

RECENT DEVELOPMENTS WITHIN THE FRAMEWORK OF THE WTO: FROM SINGAPORE TO GENEVA 1998

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The report starts with a brief review of world trade liberalisation as carried out within the framework of first, the GATT and then, the WTO. Then, it concentrates on the most recent developments. In this context, it reviews three basic agreements concluded in the fields of basic telecommunications, information technology products, and financial services. Furthermore, it also summarises the developments relating to the integration of the least-developed countries into the multilateral trading system. Then, after reviewing the dispute settlement mechanism within the WTO, it sums up the developments which took place at the Second Session of the Ministerial Conference in Geneva (18-20 May 1998). Lastly, it puts forward some proposals for the OIC countries to make better use of the WTO Agreements and activities.

1. INTRODUCTION

The OIC countries have shown great interest in understanding the new trade environment created by the signing of the Final Act of the Uruguay Round on 15 April 1994 in Marrakech, Morocco. They have discussed in detail the "*Implications of the Uruguay Round of Trade Negotiations on the External Trade of the OIC Member Countries*" as a separate agenda item during the Eleventh Session of the Standing Committee for Economic and Commercial Co-operation of the OIC (COMCEC) convened in Istanbul from 5 to 8 November 1995. The Statistical, Economic and Social Research and Training Centre for Islamic Countries (SESRTCIC), the Islamic Centre for the Development of Trade (ICDT), the Islamic Chamber of Commerce and Industry (ICCI), the Islamic Development Bank (IDB), the United Nations Conference on Trade and Development (UNCTAD), and the WTO have submitted reports evaluating various aspects of the Uruguay Round Agreements and their possible implications for the member countries. The reports were prepared in accordance with the decision of the previous session of the COMCEC.

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The Eleventh Session of the COMCEC, at the end of its deliberations on the said item, recognised, *inter alia*, “that co-ordinated efforts would be the most effective means for mitigating losses and turning losses into profits” and also “agreed on the need to closely monitor the implementation of the Uruguay Round Agreement” (Resolution (1) of the Eleventh Session of the COMCEC, Istanbul, 5-8 November 1995).

Similarly, the Twenty-third Islamic Conference of Foreign Ministers, held in Conakry from 9 to 12 December 1995, also recognised the importance of the co-ordinated efforts amongst the OIC member countries in this respect and further emphasised the need to monitor the implementation of the Uruguay Round Agreement.

Furthermore, the Twelfth Session of the COMCEC held in Istanbul from 12 to 15 November 1996, after stressing the significance for Member Countries of the First Ministerial Meeting of the WTO held in Singapore from 9 to 13 December 1996, urged Member Countries participating in that meeting “to conduct necessary consultations through a meeting of their delegations to co-ordinate their positions on the issues involved” (Resolution (1) of the Twelfth Session of the COMCEC, Istanbul, 12-15 November 1996).

On the other hand, the Thirteenth Session of the COMCEC (Istanbul, 1-4 November 1997) adopted a mechanism to facilitate consultations among Member Countries in pursuit of common stands at future WTO meetings. With this decision, “the Uruguay Round, as well as other issues raised in WTO, may be a permanent item on the agenda of the COMCEC and its Follow-up Committee”. In addition, “the General Secretariat and the concerned institutions of OIC ... shall monitor and report on the activities of WTO and other relevant organisations ... in their respective fields of competence, which are of importance and interest to Member States, and to the COMCEC and other OIC bodies”. Furthermore, the resolution also mentioned that “meetings of OIC Member States shall be convened with regard to WTO Meetings and related issues, for consultation and co-ordination of positions. (Resolution (1) of the Thirteenth Session of the COMCEC, Istanbul, 1-4 November 1997).

In the present report, after reviewing briefly the history of world trade liberalisation within the framework of first, the GATT, and then, the WTO, we will concentrate especially on the most recent developments which took place between the First and Second Sessions of the Ministerial Conference of the WTO. In this context, we will first discuss three basic agreements concluded successfully amongst the member countries of the WTO in the fields of basic telecommunications, information technology products, and financial services.

Since one of the most important agenda items of the WTO fora is the integration of the least-developed countries into the multilateral trading system, the developments in this area will also be summarised in the next section. After reviewing the dispute settlement mechanism within the WTO, we will sum up the developments which took place during the Second Session of the Ministerial Conference held in Geneva from 18 to 20 May 1998. Lastly, after considering the present state of the discussion points at the WTO fora, we will try to formulate some proposals to make better use of WTO Agreements and activities in the concluding section.

2. HISTORICAL BACKGROUND

The efforts to liberalise world trade have reached a significantly higher stage when countries signed the *Final Act* concluding the Uruguay Round Negotiations, better known as the '*Marrakech Declaration*' in Marrakech, Morocco, on 15 April 1994. The Uruguay Round had been launched in Punta del Este, Uruguay, with heated discussions on its agenda in 1986. The major topics of the new round of trade negotiations were tariffs, non-tariff and para-tariff measures, rules of origin, trade in services, intellectual property rights, trade in agricultural goods, trade-related investment measures, anti-dumping, technical barriers to trade, textiles and clothing, dispute settlement, establishment of the World Trade Organisation (WTO), etc.

Before Marrakech, world trade was governed by the General Agreement on Tariffs and Trade (GATT) which entered into force in January 1948. That agreement was concluded by 23 participating countries in Geneva in 1947. The Agreement included tariff concessions and trade rules. It also involved a draft charter for the establishment of an International Trade Organisation (ITO). That organisation was one of the three institutions to be set up to govern international economic relations; the other two were the World Bank and the International Monetary Fund (IMF). However, the ITO could not be materialised because the United States did not ratify its charter. Yet, the trade rules and tariff concessions were in effect. The GATT remained the only legal framework governing international trade since 1948 until the '*Marrakech Declaration*' and the establishment of the WTO. During this period, there occurred some additions and modifications in the basic GATT. These were realised through '*trade rounds*', the Annecy Round (France, 1949), the Torquay Round (England, 1950-51), the Geneva Tariff Cuts (1955-56), the Dillon Round (Geneva, 1960-61), the Kennedy Round (Geneva, 1964-67), and the Tokyo Round (1973-79). While the earlier trade talks covered only tariff concessions, the Kennedy and Tokyo Rounds also included anti-dumping measures, non-tariff and para-tariff barriers, and some '*plurilateral*' (based on

voluntary membership) agreements like the International Dairy Agreement, the International Bovine Meat Agreement, the Government Procurement Agreement, etc.

The WTO was established on 1 January 1995. 76 governments became members on its first day. 36 other governments became members during 1995 after completing various procedures. These 112 countries were followed by 16 countries in 1996 and by 4 countries between 1997 and July 1998. WTO has 132 member countries as at July 1998. Recently, an OIC member, the Kyrgyz Republic, concluded accession negotiations on 17 July 1998 to become the 133rd member. 31 countries have also applied for membership in the institution.

Out of 56 OIC members, 33 have already become members of the WTO and 9 others are in the process of becoming members. The remaining OIC countries have not yet applied for membership in the Organisation (See Annex 1 for the accession dates of the OIC member countries in the WTO).

3. BASIC TELECOMMUNICATIONS

The First Ministerial Meeting in Singapore provided an impetus to the continuation of the trade talks within the WTO after the conclusion of the Uruguay Round in Marrakech. In this regard, the first outcome was the successful conclusion of the negotiations on basic telecommunications on 15 February 1997. 69 governments were involved, accounting for more than 90 per cent of the domestic and international revenue generated in the telecommunications sector. The agreement actually included 55 schedules of commitments from 69 countries (the single European Communities schedule covers 15 member states). At the time of writing, the number of participating countries reaches 72 with the inclusion of Barbados, Cyprus and **Suriname**. Domestic and international revenue generated in the basic telecommunications sector roughly amounts to US\$ 600 billion annually. The participating countries are as follows: Antigua and Barbuda, Argentina, Australia, **Bangladesh**, Barbados, Belize, Bolivia, Brazil, **Brunei Darussalam**, Bulgaria, Canada, Chile, Colombia, Côte d'Ivoire, Cyprus, Czech Republic, Dominica, Dominican Republic, Ecuador, El Salvador, European Communities and its Member States, Ghana, Grenada, Guatemala, Hong Kong (China), Hungary, Iceland, India, **Indonesia**, Israel, Jamaica, Japan, Korea, **Malaysia**, Mauritius, Mexico, **Morocco**, New Zealand, Norway, **Pakistan**, Papua New Guinea, Peru, Philippines, Poland, Romania, **Senegal**, Singapore, Sri Lanka, Switzerland, Slovak Republic, South Africa, **Suriname**, Thailand, Trinidad

and Tobago, **Tunisia**, **Turkey**, the US, and Venezuela (the names of the OIC members are written in bold type).

The Agreement will reduce the costs in the sector, implying a fall in the operation expenses of the companies and also a fall in the telecommunications expenses of the households. According to the WTO Director-General, Mr. Renato Ruggiero, global income gains for the users from the liberalisation of the basic telecommunications sector may reach up to “some one trillion dollars over the next decade or so, which represents around four per cent of world GDP at today’s prices”. He further thinks that “it makes access to knowledge easier... Information and knowledge, after all, are the raw material of growth and development in our globalised world” (WTO, *Focus*, No.16, p.1).

The Agreement covers telecom services such as telephone, telex, telegraph, facsimile services, data transmission, private leased circuits, fixed and mobile satellite systems, cellular phones, paging, mobile data services, and personal communication systems. The results of the deal are to be extended to all WTO members on a non-discriminatory basis through the MFN (most favoured nation) principle. However, the legal basis for these negotiations made it possible for each government to decide whether or not to make an MFN exemption. Based on this provision, nine governments (Antigua and Barbuda, Argentina, **Bangladesh**, Brazil, India, **Pakistan**, Sri Lanka, **Turkey** and the US) filed lists of MFN exemptions at the end of the negotiations on 15 February 1997.

The 3rd article of the deal determines the date of its entry into force as 1 January 1998. Yet “it has to be accepted by all Members concerned. If by 1 December 1997 the Protocol has not been accepted by all Members concerned, those Members which have accepted it by that date may decide, prior to 1 January 1998, on its entry into force.” (Fourth Protocol to GATS, 15 February 1997, *WTO Focus*, No.16, p.2). However, the agreement came into effect on 5 February 1998 because of the delays encountered during the completion of the necessary procedures.

4. INFORMATION TECHNOLOGY PRODUCTS (ITA)

On 26 March 1997, 40 countries, accounting for more than 93 per cent of the world trade in information technology products, concluded an agreement to eliminate tariffs and similar duties and charges on these products gradually starting from 1 July 1997 until 1 January 2000. The agreement will be implemented on the basis of the “most-favoured-nation (MFN)” principle, that is, all WTO members will benefit from the elimination of customs duties and charges on these products. Currently, 43 countries are participating in the

agreement. These are Australia, Canada, Chinese Taipei, Costa Rica, Czech Republic, European Communities (representing the 15 member countries), El Salvador, Estonia, Hong Kong (China), Iceland, India, **Indonesia**, Israel, Japan, Korea, Liechtenstein, Macau, **Malaysia**, New Zealand, Norway, Philippines, Poland, Romania, Singapore, Slovak Republic, Switzerland, Thailand, **Turkey**, and the United States.

The agreement provides for the elimination of customs duties in four equal reductions: the first on 1 July 1997, the second on 1 January 1998, the third on 1 January 1999, and the fourth on 1 January 2000.

The Agreement covers the following product categories:

- Computers, including printers, scanners, monitors, hard-disk drives, power supplies, etc.
- Telecommunication products such as telephone sets, fax machines, modems, pagers, etc.
- Semiconductors such as chips, wafers, etc.
- Semiconductor manufacturing equipment.
- Software (diskettes, CD-ROMs, and similar information media).
- Scientific instruments.
- Other products such as cash registers, computer network equipment, photocopiers, etc., but not electronic consumer goods, like radios, TV sets, music sets, etc.

In addition to these product categories, some similar apparatus and equipment such as audio, video, radio, television, etc., are being considered by the participating governments for inclusion under this agreement.

The top three exporters of information technology products on the world scale are the US (\$104.6 bln in 1996), Japan (\$93.9 bln) and the European Union (\$64.7 bln as extra-EU exports). On the demand side, major importers are also the same countries with a slight change in order. The leading importing country, the US (\$140.7 bln in the same year), is followed by the European Union (\$104.3 bln as extra-EU imports) and Japan (\$43.4 bln). On the other hand, amongst these top three exporters and importers, only Japan has a surplus in the trade of these products. World trade in information technology products reached approximately \$626 billion in 1996 or 12.2 per cent of total world merchandise trade. It is indeed the fastest-growing sector. Due to the accelerated pace of technological innovations, this industry will certainly become one of the most important ones in the near future and will not lose its strategic importance in the foreseeable future. Instead, these products will most possibly enlarge their domain and penetrate into the other sectors, services and merchandise production. The elimination of customs duties and other charges on these products will create a very tough and severe competitive environment in which only the technologically-developed companies or countries would survive in this market. Production of these products already needs very high technologies and huge sums of money to be spent in research and development projects. The increased competition in this sector will further induce research and development which, in turn, will further improve the level of technology in the sector. The outcome of such a development will be the accumulation of scientific and technological knowledge in the most developed countries. As a result of these developments,

the technological gap between the developed countries and the developing ones may be enlarged. Such an adverse development may be reversed by encouraging the creation of joint-venture projects in the latter, in manufacturing and in research and development. In this manner, they may overcome the very high burden of research and development projects in this sector.

5. FINANCIAL SERVICES

After the agreements on information technology products and basic telecommunications have been reached, the focus of the WTO members shifted to the negotiations on financial services. The talks on financial services, which had been interrupted in July 1995, were resumed with the Meeting of the Committee on Trade in Financial Services on 10 April 1997. They were concluded successfully on 12 December 1997 when 70 WTO members reached an agreement to open their financial services sector, covering more than 95 per cent of trade in banking, insurance, securities and financial information. The approximate size of the market is estimated at more than \$1,000 billion. The agreement will enter into force on 1 March 1999.

The major discussion point in the financial services was the banking sector, the role of state-owned banks, and the opening of the sector to foreign competition. Countries, particularly the developing ones, considering the pivotal role of the banking sector in their domestic economies, were rather hesitant to open this sector to international competition. Nevertheless, the negotiating countries were able to come to an agreement. The agreement will be implemented on the most-favoured-nation (MFN) basis.

The agreement includes insurance activities such as life and non-life insurance services, reinsurance, insurance agency services, supplementary insurance services, etc., and banking activities such as deposits, credits, consumer credits, mortgage credit, factoring, leasing, money transmission, guarantees, money market instruments, foreign exchange, gold, swaps and forwarding, portfolio management, pension fund management, settlement and clearing services for financial assets, providing financial information, financial data processing, advisory and consultancy services, etc.

According to the commitments made by the participating countries within the framework of the Agreement, more banking, insurance and financial services can be conducted across borders. More banks, financing and insurance companies are allowed to operate across borders. Liberalisation of the financial services sector will enlarge the activities of the banks and financial institutions and will provide more business opportunities for the

banks and companies in this sector. This will increase the operations and profits of banks and companies. The customers, whether they are residents of developed or developing countries, will indeed benefit from the improved services in the sector.

However, the banks, financial institutions and insurance companies of the developing countries will face a more competitive environment. They will be obliged to restructure their operational modalities and to prepare themselves to compete with international banks. This process of opening up the financial services sector to international competition may be highly problematic for some banks and financial institutions in the developing countries. On the other hand, those banks and companies which are prepared for such a development will benefit from their increased operations and newly-introduced services. Furthermore, the developing countries may also benefit from capital inflows and financial expertise brought in by foreign banks and companies. As a result, financial markets may grow and develop in developing countries and generate more funds which are necessary for financing development projects.

6. LEAST DEVELOPED COUNTRIES (LDCs)

The WTO *Decision on Measures in Favour of Least-Developed Countries* adopted in Marrakech, Morocco, on 15 April 1994, provides for the members to adopt positive measures in favour of those countries. In other words, although the gist of the GATT and WTO Agreements lies in the MFN rule of non-discrimination amongst the member countries, this WTO decision allows the adoption of measures in favour of the LDCs. Moreover, during the First Ministerial Conference of the WTO held in Singapore from 9 to 13 December 1996, the Ministers were very much concerned by the problems of the LDCs and they adopted the 'Comprehensive and Integrated WTO Plan of Action for the Least-Developed Countries'. It aims basically to further integrate the LDCs into the multilateral trading system, to enhance their trading opportunities, and to improve conditions for investment, export expansion, and diversification.

The WTO Plan of Action for the LDCs includes measures relating to the implementation of the Decision in Favour of the Least-Developed Countries. It also foresees an increased co-operation among these countries, the WTO, aid agencies, and multilateral institutions such as the UNCTAD, the International Trade Centre (ITC), the UNDP, the World Bank, the IMF and regional banks, as well as the Development Assistance Committee (DAC) of the Organisation of Economic Co-operation and Development (OECD). Joint WTO/ITC training courses will be organised for public sector officials and the private sector. The participation of the LDCs' officials in WTO meetings will be financed by voluntary contributions.

The Plan of Action will be applicable to those LDCs which are designated as such by the United Nations and are members of the WTO. (A copy of the Comprehensive and Integrated WTO Plan of Action for the Least-Developed Countries is attached as Annex 2).

The Ministers were also of the opinion that a comprehensive approach to bring together national efforts and those of the international community was necessary to achieve growth and development in the LDCs. In order to achieve this goal, they agreed to organise a high-level meeting with the UNCTAD and the ITC in 1997, with the participation of the aid agencies, multilateral financial institutions and the LDCs themselves. The meeting aimed to foster an integrated approach to assist these countries in enhancing their trading opportunities.

This High-Level Meeting on Integrated Initiatives for Trade-Related Technical Assistance for the LDCs was held on 27-28 October 1997 in Geneva. The Meeting involved six international agencies: the WTO, the UNCTAD, the ITC, the IMF, the World Bank, and the UNDP. At the Meeting, an inter-agency technical assistance programme for the LDCs, the "Integrated Framework," was launched to help the LDCs increase their trade capacities and, in this manner, provide them with more business opportunities in the global economy. Furthermore, some preferential market access measures in favour of the LDCs were announced by 27 WTO members. These are: the European Communities with 15 Members, India, Korea, **Malaysia**, Mauritius, **Morocco**, Norway, Singapore, South Africa, Switzerland, Thailand, **Turkey**, and the United States.

These measures in favour of the LDCs will provide better access for their exports to the markets of the developed countries, which may improve their ability and capacity to export and promote their export industries. If so, the LDCs will be more integrated into the global economy. This may lead them to make use of new technologies in the production of goods and services increasing thereby their export capacity and ability.

7. DISPUTE SETTLEMENT

A dispute settlement system was established by the Agreement of the Uruguay Round Understanding on Rules and Procedures Governing the Settlement of Disputes, or Dispute Settlement Understanding (DSU) for short. The system is based on well-defined rules, procedures, and timetables for completing a case. Disputes may occur when a member country does something that may be interpreted by another member as a violation of the WTO Agreements. In such a case, the system first aims to settle the trade disputes through consultations amongst the disputing parties. At this stage, the countries involved in the dispute talk to each other to solve the problem by themselves. If the case cannot be solved by the parties themselves, a panel is set up by the Dispute Settlement Body (DSB), the organ for settling disputes. This panel consists of

three (or five) experts from different countries. After examining the case, the panel makes recommendations on the dispute in the light of the WTO agreements. The panel's report is adopted by the DSB. In the DSB, the decision can be rejected only by consensus. These procedures are to be completed within a certain timetable.

The operation of the dispute settlement mechanism was highly appreciated by the Ministers in Singapore. They considered it *"to be of fundamental importance in assuring the resolution of trade disputes, and in fostering the implementation and application of the WTO Agreements"* (Singapore Declaration, 9-13 December 1998).

The dispute settlement mechanism is an effective tool to protect the trade benefits of the signatory countries. The countries involved in this mechanism as complainants were the US with 49 cases, the European Communities with 30 cases and Japan with 5 cases until May 1998. All the developing countries made only 35 complaints. Amongst the OIC countries, out of 33, only Indonesia, Malaysia and Pakistan made one complaint each. As respondents, the US was involved in 23 cases, the EC in 18, Japan in 11 cases, and all developing countries in 48 cases. On the other hand, amongst the OIC countries, Indonesia and Turkey were involved as respondents in four cases, Pakistan in two cases, and Malaysia in one case.

8. SECOND MINISTERIAL CONFERENCE

The Second Session of the World Trade Organisation (WTO) Ministerial Conference was convened in Geneva from 18 to 20 May 1998. The WTO Ministerial Conference aimed to review the implementation of the WTO Agreement and the decisions taken at the First Ministerial Meeting of the WTO held in Singapore from 9 to 13 December 1996. It also aimed to discuss the future agenda of the WTO.

In his address, Mr. Renato Ruggiero, the Director-General of the WTO, emphasising the role of the WTO in the international trading system, gave an account of the successes achieved since the First Ministerial Meeting in Singapore. Pointing out the major agreements concluded in the fields of basic telecommunications services, information technology products, and financial services since the Singapore Conference, he said that *"their combined value equates to a new Round -- the finance and technology Round for the 21st century."* He also mentioned the increasing interest of the developing countries, particularly the LDCs, in the WTO which has brought together 132 countries under common international rules, regulations and procedures. He

further mentioned that whenever trade was talked about, issues such as development, financial stability, marginalisation, environment, social conditions, employment, public health, cultural diversity, etc., came up immediately. He concluded that these issues had to be taken up by the international community and that the disciplined and rule-based Multilateral Trading System (MTS) was essential for better management of the world economy.

The Ministers, during the Meeting, reviewed the activities of the WTO and expressed their ideas on the implementation of the WTO Agreement and other Ministerial Decisions. They also exchanged views on the topics which they deemed necessary to place on the future agenda of the WTO such as electronic commerce, transparency in government procurement, trade and competition issues, starting a new round, etc.

At the end of the Conference, the Ministers adopted a Ministerial Declaration and a Declaration on Global Electronic Commerce. The first one had been prepared by the General Council through discussions amongst the WTO member countries. In this Declaration, the Ministers underlined the crucial importance of the rules-based multilateral trading system. After recalling the financial turmoil in the Asian countries, they rejected the use of any protectionist measures and they stressed the importance of keeping all markets open. They also decided to consider how to improve the transparency of the WTO operations to enhance public understanding of the MTS. They have repeated their concern over the marginalisation of the LDCs and urged members to implement the market-access commitments in favour of the LDCs. They also decided to establish a process under the General Council whereby to ensure full implementation of the existing agreements. In this regard, they have also determined to include the following types of recommendations into the work programme of the General Council:

- “a) Recommendations concerning:
 - (i) the issues, including those brought forward by Members, relating to implementation of existing agreements and decisions;
 - (ii) the negotiations already mandated at Marrakech, to ensure that such negotiations begin on schedule;
 - (iii) future work already provided for under other existing agreements and decisions taken at Marrakech.
- (b) Recommendations concerning other possible future work on the basis of the work programme initiated at Singapore.

- (c) Recommendations on the follow-up to the High-Level Meeting on Least-Developed Countries.

- (d) Recommendations arising from consideration of other matters proposed and agreed to by Members concerning their multilateral trade relations.” (A copy of the Ministerial Declaration is attached as Annex 3.)

The second one, Declaration on Global Electronic Commerce, was proposed by the United States. In this Declaration, Ministers “recognising that global electronic commerce is growing and creating new opportunities for trade”, gave an assignment to the General Council “to establish a comprehensive work programme to examine all trade-related issues relating to global electronic commerce”. Furthermore, They requested that “the General Council should produce a report on the progress of the work programme and any recommendations for action to be submitted at (their) third session. Ministers further stated that “Members will continue their current practice of not imposing customs duties on electronic transmissions”.

Ministers also accepted the proposal made by the United States to hold the Third Session in the United States in 1999. They further elected the USA, Pakistan, Burkina Faso, and Colombia as the Office Members of the next session.

9. CONCLUSION

The short history of the WTO is, in general, considered quite promising. First of all, the WTO Agreement is the biggest trade agreement in history involving 133 countries. When it is compared to the GATT 1947 which was concluded by only 23 participating countries in Geneva in 1947, it has really established a global trade system. The large number of participating countries shows that the new era is endorsed by the vast majority of countries and the operation of the global economy will be dominated by this agreement.

Secondly, during the time between the signing of the Final Act in Marrakech on 15 April 1994 and its entry into force on the target date of 1 January 1995, that is, in eight months and a half, 76 governments completed the necessary procedures to ratify it. This phenomenon is also a real success, if one considers how long it takes in general to complete the ratification processes of similar multilateral agreements.

Furthermore, compared with previously concluded international agreements, the WTO Agreement is quite binding and comprehensive. In other words, it is not of the type that you can sign and forget. For that reason, this agreement has already opened a new era in which a new set of rules and

procedures would govern the various aspects of the whole of the world trade such as merchandise trade, trade in services, foreign investment, intellectual property rights, government procurement, etc. Moreover, not only will the policies on trade and related topics with a foreign component be reviewed under this new mechanism, but even domestic policies like government subsidies will be questioned.

Due to the scope and the size of the new trading system, even non-member countries will be obliged to act in accordance with the system, because the international prices of goods and services will be determined competitively under the standards set by the new system. The opportunity cost of staying completely out of the new world trading system, or in other words, the choice of full autarky, will be higher than before because greater margins will have to be paid to keep such industries alive due to falling international prices of goods and services.

On the other hand, realisation of greater liberalisation in global trade through a reduction of traditional barriers such as tariffs and quotas is creating other types of obstacles to the practice which defines new discussion points to be put on the agenda of the international community such as, for example, competition policies, foreign investment, etc. Placing these types of trade-related topics on the WTO agenda enlarges the domain of the WTO Agreement.

After the First Ministerial Meeting in Singapore, and within less than a year, major agreements were concluded to liberalise trade in basic telecommunications, information technology products, and financial services. As was pointed out above, according to the WTO Director-General, Mr. Renato Ruggiero, taken together, these agreements are the equivalent of a major global round. Clearly, trade liberalisation is continuing in the post-Uruguay Round era even at an accelerated pace.

However, this liberalisation process is criticised by many developing countries. Many of them think that the WTO members should first consolidate the liberalisation process stemming from the Uruguay Round before starting a new set of negotiations on completely new areas such as electronic commerce. They also complain about the difficulties that they have encountered in implementing existing agreements. Their emphasis is rather concentrated on the implementation of the existing WTO Agreements. Some developing countries also argue that their limited resources, both human and financial, are already being squeezed by the WTO meetings.

On the other hand, the industrial countries want to put new topics on the WTO agenda. Topics like electronic commerce, foreign investment, transparency in government procurement, and trade and competition issues should, in their view, be the subject of WTO negotiations and they must be discussed within the WTO forum. In Singapore, Working parties were established to examine the relationship between trade and investment, trade and competition policy, including anti-competitive practices, and transparency in government procurement practices. These working parties will finish their work by December 1998.

Additionally, some industrial countries led by the US believe that an agreement is needed to establish global rules for electronic commerce. At the end of the Second Ministerial Meeting, Ministers gave an assignment to the General Council to establish a comprehensive work programme to examine all trade-related issues relating to global electronic commerce. They also requested that the General Council should produce a report on the progress of the work programme and any recommendations for action to be submitted to the third session.

Furthermore, some countries believe that future liberalisation should continue on sectoral negotiations like basic telecommunications, financial services, etc. Some other countries, on the other hand, argue that a new Round covering all these subjects should be launched. All these discussion points will be taken up by the next Ministerial Meeting to be convened in the United States in 1999.

On the one hand, the scope of the WTO is expanding with the inclusion of more trade-related matters in its agenda. On the other, the WTO is becoming a really global trading system with the accession of more countries to the organisation. Recently, the number of member countries reached 133, with an additional 31 candidates, all developing or transition economies, negotiating to become members in the WTO. China and the Russian Federation are amongst these new candidates. Enlargement of the scope and size of the WTO will make the WTO an effective institution. The global trading system will become dependent on the rules and procedures already determined and/or to be determined within that framework.

For this reason, the OIC member countries will, most likely, continue to review the activities of the WTO and the implementation of the WTO Agreements. They need to improve consultations, co-operation, and co-ordination amongst themselves in relation to the WTO activities and trade talks. Particularly, they should increase consultation and co-operation on the items related to the 'built-in agenda' and the new topics to be included in the

future agenda of the WTO. They should concentrate on finding answers to the question of what is to be done to face the challenges which may arise during the talks related to the WTO agenda. They may try to develop ways and means to improve co-ordination and co-operation amongst themselves. The following, *inter alia*, can be proposed to make better use of today's MTS and WTO agreements and activities and to be prepared to face the new challenges likely to arise within the WTO framework:

1. To prepare studies to evaluate the impact of implementation of the WTO agreement on the economies of the OIC Member States.
2. To convene a series of Expert Group Meetings to discuss various facets of the WTO agenda.
3. To start a series of Consultation Meetings in Geneva amongst the permanent representations of the Member States.
4. To evaluate past WTO activities and to discuss its built-in agenda and the topics likely to be included in the future agenda as a separate item within the framework of the COMCEC.
5. To establish an Ad-Hoc Group to discuss the issues relating to the WTO agenda to be formed by the experts from the OIC Member States and the subsidiary and affiliated organs of the OIC.
6. Those OIC countries which do not have enough specialists in their permanent representations in Geneva to follow up the WTO activities, particularly the least developed OIC members, may pool and share their resources in this respect. Furthermore, the OIC countries with similar economic structures from the same regions or sub-regions may also adopt the same modality of co-operation at the WTO trade talks.

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ANNEX 1**Table 1: OIC Members in the WTO (as at 17 July 1998)**

1. Bahrain	1	January	1995
2. Bangladesh	1	January	1995
3. Benin	22	February	1996
4. Brunei Darussalam	1	January	1995
5. Burkina Faso	3	June	1995
6. Cameroon	13	December	1995
7. Chad	19	October	1996
8. Djibouti	31	May	1995
9. Egypt	30	June	1995
10. Gabon	1	January	1995
11. Gambia	23	October	1996
12. Guinea	25	October	1995
13. Guinea-Bissau	31	May	1995
14. Indonesia	1	January	1995
15. Kuwait	1	January	1995
16. Kyrgyz Republic	(Accession negotiations concluded successfully on 17 July 1998)		
17. Malaysia	1	January	1995
18. Maldives	31	May	1995
19. Mali	31	May	1995
20. Mauritania	31	May	1995
21. Morocco	1	January	1995
22. Mozambique	26	August	1995
23. Niger	13	December	1996
24. Nigeria	1	January	1995
25. Pakistan	1	January	1995
26. Qatar	13	January	1996
27. Senegal	1	January	1995
28. Sierra Leone	23	July	1995
29. Surinam	1	January	1995
30. Tunisia	29	March	1995
31. Turkey	26	March	1995
32. Uganda		January	1995
33. United Arab Emirates	10	April	1996

OIC Members that requested to join the WTO

Albania, Algeria, Azerbaijan, Jordan, Kazakhstan, Oman, Saudi Arabia, Sudan, Uzbekistan.

ANNEX 2
Comprehensive and Integrated WTO Plan of Action for the Least-Developed Countries

Adopted on 13 December 1996

Preamble

1. The WTO *Decision on Measures in Favour of Least-Developed Countries* provides for WTO Members to adopt positive measures in favour of least-developed countries. Other WTO legal instruments contain additional provisions for, *inter alia*, enhancing their trading opportunities and their integration into the multilateral trading system. The implementation of these commitments remained a priority for WTO Members. Similar objectives have led to initiatives launched by other agencies—including the United Nations, the United Nations Conference on Trade and Development (UNCTAD), the International Trade Centre (ITC), the World Bank and the International Monetary Fund (IMF).
2. A comprehensive approach, bringing together national efforts and those of the international community, is required to achieve growth in least-developed countries through appropriate macroeconomic policies, supply-side measures and improved market access. Least-developed countries wishing to take advantage of the opportunities provided for in some WTO Agreements to attract foreign direct investment should be assisted.
3. This Plan of Action offers a comprehensive approach and includes measures relating to the implementation of the Decision in Favour of Least-Developed Countries, as well as in the areas of capacity-building and market access from a WTO perspective. It envisages a closer co-operation between the WTO and other multilateral agencies assisting least-developed countries. This is also in conformity with the Marrakech *Declaration on the Contribution of the WTO to Achieving Greater Coherence in Global Economic Policy-making*, a central purpose of which is to contribute to the expansion of trade, sustainable growth and development of developing countries, including least-developed countries, through the closer co-operation of the WTO with the World Bank and the IMF.
4. The WTO Plan of Action will be applied in respect of the least-developed countries designated as such by the United Nations which are Members of the WTO.

I. Implementation of the Decision on Measures in Favour of Least-Developed Countries

5. While the *Decision on Measures in Favour of Least-Developed Countries* contains calls for action, the following could contribute to a more effective implementation.
 - (a) The WTO Members shall step up their efforts to improve the capacity of least-developed countries to meet their notification obligations.
 - (b) An effective review every two years in the Committee on Trade and Development (in accordance with its terms of reference) on the basis of reports by the Chairpersons of the relevant WTO Bodies and other available information of the implementation of measures in favour of least-developed countries. This should coincide with the Ministerial Conferences.
 - (c) The WTO Bodies are invited to identify means to assist least-developed countries in implementing their WTO commitments.
 - (d) The Committee on Trade and Development will explore ways of ensuring greater disclosure of the application of the Uruguay Round provisions in favour of least-developed countries; and, of increasing efforts to disseminate information relating to those provisions.

II. Human and Institutional Capacity-Building

6. In the Guidelines for WTO Technical Co-operation, least-developed countries are priority beneficiaries. The Members of the WTO shall ensure that this priority is assigned to least-developed countries, and in accordance with the Guidelines the effectiveness of the technical co-operation will be continually evaluated against this priority.
7. With a view *to* assisting in the institutional capacity-building in the area of trade, the WTO shall work with other relevant agencies to develop a comprehensive approach and outline a division of labour, in particular with UNCTAD and the ITC, as well as with UNDP, the World Bank, IMF and Regional Banks. The Development Assistance Committee (DAC) of the OECD should also be involved. With regard to supply-side constraints, priority should be attached to export diversification and facilitating the implementation of commitments to allow least-developed countries to benefit from the new market opportunities deriving from the Uruguay

Round. The WTO should cooperate with other relevant institutions in order to encourage a favourable investment climate.

8. Joint WTO/ITC training courses could be organised for public sector officials and the private sector.
9. The WTO should explore the availability of resources for the provision of technical assistance to least-developed countries by developing countries with successful experiences in trade.
10. The participation of least-developed countries' officials in WTO meetings would be financed by strictly voluntary contributions.

III. Market Access

11. The initiatives proposed below are presented as options to be examined by WTO Members in the light of the Singapore Ministerial Conference to improve the access to the markets of exports of least-developed countries. Further consideration should be given to additional multilateral action and co-ordination in this endeavour.

» Developed country Members, and developing country Members on an autonomous basis, would explore the possibilities of granting preferential duty-free access for the exports of least-developed countries. In both cases exceptions could be provided for.

» WTO Members should endeavour to make use, when possible, of the relevant provisions of the Agreement on Textiles and Clothing to increase market access opportunities for least-developed countries.

» Whenever provided for in the WTO Agreements, Members may decide to extend unilaterally and on an autonomous basis, certain benefits to least-developed countries' suppliers.

» WTO Members should pursue, on an autonomous basis, preferential policies and liberalisation undertakings in order to further facilitate access to their markets for least-developed countries' exports, such as an early implementation of Uruguay Round undertakings.

IV. Other Initiatives

12. The Secretariat shall provide factual and legal information to assist acceding least-developed countries in drawing up their Memorandum on the Foreign Trade Regime, as well as their Schedules of Concessions for goods and Commitments in services.

13. In accordance with its mandate, the WTO shall endeavour to work jointly with other relevant multilateral and regional institutions to induce investment in least-developed countries as a result of new trade opportunities.
14. Individual Members may study the feasibility of binding preferential tariff rates in a WTO preferential scheme which would be applicable to least-developed countries only.

ANNEX 3
Ministerial Declaration
Adopted on 20 May 1998

1. This Second Session of the Ministerial Conference of the WTO is taking place at a particularly significant time for the multilateral trading system, when the fiftieth anniversary of its establishment is being commemorated. On this occasion we pay tribute to the system's important contribution over the past half-century to growth, employment and stability by promoting the liberalisation and expansion of trade and providing a framework for the conduct of international trade relations, in accordance with the objectives embodied in the Preambles to the General Agreement on Tariffs and Trade and the World Trade Organisation Agreement. We agree, however, that more remains to be done to enable all the world's peoples to share fully and equitably in these achievements.
2. We underline the crucial importance of the multilateral rule-based trading system. We reaffirm the commitments and assessments we made at Singapore, and we note that the work under existing agreements and decisions has resulted in significant new steps forward since we last met. In particular, we welcome the successful conclusion of the negotiations on basic telecommunications and financial services and we take note of the implementation of the Information Technology Agreement. We renew our commitment to achieve progressive liberalisation of trade in goods and services.
3. The fiftieth anniversary comes at a time when the economies of a number of WTO Members are experiencing difficulties as a result of disturbances in financial markets. We take this opportunity to underline that keeping all markets open must be a key element in a durable solution to these difficulties. With this in mind, we reject the use of any protectionist measures and agree to work together in the WTO as in the IMF and the World Bank to improve the coherence of international economic policy-making with a view to maximising the contribution that an open, rule-based trading system can make to fostering stable growth for economies at all levels of development.
4. We recognise the importance of enhancing public understanding of the benefits of the multilateral trading system in order to build support for it and agree to work towards this end. In this context we will consider how to improve the transparency of WTO operations. We shall also continue to

improve our efforts towards the objectives of sustained economic growth and sustainable development.

5. We renew our commitment to ensuring that the benefits of the multilateral trading system are extended as widely as possible. We recognise the need for the system to make its own contribution in response to the particular trade interests and development needs of developing-country Members. We welcome the work already underway in the Committee on Trade and Development for reviewing the application of special provisions in the Multilateral Trade Agreements and related Ministerial Decisions in favour of developing country Members, and in particular the least-developed among them. We agree on the need for effective implementation of these special provisions.
6. We remain deeply concerned over the marginalization of least-developed countries and certain small economies, and recognise the urgent need to address this issue which has been compounded by the chronic foreign debt problem facing many of them. In this context we welcome the initiatives taken by the WTO in co-operation with other agencies to implement in an integrated manner the Plan of Action for the least-developed countries which we agreed at Singapore, especially through the High-Level Meeting on Least-Developed Countries held in Geneva in October 1997. We also welcome the report of the Director-General on the follow-up of this initiative, to which we attach great importance. We commit ourselves to continue to improve market access conditions for products exported by the least-developed countries on as broad and liberal a basis as possible. We urge Members to implement the market-access commitments that they have undertaken at the High-Level Meeting.
7. We welcome the WTO Members who have joined since we met in Singapore: Congo, Democratic Republic of Congo, Mongolia, Niger and Panama. We welcome the progress made with 31 applicants currently negotiating their accession and renew our resolution to ensure that the accession processes proceed as rapidly as possible. We recall that accession to the WTO requires full respect of WTO rules and disciplines as well as meaningful market access commitments on the part of acceding candidates.
8. Full and faithful implementation of the WTO Agreement and Ministerial Decisions is imperative for the credibility of the multilateral trading system and indispensable for maintaining the momentum for expanding global trade, fostering job creation and raising standards of living in all parts of the world. When we meet at the Third Session we shall further pursue our evaluation of the implementation of individual agreements and the realisation of their objectives. Such evaluation would cover, inter alia,

the problems encountered in implementation and the consequent impact on the trade and development prospects of Members. We reaffirm our commitment to respect the existing schedules for reviews, negotiations and other work to which we have already agreed.

9. We recall that the Marrakech Agreement Establishing the World Trade Organisation states that the WTO shall provide the forum for negotiations among its Members concerning their multilateral trade relations in matters dealt with under the agreements in the Annexes to the Agreement, and that it may also provide a forum for further negotiations among its Members concerning their multilateral trade relations, and a framework for the implementation of the results of such negotiations, as may be decided by the Ministerial Conference. In the light of paragraphs 1-8 above, we decide that a process will be established under the direction of the General Council to ensure full and faithful implementation of existing agreements, and to prepare for the Third Session of the Ministerial Conference. This process shall enable the General Council to submit recommendations regarding the WTO's work programme, including further liberalisation sufficiently broad-based to respond to the range of interests and concerns of all Members, within the WTO framework, that will enable us to take decisions at the Third Session of the Ministerial Conference. In this regard, the General Council will meet in special session in September 1998 and periodically thereafter to ensure full and timely completion of its work, fully respecting the principle of decision-making by consensus. The General Council's work programme shall encompass the following:

- (a) recommendations concerning:
 - (i) the issues, including those brought forward by Members, relating to implementation of existing agreements and decisions;
 - (ii) the negotiations already mandated at Marrakech, to ensure that such negotiations begin on schedule;
 - (iii) future work already provided for under other existing agreements and decisions taken at Marrakech;
- (b) recommendations concerning other possible future work on the basis of the work programme initiated at Singapore;
- (c) recommendations on the follow-up to the High-Level Meeting on Least-Developed Countries;

- (d) recommendations arising from consideration of other matters proposed and agreed to by Members concerning their multilateral trade relations.

10. The General Council will also submit to the Third Session of the Ministerial Conference, on the basis of consensus, recommendations for decision concerning the further organisation and management of the work programme arising from the above, including the scope, structure and time-frames, that will ensure that the work programme is begun and concluded expeditiously.
11. The above work programme shall be aimed at achieving overall balance of interests of all Members.