countries.

81. The following table shows the main items on the WTO agenda for the coming years.

IV. ESCWA ACTIVITIES AND WTO CONCERNS

82. The specific nature of the ESCWA region, which entails a specific position regarding WTO concerns, has been clearly shown in the previous three sections. Though hardly felt before the conclusion of the Uruguay Round, interest in those concerns grew as the results of the Round began to emerge, evolving from mere observation of those results into requests for accession to WTO membership, full participation in its activities, and careful examination of its concerns and procedures. Interest on the part of ESCWA member countries varied, however, reflecting their different economic structures and trade policies. As the themes and agreements of the new organization multiplied, it was only natural that the priorities and concerns of the countries of the ESCWA region, like those of other regions, should vary in terms of the extent and nature of the interest directed towards one or another of those many-sided, interrelated themes and agreements.

83. Different positions have been taken on the procedural question, i.e., membership. Some ESCWA member countries have focused on the technical aspect of the issue, with a view to assessing the implications of membership before taking a decision. Others, which participated in the negotiations and finalized their membership, now give high priority to building the administrative and legal structures required for fulfilling their obligations while maximizing the benefits to be gained from exercising the rights offered by the new agreements. There is still another group of ESCWA member countries that have begun negotiations for accession and are now at different stages of negotiation; they are preparing the required documents and making ready for the general discussions and the negotiation of specific commitments. All three groups share the urgent need for analytical and economic studies to assess the implications of the new world trading system, including those countries that have not yet taken the final decision to join the new organization.

Table 1. Principal topics on the agenda of the World Trade Organization for the coming years

	Trade in goods	Trade in services	Other topics
1997	<p>I. Decisions of the Ministerial Meeting and provisions of the Final Act (Marrakesh, 1994)</p> <ul style="list-style-type: none"> - First review of the Agreement on Preshipment Inspection 	<ul style="list-style-type: none"> - Negotiations on government procurement within the framework of the agreement on services - Negotiations on safeguard measures within the framework of the agreement on services - Study of the results of the proceedings of the Committee on Trade and Environment in the area of services 	<ul style="list-style-type: none"> - Review of the agreement on intellectual property rights (TRIPs) in relation to geographic indications
1998	<ul style="list-style-type: none"> - Establishment of standards for the review of anti-dumping disputes and the application of countervailing measures - First review of the implementation of Agreement on Technical Barriers to Trade - Review of the implementation of the Agreement on the Application of Sanitary and phycosanitary Measures 		
1999	<ul style="list-style-type: none"> - Negotiations for improving and amending the agreement on Government Procurement (in relation to the parties to the Agreement) - Review of the provisions of the Agreement on Subsidies and Countervailing Measures 		<ul style="list-style-type: none"> - Review of the provisions on licensing in the agreement on intellectual property - Review of the rules and procedures of the dispute-settlement system
2000	<ul style="list-style-type: none"> - Start of negotiations with a view to further reform measures in the Agreement on Agriculture 	<ul style="list-style-type: none"> - Start of the first round of negotiations for the improvement of specific commitments in the area of services, with a review of the exceptions to the Most-Favoured-Nation clause in the agreement on services 	
From 2000 to 2005	<ul style="list-style-type: none"> - Review of the rules governing the withdrawal and modification of specific commitments 	<ul style="list-style-type: none"> - Establishment of the rules of the system of subsidies and countervailing measures in trade in services 	<ul style="list-style-type: none"> - Start of international review (biennial) of the agreement on intellectual property, including improvement of the rules on geographic indicators
1997	<p>II. Decisions of the first Ministerial Meeting (Singapore, December 1996)</p> <ul style="list-style-type: none"> - Organization of a meeting with the United Nations Conference on Trade and Development (UNCTAD), with the participation of both international aid agencies and international financial institutions, for the purpose of establishing a programme of work to enable the least developed countries to take greater advantage of the opportunities offered by the new World Trade Organization 		

Table 1. (continued)

	Trade in goods	Trade in services	Other topics
1997	<ul style="list-style-type: none"> - Termination of the agreement in principle among some members of the Organization for the elimination of customs duties on information and technology products and a group of pharmaceuticals (400 items), under which all States benefit from exemption under the Most-Favoured-Nation clause 	<ul style="list-style-type: none"> - Conclusion of the negotiations on basic communications - Start of negotiations for improving commitments in the financial services sector - Negotiations on the maritime transport sector, to be conducted during the next round, in the year 2000 	<ul style="list-style-type: none"> - Creation of a working group to discuss the relationship between trade and investment - Another group to study members' proposals regarding trade and policies on competition <p>The two groups work in coordination and cooperation with UNCTAD, provided the question would be submitted to the Council of the World Trade Organization within two years in order that an appropriate decision may be taken by consensus of the members of the organization</p>
1997/1998	<ul style="list-style-type: none"> - Establishment by the Council for Trade in Services, in cooperation with other international organizations, of rules for the simplification of international trade within the framework of the rules of the World Trade Organization - Creation of a working group to discuss transparency of national government procurement policies and establishment of an appropriate agreement based on the results 	<ul style="list-style-type: none"> - Advancement in negotiations and standards for professional services, including accounting, before the end of 1997 - Preparations for negotiations on safeguard systems, government procurement in services, and subsidies 	
<p>Emphasizing the start of studies on information exchange within the framework of the preparations for the drafting of an agenda for the coming Ministerial Meeting (Geneva, 1998), provided would be completed within the time limits agreed on at the Marrakesh meeting in the agreements on agriculture, services and intellectual property. And reviewing another series of agreements, namely those on dumping, customs valuation, dispute settlement, import licensing, preshipment inspection, rules of origin, subsidies and countervailing measures, technical barriers to trade, textiles and clothing, the system for the review of trade policies, trade-related aspects of intellectual property rights and trade-related investment measures</p>			

Indeed, not joining does not mean that they will avoid the negative effects of the new agreements or that they will not be affected by them; on the contrary, the possible adverse effects will extend to non-members as well.

84. In view of these varied needs, the activities of the Economic and Social Commission for Western Asia relating to the question of the World Trade Organization take into account the needs of its different members. Such activities involve the following four main areas:

(a) Providing ESCWA member States with advisory services according to the particular stage they have reached in the process of accession to membership in WTO. These varied consulting services may involve studies of the implications of membership with a view to a decision concerning it, the drafting of programmes of action preparatory to membership negotiations or the elaboration of plans to help new WTO members in dealing with the agreements. ESCWA has already begun offering such programmes to Bahrain, Egypt, Jordan, Kuwait, Lebanon, Palestine, the Syrian Arab Republic and the United Arab Emirates. Under a special arrangement with the office of the United Nations Development Programme (UNDP), advisory services are also being offered to the Libyan Arab Jamahiriya, despite the fact that it is not a member of ESCWA;

(b) The ESCWA programme of work for the biennium 1996-1997 calls for the preparation of a series of sectoral studies focusing on the implications of the WTO agreements for the areas of agriculture, textiles and clothing and petroleum and petroleum products. ESCWA has also completed a study of the impact of the General Agreement on Trade in Services on the building and contracting sector in the Arab countries. ESCWA also welcomes any proposals from member countries or from other international organizations for joint studies dealing with other areas of interest to the region's economies;

(c) The formulation of joint programmes with regional organizations and agencies for training and studies in those areas covered by the new agreements that come within the terms of reference and sphere of work of such organizations and agencies;

(d) Cooperation with international specialized agencies, particularly UNCTAD and UNDP, on the one hand, and the WTO, on the other hand, in view of their international experience in this area, in the formulation and implementation of programmes jointly with ESCWA, in view of its knowledge of and familiarity with the nature of the needs of the region.

85. In this area, ESCWA has participated with a number of international agencies and organizations in their activities in the countries of the region, as follows:

(a) Participation with UNCTAD, the UNCTAD/GATT International Trade Centre and UNDP in the organization and presentation of working papers at the following meetings:

- (i) The meeting of Arab experts to examine the implications of the Uruguay Round for Arab countries (Bahrain, March 1996);
- (ii) Foreign trade of the countries of the Gulf Cooperation Council under the World Trade Organization and the European Union (Bahrain, March 1996);

(b) Participation with the Faculty of Agriculture of the Lebanese University and the Agricultural Research Institute in Montpellier, France, in the preparation and conduct of a training course for the study of the WTO Agreement on Agriculture and its implications for the Mediterranean countries, in which trainers and trainees from those countries took part;

(c) Presentation of the main working paper on the "development of Syrian exports in the light of the new international trading system, at a special symposium held in Damascus in June 1996, in which UNDP, the International Trade Centre, the World Bank, IMF, WTO and UNCTAD took part;

(d) Preparation of a study on Jordan's strategy for negotiating its accession to WTO for discussion at a symposium held in Amman in September 1996, in which UNCTAD, UNDP and WTO participated, and of a subsequent symposium on European-Jordanian trade relations within the partnership scheme;

(e) Participation with the International Trade Centre, in Geneva, in the preparation of the "Guide to businessmen in dealing with international trade agreements", which took the form of seminars held in the ESCWA member countries, starting with Jordan, in December 1996;

(f) Participation with UNCTAD, WTO and UNDP in the workshop on the new world trading system and its implications for the Palestinian economy, held in Ramallah from 3 to 5 March 1997 and in Gaza on 6 and 7 March 1997.

86. Brief summaries of the studies currently being carried out by ESCWA on the challenges and opportunities presented by the GATT and WTO agreements and their implications for the ESCWA members are contained in the annexes to the present paper. They are:

Annex I: Challenges and opportunities in agriculture under GATT and WTO in the ESCWA member countries with special reference to Egypt;

Annex II: The challenges and opportunities of the new international trade agreements resulting from the Uruguay Round: post-Uruguay preparations and adjustment in the textiles and clothing sector in the ESCWA region;

Annex III: Crude oil, petroleum products and the petrochemical industries in the ESCWA member countries: challenges and opportunities connected with the new international trading system: the Uruguay Round agreements;

Annex IV: The Agreement Establishing the World Trade Organization and its implications for technology transfer in the pharmaceutical industry in selected ESCWA member countries.

Annex I

**CHALLENGES AND OPPORTUNITIES
IN AGRICULTURE UNDER GATT AND WTO IN THE
ESCWA MEMBER COUNTRIES WITH SPECIAL REFERENCE TO EGYPT**

The main objective of the study is to assist those ESCWA member countries that have signed the General Agreement on Tariffs and Trade (GATT) and those that are in the process of joining the World Trade Organization (WTO), as well as potential WTO members. The study aims at informing member countries about the major issues in the Agreement on Agriculture to enable them to meet the challenges and utilize the opportunities of WTO for members and non-members alike. The purpose is to augment the positive effects and mitigate the negative effects in the implementation of the Agreement.

As an example of major trading partners in the region, the study examines the general and specific commitments for Egypt and the European Community to illustrate how major issues concerning agriculture in GATT are addressed in the process of trade liberalization.

The study reviews the major principles of GATT and WTO as well as the status of the ESCWA member countries in respect of both agreements.

The study also reviews the expected impact that the Agreement on Agriculture will have on trade in agricultural commodities in the region, policy changes, reform measures undertaken and regional groupings, with a view to indicating how countries in the region can meet commitments and benefit from the new arrangements.

The study analyses specific tables of commitments by Egypt and the European Union (EU) in respect of certain major importable and exportable agricultural commodities in order to determine the accessibility of the markets of the major trading partners in the region, as well as existing opportunities and challenges. The Euro-Mediterranean partnership as a forum for increased liberalization of trade in the region is also reviewed.

The study presents a summary and conclusions highlighting its main findings as well as recommendations of potential interest to the countries in the region.

The main features of the Agreement on Agriculture in GATT 1994 in the areas of market access, support and subsidies and other policies restricting international trade are reviewed in the annex to the study. The committees established by the WTO to address certain issues that have emerged or that are expected to emerge during the implementation of the Agreement on Agriculture are also reviewed.

The volume of agricultural trade in the region is estimated at US\$ 17.3 billion, representing about 9 per cent of the region's total trade in 1994. The major imports were food items (82 per cent) such as wheat, rice, oils, barley, meats, milk and milk products, sugar, tea and coffee. The EU and the United States of America, followed by Turkey, Latin America and Australia, are the major exporters of agricultural products to the ESCWA region. The United States is the major exporter of wheat to the ESCWA region. Fruits and vegetables are the major agricultural commodities exported from the ESCWA region. Other exportable commodities include live animals, cotton lint, pulses and—for some countries—cereals. The major exportable

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crops from Egypt are citruses (mainly oranges), potatoes, tomatoes, cotton lint, rice and some pulses. The largest export markets for these are the countries of the EU, the Gulf Cooperation Council (GCC) and the former USSR.

The agricultural provisions of the Uruguay Round will lead to specific binding commitments in each of the following areas: market access, domestic support, export subsidies and sanitary and phytosanitary issues. This is expected to contribute to an expansion in market opportunities and liberalization of trade at the global level.

In its GATT schedules (schedule LXIII) Egypt had bound about 15 per cent of its tariff lines, of which 7 per cent are bound below the effective level. The bound rate of duty for products for which Egypt obtained a comparative advantage was maintained at a rather high level to ensure more protection for domestic producers and exporters. Direct subsidies are generally not provided for exports from Egypt or other ESCWA member countries. Production subsidies are being phased out in the structural adjustment process and will be eliminated completely in the near future. This will facilitate accession to the WTO.

As a result of the Uruguay Round agreements, the EU, like other participating countries, accepted specific commitments in agriculture as reflected in schedule LXXX (European Communities).

As a result of the "tariffication" exercise, the EU had to switch from variable levies, which constitute its typical form of border protection for the core commodities under the Common Agricultural Policy (CAP), to fixed tariffs. For most tariffed items, the EU has introduced specific duties whose levels reflect the differences between external and internal prices in the base period (1986-1988). The EU has tended to reduce most tariff rates by 36 per cent, except for very low rates which were eliminated completely such as for maize and cotton. Tariffs for some "sensitive" products (all fresh fruits and vegetables fall in this category) will be reduced by only 20 per cent.

To secure more protection for domestic producers, the EU established an "entry price" for each product which is in line with the old reference price system. The entry prices set are mostly equivalent to reference prices in the base period expressed in commercial European currency units (ECU). To restrict imports during the bulk of the production process, different tax rates are applied during different periods for the same product. Such high countervailing charges applied in the past were sometimes prohibitive, eliminating all imports from the importing countries concerned. Application of the entry prices could have similar effects, making the EU markets difficult to access. Entry prices will be reduced during the implementation period through bound tariffs, reducing the protective effects over time. The EU legislation allows for the introduction of supplementary tariffs which are decided on a case-by-case basis in each sector.

Trade liberalization in the region is expected to offer opportunities for future gains in efficiency and increased productivity and growth, as well as the needed foreign and domestic investments in the productive capacity in the countries of the region. Trade liberalization is also expected to induce competitive pressures that will trigger a reallocation of resources to the most productive sectors and raise the productivity and efficiency of local enterprises.

The removal of tariff and non-tariff trade barriers is expected to have a positive impact on all countries. That will be reflected in a reduced cost of production and increased competition in exports of agricultural commodities. In the early stages of trade liberalization, developing countries, including ESCWA member

countries, are expected to suffer from the new trade arrangements, which will lead to initial price increases and consequently increased import bills, with consequent effects on the balance of payments.

The countries in the region will not be able to manipulate the Agreement on Agriculture to their benefit without addressing the pressing problems in the agricultural sector, especially low productivity, the technology gap, low utilization of modern inputs and other factors that impede the realization of the sector's full potential. Not only is there a need to increase productivity; cropping patterns, cropping practices and cropping periods must also be diversified, and the quality of produce improved.

Many countries in the region introduced structural adjustment measures in their economies, even before the Uruguay Round, to liberalize trade in their agricultural products. Some of them formed different groupings, such as the GCC and the Arab Common Market, to facilitate trade between them. In addition, a number of bilateral agreements on trade in agricultural commodities have been signed between the countries in the region. Most countries in the region are also negotiating bilateral agreements with the EU with regard to products of major export interest such as citrus fruits, potatoes and fresh vegetables. All this is expected to lead to more trade liberalization and the strengthening of economic reforms in the region, which will facilitate membership in the WTO for the countries of the region.

The Euro-Mediterranean Agreement and trade liberalization should offer opportunities for enhanced efficiency and productivity in the region. However, the short-term benefits from the progressive tariff reduction resulting from the Agreement will be limited, as most of the southern Mediterranean countries already have preferential trade agreements with the EU.

The study makes a number of policy recommendations to assist Governments, policy makers and the business community in enhancing production and export capacities.

Finally, it may be useful to note that the first review of the Agreement on Agriculture will take place in the year 1999. Owing to "dirty tariffication" and the flexibility that some members would like to obtain for themselves during the reform period, bound tariffs may be much higher than the base-period tariffs for some products; consequently, it may not be possible to observe significant changes. It is expected that, during the 1999 review, the barriers to liberalizing trade in agricultural commodities will be more clear and transparent. Contracting parties can then work more effectively to increase trade liberalization and remove trade barriers.

Annex II

**THE CHALLENGES AND OPPORTUNITIES OF THE NEW INTERNATIONAL
TRADE AGREEMENTS RESULTING FROM THE URUGUAY ROUND:
POST-URUGUAY PREPARATIONS AND ADJUSTMENT IN THE TEXTILES
AND CLOTHING SECTOR IN THE ESCWA REGION**

One of the main achievements of the Uruguay Round is the Agreement on Textiles and Clothing, which provides for the gradual dismantling (over 10 years) of the discriminatory quota restrictions on trade in textiles and clothing. These restrictions are included in the Multifibre Arrangement (MFA) and other arrangements. Owing to the importance of the textiles and clothing sector for a number of ESCWA member countries, it is important to study the implications of the Uruguay Round agreements and the challenges they create for this sector.

The restrictions imposed by developed countries on exports of textiles and clothing from developing countries date back to 1960. They were followed by successive, quantitative restrictive arrangements which were negotiated and which were in complete violation of the basic GATT (General Agreement on Tariffs and Trade) principles.

These restrictions produced the Short-Term Cotton Textiles Arrangements in 1961 and the Long-Term Cotton Textiles Arrangements in 1962. They culminated in the MFA, which governed international trade in textiles and clothing from 1974 to 1994, and in a host of other unilateral restrictions and bilateral arrangements. Some ESCWA member countries—Bahrain, Egypt, Kuwait, Lebanon, Qatar, Oman, the Syrian Arab Republic and the United Arab Emirates—faced MFA and non-MFA restrictions in exporting their textiles and clothing to the European Union, the United States of America and Canadian markets.

The study shows that the replacement of the MFA by the Agreement on Textiles and Clothing is important to the ESCWA member countries. However, this replacement will not be carried out in the immediate future. It is a gradual process. The implementation of the Agreement on Textiles and Clothing is a transitional arrangement (January 1995 to December 2005) during which countries will continue to be allowed to impose quantitative restrictions on exports of textiles and clothing. The MFA and the non-MFA restrictions are to be phased out by the end of 2005. By then, all textiles and clothing trade will be governed by the discipline of GATT and the World Trade Organization (WTO). Two points are worth emphasizing here. First, the Agreement on Textiles and Clothing, as an integral part of the WTO Agreement, applies to all WTO members, whether they are MFA signatories or non-MFA signatories; it does not, however, apply to non-WTO members even if they are signatories of the MFA. Second, the Agreement on Textiles and Clothing allows additional benefits for small suppliers, a category under which most ESCWA member countries fall.

It is expected that the implementation of the WTO Agreement will lead to an expansion in trading opportunities for efficient WTO members. Those member countries that have been able to generate an adequate supply response as quotas on their products were liberalized have been the ones that have gained the most. Countries that have not responded efficiently to the new opportunities may still benefit from the transitional period allowed before the sector is integrated into WTO rules. Member countries can use the transitional period to increase their export competitiveness in the international markets.

How have the concerned ESCWA member countries fared under WTO? The study addresses the question with an initial review of the cases of Egypt and Bahrain, which are full members of WTO. The respective exports of textiles and clothing of these two countries are small compared with exports of the developing countries. Their exports, therefore, are unlikely, in the short and medium term, to be affected by the Agreement on Textiles and Clothing. In addition, both countries enjoy duty-free access to the EU, but some of their export items are subject to non-tariff barriers in the EU and the United States.

Of all ESCWA member countries, it is Egypt that faces the toughest quantitative restrictions. The study shows that other ESCWA member countries that do not face restrictions in their main export markets (notably Jordan) are likely to benefit less when trade restrictions on exports are eliminated.

Jordan, however, is not yet a member of WTO; it is still in the accession process. It is, therefore, important that Jordanian negotiators make sure during the negotiations that the country retains its entitlement to apply the safeguard measures provided under the Agreement on Textiles and Clothing. ESCWA producers should use the transitional period to improve the competitiveness of their products both in the local and the international markets.

The study notes that those ESCWA member countries that are not WTO members may be put at a disadvantage in international trade. The provisions and most of the benefits of the WTO Agreement will not apply to them. These countries may even face new and timeless restrictions that may be applied against the textile and clothing exports of non-members.

The study examines the role that Governments in the region may play in the transitional period. The Governments should, the study argues, adopt policies that support producers' efforts to improve competitiveness. They should also assist in the process of identifying product areas that have potential market access opportunities, and those areas that may face severe competition.

It should be noted that the study includes an analytical interpretation of the main articles of the WTO Agreement on Textiles and Clothing.

The study makes a number of policy recommendations regarding the issues of textiles and clothing under the WTO. These recommendations deal with capacity-building, which includes the development of capabilities and expertise in interpreting the Agreement, understanding its implications and monitoring its implementation, especially for officials, producers and exporters. There are also recommendations for the exporters of textiles and clothing in the member countries regarding identifying market access opportunities and the development of competitiveness.

Finally, it is worth noting that the study is an input to an expert group meeting that ESCWA is planning to hold in 1999 to provide guidance to exporters and the business community in the ESCWA member countries on how to enhance capabilities in accessing markets, particularly for the products that are covered in the ESCWA study.

Annex III

**CRUDE OIL, PETROLEUM PRODUCTS AND THE PETROCHEMICAL
INDUSTRIES IN THE ESCWA MEMBER COUNTRIES:
CHALLENGES AND OPPORTUNITIES CONNECTED WITH
THE NEW INTERNATIONAL TRADING SYSTEM:
THE URUGUAY ROUND AGREEMENTS**

While the results of the Uruguay Round seem clear with regard to some areas, they are relatively lacking in clarity in others, such as that of crude oil. A number of ESCWA member States are among the world's principal petroleum producers and exporters. They all belong to the Organization of Petroleum Exporting Countries (OPEC), but not all of them are members of the World Trade Organization (WTO). Many countries, however, are realizing that they cannot remain outside the WTO for long. Even in areas in which the arrangements of the new international trading system are felt to be clear, these countries are still unsure about what kind of opportunities and challenges these arrangements imply for the future of their petrochemical and petroleum product industries. These industries are no less important than the oil industry itself, as reflected in the expansion plans currently being carried out by these countries and their plans for greater expansion in the future in connection with these industries. For this reason, the petroleum exporting ESCWA member countries are making efforts to improve their understanding of the agreements that constitute the new international trading system and the degree to which they will affect investment, production, pricing and trade in the crude oil and petroleum industry sectors.

The study aims at achieving the objective described above by identifying the agreements, decisions and declarations—as they appear in the final results of the Uruguay Round—which have a direct or indirect bearing on the crude oil industry and petroleum related industries in the countries of the region. In the study, frequent use is made of the qualitative analysis method, based on an examination of the articles of the agreements and the conclusions reached in previous studies done of the subject, together with the discussions held by ESCWA with experts belonging to international and regional organizations such as the European Union, the United Nations Conference on Trade and Development (UNCTAD), WTO, OPEC and the United Nations Industrial Development Organization (UNIDO) and exchanges of views with them.

The study shows the relative importance of crude oil, petroleum products and petrochemical industries in world trade as well as the importance of these sectors to the foreign trade and economies of the countries of the ESCWA region. It also identifies the principal trading partners of the countries of the region with respect to these goods and the types of trade arrangements that govern trade with them in these goods. Such arrangements include both the quantitative and qualitative restrictions on exports of these goods by the countries of the region and the quantitative and the qualitative restrictions imposed by the countries that import them, including taxes, subsidies and customs tariffs, as well as the preferential treatments accorded them.

For example, crude oil is allowed into most of the countries of the world as a product that is not subject to high tariffs. The United States of America and some European countries, however, impose a coal tax on all energy sources, including crude oil, whether imported or produced locally. Consequently, this tax is considered a local tax (value-added tax) rather than a customs tariff. Nevertheless, the oil countries may object to them under the new world trade agreements, arguing that they are a type of veiled tariff disguised as a local tax and are designed to encourage the development of new energy sources—a situation which may

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result in considerable harm being done to the economies of these countries, which continue to rely heavily on oil exports as one of their basic sources of national revenue. The petroleum exporting countries themselves do not tax or subsidize their crude oil exports; however, such exports are quantitatively restricted through the quotas imposed by OPEC at the production level in its member countries. While the region's petroleum product exports are not subject to any export tax, they are indirectly subsidized owing to the fact that they are supplied with raw materials—namely crude oil—at nominal cost. Both in the United States and in Europe such products are subject to high tariffs and local taxes.

The petrochemical substances exported by the countries of the region enter the countries of the European Union (their principal market) in accordance with the rules of the generalized system of preferences and are thus totally exempt from customs duties (with the exception of the exports of Saudi Arabia, which is not granted such an exemption). Saudi Arabia supplies more than 60 per cent of the region's petrochemical exports; it follows, then, that most of this country's exports are subject to a number of tariff and non-tariff restrictions in the European market. In the United States, another market for the petrochemicals exported by ESCWA member countries, the latter are subject to a number of non-tariff restrictions, and Japan imposes high customs duties on imports of such goods.

The study identifies those articles of the agreements, declarations and decisions issued at the end of the Uruguay Round which have a direct or indirect impact on the region's trade in such goods. Although neither the results of the Uruguay Round nor those of earlier rounds deal directly with the area of crude oil, those articles of the agreements that will affect trade, production and investment in that area in the future can none the less be identified. Petroleum and petrochemical products, like other manufactured goods, are subject to the terms of most of the agreements that emerged at the conclusion of the Uruguay Round.

This part of the study is of great importance owing to a certain degree of misunderstanding of the bearing which some of the agreements and decisions have on the petroleum industry in the countries of the region. The relevant articles of the agreements and decisions are those that have the capacity to increase or reduce trade restrictions on the crude oil, petroleum product and petrochemical exports of the countries of the region in various ways, including the imposition of customs duties on exports and imports, protective taxes, countervailing duties and environmental protection measures. The fact that neither the first nor the subsequent rounds of multilateral trade negotiations under the General Agreement on Tariffs and Trade (GATT) dealt directly with the question of trade in crude oil gave the impression to a number of the countries concerned, including the oil exporting ESCWA member countries, that crude oil was excepted from the GATT rules. Only later, after numerous explanations had been offered, did it become clear that trade in crude oil, like trade in any other commodity or product, was subject to the rules of GATT and the World Trade Organization.

Petrochemical exports constitute another area of particular importance for the countries of the region. While the abolition of tariff and non-tariff restrictions on trade in petrochemical products is expected to result in many trade opportunities for the countries of the region, the fact that raw materials that enter into the production of petrochemicals are supplied at nominal cost, far below world market prices, and that other types of subsidies have been established by the industrialized countries mean that the countries of the region will likely face major challenges in the areas of petrochemical manufacturing and trade. Moreover, the ESCWA member countries are still lagging far behind in the area of technological development, and the petrochemical industry is a sector in which the technocrats play a leading role. Consequently, the WTO Agreement on

Trade-Related Aspects of Intellectual Property Rights represents an additional significant challenge to the development of the petrochemical industry in the region.

The study also deals with the impact of the articles of the agreements identified in chapter II on the production of and trade in crude oil and related industries in the countries of the region. It also discusses the future of those industries in the light of the interconnectedness of the world economy and the liberalization of world trade, in particular the future of crude oil in terms of world supply and demand and the production and investment strategies that must be followed in each of the industries concerned. Finally, the study presents a summary of the most important results achieved, together with a series of recommendations for economic decision makers and all parties concerned in order to help them to meet the challenges of the new international trading system and take advantage of the opportunities which it offers for the industries studied.

Annex IV

**THE AGREEMENT ESTABLISHING THE WORLD TRADE ORGANIZATION
AND ITS IMPLICATIONS FOR TECHNOLOGY TRANSFER
IN THE PHARMACEUTICAL INDUSTRY
IN SELECTED ESCWA MEMBER COUNTRIES**

The manufacture of pharmaceuticals in a number of ESCWA member countries constitutes the basis for important industrial and trade-related activities. The Agreement Establishing the World Trade Organization (WTO) is expected to have important implications for the industry in the region. The provisions within the WTO Agreement for intellectual property rights (IPR) protection may introduce further difficulties. In particular, it is expected that compliance by the pharmaceutical industry with current and proposed licensing and intellectual property arrangements will impose a heavy burden on consumers in the ESCWA member countries.

The effects of WTO/IPR rules are not limited to the direct implications embodied in articles that govern trade in the products and the application of the processes of the industry; there are also indirect—and even more important—implications engendered by articles affecting the transfer of technological inputs in related production and services. Thus, it is predicted that the patterns and the intensity of technology transfer in the pharmaceutical industry will be drastically affected by WTO rules and IPR regimes.

The study commences by considering some of the likely effects of the recently adopted WTO rules on the pharmaceutical industry in the ESCWA member countries. Implications for trade, investment and technology acquisition are considered. The study briefly presents different models that have been developed to examine these implications and to forecast possible changes in trade and investment patterns as well as in technology flows.

The issue of granting global IPR protection for the industry's products, processes and services has generated extensive debate worldwide. The controversy over IPR is by no means confined to patent policy and the extent of activities covered by patents; it also includes the proposals to extend the length of copyright protection periods. Industrialized countries strongly support wide-ranging IPR protection for their local pharmaceutical manufacturers as well as for multinational pharmaceutical companies based within their boundaries. There are a number of consumer groups and non-governmental organizations (NGOs) concerned with development issues in the world which maintain strong opposition to the industrialized countries' policies regarding WTO and IPR rules.

IPR protection is at a nascent stage in most of the ESCWA member countries. Following a brief review of the status of IPR legislation in these countries, the study reviews the need for greater efforts to formulate IPR policies, legislation and enforcement measures that are compatible with WTO requirements.

The study addresses the main characteristics of research and development (R & D) in the pharmaceutical industry, including changes dictated by new developments in the biosciences and the availability of advanced computer technologies for drug design. The study also reviews the state of the pharmaceutical industry in the ESCWA member countries.

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The technological requirements for the various segments of the industry can be quite different in terms of their characteristics and relative availability. It should be noted that, at the product group level, pharmaceuticals that derive from new and advanced technologies will be influenced differently from those based on traditional technologies. Therefore, the study analyses the situation of the industry in the ESCWA member countries, to the extent possible, at the level of the industry's principal segments and product families.

Compliance with IPR requirements has serious institutional and cost implications. The study elaborates a framework for an action plan in which Governments, the private sector, concerned institutions, NGOs and regional organizations would cooperate in formulating legislative reforms and in the design of enforcement measures. The plan covers legal reforms, enforcement measures, the integration of IPR protection, and mechanisms for closer coordination between intellectual property rights holders and law enforcement agencies.

The main WTO provisions relating to the protection of technology and to licensing, as contained in the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs), are summarized in the study. The likely impact of the new rules on foreign direct investment (FDI), technology transfer and innovation is also considered.

Building the capacity of the ESCWA member countries for dealing with the implications of the WTO Agreement is the subject of the recommendations included in the study. New sets of objectives will be needed for technology management to achieve a sustainable impact on domestic productivity and quality improvement within the pharmaceutical segments considered.

In its concluding chapter, the study addresses the implications of WTO rules in relation to distinct classes of operations of the pharmaceutical industry. The study highlights issues relating to licensing, joint ventures and the development of the industry on the basis of off-patent products.
