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INTERNATIONAL TRADE

Implementation Issues Concerning the World Trade Organization

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International Trade: Implementation Issues Concerning the World Trade Organization

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The United States generally achieved its negotiating objectives in the Uruguay Round, which was completed in 1994 and encompassed the most comprehensive multilateral trade agreements in history. The Uruguay Round agreements are expected to open markets by reducing trade barriers and strengthening multilateral disciplines on signatories' unfair trade practices. Further, for the first time, multilateral rules have been established to cover such areas as intellectual property rights and trade in services, while rules over such areas as agriculture and textiles and clothing have been expanded. Lastly, the agreements created the new World Trade Organization (WTO) and strengthened multilateral dispute settlement procedures.

Despite the agreements' positive achievements, some specific industries and domestic interest groups are concerned that the agreements will adversely affect some U.S. interests. For example, some sectors of the economy, notably textiles and apparel, and their workers, may bear some of the costs of economic adjustment. Further, not all of the effects of such a wide-ranging agreement will become apparent in the near term. Implementation of the Uruguay Round agreements is complex, and it will take years before the results can be assessed. It is critical that the United States monitor implementation of the agreements to ensure that the signatories are honoring their commitments and thus that the agreements' expected benefits are being realized. Our work evaluating previous multilateral and bilateral agreements has shown that these agreements are not always fully implemented.

Our recent work highlights some important Uruguay Round implementation issues. For example, the WTO's organizational structure and the secretariat's budget have grown from 1994 to 1996, to coincide with the member countries' new duties and responsibilities. However, many WTO member countries have not yet provided all the information about their laws and regulations that are required by the agreements. In the agriculture area, while the new agreements require that food safety measures be based on scientific principles, U.S. agricultural exporters seem to be experiencing more problems with other countries' measures, and a number of disputes in this regard have been filed with WTO. Further, while WTO has efforts underway to improve transparency provisions regarding state trading enterprises, these provisions alone may not be effective when applied to state-dominated economies, like China and Russia, that are seeking to join WTO. Finally, there were 25 disputes brought before WTO in 1995. The United States lost the first dispute settlement case and is now appealing that decision.

In the coming years, WTO members must grapple with such issues as whether to push further liberalization in areas already agreed to and/or to initiate negotiations of new issues. The WTO ministerial meeting later this year could be an opportunity for Congress to weigh the benefit of having U.S. negotiators give priority to full implementation of Uruguay Round commitments, as opposed to advocating new talks on new topics.

Mr. Chairman and Members of the Subcommittee:

I am pleased to have the opportunity to provide some preliminary observations on the implementation of the Uruguay Round agreements, and the operations of the new World Trade Organization (WTO). Based on our past and ongoing work,[1] I will provide an overview of the implementation of the agreements, then talk about some specific issues that are of particular concern to U.S. decisionmakers, and finally discuss future WTO endeavors.

Overview

We believe that the United States generally achieved its negotiating objectives in the Uruguay Round, and most studies we reviewed projected net economic gains to the United States and the world economy.[2] The General Agreement on Tariffs and Trade (GATT) Uruguay Round agreements are the most comprehensive multilateral trade agreements in history. For example, signatories (1) agreed to open markets by reducing tariff and nontariff barriers; (2) strengthened multilateral disciplines on unfair trade practices, specifically rules concerning government subsidies and "dumping;" (3) established disciplines to cover new areas such as intellectual property rights and trade in services; (4) expanded coverage of GATT rules and procedures over areas such as agriculture and textiles and clothing; and (5) created WTO, which replaced the preexisting GATT organizational structure and strengthened dispute settlement procedures.

Despite expectations for overall economic gains, we noted in recent reports that specific industry organizations and domestic interest groups had concerns that the agreement would adversely affect some U.S. interests. For example, some believe that they did not gain adequate access to overseas markets or that they would lose protection provided by U.S. trade laws. In addition, because some sectors of the U.S. economy—notably textiles and apparel—and their workers will likely bear the costs of economic adjustment, the existing patchwork of reemployment assistance programs aimed at dislocated workers needs to

[1]My statement today is based on some limited monitoring of general WTO implementation issues we conducted last fall in Washington and Geneva. It is also based on our work for your Subcommittee and other Members of Congress looking at several specific WTO-related issues regarding (1) agriculture, (2) sanitary and phytosanitary (SPS) product standards for food safety, (3) state trading enterprises (STEs), (4) textiles and clothing, and (5) financial services.

[2]See The General Agreement on Tariffs and Trade: Uruguay Round Final Act Should Produce Overall U.S. Economic Gains (GAO/GGD-94-83a & b, July 29, 1994), International Trade: Observations on the Uruguay Round Agreement (GAO/T-GGD-94-98, Feb. 22, 1994), and General Agreement on Tariffs and Trade: Agriculture Department's Projected Benefits Are Subject to Some Uncertainty (GAO/GGD/RCED-94-272, July 22, 1994).

be improved.[3] Our work has indicated that it was difficult to predict outcomes and not all the effects of such a wide-ranging agreement will become apparent in the near term;[4] important issues will evolve over a period of years during GATT implementation. We have identified provisions to be monitored to assure that commitments are fulfilled and the expected benefits of the agreements are realized. Moreover, our work on the GATT Tokyo Round agreements, negotiated in the 1970s, and numerous bilateral agreements has demonstrated that trade agreements are not always fully implemented.

Implementation of the Uruguay Round agreements, which generally began to go into force on January 1, 1995, is complex, and it will take years before the results can be assessed.[5] Nevertheless, our work highlights the following issues: (1) the WTO's organizational structure and the secretariat's budget have grown from 1994 to 1996 to coincid with new duties and responsibilities approved by the member countries; (2) faced with over 200 requirements, many member nations have not yet provided some of the notifications of laws or other information as called for in the agreements; (3) this year provides the first opportunity to review whether anticipated U.S. gains in agriculture will materialize, as countries begin to report on meeting their initial commitments; (4) the new agreements require that food safety measures be based on sound science, but U.S. agricultural exporters seem to be encountering more problems with other countries' measures and a number of formal disputes have already been filed with WTO; (5) while efforts are underway to improve transparency provisions regarding state trading, these provisions alone may not be effective when applied to state-dominated economies, like China and Russia, seeking to join WTO; (6) while textile and apparel quotas will be phased out over 10 years, the United States has continued to use its authority to impose quotas during the phase-out period and will not lift most apparel quotas until 2005; (7) despite the end of the Uruguay Round, some areas, like services, are still subject to ongoing negotiations; (8) there were 25 disputes brought before WTO in 1995 by various countries, including some involving the United States. The United States lost the first dispute settlement case regarding U.S. gasoline regulations brought by Brazil and Venezuela and is now appealing that decision.

[3]See Multiple Employment Training Programs: Major Overhaul Is Needed to Reduce Costs, Streamline the Bureaucracy and Improve Results (GAO/T-HEHS-95-53, Jan. 10, 1995); and Trade Adjustment Assistance Program Flawed (GAO/T-HEHS-94-4, Oct. 19, 1993).

[4]See International Trade: Impact of the Uruguay Round Agreement on the Export Enhancement Program (GAO/GGD-94-180BR, Aug. 5, 1995).

[5]According to the WTO secretariat, the almost 500 pages of text comprise 19 agreements, 24 decisions, 8 understandings, and 3 declarations. There are also approximately 24,000 pages of specific market access commitments.

Organizational Changes

The WTO was established to provide a common institutional framework for multilateral trade agreements. Some observers have been concerned about the creation of this new international organization and its scope and size. The "new" WTO was based on a similar "provisional" GATT organizational structure that had evolved over decades. The Uruguay Round agreements created some new bodies; however, these new bodies address new areas of coverage, for example, the Councils for Trade in Services and for Trade-Related Aspects of Intellectual Property Rights. Other bodies, such as the WTO Committee on Anti-Dumping Practices, were "reconstituted" from those that already existed under the old GATT framework but that were given new responsibilities by the Uruguay Round agreements and had broader membership. The WTO secretariat, headed by its Director General, facilitates the work of the members. The work of the bodies organized under the WTO structure is still undertaken by representatives of the approximately 119 member governments, rather than the secretariat. Early meetings of some WTO committees were focused on establishing new working procedures and work agendas necessary to implement the Uruguay Round agreements.

In 1995, the WTO secretariat staff was composed of 445 permanent staff with a budget of about $83 million. This represented a 18-percent staff increase and about a 7-percent increase in the budget (correcting for inflation) from 1994 when the Uruguay Round agreements were signed. The members establish annual budgets and staff levels. The approved secretariat's 1996 budget represents a 10-percent rise over the 1995 level to further support the organization's wider scope and new responsibilities; it also includes an additional 15-percent increase in permanent staff. WTO officials in Geneva have told us that any additional increases in secretariat staffing are unlikely to be approved by the members in the foreseeable future.

The secretariat's duties include helping members organize meetings, gathering and disseminating information, and providing technical support to developing countries. Economists, statisticians, and legal staff provide analyses and advice to members. In the course of doing work over the last year, member government and secretariat officials told us it was important that the secretariat continue to not have a decision-making or enforcement role. These roles were reserved for the members (collectively).

Unfulfilled Notification Requirements

An important, but laborious, aspect of implementing the Uruguay Round agreements centers on the many notification requirements placed upon member governments. These notifications are aimed at increasing transparency about members' actions and laws and therefore encourage accountability. Notifications take many forms. For example, one provision requires countries to file copies of their national legislation and regulations pertaining to antidumping measures. The information provided allows members to monitor each others' activities and, therefore, to enforce the terms of the agreements. In 1995, some WTO committees began reviewing the notifications they received from member governments.

The WTO Director General has noted some difficulties with members' fulfilling their notification requirements. Some foreign government and WTO secretariat officials told us in 1995 that the notification requirements were placing a burden on them and that they had not foreseen the magnitude of information they would be obligated to provide. The Director General's 1995 annual report estimated that the Uruguay Round agreements specified over 200 notification requirements. It also noted that many members were having problems understanding and fulfilling the requirements within the deadlines. While the report said that the developing countries faced particular problems, even the United States has missed some deadlines on filing information on subsidies and customs valuation laws. To address concerns about notifications, WTO members formed a working party in February 1995 to simplify, standardize, and consolidate the many notification obligations and procedures.

Implementation of Agriculture Commitments

One area of great economic importance to the United States during the Uruguay Round negotiations was agriculture; therefore, monitoring other countries' implementation of their commitments is essential to securing U.S. gains. Agricultural trade had traditionally received special treatment under GATT. For example, member countries were allowed to maintain certain measures in support of agricultural trade that were not permitted for trade in manufactured goods. As a result, government support and protection distorted international agricultural trade and became increasingly expensive for taxpayers and consumers.

The United States sought a fair and more market-oriented agricultural trading system, to be achieved through better rules and disciplines on government policies regarding agriculture. The United States sought disciplines in four major areas—market access, export subsidies, internal support, and food safety measures—and was largely successful, as the

Agreement on Agriculture and the Agreement on the Application of Sanitary and Phytosanitary (SPS) Measures together contain disciplines in all of these areas.

Member countries are required to report to the new WTO Committee on Agriculture on their progress in implementing commitments on market access, export subsidies, and internal support. The agriculture agreement will be implemented over a 6-year period, and commitments are to be achieved gradually. After each year, countries are required to submit data to demonstrate how they are meeting their various commitments. The agreement allows countries to designate their own starting point for implementation during 1995, depending on domestic policies. In this regard, the U.S. period began on January 1, 1995, while the European Union (EU) period began on July 1, 1995. Therefore, in some cases, the first opportunity to closely review the extent to which other countries are meeting their agricultural commitments—and, thereby, whether anticipated U.S. gains are materializing—should occur later this year.

Use of SPS Measures

At the outset of the Uruguay Round, the United States recognized that multilateral efforts to reduce traditional methods of protection and support for agriculture, such as quotas, tariffs, and subsidies, could be undermined if the use of food safety measures governing imports remained undisciplined. To prevent food safety measures from being used unjustifiably as nontariff trade barriers, the United States wanted countries to agree that these measures should be based on sound science. The SPS agreement recognizes that countries have a right to adopt measures to protect human, animal, and plant life or health. However, it requires, among other things, that such measures be based on scientific principles, incorporate assessment of risk, and not act as disguised trade restrictions.

Carefully monitoring how countries implement the SPS agreement is essential to securing U.S. gains in agriculture. Since the end of the round, U.S. agricultural exporters seem to be encountering growing numbers of SPS-related problems. For example, South Korean practices for determining product shelf-life adversely affected U.S. meat exports and were the subject of recent consultations. As a result, Korea agreed to modify its practices. Meanwhile, the United States and Canada have both filed several other disputes that allege violations of the SPS agreement.

Key implementation and monitoring issues regarding the SPS agreement include examining (1) other countries' SPS measures that affect U.S. agricultural exports; (2) how the SPS agreement is being implemented; (3) whether its provisions will help U.S. exporters overcome unjustified SPS measures; and (4) how the administration is responding to problems U.S. exporters face. We have ongoing work addressing all of these issues.

Growing Importance of State Trading Within WTO

Another issue that is currently important for agricultural trade but may have great future importance beyond agriculture is the role of state trading enterprises within WTO member countries. State trading enterprises (STE) are generally considered to be governmental or nongovernmental enterprises that are authorized to engage in trade and are owned, sanctioned, or otherwise supported by the government. They may engage in a variety of activities, including importing and exporting, and they exist in several agricultural commodity sectors, including wheat, dairy, meat, oilseeds, sugar, tobacco, and fruits.

GATT accepts STEs as legitimate participants in trade but recognizes they can be operated so as to create serious obstacles to trade, especially those with a monopoly on imports or exports. Therefore, STEs are generally subject to GATT disciplines, including provisions that specifically address STE activities and WTO member country obligations. For example, member countries must indicate whether they have STEs, and if so, they must report regularly about their STEs' structure and activities. The goal of this reporting requirement is to provide transparency over STE activities in order to understand how they operate and what effect they may have on trade. However, as we reported in August 1995, compliance with this reporting requirement was poor from 1980 to 1994, and information about STE activities was limited.[6]

Although state trading was not a major issue during the Uruguay Round, the United States proposed clarifying the application of all GATT disciplines to STEs and increasing the transparency of state trading practices. Progress was made in meeting U.S. objectives, as the Uruguay Round (1) enhanced GATT rules governing STEs, (2) addressed procedural weaknesses for collecting information, and (3) established a working party to review the type of information members report. Within this working party, the United States is suggesting ways to make STE activities even more transparent. It is too early to assess whether the changes made will improve compliance

[6]See State Trading Enterprises: Compliance with the General Agreement on Tariffs and Trade (GAO/GGD-95-208, Aug. 30, 1995).

with the STE reporting requirements. By mid-February, only 34 WTO members had met the requirement—or roughly 29 percent of all members. Still, this response rate is higher than during the earlier years we reviewed. We continue to examine this important issue and are presently reviewing the operations of select STEs.

Looking toward the future, officials from the United States and other countries told us in 1995 they were concerned about the sufficiency of GATT rules regarding STEs because countries like China and Russia, where the state has a significant economic role, are interested in joining WTO. Some country officials observed that current rules focus on providing transparency, but such provisions alone may not provide effective disciplines. U.S. officials said that the subject of state trading has been prominent during China's WTO accession talks as WTO members attempt to understand the government's economic role and its ability to control trade.

The Agreement on Textiles and Clothing

Textiles is one sector where the United States expected losses in jobs and in domestic market share after the Uruguay Round, even though consumers were expected to gain from lower prices and a greater selection of goods. We are currently reviewing how the United States is implementing the Uruguay Round Agreement on Textiles and Clothing, which took effect in January 1995. The Committee for the Implementation of Textile Agreements (CITA), an interagency committee, is charged with implementing the agreement, which calls for a 10-year phase-out of textile quotas. Because of the 10-year phase-out, the effects of the textiles agreement will not be fully realized until 2005, after which textile and apparel trade will be fully integrated into WTO and its disciplines. This integration is to be accomplished by (1) completely eliminating quotas on selected products in four stages and (2) increasing quota growth rates on the remaining products at each of the first three stages. By 2005, all bilateral quotas maintained under the agreement on all WTO member countries are to be removed.

The agreement gives countries discretion in selecting which products to remove from quotas at each stage. During the first stage (1995 through 1997), almost no products under quota were integrated into normal WTO rules by the major importing countries. The United States is the only major importing country to have published an integration list for all three stages; other countries, such as the EU and Canada, have only published their integration plan for the first phase. Under the U.S. integration schedule, 89 percent of all U.S. apparel products under quota in 1990 will not be

integrated into normal WTO rules until 2005. CITA officials pointed out that the Statement of Administrative Action accompanying the U.S. bill to implement the Uruguay Round agreements provided that "integration of the most sensitive products will be deferred until the end of the 10-year period."

During the phase-out period, the textiles agreement permits a country to impose a quota only when it determines that imports of a particular textile or apparel product are harming, or threatening to harm, its domestic industry. The agreement further provides that the imposition of quotas will be reviewed by a newly created Textiles Monitoring Body consisting of representatives from 10 countries, including the United States.

The United States is the only WTO member country thus far to impose a new quota under the agreement's safeguard procedures. In 1995, the United States requested consultations with other countries to impose quotas on 28 different imports that CITA found were harming domestic industry. The Textiles Monitoring Body has reviewed nine of the U.S. determinations to impose quotas (where no agreement was reached with the exporting country) and agreed with the U.S. determination in one case. In three cases, it did not agree with the U.S. decision, and the United States dropped the quotas. It could not reach consensus in the other five cases it reviewed. In 15 of the remaining 19 decisions, the United States either reached agreement with the exporting countries or dropped the quotas. Four cases are still outstanding.

Ongoing Negotiations and the Financial Services Agreement

Another area that warrants tracking by policymakers is the General Agreement on Trade in Services (GATS), an important new framework agreement resulting from the Uruguay Round. Negotiations on financial, telecommunications, and maritime service sectors and movement of natural persons were unfinished at the end of the round and thus postponed. Each negotiation was scheduled to be independent from the other ongoing negotiations, but we found that they do in fact affect one another.

In 1995, we completed a preliminary review of the WTO financial services agreement, which was an unfinished area in services that reached a conclusion. The agreement covers the banking, securities, and insurance sectors, which are often subject to significant domestic regulation and therefore create complex negotiations. In June 1995, the United States made WTO commitments to not discriminate against foreign firms already

providing financial services domestically. However, the United States took a "most-favored-nation exemption," that is, held back guaranteeing complete market access and national treatment to foreign financial service providers. (Doing so is allowed under the GATS agreement.) Specifically, the U.S. commitment did not include guarantees about the future for new foreign firms or already established firms wishing to expand services in the U.S. market. Despite consistent U.S. warnings, the decision to take the exemption surprised many other countries and made them concerned about the overall U.S. commitment to WTO. The U.S. exemption in financial services was taken because U.S. negotiators, in consultation with the private sector, concluded that other countries' offers to open their markets to U.S. financial services firms, especially those of certain developing countries, were insufficient to justify broader U.S. commitments (with no most-favored-nation exemption).[7]

The effect of the U.S. exemption may go beyond the financial services negotiations. According to various officials in Geneva, foreign governments are wary of making their best offers in the telecommunications service negotiations, for fear that the United States would again take a significant exemption in these talks. Nevertheless, three-quarters of the participating countries have made offers, and the telecommunications talks are continuing toward the April 30 deadline. However, U.S. and foreign government officials have expressed concern regarding the quality of offers made and the fact that some key developing countries have not yet submitted offers.

Despite the commitments that all parties made regarding market access and equal treatment in the financial services sector, several U.S. private sector officials told us that the agreement itself did little to create greater access to foreign markets. Still, the benefit from such an agreement results from governments making binding commitments (enforceable through the dispute settlement process) that reduce uncertainty for business. Monitoring foreign government implementation of commitments is important to ensure that the United States will receive the expected benefits. At the end of 1997, countries, including the United States, will have an opportunity to modify or withdraw their commitments. Thus, the final outcome and impact of the financial services agreement are still uncertain.

[7]However, the United States was generally satisfied with the offers made by the EU, Japan, and other developed countries.

Dispute Settlement Implementation

According to the WTO Dispute Settlement Understanding, the dispute settlement regime is important because it is a central element in providing security and predictability to the multilateral trading system. Members can seek the redress of a violation of obligations or other nullification or impairment of benefits under the WTO agreements through the dispute settlement regime. The objective of this mechanism is to secure a "positive solution" to a dispute. This may be accomplished through bilateral consultations even before a panel is formed to examine the dispute. The vast majority of international trade transactions have not been the subject of a WTO dispute. According to recent WTO figures, in 1994 the total value of world merchandise exports was $4 trillion and commercial service exports was $1 trillion. WTO reports that its membership covers about 90 percent of world trade. However, 25 disputes have been brought before WTO between January 1, 1995, and January 16, 1996.

As we previously reported, the former GATT dispute settlement regime was considered cumbersome and time-consuming.[8] Under the old regime, GATT member countries delayed dispute settlement procedures for months and, sometimes, years. In 1985, we testified that the continued existence of unresolved disputes challenged not only the principles of GATT but the value of the system itself.[9] We further stated that the member countries' lack of faith in the effectiveness of the old GATT dispute settlement mechanism resulted in unilateral actions and bilateral understandings that weakened the multilateral trading system.

The United States negotiated for a strengthened dispute settlement regime during the Uruguay Round. In particular, the United States sought time limits for each step in the dispute settlement process and elimination of the ability to block the adoption of dispute settlement panel reports. The new Dispute Settlement Understanding establishes time limits for each of the four stages of a dispute: consultation, panel, appeal, and implementation. Also, unless there is unanimous opposition in the WTO Dispute Settlement Body, the panel or appellate report is adopted. Further, the recommendations and rulings of the Dispute Settlement Body cannot add to or diminish the rights and obligations provided in the WTO agreements. Nor can they directly force countries to change their laws or regulations. However, if countries choose not to implement the

[8]See International Trade: Combating Unfair Foreign Trade Practices (GAO/NSIAD-87-100, Mar. 17, 1987) and The International Agreement on Government Procurement: An Assessment of Its Commercial Value and U.S. Government Implementation (GAO/NSIAD-84-117, July 16, 1984).

[9]See United States Participation in the Multilateral Trading System, statement by Allan I. Mendelowitz, GAO, before the U.S. Senate, Subcommittee on International Economic Policy, Oceans and Environment, Committee on Foreign Relations (Sept. 26, 1985).

recommendations and rulings, the Dispute Settlement Body may authorize trade retaliation.

As previously mentioned, there have been a total of 25 WTO disputes. Of these, the United States was the complainant in six and the respondent in four. In comparison, Japan was a respondent in four disputes and the EU in eight.[10] All the disputes have involved merchandise trade. The Agreements on Technical Barriers to Trade and the Application of Sanitary and Phytosanitary Measures have been the subject of approximately half the disputes. In January 1996, the first panel report under the new WTO dispute settlement regime was issued on the "Regulation on Fuels and Fuels Additives - Standards for Reformulated and Conventional Gasoline." Venezuela and Brazil brought this dispute against the United States. The panel report concluded that the Environmental Protection Agency's regulation was inconsistent with GATT. The United States has appealed this decision.

Based on our previous work on dispute settlement under the U.S.-Canadian Free Trade Agreement (CFTA),[11] it may be difficult to evaluate objectively the results of a dispute settlement process. It may takes years before a sufficiently large body of cases exists to make any statistical observations about the process. After nearly 5 years of trade remedy dispute settlement cases under CFTA, there were not enough completed cases for us to make statistical observations with great confidence.[12] Specifically, we were not able to come to conclusions about the effect of panelists' backgrounds, types of U.S. agency decisions appealed, and patterns of panel decisionmaking.

Future WTO Endeavors

WTO members must wrestle with three competing but interrelated endeavors in the coming years. Implementation, accession of new member countries, and bringing new issues to the table will all compete for attention and resources. The first effort, which we have already discussed, involves implementing the Uruguay Round agreements. It will take time and resources to (1) completely build the WTO organization so that members can address all its new roles and responsibilities; (2) make members' national laws, regulations, and policies consistent with new

[10]Japan was a complainant in one dispute and the EU in two.

[11]See U.S.-Canada Free Trade Agreement: Factors Contributing to Controversy in Appeals of Trade Remedy Cases to Binational Panels (GAO/GGD-95-175BR, June 16, 1995).

[12]Between 1989 and September 1994, there were 15 completed cases that involved U.S. agency determinations.

commitments; (3) fulfill notification requirements and then analyze the new information; and (4) resolve differences about the meaning of the agreements and judge whether countries have fulfilled their commitments. The importance of implementation was underscored by U.S. Trade Representative and Department of Commerce announcements earlier this year that they were both creating specific units to look at foreign government compliance with trade agreements, including WTO.

The second effort is the accession of new countries to join WTO and to undertake GATT obligations for the first time. The accession of new members will present significant economic and political challenges over the next few years. Even though, as mentioned earlier, WTO members account for about 90 percent of world trade, there are many important countries still outside the GATT structure. The 28 countries that applied for WTO membership as of December 1995 included China, the Russian Federation, Viet Nam, and countries in Eastern Europe. These countries will be challenged in undertaking WTO obligations and fulfilling WTO commitments as current WTO members are themselves challenged by the additional responsibilities created by the Uruguay Round agreements. Many of these countries are undergoing a transition from centrally planned to market economies. The negotiations between current WTO members and those hoping to join are very complex and sensitive since they involve such fundamental issues as political philosophy.

The third effort is negotiating new areas. In December 1996, a WTO ministerial meeting is to take place in Singapore. This is to be a forum for reviewing implementation of the Uruguay Round agreements and for negotiating new issues. Some foreign government and WTO officials told us that they hope these regularly scheduled, more focused WTO ministerial meetings will replace the series of multiyear, exhaustive negotiating "rounds" of the past. However, other officials expressed doubt that much progress could be made toward future trade liberalization without the pressure created by having a number of important issues being negotiated at one time. Nevertheless, any negotiations will require time and resources.

Members are debating whether to (1) push further liberalization in areas already agreed to, but not yet fully implemented; and/or (2) negotiate new issues related to international trade. For example, future WTO work could include examination of national investment and competition policy, labor standards, immigration, and corruption and bribery. Some of these negotiations in new areas could be quite controversial, based on the

experience of including areas like agriculture and services in the Uruguay Round negotiating agenda.

Issues relating to the Singapore ministerial are currently under debate. This could be an opportunity for Congress to weigh the benefit of having U.S. negotiators give priority to full implementation of Uruguay Round commitments, as opposed to giving priority to advocating new talks on new topics. The first priority seeks to consolidate accomplishments and ensure that U.S. interests are secured; the latter priority seeks to use the momentum of the Uruguay Round for further liberalizations.

Thank you, Mr. Chairman, this concludes my prepared remarks. I will be happy to answer any questions you or the Subcommittee may have.

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