
Appendix C

Abridged Version of the Trade Policy Review Body's Document

Trade Policy Review Mechanism

Report to the Singapore Ministerial Conference of December 1996

The Trade Policy Review Mechanism was established in 1989, on a provisional basis, as an early harvest of the Uruguay Round. It has thus been in existence for seven years. The Marrakesh Agreement, which confirmed the status of the Mechanism, envisages an appraisal of its operation at the latest in 1999 ("not more than five years after the entry into force of the Agreement Establishing the WTO"). Members, however, have kept the Mechanism under constant review since its inception and a number of procedural improvements have been introduced in the past few years.

This report by the Trade Policy Review Body provides an interim assessment of the extent to which the TPRM is fulfilling its stated objectives, its value to Members, its cost-effectiveness and the scope for further procedural improvements . . .

Fulfilling Its Objectives

In framing their expectations of the TPRM, Members are guided by the objectives stated in Annex 3 to the Marrakesh Agreement:

to contribute to improved adherence by all Members to rules, disciplines and commitments made under the Multilateral Trade Agreements and, where applicable, the Plurilateral Trade Agreements, and hence to the smoother functioning of the multilateral trading system, by achieving greater transparency in, and understanding of, the trade policies and practices of Members. Accordingly, the review mechanism enables the regular collective appreciation and evaluation of the full range of individual Members' trade policies and practices and their impact on the functioning of the multilateral trading system. It is not, however, intended to

serve as a basis for the enforcement of specific obligations under the Agreements or for dispute settlement procedures, or to impose new policy commitments on Members.

Measurement of the TPRM's coverage to date depends on the yardstick used . . . members reviewed so far (a number on several occasions) account for 98 per cent of all Members' trade in goods and services. The TPRM spotlight has therefore effectively focused on all the major players in the WTO trading system and has illuminated the most significant trends. By another yardstick, however, the outcome is less reassuring.

The content and style of the reviews is obviously critical to their effectiveness. There is general acceptance that reviews should be comprehensive, rigorous and analytical, and conducted at an appropriately senior level. By and large, experience to date suggests that these criteria are being met. While the scope for procedural improvements is constantly being assessed, the essential character of the reviews has not been challenged. One indicator of the general health of the process is the level and composition of delegations from Members under review: this has improved markedly since the establishment of the WTO, with a majority of Members reviewed during the past two years being led at Ministerial or deputy Ministerial level, and with delegations including substantial expertise from capitals.

Attempting to ensure that the reviews are comprehensive is not without risk. A criticism has been made that the process can focus too much on detail, at the cost of giving insufficient attention to policy direction. However, the TPRM is envisaged as a review of policies *and* practices: of the implementation of policy as well as its overall direction. It will continue to be a matter for the Secretariat in its preparation of documentation, and for Members in the manner of their participation in the meetings, to seek to achieve an appropriate balance between discussion of policy direction and of details of implementation.

Value to Members

There is a clear value for WTO Members in having a forum where they can openly discuss each other's trade and trade-related policies, elicit information and register concerns. The benefits for the country under review are also significant: the TPRM can provide a valuable input into national policy making, serving as an independent, objective assessment of trade and economic policies. Members have also commented on the extent to which the experience of review has helped to strengthen inter-agency discussion and co-operation in their own countries. The trading system as a whole benefits in that the process can sometimes assist governments in pursuing desirable trade policy reforms; it also frequently

illuminates areas of WTO obligations which may have received insufficient attention to date and thus helps to ensure that these are addressed.

The dual aspects of self-analysis and external audit underpin the effectiveness of the TPRM exercise for all Members. In practice, specific features of a review can assume a particular importance depending on the trade and economic situation of the Member under review . . . In many cases . . . review meetings can provide a useful forum for governments to explain the development of policies; additionally, in the case of developing countries, the process can help to identify particular technical assistance needs.

Cost Effectiveness

The TPR Division in the Secretariat has an annual staff budget of some Sfr. 4 million (just under 6 per cent of the total). With a staff complement of 27 (17 professionals) it accounts for around 10 percent of the professional staff of the organization, excluding translators, interpreters and administration. Members also devote considerable time to the preparation and servicing of meetings. The relationship between tasks and capacity obviously requires careful balancing: issues of TPRM coverage, depth of the preparatory process, and desirable follow-up work, have to be approached in the light of the resources available. This will need even more careful attention as WTO membership expands.

The continuing challenge is to ensure maximum effectiveness of the resources used. In this connection, a number of areas offer scope for further examination:

- In reviewing a cross-section of countries each year, the TPRM inevitably shows up wider patterns which are influencing policy approaches in individual Members. Over the past few years, for example, the overriding common theme that has emerged is . . . a sustained shift to more market-oriented and outward-looking trade and investment regimes, deriving in part from autonomous liberalization policies and in part from the stimulus provided by the Uruguay Round. In terms of enhancing the process, the Annual Overview of Developments in the International Trading System, provided for in Section G of the Agreement on the TPRM, may be used to develop a more structured approach than has existed in the past of looking at the composite picture emerging from individual reviews and to identify wider themes for consideration by WTO members and committees.
- The TPRM occupies a unique place within the WTO in promoting non-confrontational discussion of key trade policy issues. Its specific delinkage from dispute settlement procedures is an essential feature

which must be safeguarded; however, further opportunities might be sought for encouraging greater cross-fertilization between TPRB discussions and those undertaken in other WTO bodies.

- One area which is receiving particular attention is enhancing awareness of the TPRM outside the Geneva circle. While WTO member Governments of course have the primary stake in the TPRM, the material produced is also of interest in the business and academic communities. The long-term health of the process can only benefit from wide dissemination of information about reviews. A considerable amount of media briefing is already done by the Secretariat and the Chair, and both the Summary Observations by the Secretariat and the Closing Remarks by the Chair are made available on the WTO Internet home page. Further improvements such as speedier publication of reports (within one month to six weeks of TPRB meetings) and improved use of the Internet for dissemination and sale of full reports are currently under active consideration by the Secretariat for early introduction.

Coverage of Developing Countries

The coverage of developing countries in the TPRM to date includes most of the major developing country Members of the WTO, as well as a number of smaller countries that have volunteered to come under review . . .

The involvement of developing countries in the TPRM is examined in some detail in a Note of 12 July 1996, circulated to all WTO Members, from the Chair of the TPRM to the Chair of the Committee on Trade and Development. The summary conclusion in that Note was:

Involvement in the TPRM is an important way for developing countries, particularly least developed countries, to develop confidence and experience with the WTO. This needs to be borne in mind in (a) planning the TPRM timetable and (b) ensuring that technical assistance is available to those LDCs who would otherwise have difficulty in preparing for and undergoing review. With increased participation of developing countries in the TPRM, it will be particularly important to ensure that lessons learned from these reviews are channelled into the WTO machinery.

In an effort to complete the coverage of developing countries, including least developed countries, while taking account of resource constraints, the Secretariat is currently exploring ways of grouping reviews—for example in the case of some Southern African or Caribbean countries—while respecting the individual nature of the TPR process. The question of completing the coverage of TPRs, particularly to the smaller developing and least-developed countries, is one which will require particular attention in the preparation of the TPRB timetable.

Procedural Improvements

As noted, there has been a fairly continuous process of self-examination within the TPRB over the years, leading to a number of improvements in procedures. A first set of modifications was introduced in 1994 (L/7458). More recent discussions have been reflected in two Notes from the Chair, the first in December 1995 (WT/TPR/13) and the second in July 1996 (WT/TPR/20). The procedural issues addressed include preparatory documentation, choice of discussants, level of representation at meetings, Chairperson's summing up, follow-up to meetings. In so far as there has been agreement on procedural adaptations, these have been or are being put into effect.

One concern of Members is to ensure that, as an exercise in transparency, the TPRB clearly reflects the progress made by Members in implementing the WTO Agreements. The Secretariat is therefore encouraged to continue providing, in its reports, systematic information on measures taken by Members under review in the context of the Agreements, the mechanisms by which these are implemented, and notifications made . . .

If the role of the TPRM is to be preserved and strengthened, it is important both that there be a substantial number of delegations present in Trade Policy Reviews and that these delegations be represented at appropriate level.

It has also been stressed that Members owe it to the health of the system to observe strictly the deadlines laid down for answering questionnaires and delivering documentation; delays in the completion of reviews both affect the review process for the Member concerned and slow down the programme in general.

One of the more substantive issues addressed has been the cycle of reviews. While one delegation has proposed a modification to provide for a three-year cycle for members currently on a two-year review pattern, there has been no support from other members for such a change. However, it has been agreed that, in the case of two-year reviews, every second review might have an "interim" character, although this should not detract from the comprehensive nature of reviews of such members.

Conclusion

The TPRM is a unique element in the range of WTO activities. It is the only focus for peer review of the full range of trade policies and can often be of considerable assistance to Members in their domestic review and revision of policy. In addition, it is of significant value in providing authoritative, well founded analyses of developments in trade policies

and practices. Given the benefits of the process, Members who have not yet presented themselves for review are strongly encouraged to do so; those who would feel the need of technical assistance in undergoing the process are reminded of the possibilities in this regard.

While Members are satisfied with the considerable progress made in improving the functioning of the TPRM, they are also conscious of the high level of Secretariat and national resources involved in the process, and anxious to ensure that these resources continue to be used effectively. Members will therefore continue to assess the content, coverage and resources used in reviews to try to ensure the needs of all WTO members are met. They will also seek to enhance the impact of the Mechanism in the ways outlined in this report, while ensuring that its distinctive character is preserved.