

With a record seven panel requests before it, the Dispute Settlement Body (DSB), on 16 October, agreed to establish three panels to examine, respectively, Korea's taxes on alcoholic beverages, India's patent protection for pharmaceutical and agricultural products, and Argentina's measures affecting textiles and clothing. The number of active panels has thus risen to 12, which could rise to 15 in November when the DSB comes back to three new panel requests made at the October meeting.

Liquor taxes

Claims of discriminatory tax treatment of imported alcoholic beverages was a major subject of the DSB meeting.

The EC reiterated its request for a panel to examine alleged discriminatory treatment by Korea against imports as consultations had failed to yield results. It said that this matter had been a long-standing trade irritant, and underlined its major exporting interest in the products involved.

In its request, the EC claimed that Korea, by according preferential tax treatment through the Liquor Tax Law and the Education Tax Law to the domestic drink *soju* had acted inconsistently with a GATT provision (Article III:2) on equal tax treatment of domestic and imported goods.

The United States also reiterated its panel request on Korea's taxes, citing instances where taxes on certain US products were four times higher than those on *soju*. The United States proposed that a single panel be established to examine both complaints.

Korea maintained that the taxes were in conformity with the WTO rules but agreed to the proposed joint panel.

The DSB established a single panel to examine the EC and US complaints. Canada and Mexico reserved their third party rights in the panel proceedings.

The EC requested a panel to examine its complaint that Chile's alleged preferential tax treatment, through the Special Sales Tax on Spirits, to the domestic drink *pisco* violated GATT Article III:2. It said that the matter had been the subject of long discussions, which had involved other members, for the past ten years. The EC said that Chile provided a 25% tax on *pisco* while applying 30% and 70% tax rates on vodka and whisky, respectively. It added that since the introduction of the taxes in 1974, the market share of *pisco* had risen to 80%.

The United States said it was also concerned about Chile's

implement the recommendations: taxes on whisky and brandy had been reduced by about 44% while taxes on domestic *shochu* A and B had been increased by 30% and 48%, respectively.

The United States and Canada, co-complainants along with the EC, urged Japan to implement the recommendations within the 15-month period determined by a WTO arbitrator.

Two other panels established

The EC reiterated its panel requests to examine, respectively, its complaints against India's patent protection for pharmaceutical and agricultural chemical products and Argentina's measures affecting textiles and clothing. It said that it needed to secure rights as a complainant regarding these two issues.

India said that a panel report (concerning a US complaint) had been issued on the measure in question, and that it had appealed the findings. It expressed concern that resources of small delegations would be put under strain in repetitive panel proceedings. India agreed to a panel, adding that it would ask that body whether a member can ask for the reexamination of a matter that had already been decided by a panel.

Argentina said did not object to the EC panel request,

Signatories terminate WTO plurilateral agreements on meat and dairy products

In the interest of economy and efficiency, the International Meat Council and the International Dairy Council, on 30 September, agreed to terminate, respectively, the WTO International Bovine Meat Agreement and the WTO International Dairy Agreement at the end of 1997.

Parties to the two plurilateral agreements said that the establishment of the WTO Committees on Agriculture (*see below*) and on Sanitary and Phytosanitary Measures, which deal with trade policy-related matters affecting agricultural products including meat and dairy products, had cast doubts on the continued usefulness of the Meat and Dairy Agreements.

For this reason, and considering the “resource constraints faced by governments as well as the Secretariat”, the parties decided to request the WTO Ministerial Conference to delete the two agreements from the list of plurilateral agreements annexed to the WTO Agreement.

There are two other plurilateral agreements annexed to the WTO Agreement: the Agreement on Government Procurement and the Agreement on Trade in Civil Aircraft.

Rules of origin enters negotiating phase

The Committee on Rules of Origin has launched bilateral and plurilateral consultations to resolve outstanding issues submitted recently by the Brussels-based Technical Committee on Rules of Origin for decision. On 3 October, the Committee adopted 86 product-specific rules and the Chairperson, Mrs. Lourdes Berrig (Philippines), noted the following initial results of the consultations:

- » Full agreement on granting country of origin to the assembly of furskins from pieces, cuttings or other unassembled parts of furskins.
- » Preliminary agreement on granting country of origin to: the processing of molybdenum ore into molybdenum concentrate (lubricant); the conversion of metal ores into concentrates, including by calcination or roasting; the production of briquettes, ovoids and similar solid fuels from coal; and the manufacture of pitch coke from pitches of coal tars and other mineral tars.

The Committee agreed to discuss in November rules of origin for textiles, wood and paper, footwear, ceramic products, glasses, precious stones and metals, musical instruments, iron and steel, chemicals, mineral products, leather, and clocks and watches. □

Charting the trade routes of the future

Excerpts from the address delivered by Mr. Renato Ruggiero, Director-General of the WTO, on 29 September, to the International Industrial Conference in San Francisco :

The WTO will—and must—play a leading role in this interconnected world. There is a clear and indivisible relationship between the dynamic of technological progress in our time, and the dynamic of liberalization in the world economy—the WTO's future agenda is key to keeping this trend on track. There is also a clear link between deeper economic and technological integration, and the global rules need to manage our interdependence—rules which only the multilateral trading system can provide. Let me outline some of the ways in which the WTO is charting the path ahead:

Managing the Technology Frontier. First there is the progress that has been made in liberalizing new sectors of the world economy—helping to widen and deepen the flow of technology and information around the world. This year alone we have reached agreements to liberalize global telecommunications services and information technology products, the trade coverage of which is the equivalent of global trade in agriculture, autos and textiles combined. Taken together, we have in effect concluded a new Round by another name. But more important, we have taken an important step towards bringing the technological trade of the next century inside a rules-based system, with an enforcement capacity. This is the unique contribution of the WTO to a more predictable economic evolution.

But the “technology frontier” is advancing continuously—in turn generating new pressures for the trading

TPRB: Chile

Trade liberalization assists a remarkable economic performance

The Trade Policy Review Body (TPRB) concluded its second review of Chile's trade policies on 23 and 24 September 1997. Excerpts from the Chairperson's concluding remarks:

Members commended Chile's remarkable macro-economic performance since 1990, which had been assisted by progressive liberalization; the high rate of growth combined with growing social equity; and the reduction of unemployment and inflation.

Questions were asked regarding the balance in Chile's trade policies between multilateral, regional and bilateral approaches, and the emphasis currently given to the conclusion of agreements with regional entities. In this connection, specific questions were posed about Chile's relations with NAFTA, the recently concluded Free Trade Agreement with Canada, the status of negotiations for a framework agreement with the European Union, the network of agreements with Latin American partners, including the consistency with LAIA provisions of the complementarity agreements with some Members, and the new agreement with MERCOSUR.

In reply, the representative of Chile said that multilateralism was Chile's top priority. However, Chile saw bilateral and regional agreements as essential to advance the opening of its own economy and new export markets. It was also important to recall the political dimension of such agreements in Latin America, in particular South America, and the relationship between open economies and the development of democracy.

He emphasized that most trade would be liberalized within 10 years, although a longer period was allowed for some sensitive items. He noted that the agreements within South America, and that with Mexico, were under LAIA, covered by the Enabling Clause.

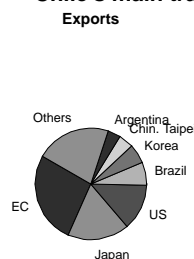
In general Members commended Chile's open trade regime, in particular, the uniform tariff. Some Members sought clarification about the proposal to reduce the tariff by 3-4 percentage points. Noting the gap between WTO bound rates and the MFN applied rate, several Members asked if there were any plans to bind closer to the applied rate.

Some Members sought clarification regarding an apparent difference between taxation of domestic and imported spirits. Information was sought on Chile's implementation of the WTO Customs Valuation Agreement.

Members noted the existence of certain export subsidies and sought clarification as to whether Chile had implemented any measures to eliminate them. In addition, Members sought clarification regarding the export promotion activities of PROCHILE, and the Agricultural Fund established in 1995 to promote agricultural exports.

On intellectual property, some Members sought information regarding progress in amending Chile's legislation to bring it into compliance with the TRIPS Agreement.

Chile's main trading partners, 1995



In reply, the representative of Chile said that the average bound tariff of 25 per cent for industrial products represented a balance reached in the Uruguay Round. A draft law had been prepared to reduce the flat applied rate from 11 to 8 per cent; the Executive believed that this reduction would need to be offset to guarantee the continuity of social programmes. Concerning liquor taxation, a draft law had been sent to Congress which would ensure equal tax treatment, varying only according to the alcoholic content. Chilean customs valuation was in accordance with the relevant WTO Agreement; variations on transaction value were in line with the provisions of the Agreement.

The representative provided details of the operation of Chilean standards, sanitary and phytosanitary measures in relation to wine, beef and lamb, chicken and wheat; he gave assurance that national treatment was applied. The only preferential sectoral regime was the automotive programme, which was being phased out. Exports benefited from a duty drawback system for imported inputs and a simplified system for minor exports. The simplified system was not sector-specific; any subsidy component was being phased out.

The representative of Chile also provided information on Chile's legislation and practices, as well as recent advances, in the area of intellectual property. Any changes required to bring legislation into line with the WTO TRIPS Agreement were being studied and would be completed by 1 January 2000, as required for developing countries.

To conclude, I should like to emphasize some main elements. First, Chile's focus, since 1990, on growth with equity is an exemplary combination of economic and social policies, going now well beyond the so-called "Washington consensus". I am sure Members will also welcome Chile's continuing emphasis on economic stability and the success that has been achieved. I also welcome the clear statements that have been made by Chile on the relationship between the multilateral and regional aspects of their policies, and the detailed answers given on specific questions, including those on government procurement, sanitary standards, regional and export support, intellectual property, and sectoral policies. Finally, I am sure that the discussion that we have held in the past two days will have contributed to the important transparency obligation that I stressed in my opening statement. □

The Trade Policy Review Body conducted its second review of Mexico's trade policies on 7-8 October. The following are excerpts from the Chairperson's concluding remarks:

Members praised Mexico's active and positive role in the WTO. They also took note of Mexico's growing participation in regional trade agreements, highlighting in particular NAFTA's major role in Mexico's trade policy reforms. Areas of concern included the continued and considerable dependency of Mexico on the US market, the widening gap between preferential and MFN tariff rates, and the impact on third parties of NAFTA rules on customs valuation and rules of origin.

In reply, the representative of Mexico said that participation in the WTO, including the dispute settlement mechanism was fundamental to Mexico's trade policies. It was also a key element in how Mexico had addressed the financial crisis, having a positive effect on the expectation of the business and financial community and increasing confidence in Mexico's future. Mexico's relationship with the United States was intense and complex; NAFTA created a permanent legal basis for North American cooperation, that went beyond Uruguay Round commitments. Given the slow speed of improvements in the multilateral system, Mexico was continuing to explore the regional path as a means to greater liberalization. He mentioned the EU, Israel

WTO, UNCTAD get NGO inputs

How can governments and international organizations best assist least-developed countries in improving their trade performance? WTO Director-General Anwarul Hoda posed this question to 35 non-governmental organizations (NGOs) when he opened, on 25 September in Geneva, a Joint WTO-UNCTAD Symposium on Trade-Related Issues Affecting Least-Developed Countries. He challenged participants to draw on their many years of "on-the-ground" experience in LDCs to come up with valuable proposals for the WTO

MEETINGS

The following is a **tentative** schedule of WTO meetings.

DECEMBER

1-3	Trade Policy Review: South Africa
2	Committee on Market Access
3-5	Committee on Regional Trade Agreements
4-5	Trade Policy Review: Malaysia
8-9	WG on the Relationship between Trade and Investment Trade Policy Review: Japan
10	GENERAL COUNCIL
12	Committee on Trade in Financial Services
15-17	Textiles Monitoring Body

WTO FOCUS

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