
Appendix B

A WTO Description of the Trade Policy Review Mechanism

Introduction and Objectives

Introduction

The Trade Policy Review Mechanism (TPRM) was introduced into GATT in 1989 following the Mid-Term Review of the Uruguay Round. The mechanism was confirmed as an integral part of the WTO in Annex 3 of the Marrakesh Agreement establishing the World Trade Organization. Before 1995, trade policy reviews were restricted to trade in goods. In conformity with WTO rules, since 1 January 1995 reviews have also covered new areas like trade in services and intellectual property rights.

Objective

The purpose of the TPRM is to “contribute to improved adherence by all Members to rules, disciplines and commitments made under the Multilateral Trade Agreements and, where applicable, the Plurilateral Trade Agreements, and hence to the smoother functioning of the multilateral trading system, by achieving greater transparency in, and understanding of, the trade policies and practices of Members.”

Trade Policy Reviews

The TPRM seeks to achieve its objectives by conducting reviews, over time, of all WTO Members. Through such reviews, Members undertake

the regular *collective* appreciation of the trade policies and practices of trading partners. Also examined are the impact on the multilateral trading system of such policies and practices. The reviews are set against the background of each country's wider economic and developmental needs, policies and objectives, and of its external economic environment.

Scope of Reviews

Reviews in the TPRM seek to show the extent to which individual trading entities follow basic WTO principles concerning:

- transparency of trade policies;
- non-discrimination in treatment of trading partners;
- the pattern of protection and the extent to which tariffs only are used as measures of protection in trade in goods;
- restrictions used in trade in services;
- whether their policies contribute to trade liberalization;
- the degree of stability and predictability in trade policies;
- the record of adherence to the multilateral trading system, including in dispute settlement.

The TPRM and Dispute Settlement

The TPRM is an exercise in transparency and understanding based on economic principles. Thus, the trade policy reviews:

- are not intended to be assessments of how well individual Members are adhering to particular WTO rules,
- cannot serve as a basis for dispute settlement procedures, and
- may not impose new policy obligations on the Members under review.

The TPRM in Practice

The Special Features of the TPRM

- The TPRM is the *only* WTO forum where *all* aspects of trade policies come under discussion by the whole membership.
- The Mechanism constitutes an objective, independent evaluation and “external audit” of the trade and economic situation of Members.

- The TRPM offers a forum where policies can be explained and discussed, where information can be sought and concerns can be expressed on a non-confrontational and non-legalistic basis.

Benefits for the Multilateral Trading System

- The TRPM has increased transparency in the trade policies and practices of GATT and WTO members.
- The TPRM process has frequently illuminated areas of WTO obligations which may have received insufficient attention to date and thus helped to ensure that these are addressed.
- The Mechanism's spotlight has effectively focused on all the main players in the WTO trading system and has illuminated the most significant trends.

Benefits for the Member Under Review

- The TPRM has stimulated the internal evaluation of trade policies in Members, particularly in developing countries . . . (see The TPRM and Developing Countries).
- The Review process strengthens the hands of domestic agencies promoting liberalization, support trade reforms and, thus, help individual Members to become better WTO citizens.

Other Benefits

- The over 80 reviews conducted have highlighted interlinkages between trade and internal economic reform, the inter-sectoral effects of protection (and liberalization), and their implications for the multilateral system.
- Many reviews have also illustrated the importance of "new" issues such as the relationship between trade and competition policy, and the trade impact of investment measures.

Frequency of Reviews

The Review Cycles

The frequency of reviews of a Member is related to its weight in the multilateral trading system, as defined by the Member's share of world trade

in goods and services. On this basis, Members are reviewed under one of three different cycles:

- every two years for the four largest trading entities, counting the European Communities as one;
- every four years for the sixteen countries with a lesser share of world trade;
- every six years for other Members, with provision for a longer interval for least developed countries.

Members' Review Cycles

The frequency of review for individual Members, based on trade flows in October 1995, is as follows (listed in descending order of trade):

- two-year cycle: the European Communities, the United States, Japan and Canada.
- four-year cycle: Hong Kong, Korea, Singapore, Switzerland, Mexico, Australia, Malaysia, Thailand, Norway, Indonesia, Brazil, Turkey, South Africa, Israel, India and Poland.
- six-year cycle: all other WTO Members, mostly developing countries, including least developed countries.

Guidelines for Succeeding Reviews

Principles used to establish the schedule of second and subsequent reviews include:

- reviews are set counting from the date of the previous review meeting;
- the cycle of reviews is applied with a general flexibility of up to six months; and
- for the four largest trading entities, every second review has an interim character.

Variations in Review Cycles

Variations in trade in goods and services flows may alter the ranking of Members and thus their review cycles, for example as a result of changes in commodity prices. Although in practice this has not affected the review

cycle of Members, countries in the lowest ranking of the four-year cycle may well change in the future. The accession of new Members to the WTO, particularly China and Russia, could affect the position of existing Members in all the three review cycles.

Basis for Review

Introduction

Trade policy reviews are conducted on the basis of two documents:

- a report prepared by the WTO Secretariat and
- a “policy statement” by the Member under review.

The Secretariat Report

- The Secretariat report focuses on the trade policies and practices of the Member under review, seen to the extent necessary, in the context of the evolution of overall macro-economic and structural policies in a representative period coming up to date.
- The aims and structure of the report are essentially the same for all Members, variations reflecting the Members’ frequency of review and economic characteristics.

Structure of the Secretariat Report

Most Secretariat reports are prepared following a format containing a “Summary Observations” and four chapters:

- I. The economic environment (covering major features of the economy, recent economic performance, trade patterns in goods and services, evolution of foreign investment, and trade related aspects of the foreign exchange regime);
- II. Institutional aspects of trade and investment policy-making, including participation in multilateral and regional agreements, and trade disputes and consultations;
- III. Trade policies and practices by measure (covering all types of measures directly affecting imports, exports, trade in services, and production and trade in goods); and
- IV. Trade policies and practices by sector (agriculture/forestry/fisheries, mining, industry and services).

Government's Participation in the Secretariat Report

- The Secretariat report is based on official information and comments provided by the authorities, complemented by material from other sources deemed appropriate by the Secretariat.
- All chapters of the Secretariat report are checked for factual accuracy with the Member concerned, although the Secretariat retains final responsibility for their contents.
- The “Summary Observations” (which are in effect the Secretariat’s conclusions on the trade policies being reviewed) are not shown to the country under review until the report is ready to be issued to all Members.

The Government's Policy Statement

- Reports by Members under review take the form of policy statements.
- Policy statements aim to outline the objectives and main directions of trade policies, in a forward looking perspective.
- A statement may also contain a succinct presentation of recent trends and problems, including those encountered in foreign markets.
- Statements are typically between 10 and 30 pages.
- The actual form and length are in the last instance determined by the Member under review.

The TPRM Review Process

Introduction

A TPRM review consists of several steps whose timing is agreed between the Secretariat and the country under review. Particularly critical is the agreed date for the review meeting, as that largely determines the timing of other steps given the time required to complete various tasks and the rules of procedure agreed by WTO members. The following general sequence may be identified:

- information collected,
- visit to the capital,
- final preparation of documents,
- review meeting organized and conducted, and
- publication of documents.

Collection of Information

- The Secretariat prepares a detailed country questionnaire, drawn up according to the planned structure of the report.
- The national authorities of the Member under review are sent the questionnaire and have some four weeks to prepare and provide replies, including government publications and other official data on core issues.
- For some reports, a second questionnaire is sent before the visit to the capital as a follow up to the Government's replies to the first questionnaire.

Visit to the Capital

- A Secretariat team undertakes a visit of one week to ten days to the country under review for discussions with Government ministries and other relevant agencies.
- The team generally consists of two or three Trade Policy Review Division staff members.
- Discussions usually take place on the basis of the questionnaire(s) sent in advance.
- Alternatively, a preliminary draft of the Secretariat report may form the basis for discussions.
- During the visit, the Secretariat's team often consults with private enterprise (Chambers of Manufactures, Commerce, etc.) and research institutes.

Preparation of Documents

- The Secretariat drafts its report, progressively submitting all chapters for verification (alternatively, this may be done before the visit to the capital).
- National authorities have some two weeks to verify and furnish comments on the Secretariat drafts.
- The Secretariat incorporates the Government's comments and finalizes its draft.
- The Secretariat report and the Government's policy statement are sent for translation into other WTO official languages four weeks before they are circulated.
- The Secretariat report and the policy statement are reproduced and circulated four weeks before the review meeting.

Review Meetings: Preliminaries

The Trade Policy Review Body

- Trade policy reviews of Members are undertaken by the Trade Policy Review Body (TPRB).
- The TPRB is constituted by the General Council convened as the TPRB; it is open to all WTO Members.
- It elects at the first meeting of the year its own Chairperson for one year from among the Member representatives.
- The TPRB adopts its program of reviews for each year by the middle of the previous calendar year.

Discussants and Observers

- Two discussants are chosen from the membership to act on their own responsibility (and not as representatives of their Governments) to stimulate the debate in the TPRB.
- With the assistance of the Secretariat, discussants draw an outline of the main points they intend to raise in the review meeting, and circulate the outlines to Members at least one week before that meeting.
- Discussants' written statements on the agreed main points are given to the Member under review shortly before the meeting.
- Intergovernmental organizations (e.g., IMF, World Bank, OECD, UNCTAD) are allowed to attend the meetings as observers.

Documentation and Question in Advance

- Under the mandate, the Secretariat report and the Government's policy statement in the three WTO working languages must be circulated at least four weeks before the review meeting.
- Members are encouraged to submit written questions to the Member under review at least one week before the meeting, to allow time to prepare replies.

The TPRD Meeting

Introduction

Trade policy review meetings generally take place in two sessions on two successive mornings.

The Member's Initial Statement

- The first meeting starts with an initial statement by an official from the Member under review (e.g., the Minister in charge of trade).
- This initial statement is limited to 15 minutes and should provide an overview of policies, noting any new developments since the completion of the Secretariat and Government documents.

Statements by the Discussants

- The Member's policy statement is followed by statements by the two discussants; these should not exceed 15 minutes each.

Other Statements and Outline of Main Themes

- Statements by the discussants are followed by remarks from the floor.
- At the end of the first session, an outline of main themes is drawn by the chairperson, discussants and the Secretariat in consultation with the Member, with participants requested to organize their statements according to those main themes.

Replies by the Member

- The discussion on the second session, including the replies by the Member under review, is based on the main themes identified at the end of the first session to provide for a more structured debate.
- Replies by the Member under review should be comprehensive and structured according to the themes previously identified.
- Where possible, replies by the Member under review are distributed in writing.
- Where replies cannot be delivered during the meeting, supplementary written answers should be circulated—see section on Follow Up and Publications.

Discussions and Conclusion

- Following the replies on each theme, time is given for discussion by discussants and TPRB members.

- The formal review process ends with the Chairperson's concluding remarks, made on his/her own responsibility.

Follow Up and Publications

Press Conference

- The Chair, assisted by the Secretariat, briefs the press immediately after the trade policy review meeting.
- The Member under review may also give its own press briefing.
- The summary observations by the Secretariat and the Chairperson's concluding remarks are made public, including being issued on the Internet.

Minutes

- The Secretariat prepares the minutes of the meeting held to conduct trade policy reviews.
- Minutes are circulated to participants for verification.
- The minutes become part of the final published trade policy review document.

Supplementary Information

- Replies by the Member under review can be supplemented, as necessary, in writing within one month.
- Supplementary information is circulated to all Members as a Trade Policy Review document, but is not reflected in the minutes of the meetings.

Publications

- The policy statement and Secretariat report used for the trade policy review meeting are derestricted immediately on the expiration of the relevant press embargo, usually at the end of the second morning's meeting.
- Subsequently, all documents are published as soon as possible after the review meeting; all reports are available in English, French and Spanish.

The TPRM and Developing Countries

The Importance of the TPRM for Developing Countries

- Countries that have undergone the experience have repeatedly testified to the value of a review for the development of their own trade policies.
- At a minimum, a review triggers a process of self-examination:
- a Member is required to reflect on its participation in the multilateral trading system and its engagement with the WTO;
- and Members that are in an active process of trade policy reform also have a valuable opportunity to present the process, and its results, to a world audience.
- At best, the preparation of the review and discussion during the review can help to encourage substantial trade policy making in directions foreseen in the WTO Agreements, and contribute to a Member's greater integration into the multilateral trading system.

Coverage of Developing Countries

- . . . By the end of 1996, some 41 developing countries had been reviewed at least once under the TPRM . . . These reviews cover most of the major developing countries . . .

Helping Participation in the TPRM

- Preparation for and participation in a trade policy review can be onerous for small developing countries that may have little practical experience in addressing the implications of the Uruguay Round Agreements.
- The WTO Secretariat may assist the country concerned at any appropriate stage through the process, from the completion of the initial questionnaire to the final preparation for the review.
- Assistance has been provided in the past to countries under review by the Trade Policy Review Division as well as Technical Cooperation and Training Division.

Development-Related Provisions in the TPRM

Specific procedures for least developed countries are included in Paragraphs C and D of Annex 3 of the Marrakesh Agreement:

- Paragraph C (ii) provides that a “longer period” (than six years between reviews) may be fixed for least-developed country Members;
- Paragraph D contains provision for “particular account [to] be taken of difficulties presented to least-developed country Members in compiling their reports”; and
- Paragraph D also has provision for technical cooperation to be provided, on request, to developing country Members and in particular to the least-developed country Members.