

WORLD TRADE ORGANIZATION

RESTRICTED

WT/REG/M/2

14 August 1996

(96-3218)

Committee on Regional Trade Agreements Second Session

NOTE ON THE MEETING OF 2-3 JULY 1996

Chairman: Mr. John Weekes (Canada)

A. Adoption of the Agenda

1. The following agenda was adopted:

- A. Adoption of the Agenda
- B. Rules of Procedure
- C. Work Programme for 1996
- D. Procedures to Facilitate and Improve the Examination Process
- E. Reporting on the Operation of Agreements
- F. Systemic Implications of Agreements and Initiatives for the Multilateral Trading System and the Relationship between them
- G. Other Business

B. Rules of Procedure

2. The Chairman reminded Members that requests for observer status had been received from several organizations, and hoped that decisions could be taken on those applications after the adoption of the guidelines by the General Council. The Committee could, however, grant interim observer status to other organizations if deemed necessary. He recalled that, at the first Session, the Committee had deferred its decision on the application for observer status by the Food and Agricultural Organization, the International Monetary Fund and the World Bank to the present Session. He recommended that the three Institutions be granted interim observer status and be invited to future meetings of the Committee until the adoption of a definitive response to their request after the finalization of the guidelines on observership by the General Council.

3. The Committee so agreed.

4. The Chairman recalled that the Committee had had extensive discussions on the proposed Rules of Procedure as contained in document WT/L/150. The current draft before the Committee in WT/REG/W/2 followed closely the rules of procedure of the General Council. A few amendments had been made in line with the comments made by delegations at the Committee's first Session and at informal meetings. A paragraph denoted "Statement by the Chairman" was added, which highlighted the need for flexibility in the number and duration of the tenure of office bearers, and the importance of delegations receiving basic documents well in advance of meetings. He recalled that Rule 12, as it appeared in WT/REG/W/2, should be amended to allow for the appointment of more than one Vice-

Chairperson. While Rule 36 maintained the practice of issuing summary proceedings of meetings, that did not prevent the Committee from requesting any change of the Rule at a later stage.

5. The representative of Mexico reserved the right to make such a request. He noted that, as reflected in the footnote to Rule 36 of the Rules of Procedure of the General Council, the customary practice of GATT was to allow the verification of summary records by delegations.

6. The representative of Japan said that summary records of meetings did not need to be exhaustive, provided they reflected as accurately as possible the views expressed by delegations. The summary records should reflect unequivocally the importance which his delegation attached to the rule that an officer presiding over the examination of an agreement should not come from a country which was a Party to the agreement under examination.

7. The representative of Korea said that, while his delegation could accept the revised Rules of Procedure, he nevertheless had some suggestions for incorporation into the Rules: (i) elected office-bearers should start their terms of office at the end of the meeting at which they were elected; (ii) the words "or the Chairperson" might be added after the word "representative" in Rule 6 of the Rules of Procedure of the General Council to take account of the established practice that the Chairperson as well as delegations might suggest amendments or additions to the proposed agenda; and (iii) the words "the Chairperson may however at any time request permission to act in the latter capacity" might be added to Rule 15. He noted that Rule 16, which dealt with the quorum necessary for a meeting would not be applicable, as the Committee would adopt decisions by consensus. He accepted the Chairman's suggestion that the Committee adopt the Rules of Procedure in WT/REG/W/2 and revert to the suggestions made by his delegation at a later stage after delegations had an opportunity to consider them.

8. The representative of the United States said that the prerogative of the General Council to determine the number and term of officers of the Committee should be reflected in the first sentence, and not in the second, of the second paragraph of the Chairman's Statement. His delegation would submit the request in writing for consideration and discussion by Members at a subsequent meeting of the Committee.

9. The representative of Switzerland agreed with the need to maintain the right to verify records of meetings. The suggestion made by the Chairman to introduce amendments to the Rules of Procedure at a later stage was a novel departure; however, if there was a consensus among Members in that regard, his delegation was prepared to be a part of it.

10. The Chairman said that discussions so far had shown clearly that Members wanted the Rules of Procedure of the Committee to mirror those of the General Council. More time was needed for reflection on the proposed modifications. He proposed that Members continue to have the right to verify the summary proceedings of Committee meetings.

11. The Committee so agreed and adopted the revised Rules of Procedure (subsequently circulated in document WT/REG/1), it also agreed to revert to the suggestions made by the delegations of Korea and the United States at a subsequent meeting.

12. The Committee took note of the following statement made by the Chairman:

- (i) The time-limits foreseen in Rules 2 (issue of airgram), 3 (distribution of, and inclusion of items in, the proposed agenda) and 4 (distribution of documentation) shall be extended for the examination of regional agreement in light of the complexity of the matters

under consideration. The examination of agreements will be conducted in accordance with a work programme agreed upon in the Committee and the documentation relating to the examination of a regional agreement to be considered at a meeting shall be circulated at least four weeks in advance of the meeting.

- (ii) In order to ensure the efficient functioning of the Committee on Regional Trade Agreements - as recognized in paragraph 5.1 of the "Guidelines for Appointment of Officers to WTO Bodies" (WT/L/31) - the Committee agrees to apply Rule 12 in a flexible way, in particular with respect to the term of office and the number of Officers. The Committee considers that the General Council, in determining Presiding Officers for 1997, should take into account the state of the backlog of work and the desirability of continuity in the management of the Committee in its first 18 months of operation.

13. The Chairman noted that the Rules of Procedure just adopted would be forwarded to the General Council for approval in accordance with Article IV:2 of the WTO Agreement.

C. Work Programme for 1996

14. The Chairman recalled that, at the Committee's First Session, he had distributed to Members a proposed time-table intended to guide the Committee in its work. Careful planning was needed by both the delegations and the Secretariat in the preparation for the examination of agreements. The tasks that laid ahead required the mobilization of considerable resources. A well defined time frame was crucial if the Committee was to discharge the tasks assigned to it by Members. The next meeting would be devoted to the first round of examination of the Agreement between the European Communities and Austria, Finland and Sweden (EC Enlargement), and the continuation of the examination of the North American Free Trade Agreement (NAFTA). He indicated that consultations had taken place between himself and Ambassador Willems, in their capacities as Chairmen, and the Parties to the Agreements. The Parties were in the process of providing the Committee with the relevant supporting documents, and he was hopeful that the Committee would be ready to start the examination in earnest at the next meeting. Trade in goods would be the main focus of the examination process. While a full examination of trade in services was expected to take place at the October meeting, delegations could comment or identify other issues connected with services already at the next meeting. He urged adoption of his proposed time-table, which, he hoped, could contribute to the success of the Committee's work; it would facilitate the adequate and timely preparations by interested Parties and the updating of information required for the examination of each agreement. It was not a rigid programme as it could be adjusted to take account of events prevailing at the time. Commenting on the intervention made by the representative of Switzerland at the previous Session, he said that the time-table could be adjusted in order to permit the Committee to simultaneously examine the Free Trade Agreements between the European Free Trade Association (EFTA) and the Baltic States.

15. The representative of Mexico indicated his delegation's interest in having back-to-back reviews of agreements relating to trade in goods and trade in services. While there were legal differences between the two, an examination of both segments would be useful for all Members. He hoped that delegations would be able to identify issues relevant to trade in services during the examination of the EC Enlargement Treaty. As both segments of NAFTA had been previously examined, he hoped that the Committee could make reasonable headway in the examination process, and perhaps start discussing its report at the meeting scheduled for October 1996. Members should be in a position to fully examine agreements under review so that they could participate constructively in the examination process. To that end, it would be advisable to allow some time between the dates of the reviews of NAFTA and of the EC Enlargement by the Committee.

16. The representative of Australia said that it was important that the Committee submit a report to the Singapore Ministerial Conference. It would be desirable that the Committee consider a draft report at its October meeting, giving due consideration to the Korean papers before proceeding to its adoption for transmission to the General Council.

17. The representative of Japan said that the examination process needed to be expedited. To that end, it was important that all relevant documentation be circulated to Members well in advance of meetings. He recalled that the comment made by the Chairman of the Working Party on NAFTA at the end of its first meeting was that the debate had been disappointing. He blamed the state of affairs on the lack of time for preparation by third parties and the delay in the submission of the replies by the Parties to the questions posed by third parties, which had been received less than one month prior to the date of the examination. His delegation could accept the suggestion to consider back-to-back agreements relating to trade in goods and trade in services, provided that delegations were given sufficient time for preparation.

18. The Chairman said that he saw no compelling reason why the Committee could not meet at the end of July 1996 to consider the NAFTA Agreement. The examination should not be postponed solely because there was a delay in the supply of some information. It was vital for the Committee to proceed as soon as possible; a further meeting might be necessary to consider outstanding issues.

19. The representative of Canada said that replies to the questions which were posed by third parties would be finalized and distributed to Members very shortly, in an attempt to conform, to the greatest extent possible, to the requirement of a time period of four weeks between distribution of relevant material and the date of the meeting.

20. The representative of the European Communities could accept the back-to-back consideration of agreements on goods and services, so far as it would improve the efficiency of the Committee. He said that Members should have the right to ask any question; however, his delegation could not guarantee that it would be in a position to give adequate replies immediately.

21. The representative of Argentina recalled that, during the examination of MERCOSUR, his delegation had intimated to Members that a number of questions which delegations had put in relation to MERCOSUR fell outside the terms of reference established by Members. The proposal made at that meeting by the representative of Mexico to hold back-to-back examinations of goods and services seemed practical, provided there would not be any interference with the terms of reference established for a particular agreement. He welcomed comments made in respect of the organization of work of the Committee, in particular the one made by the representative of Japan, and was ready to take a constructive part in consideration thereof.

22. The Chairman said that a flexible approach should be adopted when discussing matters under consideration by the Committee. He affirmed the right of Members to ask questions relating to trade in services at the forthcoming meeting of the Committee, where NAFTA and the EC Enlargement would be considered. He would keep in mind the suggestion made by the representative of Mexico to allow for a certain time period between the examination of the two agreements at future meetings of the Committee. He noted, however, at that stage, there was not much scope for flexibility in terms of timing. He recommended that the Committee adopt his proposed Work Programme for 1996, taking into account the proposal that the examination of the free trade agreements between EFTA and the Baltic States be considered at a later meeting. While flexibility had its merits, it was nevertheless necessary to have a coherent Work Programme which would guide Members and the Secretariat.

23. The Committee took note of the comments made and adopted the Work Programme.

D. Procedures to Facilitate and Improve the Examination Process

24. The Chairman referred to document WT/REG/W/1 and said that the long list of agreements to be examined by the Committee demonstrated the magnitude of work before the Committee. There were no formal procedures for the examination of regional agreements in the WTO. The Committee needed to streamline the existing mechanism so as to enable it to effectively tackle the backlog. The preliminary stage of the submission of questions and the receipt of replies had been considered unduly long, contributing to the inordinate delays which had characterized the process. He recalled the Committee's decision to explore avenues for a more automatic supply of essential information. Expediting the process and ensuring transparency should be the priority for the Committee. The Secretariat had prepared and circulated a draft standard format based on an historical analysis of the type of information which had been solicited by Members, entitled "Standard Format for Information on Regional Trade Agreements" and dated 18 June 1996. The format, which covered only trade in goods, was intended to provide guidance, and as such did not prejudge the scope and coverage of the examination. He encouraged Members not to limit their comments on the draft only to trade in goods, but also to offer suggestions on trade in services. The standard format proposed by the Secretariat would enable expediting the examination process. However, he cautioned against spending too much time on the proposal, as it was but only one step in the examination process. It was his intention to take up the joint proposal by Australia, Hong Kong and Korea as contained in document WT/REG/W/5 at a later stage.

25. The representative of the Secretariat said that the draft standard format was meant to expedite the examination process by reducing, wherever possible, the delays that were associated with the working party process, such as the first stage of the examination process which involved questions from and replies to third parties. In drafting the format, the Secretariat had taken into account the oral and written questions which were frequently asked by delegations, the terms of reference of working parties and the comments made by the chairpersons of those working parties. It was not the intention of the Secretariat to formulate questions which sought to establish the conformity with Article XXIV, or otherwise, of any agreement. The questions had been put together without any ulterior motive in mind. One question which featured prominently in the working party process was whether or not the provisions of an agreement differed from those of the GATT. Questions on intellectual property were among the three hundred and thirty-two questions put to NAFTA Parties. He reiterated that the subject matter for the standard format was chosen on the basis of frequency of occurrence.

26. Noting that the draft standard format referred exclusively to goods, the representative of Mexico said that a format was also needed for services since the Committee might conduct back-to-back examinations of goods and services agreements such as NAFTA and the EC Enlargement. He drew the attention to an inconsistency in Section IV of the format: while it referred to provisions other than those related to trade in goods such as intellectual property, government procurement, monopolies, investment and competition policy, it failed to include provisions on services. He noted that the Trade-Related Aspects of Intellectual Property Rights Agreement (TRIPS) contained provisions similar to those of Article XXIV of the General Agreement. It was essential to avoid unnecessary obligations on Parties to regional trade agreements. They should not be required, for example, to submit information to the Committee, which they were already required to submit to another Body under WTO rules. For example, he did not see the need to provide information on the time-table for the removal of quantitative restrictions to the Committee, except if they were applied pursuant to Article XXIV of the General Agreement. Members should not be required to provide information on their observance of most-favoured-nation (m.f.n.) provisions in the Committee which went beyond what was required in the Committee on Market Access. His delegation was of the view that the distinction between agricultural products and industrial products as set out in the draft standard format was superfluous.

27. The representative of Korea, speaking on behalf of Hong Kong and Australia, introduced the joint proposal contained in document WT/REG/W/5 and said that, based on past practice, the sponsors had attempted to identify some elements which would improve the functioning of the examination process. If Parties to regional trade agreements were to follow a standard format to notify their agreement to the WTO, it would greatly reduce the delays that had been experienced in the past. A standard format would ensure that basic information was available as an integral part of a notification. A requirement to submit the information within a reasonable time frame would improve the efficiency of the Committee. Such a time frame did not need to be binding on the Parties; the intention was to use it as a general guideline. The proposal suggested that it would be preferable if a regional trade agreement was examined by the Committee before its implementation by the Parties. In case the proposal was accepted, the examination process should not last more than a year. The proposal provided for two formal examination meetings and a final meeting for adopting the report. It would be advisable if the proposal was implemented initially for a period of two years, allowing time for the Committee to use suggested procedures over full cycles of the examination process. On the basis of the actual experience gained, the Committee would then be able to determine whether changes were required. After the initial period of two years, it would also be better placed to decide whether such procedures should be formally consolidated. The primary objective of the proposal was to present a clear picture of the examination process and to stimulate discussion among Members.

28. The representative of Brazil said that it needed to be quite clear that the proposed Secretariat's draft standard format as well as the joint proposal by Australia, Hong Kong and Korea would not be applicable to regional trade agreements which had already gone through an initial examination process; it would not be worth the effort to try and change the applicable rules in the middle of the game. He agreed with the representative of Argentina that there were perhaps situations where it would be inappropriate for Parties to regional trade agreements to supply certain information to the Committee.

29. The representative of Hong Kong said that the Members sponsoring the proposal contained in document WT/REG/W/5 hoped that it would stimulate discussion on all aspects of the examination process and contribute to the Committee's objective of improving it. They were open to suggestions and comments both on the broad approach and on the elements outlined in its Annex.

30. The representative of the European Communities said that the decision to examine two regional trade agreements on 29 and 30 July 1996 signalled the intention of the Committee to tackle and clear the huge backlog of work. His delegation was of the view that given the number of agreements to be examined, it appeared that there was scope for simplifying the examination of some of them. The Committee might wish to devote some time in due course to discuss that question. His delegation attached great importance to the standard format compiled by the Secretariat and was of the view that it should retain its informal nature as a set of Chairman's guidelines. Even as an informal set of guidelines, the format had the potential of assisting in the collection of information. His delegation was also of the view that the Secretariat might have a more pro-active role in compiling the information to be included in the format. It would not be appropriate to require Parties whose regional trade agreement had gone through the first phase of the examination to observe the provisions of the format, and was his understanding that it would apply only to agreements which had not entered the mainstream of the examination process. He asked how trade-creation and trade-diversion were defined, and from which source such estimates would be computed. His delegation reserved the right to make other suggestions, including on the provisions relating to accessions. Turning to the proposal tabled by Australia, Hong Kong and Korea, he said that, while his authorities agreed with its central objective, they were not sure whether paragraph 1(c) of the terms of reference of the Committee required it to work towards the improvement of the examination process. A formalization of procedures was not needed but rather the introduction of more pragmatism. He sought clarification of the term "red-tape procedures" in paragraph 4 of the introductory part, and asked whether there would be time frames for each successive

step of the examination process. He agreed that the time frames should not be binding as that would be premature and present difficulties to a number of delegations.

31. The representative of Switzerland agreed with the European Communities that the draft standard format was useful, and that it should have a non-binding and informal status. Such guidelines would improve transparency and expedite the examination process. His delegation was intent on following the guidelines. To accord formal status to such a document could pose some difficulties; it would mean going through some difficult negotiations, leading the Committee to invariably waste a lot of time considering an issue which was not of high priority. His delegation was of the view that the standard format should not be applicable to agreements which had already gone through the first phase of the examination procedure. A standard format could, however, be useful for the updating of information. Information requested from Parties to regional trade agreements should be of a factual nature, and should not require value judgements that would preempt assessment by the Committee. He hoped that in due time, a standard format would be developed for trade in services. Offering his initial reactions to the joint proposal by Australia, Hong Kong and Korea, he said, that while they were sympathetic to the objective of improving the examination process, there was no need to make the framework more stringent. Past experience had dictated otherwise; pragmatism was required considering the likely ramifications of the proposed procedures. He agreed with the representative of the European Communities that the Secretariat could play a more pro-active role to speed up the work of the Committee and indicated that the Committee should reflect on the issue of simplifying the examination of some agreements, as suggested by the latter.

32. The representative of Morocco recalled the support which his delegation had given to the development of a standard outline but noted that the draft submitted by the Secretariat was too ambitious: it sought information beyond what had traditionally been requested for the examination of regional trade agreements. A format should be neutral, requesting information on issues relevant to the agreement under review, and of particular interest to third parties. Referring to document WT/REG/W/5, he said that the suggested time frames for notification appeared to be too stringent; there were cases where, due to domestic factors such as the parliamentary cycle, it would not be possible for the Parties to notify their Agreement within sixty days, as their respective legislatures might not have had the opportunity to examine it. That was the reason why Parties were requested to notify their agreements "as soon as possible," which demonstrated a more flexible approach.

33. The representative of Japan welcomed the exhaustive nature of the draft standard format and asked how notifications relating to trade in services would be handled. It was important to have a clear conception of which trade regulations would be altered as a result of the signing of a regional trade agreement, and whether they would be more restrictive. He also suggested that Parties to regional trade agreements provide information on the possibilities for third parties to join the agreement and under what conditions. He identified two issues which needed to be addressed to improve the examination process: the clarification of procedures and the examination criteria, and the time frames within which they were to be completed. Tightly fixed time frames, as suggested in the proposal contained in document WT/REG/W/5, could lead to incomplete and inexhaustive examinations. In principle, the four-week time period for the submissions of questions as set out in document WT/REG/W/5 should be maintained. Provision should be made for the right of third parties to ask more questions during the examination, and a corresponding extension of the time period should be foreseen for replies. In the proposal, Parties should have the possibility to provide responses during the meeting, or to explain the reason for their inability to respond. His delegation was of the view that it would be more realistic to add the words "as much as possible" to the undertaking in the third sentence of its paragraph 5. With reference to paragraph 6 of the Annex, it was difficult to determine with certainty the number of meetings that would be required to examine a particular agreement. It was likely, however, that one meeting was not sufficient to deal with a large and complex regional trade agreement. Issues such as that would perhaps be more

appropriately decided by the Chairman in informal consultations with Members. In paragraph 9, eighteen months should be a target, not a limit for the completion of the examination of a regional trade agreement. For a large and complex regional trade agreement, the possibility should exist to extend the limit to two years. He agreed with the representative of Argentina that the examination criteria needed to be discussed thoroughly. His delegation expected to circulate a non-paper on some of those issues shortly.

34. The representative of Australia considered the draft standard format to be an important first step to fill a long felt need by those engaged in the examination of regional trade agreements. The standard format would be important, irrelevant of its status: formal or informal. The type of information to be furnished in accordance with the standard format was necessary and could help the examination process significantly. He welcomed the exhaustive nature of the proposed standard format. As Members had different priorities and interests, it would be useful to agree on the type of information that would be required. That would avert delays and ensure the timely completion of the tasks assigned to the Committee. He agreed that estimating the trade-creating and the trade-diverting effects could pose some problems, and might invariably require Parties to make value-judgments. While estimates prepared by Parties to regional trade agreements were likely to be biased, they could still serve a useful purpose for the Committee. He thanked the Secretariat for formulating indicative guidelines for the provision of biennial reports.

35. The representative of Canada thanked the Secretariat for its paper and welcomed the exhaustive nature of it. The acceptance of the format would help the Secretariat and Members to organize themselves in an efficient manner. His delegation was flexible about the status of the paper, and agreed with other Members that it should apply to future examinations. Canada subscribed fully to the underlying intent of the ideas contained in document WT/REG/W/5, in particular to provide better time frame for the process of examination and to improve on the organization of the Committee's work. A better sense of "prompt notification" was needed and the suggestions in the paper were worth considering. The Committee, however, needed to decide on the degree of formality it wished to attach to the notification procedure. The time frame for the examination process would depend on the degree of complexity of each agreement and the degree of interest displayed by Members. A realistic time frame for the examination of a new agreement would be between twelve and eighteen months.

36. The representative of the Philippines, speaking on behalf of ASEAN, expressed ASEAN's support for the overall thrust of the suggestions contained in WT/REG/W/5. Ensuring predicability, setting up time frames and avoiding discrimination among regional trade agreements through a strengthened set of procedures would be necessary to facilitate the enormous task ahead. ASEAN was considering the suggested time frames, in particular to change the time limit for written questions and replies from six to four weeks. They would like to revert to the referral procedure at a future session. ASEAN regretted that the proposed standard format only covered trade in goods. The general treatment of other aspects in Section IV of the format was not satisfactory. For the sake of comprehensiveness, it would be better if Services and TRIPS aspects of regional trade agreements were further elaborated either in the same or in a separate format.

37. The representative of Hungary, subscribing to the objective of improving and strengthening the procedures for the examination of regional trade agreements, welcomed the proposed standard format and the proposal by Australia, Hong Kong and Korea. The standard format should take account of the notification and transparency requirements under other relevant provisions of the WTO Agreement. It was imperative to avoid duplication, and overburdening the Parties to regional trade agreements. She shared the view that the standard format should have an informal status, and apply only to future examinations. With respect to document WT/REG/W/5, she said that one needed to be realistic when establishing deadlines in the examination process.

38. The representative of the Czech Republic thanked the Secretariat for the draft standard format, and said that it should be an indicative document providing guidelines to Members. He agreed with other delegations that it should apply only to new examinations. It was the wish of his delegation that a similar format would be developed for trade in services. The format could be used by Members to update information on agreements to which they were Parties. He supported the proposal by the representative of the European Communities that the Secretariat should play a pro-active role in ensuring that the Committee achieve its mandate. He was optimistic that certain issues would catch the attention of Members, once the process of collecting and collating information was under way: among them were issues relating to the question of whether provisions in regional trade agreements had corresponding ones in the WTO Agreement; the trade-creating and trade-diverting effects of agreements; and changes in the external policies of Parties during the negotiations for the conclusion of an agreement. His delegation shared the views of the delegations of Australia, Hong Kong and Korea, and intended to contribute positively to efforts to strengthen disciplines relating to notification and examination. His authorities could, however, not subscribe to the view that a regional trade agreement should be notified to and examined by the WTO before it was implemented by its signatories.

39. The representative of Poland welcomed the draft standard format, and said that it should have an informal status, with a view to avoiding long-drawn out and complicated negotiations. It should apply to new examinations, and be used to update information. The format should solicit factual questions, such as the trade-creating and trade-diverting effects of the agreement. His delegation sought clarification of how the requirement contained in preambular paragraph 2 for information related to provisions in Section II 1.2. The Committee should determine the time frame for the examination of a particular agreement. Firm deadlines for notification obligations, as suggested in document WT/REG/W/5, could present difficulties for the Parties.

40. The representative of New Zealand welcomed the exhaustive nature of the draft standard format, and noted that the section on trade provisions did not contain many novel questions, as seemed to be suggested by some Members. He referred in particular to the time-tables for dismantling restrictions on intra-trade, and the sectors which would remain outside the scope of the agreement even after its implementation. The breadth of the format and the fact that it would replace the formal question and answer stage of the examination process justified a formal status for the format. While he appreciated the difficulties which would be encountered if the document was given a formal status, he shared the view expressed by the representative of Canada, that the Parties would be expected to demonstrate good faith when providing information to the Committee and Members. The proposal presented by Australia, Hong Kong and Korea had the right perspective even though it was ambitious. While the implications of the suggested time frame had to be considered, that would be a pragmatic way to resolve an unsatisfactory situation.

41. The representative of Argentina said that the draft standard format embodied questions which were normally outside the purview of the examination process under Article XXIV. Such questions could not be justified under the Understanding on the Interpretation of Article XXIV of GATT 1994 nor by the terms of reference of the Committee. The introductory paragraph in the Secretariat's document, which stipulated that the format was based on past experience under the GATT, was difficult to reconcile with Section IV, which contained several novel elements such as intellectual property, government procurement, monopolies, environment, investment and competition policy. No provision was made for regional trade agreements in the TRIPS Agreement, neither could it be said that the Agreement on Government Procurement was binding on all Members of the WTO: it was a plurilateral agreement, and it was within the purview of each Member to decide whether or not it wanted to accede to it. The issue of monopolies was of a cross-cutting nature, which could be incorporated provided there was a sufficient degree of consensus at a future Ministerial meeting. With respect to the reference to environment, no comprehensive rules on the subject existed in the WTO. He was aware that some

work was being done on investment in the OECD, and that a paper on competition policy had been circulated by Canada. The Understanding on the Interpretation of Article XXIV was clear as to its requirements, and did not cover any of the subjects mentioned in the format. He could not understand why reference was made in the format to quantitative restrictions. Paragraph 8(b) of Article XXIV of GATT 1994, which allowed the adoption of restrictive measures pursuant to Articles XI, XII, XIII XIV, XV and XX had often been invoked as a justification of the adoption of environmental and sanitary and phytosanitary measures. Article 5 of the Agreement on Agriculture prescribed a maximum limit for the growth of imports and was implicitly a quantitative restriction with trade-diverting effects and he wondered whether that aspect was to be examined by the Committee on Regional Trade Agreements. He had other similar questions and wanted to understand the intentions behind the paper. Estimates on trade-creating and trade-diverting effects were very subjective, and differed depending on the model that was used, and also on whether they were made for political consumption. The objective of the working parties under GATT 1947 had been the examination of regional trade agreements in the light of contractual provisions, and was not intended to make any political assessments. Guidance was needed on the informal nature of any device to assist the Committee in its work. Turning to document WT/REG/W/5, he said that, while he agreed that it was important to organize the work of the Committee, his delegation was not yet ready for a detailed analysis. The obligation to update information on regional trade agreements every two years in addition to other obligations which would have time frames required diligence and clear priorities. While it was necessary to formalize the current procedures to examine the agreements, it was equally necessary to do so in an informal and flexible manner. He cautioned against the introduction of new rules under the pretext of systematizing and rationalizing the procedures for examination.

42. The representative of Mexico referred to the joint proposal by Australia, Hong Kong and Korea, and by way of preliminary comments said that, while much could be done to improve the examination procedures, care should be taken not to interpret the existing provisions in a broad manner. The Committee was not engaged in a negotiating exercise; it was merely trying to rationalize existing procedures for the examination of regional trade agreements. The document manifested an interest in negotiation, as was evident in paragraph 7 which referred to possible future work. Proposals to make substantive changes should not be ambiguous; such proposed changes could be taken up systematically according to an established programme of work. He agreed with the representative of Morocco that flexibility was needed in the setting of time frames and deadlines. A requirement to notify and examine an agreement before its implementation by the Parties was probably not realistic, as it ignored the differing legislative cycles. That was the reason why the drafters of the General Agreement had introduced the requirement that Parties to regional trade agreements notify them "promptly". The idea contained in the joint proposal to hold two formal examination meetings before the adoption of the draft report was interesting, as it would avoid unnecessary delays which had characterized the working party process so far. The Chairman should be at liberty to schedule further meetings as and when necessary after consulting with Members. The concept of a deadline for reaching agreement with or without a consensus was important; the actual intervals could be the subject of further discussion.

43. The representative of the United States thanked the Secretariat for the draft standard format and said that it would serve several main purposes. It would, for example, create a standard body of information for each agreement, reduce the burden of collection and collation of relevant initial information, expedite the launching of the examination process after an agreement was notified and provide a framework which the reports could build upon. The format should, however, not prejudice the right of Members to pose additional questions. His delegation would, at that stage, make a few preliminary comments on the proposed standard format. He supported the idea of involving the Parties in the review process at an early stage; a standard format could further that objective. The background information on an agreement could include the date of ratification by each Party, the date of notification to the WTO and the Body to which it was notified, with relevant document references. He shared views

already expressed on the desirability of having a single format with separate sections on goods and on services. He suggested that the Parties to the regional trade agreements be required to state whether their agreements covered both goods and services: that would be helpful when the Committee started its work on a services section of the standard format. The proposal in document WT/REG/W/5 was interesting as it contained novel and useful ideas. While his delegation agreed that the examination process needed some structure and discipline, the approach in the proposal was unrealistically rigid and was unlikely to result in increased compliance. In principle, his delegation was sympathetic to the concept of an early warning system, but it was not feasible to have a regional trade agreement reviewed simultaneously by the WTO and by the national parliament. Moreover, it appeared to lack any legal basis. It should, however, be possible for the Parties to notify their agreement and any relevant documentation to the WTO, even when the agreement had not been ratified by the legislative authority. That would help to improve transparency, one of the primary objectives of the review process. He noted that the NAFTA Parties had received three hundred and thirty-two questions in the first round, most of which seemed not to have been included in the standard format. It was imperative that Members retain the right to pose questions not raised in the standard format. He reiterated his delegation's view that Members should explore the possibility of submitting information electronically.

44. The representative of Romania noted that the creation of the Committee and the establishment of its work programme showed that the work towards improving and facilitating the examination process, and making it more flexible within the existing legal framework was already under way. As long as new disciplines were not created, her delegation would support the use of a standard format to collect relevant information on a regional trade agreement. The standard format should offer guidelines and be applicable only to future examinations. The proposal in document WT/REG/W/5 seemed to have gone beyond its stated purpose of improving the examination process. A risk existed that new rules and disciplines could emerge, possibly with profound legal consequences; a case in point was the requirement that an agreement should be notified to the WTO before its entry into force.

45. The representative of Venezuela shared the views expressed by the representative of Morocco on the status and scope of the Secretariat's proposal and sought clarification on the question of whether the format was intended to be used for future examinations of agreements in case they were originally notified, or also in cases where existing agreements were extended to new Members. She agreed that the time frames suggested in document WT/REG/W/5 needed to be more flexible.

46. The representative of Korea welcomed the standard format proposed by the Secretariat, and said that it could serve as a useful input in the work of the Committee. The attitude of Members to the document would depend on its status, which in turn would determine its effectiveness in improving disciplines. Several comments on the joint proposal contained in document WT/REG/W/5 had been very encouraging. The sponsors would consider all the comments and try to reflect them in a balanced manner. He noted the importance of time frames for any improvement of the examination process.

47. The representative of Hong Kong welcomed the Secretariat's draft paper, and noted that, owing to the differences in the nature and constituent elements of regional trade agreements, Members should be given the possibility to ask specific questions not included in the standard format. He welcomed all comments on the joint proposal contained in document WT/REG/W/5.

48. The Chairman said that the discussion so far had been constructive. The Secretariat's proposal for a standard format was aimed at improving the efficiency of the examination process, which had in the past been characterised by excessive delays. It was apparent from the experience gained so far that some method was needed to obtain basic data in a more efficient way. He suggested that the Committee reflect on the question of whether the Secretariat ought to play a more pro-active role in the process. It was his understanding that the standard format should apply only to agreements in respect

of which the question and answer process had not yet started. Members seemed to prefer that the standard format not have the status of a formal agreed decision; and that it should not preclude the possibility of addressing additional questions to the Parties of a regional trade agreement. While the format would be satisfactory for most of the agreements which had been notified, Members needed to reflect on the question of whether the format should include questions on services and on some of the issues enumerated under Section IV of the Secretariat's draft. Lastly, the Committee might also wish to reflect on the time to be devoted to the examination of a particular agreement in relation to its impact on the multilateral trading system.

49. The representative of Argentina said that the Understanding on the Interpretation of Article XXIV provided that "Customs unions, free-trade areas and interim agreements leading to the formation of a customs union or free-trade area, to be consistent with Article XXIV must satisfy *inter alia* the provisions of paragraphs 5, 6, 7 and 8 of that Article." Any question which went beyond the criteria specified in GATT 1994 was irrelevant. Care should be taken in ensuring that the format fell within the parameters of the agreement reached by Members, as embodied in GATT 1994 and the terms of reference of the Committee. The idea proposed by the Chairman to start working on the basis of the informal proposal of the Secretariat was acceptable, provided the Committee was clear about its parameters.

50. The representative of Australia noted that the Committee's remit went beyond the mandate of working parties established under the GATT. Among other things, the Committee had been charged with the responsibility of considering the systemic implications of regional trade agreements and their impact on the multilateral trading system. The standard format had been drafted in such a way as to permit the Committee to effectively discharge all its functions, including making recommendations to the General Council on the systemic implications of regional trade agreements in a globalizing and liberalizing world economy. While his delegation would not advocate an examination of areas such as environment and investment in its work to determine the conformity of agreements with Article XXIV for the sole reason that no multilateral disciplines on those subjects existed, it did consider that information on those issues was crucial for an examination of the systemic implications of regional trade agreements. He asked whether the proposed standard format was intended to be relevant for purposes other than the examination of notified agreements.

51. The representative of Brazil said that the Committee needed to respect the terms of reference for the examination of regional trade agreements. The Committee should carry forward the work of the working parties and not start afresh.

52. The representative of Israel said that the task of the Committee would be easier if it was agreed that the format prepared by the Secretariat would be an indicative document imposing no additional notification obligations.

53. The representative of Morocco said that he agreed that certain issues had to be clarified if the Committee wanted to make any reasonable headway. There was a difference between examining a regional trade agreement and analysing the systemic effects of regional trade agreements. It was his understanding that the draft standard format was meant to improve the examination process by facilitating the collection of information. It should not cover matters which were clearly outside the scope of Article XXIV and other relevant articles of the WTO Agreement.

54. The representative of Japan said that the underlying reason behind Article XXIV was to determine whether the trade regulations of a country had become more restrictive after it had become a Party to a regional trade agreement. The integrity of the process would be compromised if the agreement was tested only against the rules specified in the WTO Agreement. Since more and more regional trade

agreements contained provisions covered in some of the plurilateral agreements, an analysis should be undertaken to determine the consistency of the two sets of provisions. He noted that in the past, questions had been asked about rules of origin and local content requirements and he saw no reason why the practice should be discontinued. His delegation was of the view that it was appropriate to include Section IV in the Secretariat's draft.

55. The representative of the European Communities suggested that the Committee agree that the purpose of a standard format was to expedite the examination process, and enable it to clear the huge backlog. It was intended to facilitate the collection of information and enable the Committee to review the conformity of an agreement with the criteria spelt out in Article XXIV of GATT 1994 and the Understanding on its Interpretation. The standard format should not cover issues which clearly fell outside the scope of the relevant provisions. If, however, information was made available on issues which were not relevant to the examination process, it could be used by the Committee to consider the systemic implications of regional trade agreements.

56. The representative of New Zealand said that the draft standard format was meant to expedite the examination process by improving the collection of information, and facilitating the consideration of the impact of an agreement on the trading interests of third parties. From that angle, the comprehensiveness of the Secretariat paper was justified. One clear advantage of the format was that it would encourage the Parties to have a critical look at their agreements and determine whether they contained any provisions which would affect the interests of third parties. He agreed with the representative of Australia that any information on the trade-creation and trade-diversion effects of an agreement would be helpful for the Committee's work. While he agreed with the representative of Argentina with respect to the coverage of Article XXIV, it was for each delegation to decide whether it would respond to questions falling under Section IV of the draft format. It was clear that a regional trade agreement could affect the trading interests of third parties, if that Agreement covered issues dealt with under Section IV.

57. The representative of Canada agreed with the representatives of Australia and New Zealand that the purpose of the standard format was to get as much information as possible on an agreement. While the conclusions of an examination had to be based strictly on the requirements of Article XXIV, information on the overall impact of the agreement was important for reasons of transparency. Sections I, II and III covered elements essential to understanding the nature of the agreement. They also contained the relevant information which would assist the Committee in evaluating the consistency of an agreement in terms of the relevant rules of the WTO. The Chairman of the Council for Trade in Goods had affirmed that point when the first working party under the WTO was established. While Section IV did not bear on the consistency of an agreement with the provisions of Article XXIV, it was nevertheless important for reasons of transparency.

58. The representative of Colombia said that it was evident that the purpose of the standard format was to elicit as much information as possible on an agreement in a simplified and an effective manner, so as to enable the Committee to test its consistency with the relevant rules of the WTO. The standard format should not cover matters which were not dealt with in Article XXIV of GATT 1994 or the Understanding on its Interpretation. Preferential agreements between developing countries were governed by the Enabling Clause, and Parties to such agreements should be excluded from supplying information sought in the proposed standard format. The representatives of Chile and Argentina associated themselves with that statement.

59. The representative of Korea said that the standard format had several purposes, one if them being to assist the Committee in its evaluation of the systemic implications of regional trade agreements for the multilateral trading system. He agreed with the representative of Australia that the standard

format should cover all measures which affected trade and should include other relevant issues such as services.

60. The Chairman recalled that the Committee had asked the Secretariat to look at past practice and identify the nature of questions that were put to Parties to regional trade agreements. As to whether a subject matter was relevant or not depended on the objective of the examination process. He concluded from the debate that there was no disagreement to use the standard format as a tool for gathering information. Differences of opinion existed on what the format should cover. Since almost all agreements to be examined dealt exclusively with goods, the standard format should prove to be a useful tool. He furthermore recalled that the terms of reference for the examination of regional trade agreements were fixed either by the Council for Trade in Goods, the Council for Trade in Services, or the Committee on Trade and Development. The Committee on Regional Trade Agreements was called upon to carry out the actual examination. With the exception of two, all agreements referred to the Committee covered trade in goods.

61. The representative of Romania said that the task of the Committee was twofold: to facilitate and accelerate the examination of regional trade agreements, and to look at their systemic implications for the multilateral trading system. The difficulty arose because the two aspects were not kept separate. Since a consensus existed on the need for Parties to regional trade agreements to provide information required by Article XXIV and other relevant rules to the Committee, the standard format could reflect that obligation. If it appeared after the discussion on the systemic implications of regional trade agreements that more information would be required for a balanced analysis, a decision could probably be adopted to that effect. Existing rules and disciplines should not be interpreted broadly, so as to justify the imposition of additional burdens on Parties to regional trade agreements. Consideration of the standard format as a document intended to facilitate and accelerate the examination of the agreements would help the Committee in its work.

62. The representative of Switzerland said that the rules governing the examination of regional trade agreements made no distinction between agricultural products and industrial products, and as such the distinction made by the standard format was unnecessary and without any legal basis. Since the standard format was supposed to be a factual document, it was doubtful whether the inclusion of estimates on trade-creation and diversions in Section I.4 was relevant. Under Section I.5, duplication of work undertaken by the Trade Policy Review Body should be avoided. Turning to Section II.3, he said that the Agreement on Rules of Origin did not have provisions relevant to preferential trade agreements. Requiring information on that subject was outside the mandate of the Committee. While requesting information on dispute settlement provisions in a regional trade agreement could be interesting for reasons of transparency, no legal requirement for notification of alternative procedures existed. As such, Section III.4 appeared to impose an additional obligation. Commenting on Section III.5, he said that the purpose of the examination of an agreement was to determine solely whether it was consistent with the provisions of Article XXIV. Any other objective would lack any legal basis.

63. The representative of Peru said that negotiating a standard format would take considerable time, and as such, would run counter to its intended purpose of expediting the examination process. He agreed with the representative of Romania that the format should not have formal status and that should be highlighted. He sought deletion of references to monopolies and environment in Section IV of the format.

64. The representative of Argentina said that he could accept the Secretariat's proposal on an informal basis, provided some changes were made. He did not see the need for a distinction between industrial and agricultural products; Article XXIV did not concern itself with sectoral coverage, but with the overall coverage of the agreement. He called for the deletion of the Sections I.4 and I.5. He noted

that provision of the requested information in Section II.1.1 was mandatory under another Body of the WTO and hence, it was superfluous to require submission of the same information to that Committee. Turning to Section II.1.2, he said that apart from exceptions recognized under Annex 5 of the Agreement on Agriculture, all restrictions in that sector needed to be notified. All non-tariff barriers had been converted into tariffs, which were more transparent. He was not sure what was meant by measures having equivalent effect as quantitative restrictions; it could not possibly be a withdrawal of a concession, as it would be the subject of bilateral consultations or of a dispute settlement procedure; it could not be a safeguard measure nor a restriction under the minimum access provisions of the Agreement on Agriculture. Section II.2.2 as presently drafted had no legal meaning; in the post-Uruguay Round framework, export restrictions either had special status or they were illegal. He further stated that Section II.5 was not a proper topic for discussion in the Committee. The same applied to Section III.1; it would appear that it could be more appropriate to have a discussion on the subject in the Committee on Subsidies and Countervailing Measures. He was not sure what State-aid referred to in the context of the standard format. Section IV was wholly unacceptable and should be deleted. There were practically no multilateral disciplines on the subjects enumerated under Section IV and where they existed, there was no consensus on their scope.

65. The representative of the European Communities said that the draft standard format could assist the Committee in its work and generally expedite the examination process. His delegation was of the view that proper guidance needed to be provided in replying to Section I.4; a time frame for the submission of trade data should probably be indicated. It would be advisable to define the concepts of trade-creation and trade-diversion. In Section II.3, it would be useful to indicate the kind of information that Parties would need to provide on their rules of origin. It would be interesting to know whether provision was made for cumulation and whether the agreement drew a distinction between preferential and non-preferential rules of origin. Section III.3 needed to be more explicit on what was meant by accession.

66. The representative of Canada sought clarification of the last sentence of the second preambular paragraph. He was not sure whether data on trade flows was required during the phase-in period. In his view, Section II.1.3 was superfluous, as the Understanding on the Interpretation of Article XXIV explicitly required Members to provide information to assess the overall impact of duties and other restrictive regulations of commerce.

67. The representative of Hungary shared the concerns expressed by the representative of Switzerland. It was her understanding that the acceptance of a standard format would not prejudice the right of Members to ask additional questions and to request further information. Time needed not to be wasted in trying to be exhaustive. The standard format should fully reflect WTO provisions and avoid placing unnecessary burdens on Parties to regional trade agreements.

68. The representative of Mexico said that it was necessary to be clear on the status of the standard format. The absence of any legal obligation should be explicitly stated in a new first paragraph, and it should be made clear that the purpose of the document was to facilitate an examination of all matters relevant to obligations of Parties to regional trade agreements established pursuant to the WTO Agreement. He agreed with the representative of Argentina that the distinction drawn between agricultural products and industrial products was unnecessary. It was advisable to specify a time-period in Section I.4. The concepts of trade-creation and trade-diversion needed to be clarified. Section II.1 was unnecessary as Members were obliged to submit the requested information to the Committee on Market Access. In any case, it was necessary to clarify the scope of Section II.1.1 and specify that bound rates as opposed to applied rates were to be taken into account. With reference to Section II.1.3, he did not see the need to indicate the method of calculation of the Common External Tariff. As far as Sections II.5-8 and III.1 and III.4 were concerned, information should be provided only if the provisions were different from

those applied on a most-favoured-nation basis. Section III.5 should be deleted, as references to other trade agreements were bound to be stated in the descriptive part of the agreement. Section IV was premature and should be deleted.

69. The representative of the Czech Republic said that his intervention was based on the presumption that the standard format had an informal status and was not a negotiated document. His delegation did not understand the meaning of the second sentence of the second preambular paragraph. The distinction between agricultural products and industrial products was unnecessary. The scope of Section I.4 needed to be clarified with respect to the trade data to be supplies. His delegation shared the views expressed which circumscribed the provision of estimates on trade-creation and diversion to those already in the public domain. He associated himself with the views expressed by the representative of Switzerland as regards the requirement that Parties should provide information on their external trade policy during the negotiation of the agreement and on the relations with other trade agreements. It should also be made unequivocally clear that supply of information under Section IV was voluntary.

70. The representative of New Zealand said that Members, in proposing any changes, should bear in mind that the status of the document was an informal note. Some clarifications were needed. In particular, it would help if time-periods were clearly defined. His delegation was interested in the agricultural sector, but would not insist on introducing separate classifications as long as the information given would be comprehensive. Information on changes in trade policy (Section I.5), and measures implemented between the date of signature and the date of entry into force was important. It could assist the Committee in its assessment of an agreement. While Members were not under a legal obligation to provide information on certain subjects, it would be in the interest of the multilateral trading system if they did. Transparency was an ideal to which all Members should be committed. While he understood the concerns of the representative of Argentina with respect to quantitative restrictions, he noted that it was possible for Parties to a regional trade agreement to provide information on any quantitative restriction which was maintained. The requirement that Parties explicitly state the relation between their and other agreements was relevant. His delegation was of the view that Section IV could be useful and should be retained. While the existing rights of signatories to the TRIPS Agreement could not be affected by a regional trade agreement, the possibility existed that Parties to such agreements could grant each other more favourable benefits in the TRIPS area. Similarly, government procurement and competition policy were relevant.

71. The representative of Brazil said that one needed to be both cautious and flexible in discussing the draft standard format. The ongoing discussion was not a negotiation. He saw the complexity of the task before the Committee. He could not agree to requests for information on investment and competition policy which were not regulated at the multilateral level. Considering the immense tasks before the Committee, especially the backlog of agreements to be examined, and the difficulties of collecting basic information on agreements, it would not be appropriate to request the Committee to take on new tasks. He shared the view expressed by the representative of Mexico that it should be made clear that the document was an informal paper and had no legal consequences. Unlike the representative of New Zealand, he did not see any merit in retaining Section IV. He would, however, not insist on its deletion because of the informal status of the paper.

72. The representative of Australia saw the standard format as a working tool designed to improve the efficiency of the Committee. Her delegation favoured an improvement of the document by incorporating comments made without entering into a negotiation on it. She also pointed out that leaving the supply of information entirely to the discretion of Members would only postpone requests for information at a later stage of the examination process. Her delegation considered that the Committee should advance quickly on that issue. It was essential that the Committee could report to Ministers

in Singapore on improvements on the process. She was pleased that the standard format reflected some of the questions which her delegation had posed in the past. In her delegation's view, the standard format was perfect and she saw no use in spending any more time on its details. Given the geo-political and economic implications of regionalism, it would be better for the Committee to have access to a wider pool of information so that it could make sound recommendations to Members. Standardized information helped bridge the gap in understanding different legal systems. Selective treatment of one sector over the other was a recurring feature in most regional integration agreements and was germane to the interpretation of the rules of Article XXIV. Her delegation would seek the fullest information, both in that Committee and in other WTO Bodies, on different treatment of products in HS Chapters 1-24 and Chapters 25-99. Duplication needed to be avoided. Parties to regional trade agreements should not be overburdened with requests for information, especially where the information was readily available from other Bodies of the WTO. The Committee's work should be coherent and respect the integrity of the system as a whole. Turning to Section IV, she noted that many regional trade agreements had provisions on some of the so-called "new issues". Familiarity with the positive effects on trade among constituent members of a regional trading arrangement, even if it was not relevant to the legal assessment of the agreement, could provide leads as to the convergence and compatibility of regional trade initiatives with the multilateral trading system. In the past, Parties to regional trade agreements had volunteered information on the growth of internal and external trade. As the status of the format did not require it to be subject to detailed and rigorous analysis, she confined herself to those remarks.

73. The representative of Argentina noted that even an informal document had legal consequences and needed to be technically precise. It would be fictitious for that Committee to act as if that note was not a part of the system. He agreed with the representative of Australia that the procedures relative to the examinations needed to be improved. It was certainly possible to approach a consensus on ideas contained in an informal paper with a view to enable the Committee to proceed with its work, and to avoid duplication of work carried out elsewhere.

74. The representative of Mexico said that any part of the proposed format to which even one single delegation objected, should be left out. That would, however, not prevent any delegation from providing information.

75. The Chairman said that the discussion was really about changing the past practice which consisted of basing the initial submission by Parties to regional trade agreements on questions and answers, rather than on informal guidelines as was proposed in the standard format. He acknowledged that past experience with GATT 1947, including that of the question and answer process, might not be directly relevant to GATT 1994. He proposed that the Committee request the Secretariat to reflect further on the issue, in the light of the comments made at that meeting and circulate a revised standard format for consideration at the next meeting. It would be clearly specified that the format was intended to facilitate the Committee's work and did not have a formal status.

The Committee took note of the statements made and adopted the Chairman's proposal.

E. Reporting on the Operation of Agreements

76. The Chairman introduced the relevant document WT/REG/W/3 and suggested that the Committee consider the agenda item at its next meeting. Document WT/REG/W/3 listed the points that could be relevant for a discussion on the requirement of biennial reporting in terms of paragraph 11 of the Understanding of Article XXIV of the GATT 1994. It included an inventory of agreements for which biennial reports might be required: agreements which appeared to be currently in force and which had been notified under Article XXIV, the Enabling Clause and waiver provisions. While agreements notified

under Article XXIV had an unambiguous biennial reporting requirement, it had yet to be decided whether that requirement would be extended to agreements under the Enabling Clause and waivers, and to agreements related to Trade in Services. The Committee also needed to consider what would be the nature of the reports; whether a standard reporting outline should be developed, as previously suggested by some Members; which WTO Body should receive such reports; and whether there should be a follow up.

77. The Committee took note of the statements made and agreed to revert to that item at its next meeting.

F. Systemic Implications of Agreements and Initiatives for the Multilateral Trading System and the Relationship Between Them

78. The Chairman recalled that the agenda item had enjoyed considerable interest at the last meeting. He intended to invite the representative of Korea to formally introduce its proposal contained in document WT/REG/W/4 and the Secretariat to introduce its publication on "Regionalism and the World Trading System." The two documents would form the basis for an initial substantive discussion of the subject matter. The Committee should also discuss its future work programme.

79. The representative of Korea recalled that its delegation's document (WT/REG/W/4) had already been presented to the informal meeting of Heads of Delegations. At the meeting of the General Council held on 26 June, the Director-General had suggested that the issue of regionalism be dealt with by that Committee. His delegation was hopeful that the Committee would give full consideration to the issue of systemic implications of regionalism for the multilateral trading system and would come up with concrete recommendations to the General Council, which, in turn, could make recommendations to the Ministers at Singapore. Notwithstanding the explicit mandate of the Committee, he was of the view that the issue could also be appropriately considered by the informal caucus of Heads of Delegations as he had already suggested at the last meeting of the General Council. The main suggestions related to the following aspects: Ministers should reaffirm their commitment to the multilateral trading system at the Singapore Ministerial Conference and pledge that they would take adequate steps to ensure that regionalism complemented the multilateral trading system. Ministers would direct the General Council and possibly that Committee, to embark on a specific work programme in the coming two years. That work programme could: (i) identify those elements of regionalism that could conflict with the objectives and practices of the multilateral trading system; (ii) study creative ways of incorporating trade liberalization initiatives within regional trade agreements into the multilateral trading system; (iii) review the validity of the current legal regime of the WTO as regards regional trade agreements and specifically the question of whether Article XXIV of GATT 1994 needed to be strengthened in the light of the changing global environment; and (iv) redefine the relationship between the regional trade agreements and the multilateral trading system. It was important to determine how the multilateral trading system responded to the challenge posed by regionalism and to examine the correct future relationship between the two. It was an appropriate time to seriously examine those issues. His delegation proposed an evolutionary process. The WTO was a dynamic and forward looking Organization and the Singapore Ministerial Conference needed to provide an impetus to the WTO in carrying out such examinations. The Committee on Regional Trade Agreements had some inherent constraints. There was perhaps merit to parallel the discussions on that subject in the Committee by further discussions in the General Council and by the informal Heads of Delegations caucus.

80. The representative of Switzerland welcomed the Korean paper (WT/REG/W/4) and said that it dealt with a fundamental issue, which lay at the root of that Committee. The document, however, seemed to have drawn some hasty conclusions. Given the complexity of the subject, he urged Members

to exercise caution and reflect in a critical manner before arriving at any conclusions. He questioned the judgment set out in the first paragraph, that the evolution of regional trade agreements posed serious implications for the multilateral trading system; he thought a *prima facie* case could not be made to support that assertion. For his delegation, the general focus of the Korean paper was itself problematic. For his delegation, the general focus of the Korean paper was itself problematic. The objective of the Committee was to ensure the mutual reinforcement of regional trade agreements and the multilateral trading system. Paragraph 4 of the document appeared however to advocate the closer alignment of regional trade agreements with the objectives of the multilateral trading system: an agreement should not be seen as an end in itself but rather as a temporary scheme leading to "an integrated, more viable and durable multilateral trading system." He agreed with the view expressed that Ministers at the Singapore Conference should give guidance as to the future agenda of the Committee. The Committee would not be in a position to recommend to the General Council that it examine the WTO's legal regime on regionalism and make the necessary improvements, before a comprehensive debate had taken place on the systemic implications of regional trade agreements. While his delegation could accept the first two recommendations in paragraph 9, it could not agree to the suggestion that Ministers be asked to direct the General Council "to review the validity of the WTO's current legal regime on regionalism ...". The Committee was not involved in a negotiation; recommendations to Ministers could only result from an analysis and possibly a consensus reached on the functioning or lack of functioning of the legal regime when applied to issues of regionalism.

81. The representative of Brazil agreed with the statement made by the representative of Switzerland. He was of the view that the Committee was certainly the appropriate forum to debate the issue of multilateralism and regionalism. He cautioned that it might not be desirable for Ministers to conduct a theoretical debate on the subject in Singapore. While his delegation did not see regionalism as a threat, it was of the view that the implications of regionalism for the multilateral trading system should be discussed in that Committee. The debate could assist in assessing whether regionalism had enhanced the multilateral trading system.

82. The representative of the European Communities said that there was no doubt that the issue of the relationship between regionalism and multilateralism would be on the agenda of the Singapore Ministerial Conference. The Committee had made good progress, but much remained to be done. The Committee had to cope with the backlog of reviews of regional agreements and needed to review analytical studies which had been done on that subject. The parameters of the debate, not merely the variables, had changed over the past years. The number of free-trade areas had increased considerably and the ratio of m.f.n. trade to preferential trade continued to change. The scope of the agreements had widened to cover new sectors. At the same time, the multilateral trading system itself had changed as a result of the new commitments which had been assumed under the Uruguay Round. Concepts were changing and it was necessary to be clear on what was being discussed. A major systemic debate was just beginning and it would be interesting to know how it unfolded. The WTO publication on regionalism would enable the Committee to make a preliminary assessment; further analytical work was certainly necessary to determine conclusively the effect regionalism had had on the multilateral trading system. While his delegation was willing to examine all the issues, it would take time and need further guidance from the Singapore Ministerial Conference. He was concerned about the tendency to make rush judgments about regional trade agreements based on partial and pre-conceived ideas about the relationship between regionalism and the multilateral trading system. It was appropriate that the Committee consider that issue, although some particular difficulties would be in store. It would not be easy to organize, as the issues were fairly wide and technical in nature, and involve highly procedural questions. He welcomed document WT/REG/W/4 presented by the representative of Korea as a contribution to the debate. While his authorities expected Ministers to give instructions to the General Council at Singapore, they were also of the view that the Committee should be allowed to thoroughly examine the issue, and, in the light of the experience acquired, make appropriate recommendations to

the General Council. It was too early for the Committee to conclude that a fundamental improvement of the rules was needed. Referring to paragraph 9 of the document, he asked clarification of terms such as "elements of regionalism" and "creative means of capturing trade liberalization".

83. The representative of Israel said that the provisions of Article XXIV and the related Understanding made it clear that the compatibility between regional trade agreements and the multilateral trading system could not be called into question. Review of an integral part of the legal framework as proposed in document WT/REG/W/4 presented by the representative of Korea, in particular paragraph 9(c), could only be undertaken in a multilateral round of trade negotiations. Several important issues other than the ones under discussion existed which also needed to be reviewed and examined by the WTO. The Committee should utilize its time appropriately.

84. The representative of Pakistan recalled earlier statements by his delegation made on other occasions. The single most important challenge facing the multilateral trading system was the proliferation of regional trade agreements and initiatives. He wondered whether it was being suggested that the underlying reason for that Committee should be changed. He was looking forward to a constructive discussion on all issues, which, he hoped, would lead to a convergence of views. He noted that the view that regionalism was complementary to the multilateral trading system had many adherents, also in academic circles. The contrary suggestion that the multilateral trading system was complementary to regionalism gave rise to problems. A recent estimate placed world trade conducted on a basis other than m.f.n. to be around 60 per cent. Rarely had a regional trade agreement been found to be compatible with the multilateral trading system, as was clear from the publication by the Secretariat. Views had been expressed to the effect that some provisions of regional agreements conflicted with multilateral rules and principles. It was clear that Members should analyze the Secretariat's publication from all possible perspectives. The growing proportion of non-m.f.n. trade affected the balance of rights and obligations of Members. A political impetus was necessary to launch a thorough examination of the impact of regionalism on the multilateral trading system and its compatibility with the purpose and principles of multilateralism. He agreed with views expressed that the Singapore Ministerial Conference was a fitting forum to launch a work programme to identify and analyze a comprehensive range of issues which were presented by an assessment of the impact and implications of regional trade agreements for the multilateral trading system. He stressed that delegations like his were asking for a work programme to review closely the relationship between regional trade agreements and m.f.n. principles and rules. He shared the expectation set out in paragraph 9(e) of the Korean paper that there be appropriate recommendations to the second Ministerial Conference. Discussions in that Committee could lead to an unambiguous proposal for the Singapore Ministerial Conference. He looked for support from the Secretariat in setting out the range of issues that needed to be analyzed.

85. A representative from the Secretariat, in introducing its publication "Regionalism and the World Trading System", drew attention to the fact that the Secretariat was solely responsible for the analysis and contents of the publication. Chapter 1 dealt with the rules and procedures in the GATT. It detailed the drafting history of Article XXIV and elaborated on the disciplines of Article XXIV and the Enabling Clause. It faithfully recorded the 47 years of the examination of the consistency or otherwise of regional agreements with GATT rules. It covered Article V of the General Agreement on Trade in Services and the Understanding on the Interpretation of Article XXIV. Chapter 2 on customs unions and free-trade areas since 1948 identified two peaks in notification of agreements; the first in the 1970's and the other in the post-1990's, when notifications increased sharply. Three broad features of post-war regional integration were identified: it was primarily centred in Western Europe; the number of agreements concluded by developing countries meeting original time-tables for the establishment of a free-trade area or a customs union was small; and the level of economic integration achieved between Parties to agreements varied widely. The drafters had anticipated that Article XXIV of the General Agreement would deal primarily with customs unions; in fact, a large proportion of agreements notified had

established free-trade areas. While intra-regional trade in Western Europe had increased in importance, trade with third parties had not grown by any significant margin. Chapter 3 examined the literature on the question of how trade and investment responded to regional integration agreements, and their impact on third parties. Empirical estimates suggested that with the exception of agriculture, it was likely that the formation of the EC and EFTA had resulted in an expansion of world trade. Thus creating trading opportunities for third parties, instead of diverting trade from them. In several cases, integration would lead to an increase in imports because of the expansion that would take place within the economic unit. A combination of staged tariff changes and the stimulus to growth which a regional trade agreement provided led to a situation whereby, apart from agriculture, there were very few cases, if any, where exports of third parties had suffered an absolute decline. On the impact on investments, the study noted that empirical estimates available were limited primarily to the formation of the EC. While no clear conclusions emerged, the data suggested that the creation of the single market in the 1990s was an important impetus to the significant inflows of foreign investment. The study also reviewed the literature on the impact of regionalism on the trade policies of the Member countries and had not come to any firm conclusion. Some of the literature suggested that a regional trade agreement diminished the interest of Member governments in further multilateral trade liberalization; that the enlarged market was sufficient to achieve an efficient scale of operations and other opportunities had less priority. The contrary argument stressed the value of, as a first step, facing foreign competition from companies established in partner countries of the region; after which companies would have gained confidence and the ability to face truly global competition. Many inefficient firms went out of production which, in turn, reduced the call for protection and increased interest in multilateral liberalization. Third parties responded by requesting accession or association, by creating new regional trade agreements or by supporting multilateral liberalization initiatives. The report further examined non-tariff and tariff liberalization in the areas of trade in goods, subsidies, government procurement, domestic policies (where Article XXIV did not have an exemption from national treatment), services, intellectual property protection and dispute settlement. The publication concluded that in the post-war period, regional and multilateral initiatives were complements rather than alternatives in the pursuit of more liberal and open trade. Regional integration agreements contained both higher and lower levels of obligations than the WTO; while in the latter case the WTO complemented the liberalization achieved at the regional level; the converse was true in the former case. With respect to the scope for improving the rules and procedures and compliance, he recalled the lack of consensus that had characterized the reports on the examination of regional agreements. In summary, the conclusions resulting from the study, were, first, that it was not possible to make an *a priori* judgement on whether free-trade areas or customs unions were good or bad for the multilateral trade system, but that the details of each agreement had to be examined; second, that post-war regional trade agreements and the multilateral trading system had been broadly complementary.

86. Turning to requests made to the Secretariat by the Committee, a representative of the Secretariat said that, as regards a bibliography of relevant articles, the bibliography to the study was comprehensive and additional references could be provided. With regards to the information to be made available for future work, he noted that more indications were needed on what was required. The agreements could be looked at horizontally for a comparison of provisions in certain areas such as technical barriers to trade; or vertically, comparing the contents of each agreement.

87. The representative of Canada said that his delegation had found the study very useful and it had prompted his authorities to take a closer look at the issue. His delegation shared the conclusions that the relationship between regionalism and multilateralism had overall been very positive. The study showed the importance of lessons which could be drawn from the operation of regional trade agreements for future multilateral trade liberalization. He noted that just over a year since its publication, its suggestion that a single body be established to examine regional integration agreements had been accepted by Members. He noted that some ideas in the Korean paper deserved close attention. His delegation

supported the idea that Ministers at the Singapore Conference address the issue of regionalism and reaffirm the need for consistency of regional trade agreements with the multilateral trading system. It also concurred with the view that guidance be sought on a work programme for the Committee in terms of its mandate on the systemic implications of regional trade agreements. The work programme as set out in paragraph 9 offered useful avenues, though precision needed to be given to the language. A comparative or horizontal analysis with a view to determining ways to ensure that regional integration agreements were not only complementary, but that they reinforced the objectives of the multilateral trading system was something to which his delegation gave the highest priority.

88. The representative of Hong Kong said that both the study and the Korean proposal recognized the challenge posed by regional trade agreements to the multilateral trading system and pointed to the deficiencies in existing rules. Regional trade agreements had a direct correlation with the multilateral trading system. The proliferation of regional trade agreements would inevitably affect the global economy and the multilateral trading system in the years ahead. It was essential for the WTO to examine without delay the relationship between the two approaches to international trade in a comprehensive manner. His delegation agreed with views expressed that the focus of regional integration agreements was no longer on tariff liberalization, and that the rules needed to be reviewed in the light of the new developments in the world economy. In his view, the Korean paper did not prejudge the issue and he supported the elements contained in paragraph 9 relating to the need for direction from the Singapore Ministerial Conference.

89. The representative of Japan concurred with the representative of Korea that guidance was needed from Ministers on the issue of systemic implications of regionalism for the multilateral trading system. While it was appropriate to interpret the provisions of Article XXIV in the light of new realities, certain elements, such as the requirement that tariffs and other restrictive regulations of commerce should not on the whole become more restrictive, should not be called into question. The Committee should first examine the compatibility of regional integration agreements with WTO rules, without prejudging the question whether regionalism would strengthen and complement the multilateral trading system. Enough material existed on the issue of systemic implications of regionalism for the multilateral trading system, and as such consideration of the issue should proceed without delay.

90. The representative of Singapore said that their concurrent experience with regionalism and the multilateral trading system showed that regional trade agreements with an outward orientation could strengthen the multilateral trading system. The WTO was at the heart of the multilateral trading system, around which revolved regional integration arrangements entered into by WTO Members. He recalled the representative of Pakistan saying that the proliferation of regional trade agreements was the main challenge facing the multilateral trading system in contemporary times; that challenge was to be taken up by the Committee, which was responsible for ensuring that regional trade agreements complemented the multilateral trading system. He reserved his right to make comments on paragraph 9 of the paper presented by the delegation of Korea. The Secretariat's study gave a good basis for discussion of systemic implications of regionalism, and the relationship between regionalism and multilateralism.

91. The representative of Mexico said that in his view regional integration agreements complemented the multilateral trading system; he was, however, aware that some points of concern remained which needed to be discussed. The discussion could take place in the Committee but a critical mass of agreements had to be examined before any conclusions could be drawn and it was clear that such a detailed exercise would take a long time and hence could not be completed by December. He inquired whether the Korean proposal in effect covered the mutual interaction between the WTO and regional trade agreements or only the effects of such agreements on the WTO.

92. The representative of Australia strongly endorsed the Korean suggestion that the Singapore meeting address that issue of systemic implications of regionalism. His delegation considered the creation of that Committee as an important first step in the recognition of the challenges presented by the proliferation of regional trade agreements. However, that Committee could not set terms of reference for examining regional integration agreements, nor pronounce on their conformity with WTO rules or principles: that was up to the Council for Trade in Goods, the Council for Trade in Services and the Committee on Trade and Development. Two important developments had occurred since the conclusion of the Uruguay Round; the commitment by countries in the Asia-Pacific region to establish a free trade area by the year 2020 (2010 for the developed member countries), and the agreement among countries in the Americas to commence negotiations with a view to establishing a free-trade area by the year 2005. The Singapore Ministerial Conference could not but respond to events that had important ramifications for the evolution of the multilateral trading system. The multilateral trading system had to match the most ambitious regional trade agreement, and he drew attention to paragraphs 9(a)-(c) in the paper presented by the delegation of Korea, which deserved the close attention of Ministers in Singapore. The Korean proposal was also relevant because, while the provisions on non-tariff barriers to trade were at that time perhaps the most important ones in regional trade agreements, there was no consensus on how to examine them in light of Article XXIV. The proposal provided the basis for a prudent response by that Committee on the basis of instructions that would be given by Ministers at Singapore.

93. The representative of Argentina said that the Korean paper was a formal document, which concerned a legitimate issue. The Committee had been given the mandate to review the implications of regionalism on the multilateral trading system, and to formulate appropriate recommendations to the General Council and as such it was the appropriate forum to review that issue. The discussions had, for the most part, concentrated on procedural issues, but then it was time for a substantive discussion. The issue at stake was the right to advance at different speeds to the same goal; in many cases regional trade agreements had moved at a faster pace than the multilateral trading system. In the last three years, trade among MERCOSUR countries had almost doubled. The size of the market was an important factor in attracting investment, and that was an impetus for the establishment of regional trade agreements. He was concerned that the point would not be given sufficient weight in a purely legal analysis. In a free trade area, a basic level of commitment in all economic sectors was needed. He wondered whether those who advocated compatibility were ready to commit themselves to the level of liberalization attained under a free trade agreement, or whether they sought to take a GATT plus route. The Committee had the implicit mandate to deal with the issues put forward by the delegation of Korea. To request Ministers to confirm an already existing mandate could lead to a proliferation of political statements. He agreed that efforts should be made to prevent the proliferation of regional trade agreements from undermining the multilateral trading system. Fragmentation of the system would not be in the interest of any country. The contribution of regional trade agreements to the reduction of tariffs and non-tariff barriers on a multilateral scale should not be overlooked.

94. The representative of Poland said that the Committee was the appropriate forum to discuss that important issue. An examination of an economic phenomenon such as regionalism should be approached without *a priori* views. Each agreement needed careful examination; the existence of trade diversion could be outweighed by other factors. Economic analysis needed to be undertaken in the context of a general equilibrium. The two approaches to the liberalization of world trade were similarly important. The task which faced the Committee was immense, as it had to carefully review a number of agreements before it would be in a position to make positive recommendations on the issue to the General Council.

95. The representative of New Zealand said that his government had manifested in a policy document its readiness to enter into regional trade agreements, provided they did not stand in the way of domestic trade policy reforms and on condition that they were outward looking and strengthened the multilateral

trade system; a regional trade agreement should be comprehensive and contain no exceptions and have a liberal accession clause permitting interested countries to accede to it. He saw the Korean paper as a useful input to discussions in the Committee, and expected a positive result from the Singapore Ministerial meeting. Broadly agreeing with paragraph 9 of the Korean paper, he was of the view that sufficient collective experience existed to start a discussion on the issue.

96. The representative of Morocco said that the issue of regionalism fell firmly within the competence of the WTO; the present discussion of the issue was proof of that. A discussion was not an indictment of regionalism. There was no harm in Ministers' reaffirmation of their general commitment to the multilateral trading system. His delegation did not agree with the view expressed in the Korean paper that regionalism posed a threat to the multilateral trading system. Empirical studies had shown that trade preferences had not distorted investment flows. The growing vigour of the multilateral trading system was apparent from the obligations which were assumed by Members during the Uruguay Round and the increase in the number of countries applying to accede to the WTO. Regional trade agreements were only a step on the way to a strengthened multilateral trading system. Morocco's free trade agreement with the EC, which would enter into force shortly, would liberalize over 1,000 tariff lines on an m.f.n. basis. While his delegation was certainly ready to enter into more discussions, the Committee should not spend its time reviewing the WTO legal framework. The terms of reference of the Committee were clear; it was called to gradually review the current procedures with a view to strengthening them.

97. The representative of the United States said that an examination of all preferential agreements falling under Article XXIV of the GATT 1994, Article V of the GATS and the Enabling Clause in that Committee would provide a good basis for examining the systemic implications of regional trade agreements for the multilateral trading system. It was clear that the terms of reference of that Committee extended to the whole universe of regional trade agreements. He was concerned that that was not reflected in the Korean paper. The examination of all the agreements would be the key to determining further work. Creation of the Committee as the single forum for review constituted a first vital step. The experiences gained from examining regional trade agreements in the new legal framework after the Uruguay Round would determine what should be done. He was concerned about Members' lack of compliance with their notification obligations in respect of preferential agreements. A large number of agreements had not been notified and could thus not be examined by the Committee. He strongly urged countries who had not done so to comply with their notification obligations. A good picture of the scope and variety of the agreements in force was essential for an accurate assessment of the systemic implications of regional trade agreements, which in turn would enable the Committee to recommend appropriate policy responses. The report of the Committee to the General Council had to reflect its post-Singapore work programme; and could include a complete listing of regional trade agreements that fell within its mandate. His delegation did not share the suggestion contained in the Korean paper to have a simultaneous discussion of that issue after the Singapore Ministerial meeting in the Committee and in other Bodies of the WTO. The Korean paper also seemed to be proposing a new guiding principle, in particular that regional agreements should be seen as only a transition to a more integrated multilateral trading system. He shared the views expressed by a representative of the Secretariat in introducing the study that WTO-consistent agreements strengthened the multilateral trading system. He expected the Committee to carry out an objective review of the universe of regional trade agreements in the light of all the elements in its mandate and of their linkages and to determine if they complemented the multilateral trading system. That could be accomplished in the framework of the current programme of work of the Committee.

98. The representative of Hungary welcomed the Secretariat's study and the Korean proposal as a contribution to the work of the Committee. The Committee needed to examine a critical mass of agreements, as the experience that would be acquired by doing so would be of use in analysing the systemic implications of regional trade agreements for the multilateral trading system.

99. The representative of Peru said that it was an empirical fact that regional trade agreements existed and accounted for a large proportion of trade. The Committee would ensure the review of agreements on an ongoing basis as well as their systemic implications for the multilateral trading system. His delegation agreed with the Korean view that the Ministerial Conference reaffirms the political commitment with respect to the compatibility of the agreements with the WTO provisions. He said that since the Committee had been mandated to review systemic issues relating to regionalism, he did not see the need for the issue being also addressed at the General Council at that stage. Conclusions could only be reached, and appropriate recommendations formulated, after the review of a critical mass of agreements by the Committee.

100. The representative of Korea appreciated the interest expressed in his delegation's proposal. The input by the Secretariat had given the debate more substance and interest. He was encouraged by the accommodating stand taken by the representative of the European Communities and would take up the elements of regionalism at a future stage. He agreed with the representative of Pakistan that it was becoming increasingly difficult to determine whether regional trade agreements complemented the multilateral trade system or whether it was the reverse. The figure given by the Secretariat that out of the examination of 69 regional agreements, only six had been determined to be consistent with the multilateral trading system, vindicated the Korean position that the issue needed special attention by the Ministers in Singapore. There was no need to await the experience gained from the examination of the regional agreements as proposed by some delegations. A substantial body of information already existed, which would enable the Committee to proceed with its analysis of the issue.

101. The Chairman welcomed the Korean intervention, and said that the discussion had brought to the surface certain ideas about the issue. The willingness to have a constructive debate augured well for the future. He detected a consensus to submit recommendations to Ministers at the Singapore Conference with respect to the Committee's future work. There was no doubt that the Committee would gain experience from examining agreements, which would be of immense help to its analysis of the systemic implications of regional trade agreements for the multilateral trading system. He noted that most of the available material focused on tariff implications of regional trade agreements, but, in the light of new developments, it seemed necessary to consider other implications of those agreements as well. The Committee should have a balanced view of the real impact of regional trade agreements on the multilateral trading system. He invited views on the question of how the Committee should organize its future work.

102. The representative of Argentina said that the provisions of Article XXIV did not extend to regional initiatives and that the Committee should exercise caution in interpreting its mandate.

103. The Chairman recalled that the decision of the General Council to establish the Committee mandated it to consider the systemic implications of regional trade agreements and initiatives for the multilateral trading system and the relationship between them. It was therefore clear that the Committee's task was not limited to examining agreements on their consistency with the relevant provisions of the WTO. The consideration of the systemic implications of regional trade agreements and initiatives was not a legal exercise. Given the scope of the mandate, he expected Members to participate effectively in the work of the Committee and invited delegations to come forward with suggestions on a future work programme for the Committee. The Korean example should be emulated by other delegations. The proposal submitted by the delegation of Korea was an important contribution to the work of the Committee, and he would welcome any changes the Korean delegation intended to make in the light of the discussion. The Japanese proposal, which had been introduced under the agenda item dealing with the procedures to facilitate and improve the examination process, included points germane to the discussion on systemic implications.

104. He then turned to the future work programme of the Committee. Analytical work was needed to present a full picture of the situation. In addition to the examination of individual agreements, he suggested that the Committee look at certain disciplines which cut across agreements: technical barriers to trade seemed a prime candidate; very little analytical work had been done to examine their implications for the multilateral trading system. As tariffs were reduced, the restrictive impact of technical barriers on the movement of goods and services was becoming more relevant and would continue to do so. It seemed an issue which did not meet a lot of controversy. The representative of Australia agreed with the Chairman's suggestion. An analysis of the impact of technical barriers to trade was an excellent idea and could provide some valuable insights for the Committee. His delegation was ready to accept a Chairman's proposal on that issue. The effect of preferential rules of origin was perhaps another subject for examination by Members. The representative of Hong Kong had views similar to those just expressed by the representative of Australia. He would consult with his authorities and make a statement at a later stage. The representative of the European Communities considered that a thematic, or horizontal, examination of certain themes or issues was a worthwhile suggestion. He requested that the essential features of such an approach, as well as the nature of the examination be introduced into the work of the Committee. The representative of Argentina proposed to include the area of sanitary and phyto-sanitary measures in the list of subjects which would be examined.

108. The Chairman proposed that he come forward with a Chairman's paper for consideration by the Committee, which would include, on the one hand, a pilot study on a particular issue and on the other, a larger work programme. At its next session, which was planned for 29-31 July, the Committee would continue the examination of NAFTA and start with the examination of the EC Enlargement. The Committee would also be asked to consider modalities of improving the examination procedures.

105. The Committee took note of the statements made and adopted the Chairman's proposal.