

Report by the Select Committee on Economic and Foreign Affairs on a study tour to the World Trade Organisation (WTO) in Geneva, Switzerland: 7 to 14 October 2005, dated 8 March 2006.

A. TERMS OF REFERENCE

The Committee agreed on 10 August 2005 to undertake a study tour to Geneva to visit the World Trade Organisation. It is practice for the Department of Trade and Industry to invite delegates of the Committee and that of the Portfolio Committee on Trade and Industry to attend the WTO Ministerial Conferences. The last Ministerial Conference attended by Parliament was held in Cancun. The next one was scheduled to take place in December 2005 in Hong Kong.

B. BACKGROUND

The objective of the trip was to get a better understanding of the functioning of the WTO; meeting with WTO directors and country representatives on issues relating to administering WTO trade agreements and WTO as a Forum for trade negotiations and disputes and monitoring national trade policies.

C. LOGISTICAL ARRANGEMENTS

The delegation consisted of the following persons:

- Ms N D Ntwanambi (Chairperson)
- Ms S Mabe
- Mr J Sibiya
- Ms A N T Mchunu
- Ms S Chen
- Ms G Abdullatief (Committee Secretary)

The DTI office based at the South African Embassy in Geneva assisted in arranging the meetings and drafting the programme based on the delegation's terms of reference.

D. FINDINGS

1. Overview of the WTO

The World Trade Organisation (WTO) is the only global international organisation dealing with the rules of trade between nations. At its heart are the WTO agreements, negotiated and signed by the bulk of the world's trading nations and ratified in their parliaments. The goal is to help producers of goods and services, exporters, and importers conduct their business.

The WTO was established in 1995 and is a successor to the General Agreement on Tariffs and Trade (GATT). Every two years the WTO holds a major summit called a ministerial meeting. The next ministerial meeting will be held in Hong Kong in December 2005. Previous meetings took place in Cancún (Mexico) in 2003, Doha (Qatar) in 2001 and Seattle (USA) in 1999.

2. Structure and Membership of the WTO

The WTO currently has 148 member countries, with 32 observer governments. Its top level decision-making body is the Ministerial Conference which meets at least once every two years. Below this is the General Council (normally ambassadors and heads of delegation in Geneva, but sometimes officials sent from members' capitals), which meets several times a year in the Geneva headquarters. The General Council also meets as the Trade Policy Review Body and the Dispute Settlement Body.

At the next level, the Goods Council, Services Council and Intellectual Property (TRIPS) Council report to the General Council. Numerous specialised committees, working groups and working parties deal with the individual agreements and other areas such as the environment, development, membership applications and regional trade agreements.

3. General Agreement on Tariffs and Trade (GATT)

The GATT was formed in 1948 as a 'provisional' instrument initially intended to pave the way to an International Trade Organisation (ITO). However, the Havana Charter, which would have established the ITO, was never ratified and the GATT remained the only multilateral instrument governing international trade. An informal organisation was built around the GATT to discuss trade-related issues and negotiate further liberalisation.

Taking place in 'rounds', these negotiations at first concentrated on lowering tariffs before moving on to additional issues such as subsidies, anti-dumping and non-tariff measures. The eighth trade round, called the Uruguay Round, ran from 1986-94 and was the most extensive of all, covering trade in goods, services, and intellectual property and establishing the WTO as a permanent organisation.

GATT and the WTO have helped to create a strong and prosperous trading system contributing to unprecedented growth. The system was developed through a series of trade negotiations, or rounds, held under GATT. The first rounds dealt mainly with tariff reductions but later negotiations included other areas such as anti-dumping and non-tariff measures. The last round, the 1986-94 Uruguay Round led to the WTO's creation. Some negotiations continued after the end of the Uruguay Round.

In 2000, new talks started on agriculture and services. These have now been incorporated into a broader agenda launched at the fourth WTO Ministerial Conference in Doha, Qatar, in November 2001. The work programme, the Doha Development Agenda (DDA), adds negotiations and other work on non-agricultural tariffs, trade and environment, WTO rules such as anti-dumping and subsidies, investment, competition policy, trade facilitation, transparency in government procurement, intellectual property, and a range of issues raised by developing countries as difficulties they face in implementing the present WTO agreements.

GATT is now the WTO's principal rule-book for trade in goods. The Uruguay Round also created new rules for dealing with trade in services, relevant aspects of intellectual property, dispute settlement, and trade policy reviews. The complete set runs to some 30,000 pages consisting of about 30 agreements and separate commitments (called schedules) made by individual members in specific areas such as lower customs duty rates and services market-opening.

From 1947 to 1994, GATT was the forum for negotiating lower customs duty rates and other trade barriers; the text of the General Agreement spelt out important rules, particularly non-discrimination. Since 1995, the updated GATT has become the WTO's umbrella agreement for trade in goods. It has annexes dealing with specific sectors such as agriculture and textiles, and with specific issues such as state trading, product standards, subsidies and actions taken against dumping.

Banks, insurance firms, telecommunications companies, tour operators, hotel chains and transport companies looking to do business abroad can now enjoy the same principles of freer and fairer trade that originally only applied to trade in goods. These principles appear in the new General Agreement on Trade in Services (GATS). WTO members have also made individual commitments under GATS stating which of their services sectors they are willing to open to foreign competition, and how open those markets are.

The WTO's intellectual property agreement amounts to rules for trade and investment in ideas and creativity. The rules state how copyrights, patents, trademarks, geographical names used to identify products, industrial designs, integrated circuit layout-designs and undisclosed information such as trade secrets — "intellectual property" — should be protected when trade is involved.

4. Policy review

The Trade Policy Review Mechanism's purpose is to improve transparency, to create a greater understanding of the policies that countries are adopting,

and to assess their impact. Many members also see the reviews as constructive feedback on their policies.

All WTO members must undergo periodic scrutiny, each review containing reports by the country concerned and the WTO Secretariat.

Over three quarters of WTO members are developing or least-developed countries. All WTO agreements contain special provision for them, including longer time periods to implement agreements and commitments, measures to increase their trading opportunities and support to help them build the infrastructure for WTO work, handle disputes, and implement technical standards.

The 2001 Ministerial Conference in Doha set out tasks, including negotiations, for a wide range of issues concerning developing countries. Some people call the new negotiations the Doha Development Round. Before that, in 1997, a high-level meeting on trade initiatives and technical assistance for least-developed countries resulted in an "integrated framework" involving six intergovernmental agencies, to help least-developed countries increase their ability to trade, and some additional preferential market access agreements.

A WTO committee on trade and development, assisted by a sub-committee on least-developed countries, looks at developing countries' special needs. Its responsibility includes implementation of the agreements, technical cooperation, and the increased participation of developing countries in the global trading system.

The November 2001 declaration of the Fourth Ministerial Conference in Doha, Qatar, provides the mandate for negotiations on a range of subjects and other work, including issues concerning the implementation of the present agreements.

The negotiations include those on agriculture, Non Agricultural Market Access (NAMA), trade and environment, trade facilitation, services and Special and Differential Treatment for developing countries addressing, for example, the difficulties they face in implementing WTO agreements.

The Fifth Ministerial Conference in Cancún, Mexico, in September 2003, was intended as a stock-taking meeting where members would agree on how to complete the rest of the negotiations. But the meeting was soured by discord on agricultural issues, including cotton, and ended in deadlock on the "Singapore issues". Real progress on the Singapore issues and agriculture was not evident until the early hours of 1 August 2004 with a set of decisions in the General Council (sometimes called the July 2004 package). The

original 1 January 2005 deadline was missed. After that, members unofficially aimed to finish the negotiations by the end of 2006.

The negotiations take place in the Trade Negotiations Committee and its subsidiaries. Other work under the work programme takes place in other WTO councils and committees. Ministers also approved a linked decision on implementation — problems developing countries face in implementing the current WTO agreements.

5. The Agriculture Agreement

The WTO's Agriculture Agreement was negotiated in the 1986–94 Uruguay Round. It includes specific commitments by WTO member governments to improve market access and reduce trade-distorting subsidies in agriculture. These commitments are being implemented over a six year period (10 years for developing countries) that began in 1995.

Participants have agreed to initiate negotiations for continuing the reform process one year before the end of the implementation period, i.e. by the end of 1999. These talks have now been incorporated into the broader negotiating agenda set at the 2001 Ministerial Conference in Doha, Qatar.

Because of its crucial importance to almost all members, agriculture is often seen as the key to the entire package of negotiations. From time to time delays in agriculture have held up progress in other subjects as negotiators waited for an outcome in agriculture.

The agriculture negotiations are difficult because of the wide range of views and interests among member governments, the large number of active participants, and the complexity of many issues. The aim is to contribute to further liberalisation of agricultural trade, allowing countries to compete on quality and price rather than on the size of their subsidies. That is particularly the case for many developing countries whose economies depend on an increasingly diverse range of primary and processed agricultural products, exported to an increasing variety of markets, including to other developing countries.

At the heart of the talks are the “**three pillars**”:

- **Market access:** cutting tariffs, expanding tariff-quotas and various flexibilities for these.
- **Exports subsidies (officially “export competition”):** eliminating these and disciplining export credit, food aid and state trading enterprises to eliminate hidden export subsidies.

- **Domestic support:** cutting supports that distort trade (by stimulating over-production and artificially raising or lowering prices) and disciplining forms of support that could distort trade.

The talks also cover a number of other issues, including special treatment for developing countries and "non-trade concerns" (agriculture's role in providing food security, rural development, environmental protection, etc).

6. Accession

For a country to accede to the WTO, a working party is formed which examines all aspects of the prospective member's trade and economic policies that have a bearing on WTO agreements, to ensure their compatibility with the obligations of membership. There are also detailed negotiations over the market access guarantees the acceding country can offer. Once the terms of accessions have been finalised, they are presented to the WTO General Council or the Ministerial Conference.

If a two-thirds majority of WTO members vote in favour, the applicant is free to sign the protocol and to accede to the organisation. In some cases, the country's own parliament or legislature has to ratify the agreement before membership is complete.

7. Dispute settlement

As well as acting as a forum for trade negotiations, the WTO provides an arbitration service for countries embroiled in trade disputes. The WTO's procedure for resolving trade quarrels under the Dispute Settlement Understanding is vital for enforcing the rules and therefore for ensuring that trade flows smoothly. Countries bring disputes to the WTO if they think their rights under the agreements are being infringed. Judgments by specially-appointed independent experts are based on interpretations of the agreements and individual countries' commitments.

The system encourages countries to settle their differences through consultation. Failing that, they can follow a carefully mapped out, stage-by-stage procedure that includes the possibility of a ruling by a panel of experts, and the chance to appeal the ruling on legal grounds. Confidence in the system is borne out by the number of cases brought to the WTO — around 300 cases in eight years compared to the 300 disputes dealt with during the entire life of GATT (1947–94).

E. RECOMMENDATIONS

- a) The Select Committee on Economic and Foreign Affairs should request the Minister of Trade and Industry and or relevant officials

to brief its members on the outcomes of the WTO Ministerial Conference in Hong Kong that took place in December 2005.

- b) The Select Committee on Economic and Foreign Affairs should request the relevant officials from the Department of Trade and Industry to brief its members on how the WTO as an international body is beneficial to the people at grassroots level.
- c) Further to point (b) above, the Committee to consider how the WTO could be popularized to people in the provinces, so that they could understand how it would be a benefit to South Africa and ultimately to them as a people.