Essays on the Future of the World Trade Organization

Volume II
The WTO Judicial System: Contributions and Challenges

Edited by
Julien Chaisse
Tiziano Balmelli

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Volume II
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Contributions and Challenges

Edited by
JULIEN CHAISSE
TIZIANO BALMELLI

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Editors’ and Authors’ Profiles

Tiziano Balmelli holds a PhD in Law (Université de Fribourg) and a Master of Arts in European Political and Administrative Studies (College of Europe, Bruges). He worked in the academic field from 1996 to 2001. In 2002, he entered the Diplomatic Service of the Swiss Federal Department of Foreign Affairs. As a diplomat, he has been posted in India from 2002 to 2003 and has then served from 2004 to 2007 in the Directorate of International Law, as Deputy Head of the Service for the Development of International Law and personal collaborator of the Deputy Legal Advisor of the Ministry. Besides the diplomatic career, he is currently lecturing on international law at the University of Fribourg. Contact: tiziano.balmelli@unifr.ch.

Julien Chaisse holds a PhD in Law (Université d’Aix-Marseille III). He is Alternate Leader of NCCR-IP11 and a Research Fellow of the World Trade Institute since 2007. He coordinates the multilateral rules on investment project of the National Center on Competence in Research Trade Regulation (NCCR). He was Visiting Professor at the International Law Institute of Wuhan University in China, where he taught WTO law and European Union law (Winter Semester 2007/2008). Before joining the World Trade Institute, he taught Public International Law at the Institut d’Etudes Politiques of Aix-en-Provence (2004/2006). His previous experience includes two years in India, where he worked for the French Ministry of Foreign Affairs, as Scientific Secretary at the Centre de Sciences Humaines of New Delhi (2003/2004). His research interests include foreign trade and foreign direct investments, international business law, investment law, WTO law and the central question of its enforcement by its Members (Online Berkeley Press Selected Works available at http://works.bepress.com/julien_chaisse). Contact: World Trade Institute, Berne, Switzerland, julien.chaisse@wti.org.
Authors’ Profiles

Alberto ALEMANNO is a Legal Secretary at the European Court of Justice in Luxembourg. He is a member of the New York bar and sits in the Executive Committee of the Society for Risk Analysis Europe. He teaches and publishes in the areas of EC and International Trade Law. He read law at the University of Torino, Italy and holds LL.M. degrees from the College of Europe and Harvard Law School. He has been awarded a PhD from Bocconi University in 2005.

Pritam BANERJEE is currently a doctoral student at the School of Public Policy, George Mason University. He has a M.A. in Economics from Centre for International Trade and Development (CITD), Jawaharlal Nehru University (JNU), New Delhi. He has worked as a Consultant for the World Bank and was formerly employed with the Confederation of Indian Industry (CII) as their Trade Policy Analyst. His research interests include trade in services, trade facilitation and transaction costs, and human resources arbitrage. Contact: prit.banerjee@gmail.com.

Maxime BAUDOUIN est avocat au bureau de Bruxelles du cabinet Gide Loyrette Nouel. Il est spécialisé en droit communautaire et en droit du commerce international (OMC), en particulier sur les questions liées à l'agriculture et à l'alimentation.

Yves BONZON is a doctoral candidate at the University of Lausanne (Switzerland) and currently a Visiting Researcher at the Georgetown University Law Center in Washington DC. His research focuses on the regulation of non-state actors’ participation in WTO decision-making procedures.

Christopher M. BRUNER is an Assistant Professor at Texas Tech University School of Law, and has previously been a Visiting Assistant Professor at Boston University School of Law. He has written in a number of areas – including international trade and investment, corporate law, securities regulation, European Union law, and the global economy – and his articles have appeared in both law and policy journals.

Debashis CHAKRABORTY is currently Assistant Professor of Economics at the Indian Institute of Foreign Trade, New Delhi. Debashis has been educated at University of Calcutta and Centre for International Trade and Development, Jawaharlal Nehru University (JNU), New Delhi. His areas of interest include international trade policy, WTO and Indian economic development, and he has presented his research at various academic and policy fo-
Editors’ and Authors’ Profiles

rums in India and abroad. Debashis has published his research in several national and international refereed journals. Contact: debchakra@gmail.com.

Henri Culot est assistant à l'Université catholique de Louvain, où il enseigne le droit commercial. Il y poursuit également des recherches en droit économique international. Il exerce par ailleurs la profession d'avocat au barreau de Bruxelles.

Panagiotis Delimatis est Senior Research Fellow auprès du World Trade Institute de Berne. Il est titulaire d'un doctorat en droit de l'Université de Neuchâtel et d'un Master en droit européen de l'Institut de droit européen de Saarbrücken. Auteur du livre "International Trade in Services and Domestic Regulations – Necessity, Transparency, and Regulatory Diversity" publié par Oxford University Press, il a travaillé auprès de l'Organe d'Appel de l'OMC et de la CNUCED. Il a aussi exercé la profession d'avocat en Grèce.

Adebukola A. Eleso completed her first degree in law in Nigeria after which she obtained an LL.M. in International Trade & Investments from the University of Pretoria on a World Bank Scholarship. She has since worked in the Legal Vice Presidency of the World Bank, and currently practices corporate and finance law in the law firm of Templars in Lagos.

Łukasz Gruszczynski is a graduate from Jagiellonian University in Krakow (Mag. Jur. with merit). He completed LL.M. program in International Business Law at the Central European University in Budapest. He worked as a junior associate at the Banking and Insurance Department of international law firm Lovells (Warsaw). Currently, he is enrolled at the Law Department of the European University Institute in Florence as a PhD Candidate. His research concerns the problem of national risk regulation in the context of WTO Law (working title: “Regulating Risks to Human Health. WTO Law Perspective”). During his PhD studies he worked as an intern at the Legal Affairs Division of the WTO and spent one semester at the Law School of the University of Michigan. The author may be contacted at Lukasz.Gruszczynski@eui.eu.

Mathieu Guennec est titulaire d'un doctorat en droit de l'Université de Rennes et d'un Mastère de l'École Nationale Supérieure des Télécommunications de Bretagne. Il a apporté son expertise juridique pendant trois ans à France Telecom en matière de régulation des télécommunications. Désormais avocat au barreau de Paris, il exerce au sein du cabinet Allen & Overy, où il est spécialisé en droit de la concurrence et en droit des télécommunications.
Samira GUENNIF est maître de conférences à l'Université Paris 13 et chercheur au Centre d'Economie de l'Université Paris Nord (CEPN, UMR-CNRS 7115). Ses travaux portent sur l'impact des accords internationaux de propriété intellectuelle (AADPIC et accords de libre échange états-uniens notamment) sur la santé publique au Sud, en particulier en ce qui concerne l'accès des patients aux médicaments.

Phillippe GUGLER is a Professor of Economic and Social Policy at the University of Fribourg. He teaches courses on microeconomics, competitiveness and competition policy. Since August 2006, Professor Gugler has held the post of Dean of the Faculty of Economics and Social Sciences of the University of Fribourg. Professor Gugler is an affiliate faculty member of the Harvard Business School, a guest Professor at the University of Torino and a Member of the Board of Directors of the World Trade Institute, Berne. In December 2005, Professor Gugler was elected President of the EIBA which is the leading European Association dealing with MNEs. Contact: Chair of Economics and Social Policy, Department of Economics, University of Fribourg, Switzerland, e-mail: philippe.gugler@unifr.ch.

Marc IYNEDJIAN is a lawyer at Python & Peter in Geneva. He is the author of a doctoral thesis on the SPS Agreement and of several other publications on WTO law. In 2000, he worked as an intern for the Legal Affairs Division of the WTO. Marc Iynedjian holds an LL.M. from Columbia University and has practised law in New York.

Rafael LEAL-ARCAS is Lecturer in International Economic Law and Deputy Director of Graduate Studies at Queen Mary, University of London. He is the author of more than 30 publications. Previously he was a Visiting Researcher at Harvard Law School, an Emile Noel Fellow at New York University School of Law, a Fellow at Australian National University, and a Visiting Scholar at the University of Wisconsin-Madison Law School. He completed his graduate legal education at Stanford Law School, Columbia Law School, the London School of Economics and Political Science, and the European University Institute.

Pauline LIEVRE est Conseillère juridique auprès du Tribunal arbitral du sport (TAS) à Lausanne, et doctorante à l'Université de Neuchâtel. Son sujet de thèse porte sur le pouvoir juridictionnel de l'OMC. Elle est titulaire d'un LL.M. en droit européen du Collège d'Europe (Bruges) et du brevet d'avocat.

Yenkong NGANGJIO HODU (LL.Lic. / Dr. iur., LL.D) is a Programme Coordinator on Global Trade and Regional Integration at the Nordic Africa Institute, Uppsala, Sweden. The views expressed in this article are the per-
sonal views of the author and not those of the Nordic Africa Institute. He can be contacted by e-mail at yenkong.ngangjohhodu@nai.uu.se.

Marion Panizzon (PhD) is a Senior Research Fellow at the World Trade Institute and an adjunct lecturer in WTO law at the University of Bern. She coordinates the four-year services project of the National Center on Competence in Research Trade Regulation and is an associated researcher of the Institut du Développement Durable et des Relations Internationales (Iddri) in Paris. Her book, ‘Good Faith in the Jurisprudence of the WTO’, was published in October 2006 by Hart Publishing, Oxford.

Ravindra Pratap is specialized in WTO Law and Litigation (various publications in this field) and presently teaches at Indraprastha University Law School, Delhi. Previously, he studied law at the University of Allahabad, where he also obtained an M.A. He then took an M.Phil at the Jawaharlal Nehru University, New Delhi, and prior to obtaining a PhD there, gained a Pallas LL.M. from the Universities of Barcelona, Bologna, Essex, Konstanz, LUISS Guido Carli, Jean Moulin Lyon 3 and Nijmegen and passed the Turin-based International Trade Law Postgraduate Course. He can be reached at ravindrapratap@hotmail.com.

KD Raju was graduated from Mahatma Gandhi University, Kerala, in Science with specialization in Botany in 1990. After graduating from law school in 1997, Raju joined in Ernakulam Bar. He completed his post graduation in Mercantile Law from the same University, where his thesis was dealing with The Fiduciary Duties of Company Directors under the Indian Companies Act, 1956, and he secured second rank in the University. He has done MPhil from Jawaharlal Nehru University, New Delhi, on International Trade Law. He worked on Anti-dumping issues for his doctoral studies in Jawaharlal Nehru University, New Delhi. He is presently Faculty member at Rajiv Gandhi School of Intellectual Property Law, Indian Institute of Technology, Kharagpur, India. His areas of interest and expertise include the WTO, especially Intellectual Property Laws, Anti-dumping Laws, WTO Services Agreement, Corporate, Environmental, Economic and Trade Laws. He has published extensively on these subjects. Contact: rajjukd@gmail.com.

Els Reynaers Kini is a lawyer at the law firm M.V. Kini & Co, India. She completed her law degrees at the University of Brussels, Belgium, the University of Delhi, India, and obtained her LL.M. degree from the University of Georgia, USA. Previously, she was a researcher at The Energy and Resources Institute, New Delhi, where she also taught environmental law. In Belgium, she was an environmental lawyer at Allen & Overy.
**Dipankar Sengupta** is currently Reader at the Department of Economics, University of Jammu. Prior to this, he has worked as Fellow (Economics) at the Centre de Sciences Humaines, New Delhi. Dipankar has earlier taught economics at the School of International Studies, Jawaharlal Nehru University, New Delhi. He was educated at the University of Calcutta and at the Centre for International Trade and Development, Jawaharlal Nehru University, and his area of interest includes International Political Economy, Industrial Organisation Theory and Indian Economic Development. He has published extensively on these subjects. Contact: dsg68@hotmail.com.

**Ioana Tudor**, titulaire d'un doctorat en droit international de l'Institut Universitaire Européen de Florence, est notamment l'auteur d'un ouvrage consacré à la clause du traitement juste et équitable en droit des investissements, à paraître en mars 2008 chez Oxford University Press. Elle est avocate au barreau de Madrid et dispose d'un Master en droit européen du Collège d'Europe ainsi que d'une maîtrise de l'Université Paris Assas. Elle exerce actuellement au sein du cabinet Gide Loyrette Nouel à Varsovie.

**Andreas R. Ziegler** is a professor of international law at the University of Lausanne and currently Vice Dean of the Faculty of Law and Criminal Sciences. He is also the Director of the Master of Advanced Studies Programme in International and European Economic and Business Law at the same university as well as of the Academy of International Economic Law.
Can IBSAC emerge as a Major Bargaining Coalition at WTO Negotiations?
Debashis Chakraborty / Pritam Banerjee / Dipankar Sengupta

India, Brazil, South Africa, China (IBSAC) possess the potential to become the drivers of global economic growth in the coming period and can play a significant role at the multilateral negotiations for protecting developing country interests. IBSAC has earlier come closer to each other at the multilateral trade forum under the negotiating umbrella of developing country forum G-20 and have negotiated jointly on several occasions. Analyzing the current profile of the IBSAC countries, the paper argues that the future negotiating agenda of the four countries would be a function of their economic structure. Over the last decade, China has rapidly enhanced its global market share apart from substantially reforming its tariff schedule, while other IBSAC countries lag behind on that front. Moreover, competing trade interest may hurt IBSAC solidarity. The analysis indicates that IBSA is more likely to continue as a bargaining coalition at WTO, with South Africa remaining at periphery and China joining hands only when its interests coincide with others. In addition, given the trade structure of the countries, IBSAC’s agenda at WTO is more likely to remain modest in coming future.

Les négociations agricoles à l’OMC: quel cadre multilatéral pour les agricultures mondiales?
Maxime Baudouin

Le défi des négociations agricoles est de concilier le processus de libéralisation progressive et les politiques agricoles des Membres, et de mettre en place des disciplines qui permettent un accroissement des échanges m
diaux de produits agricoles sans remettre en cause la capacité des Membres à développer une agriculture qui réponde aux besoins et attentes de leurs populations. Mais, les positions des Membres dans le cadre des négociations agricoles dépendent également des négociations sur les produits non agricoles. Par conséquent, la conclusion d’un accord dans le domaine agricole suppose un accord dans le domaine des produits industriels, et vice-versa. Dans ces conditions, les négociations agricoles et le Cycle de Doha ont-ils une chance d’aboutir? Sans prétendre apporter une réponse à cette question, ce chapitre a pour objet de présenter l’état des négociations dans chaque pili er de l’AsA et d’analyser les principales propositions au regard des objectifs de l’AsA, à savoir établir un système de commerce équitable des produits agricoles, par l’établissement de disciplines concernant l’accès au marché et les soutiens en tenant compte de considérations non commerciales et de la situation des PED.

A Look at Services Trade: Implications of the Doha Talks Suspension and Resumption

Rafael Leal-Arcas

This chapter addresses the current World Trade Organization (WTO) negotiations on trade in services in the framework of the Doha Development Agenda. An analysis of the Sixth WTO Ministerial Conference in Hong Kong is provided. Following the suspension of the WTO multilateral trade negotiations in July 2006 – and its subsequent resumption in February 2007 – by WTO Director-General Pascal Lamy, the world trading system must now find ways and means to integrate developing countries. Failing that could be perceived as a danger to the world order. This chapter analyzes the legal and policy implications of the current Doha Round for the two main developed WTO Members, i.e., the United States and the European Community, and the most relevant developing countries of the WTO. Thoughts on alternative ways to move forward in the multilateral trading system are presented in the conclusions.
**Foreign Investment Issues and WTO Law – Dealing with Fragmentation while waiting for a Multilateral Framework**

*Philippe Gugler / Julien Chaisse*

This chapter explores the provisions affecting investment in the existing WTO obligations. Worldwide economic integration is not being achieved via expansion of international trade and foreign direct investment acting as separate channels, but rather as two interrelated phenomena that act together and reinforce one another. The previous failures to establish a multilateral framework for investment combined with the increasing volume of investment and the corollary need for regulation lead back to the existing regulation of investment within WTO. The WTO handles two major agreements that address investment directly: the General Agreement on Trade in Services (GATS) and the Agreement on Trade-Related Investment Measures (TRIMs). The Agreement on Trade-Related Aspects of Property Rights (TRIPS) provides protection for intangible assets that form the basis of the activities of multinational corporations. WTO investment provisions are however limited in scope and lack coherence. Based on the findings, the policy lessons for future prospects are drawn notably on the GATS form a multilateral agreement on investment could adopt.

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**Droit de l'OMC et droit de l'investissement: regards croisés**

*Ioana Tudor*

Le droit de l'OMC et le droit des investissements sont deux droits relativement récents, qui évoluent rapidement et sont caractérisés par une haute spécialisation et technicité. Leur structure est proche car ils reposent tous les deux sur deux piliers principaux, à savoir une base conventionnelle très dense et en progrès permanent et une jurisprudence très riche. Ils forment tous deux une partie intégrante du droit international général. De plus, les domaines du commerce et des investissements étant souvent complémentaires au niveau économique, cette contribution analyse les similitudes substantielles à ces deux droits. Sur de nombreux points, notamment sur les principes utilisés et leurs méthodes d'interprétation, les deux droits convergent et pourraient davantage s'inspirer l'un de l'autre. Une coopération plus étroite entre les deux serait non seulement enrichissante mais serait aussi utile pour éviter les possibles conflits de compétence qui pourraient surgir à l'avenir.
How to reform WTO decision-making? An Analysis of the Current Functioning of the Organization from the Perspectives of Efficiency and Legitimacy

Andreas R. Ziegler / Yves Bonzon

In a context of stalled negotiations and strong public protest against the World Trade Organization (WTO), numerous reform proposals have been put forward in recent years to improve the procedures of the WTO. By analyzing the functioning of WTO decision-making, this chapter lays out a framework against which it assesses some of these reform proposals.

After explaining that these proposals are meant to enhance either the efficiency or the legitimacy of decision-making, we consider separately what we identify as the three components of decision-making: the object, the organ and the procedural mode. We first enumerate WTO powers and define the legitimacy requirements that result from the nature of these powers, pursuant to the idea of a varying legitimacy requirement. Then we take a close look at the WTO procedural modes and the composition of its organs, and assess to what extent the features of these two components fulfill the legitimacy requirements discussed earlier. We then examine some reform proposals and their potential impact on the efficiency and the legitimacy of WTO decision-making, arguing that a balance must be struck between the two imperatives since they can sometimes collide. We conclude that the scope for reforming the WTO organs and procedural modes is limited and that combining the three components of decision-making in a manner that would fulfill legitimacy requirements may imply making some corrections on the object of decision-making; which would mean limiting WTO powers.

Protection du brevet et promotion de la santé publique: Surenchères autour des standards minimums de l'AADPIC au Sud

Samira Guennif

Au moment où l'entrée en vigueur de l'Accord sur les Droits de Propriété Intellectuelle touchant au Commerce dans les pays en développement pose débat en matière d'accès aux médicaments essentiels, depuis quelques années on assiste à la multiplication des accords de libre échange entre PED et Etats-Unis. Si l'AADPIC institue en pratique des standards minimums concernant la protection des brevets dans le monde, les ALE passés entre les PED et les Etats-Unis visent sans surprise la mise en place de standards plus élevés, d'où l'appellation d'« AADPIC plus ». Ce chapitre se propose de montrer comment, surenchérisant sur les dispositions de l'AADPIC, les
ALE favorisent une protection effective et forte de la propriété intellectuelle et négligent la promotion de la santé publique au Sud. Précisément, les dispositions des ALE entendent assurer une promotion considérable des positions dominantes des multinationales en obstruant la concurrence exercée par les génériques, l'effet ultime étant de menacer l'accès des populations à des médicaments plus abordables.

**Les télécommunications dans le cadre de l'OMC: bilan et perspectives**

*Mathieu Guennec*


**Anti-Dumping Measures in the Context of Global Competition: Amending a Core Agreement of the WTO**

*Debashis Chakraborty / KD Raju / Julien Chaisse*

The purpose of the WTO Agreement on Anti-Dumping (ADA) is to ensure that the provision is used only as a contingency measure based upon merit, and not as a veiled protectionist mechanism. However, since the establishment of the WTO in 1995, the number of anti-dumping investigations initi-
ated has increased substantially. Given the growing misuse of anti-dumping investigations, there is an urgent need to look into the modification of the procedure, and the current analysis attempts to identify the broad areas of violation of the ADA in world trade and subsequently discusses the potential provisions for future reform.

**The Status of the Precautionary Principle in Public International Law**

*Els Reynaers Kini*

The precautionary principle is an important environmental policy tool according to which scientific uncertainty does not justify regulatory inaction. It is well entrenched in international environmental law, and increasingly finds domestic applications. However, its status as a rule of customary international law (CIL) is still disputed. This is relevant since rules of CIL are binding on States independently of whether they are party to a treaty. No international adjudicating body has so far held that it has acquired a CIL status. To be recognized as a rule of CIL, two elements must be present, a uniform State practice, and the belief that such a practice is undertaken to conform to a legal obligation. It is argued in this paper that despite there being increasing instances of States adopting the principle domestically, there is no indication yet that States in their international relations comply with the precautionary principle out of sense of legal obligation.

**UNESCO, the WTO, and Trade in Cultural Products**

*Christopher M. Bruner*

On 20 October 2005, the General Conference of the United Nations Educational, Scientific and Cultural Organization (UNESCO) adopted a treaty legitimating legal measures to protect domestic producers of “cultural” products. The Convention represents a major victory for Canada and France – its principal proponents – and a major blow to Hollywood and the United States, audiovisual products being among America’s most lucrative exports. This chapter examines the UNESCO Convention’s legal and diplomatic significance. Following a brief look at the treatment of cultural products under the WTO system, the chapter discusses UNESCO’s history, the Convention’s negotiation, and its legal and diplomatic status, concluding that it will have little (if any) legal effect on existing WTO obligations, but a significant diplomatic impact on future negotiations toward greater audiovisual liberalization – a key trade policy goal of the United States.
Volume II
The WTO Judicial System: Contributions and Challenges

Good Faith, Fairness and Due Process in WTO Dispute Settlement Practice: Overcoming the Positivism of International Trade Law

Marion Panizzon

The WTO Appellate Body has drawn from public international principles to intensify the normative impact of good faith duties vaguely described in Articles 3.10 and 4.3 of the Dispute Settlement Understanding. The fact is noteworthy in comparison to the repeated rejection of the good faith principle in WTO substantive law of GATT, GATS and TRIPS. This chapter identifies the concretizations in WTO case law of such “procedural” good faith duties and finds that the importation of this general principle of law has both filled in the gaps of dispute settlement rules, while maintaining the flexibility required of a Member-driven dispute settlement procedure. It will trace their evolving functions from a balancing tool to a new institutional use of triangular checks and balances controlling the exercise of authority by the Appellate Body with the Panel, as well as the use of policy space by the parties in dispute. In a second time, this chapter will decode the function of good faith compliance, a first-time judicial assertion of good faith’s enforceability in WTO practice. By measuring good faith compliance according to the judicially designed standard of fairness, promptness and effectiveness, the WTO judiciary has introduced nothing less than a constitutional component of procedural fairness by which to review conduct in dispute settlement procedures, specifically the use of litigation strategies. In relating procedural good faith jurisprudence to the level of fairness, the WTO judiciary relegates to the past power-oriented, diplomacy-based structures of WTO dispute settlement.
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The Universe of State Responsibility in the WTO Dispute Settlement System

Yenkong Ngangjoh Hodu

The questions “to what extent can the rules of international law be multilaterally enforced? And, what are the relevant ingredients that might lead to the conclusion that a particular act committed by individuals or entities in the territory of a WTO Member amounts to that of the Member in question?” do not have anything approaching an agreed theoretical answer. Yet a large cadre of scholars and practitioners in this area share the identification of a set of practices and empirical arguments that constitute the nucleus of the debate on the relevance of the law of State responsibility in the WTO Treaty system. The UN International law Commission Articles on the Responsibility of States for Internationally Wrongful Acts, which has been used in some respects by the WTO judicial organs, although not clinching the issue, provides some insights into this debate. Taking inspiration from the law of State responsibility and examining it in the context of some WTO case law. Part I of this paper explores when and how activities of private individuals/entities can be attributed to those of the WTO Member for the purpose of State responsibility. In the same vein, using the 2001 ILC’s Articles, Part II revisits the question of actio popularis in the compliance regime of the WTO dispute settlement system.

SPS Measures Adopted in Case of Insufficiency of Scientific Evidence: Where Do We Stand after EC – Biotech Products Case?

Łukasz Gruszczyński

This chapter analyzes the disciplines established by Article 5.7 of the Agreement on the Application of Sanitary and Phytosanitary Measures. The analysis is based both on the text of the SPS Agreement as well as on the existing case law with special consideration given to the panel’s ruling in EC – Biotech Products. The chapter criticizes the approach of the case law to the issue of applicability of Article 5.7 as it confuses the applicability with the consistency. The chapter argues that it is more appropriate to view the SPS Agreement as providing for three mutually exclusive paths of compliance (i.e. Articles 3.1, 3.3 and 5.7). On the substantive level, the chapter points out the deficiencies of panel’s approach to insufficiency of scientific evidence (insufficiency as the absolute term). This chapter claims, consistently with the case law under Article 2.2, that the task of a panel under Article 5.7 should be limited to the assessment of plausibility of scientific
opinions on sufficiency of scientific evidence rather than deciding which scientific view is better. The chapter also recognizes several issues that still need to be resolved under Article 5.7 (the extent of the exclusion under Article 2.2, meaning of pertinent information, applicable standard of Article 5.7, second sentence). In this context, possible interpretations are discussed.

La convergence des critères d'examen dans le cadre du GATT et de l'AGCS: Les notions de restrictions et de limitations quantitatives, et l'utilisation des moyens de défense affirmatifs

Panagiotis Delimatsis / Pauline Lièvre

En véritable équilibriste, le juge de l'OMC veille à garantir l'efficacité du droit de l'OMC, tout en respectant la souveraineté et les sensibilités nationales. Bien que décrits dans des termes plutôt vagues, les pouvoirs qui lui sont conférés lui fournissent les moyens d'accomplir cette délicate mission. Le but de ce chapitre est d'évaluer l'utilisation de ces moyens par le juge de l'OMC. Il devient ainsi possible de mesurer son degré d'interférence dans le droit des Membres, tout spécialement dans le champ réglementaire couvert par les accords GATT et AGCS. Dans la mesure où le degré d'interférence dans la sphère nationale est en tout premier lieu déterminé par la portée donnée aux obligations imposées aux Membres, ce chapitre examine de façon comparative l'interprétation de la notion de restriction quantitative dans ces deux accords (Article XI GATT et XVI AGCS). Après avoir mis en évidence un certain degré de symétrie en ce qui concerne l'interprétation de ces obligations de fond par les organes juridictionnels de l'OMC, ce chapitre examine le critère d'examen dans le cas où un moyen de défense affirmatif a été invoqué pour justifier une dérogation d'une obligation de fond du GATT et de l'AGCS. En parallèle, il examine la manière dont le jeu procédural arrive à influencer le degré d'interférence du droit de l'OMC dans le pouvoir national de réglementer. C'est notamment sur cette problématique que la recherche d'équilibre entre la libéralisation du commerce mondial et d'autres intérêts reconnus comme légitimes apparaît avec la plus grande acuité dans le cadre de l'application des articles XX GATT et XIV AGCS.
Reforming the DSU: An Indian View
Ravindra Pratap

In the light of India’s experience at the WTO dispute settlement system, the chapter discusses India’s proposals to improve and clarify WTO Understanding on Rules and Procedures Governing the Settlement of Disputes (DSU). While India’s proposals correctly focus on the special and differential treatment, its proposals on systemic issues have so far not been able to optimize the opportunity. India must be true to its experience with the DSU and mindful of the dynamics of WTO decision making, generally, while negotiating improvements and clarifications of the DSU.

Repeal of the WTO Appeal Process?
Marc Iynedjian

Contrary to most other international procedural treaties, the World Trade Organization’s Dispute Settlement Understanding (DSU) institutes a two-tier system. Trade disputes between WTO Members are adjudicated by panels, the decisions of which may be reviewed by the WTO appellate body. This chapter considers whether the WTO’s two-tier dispute settlement system is really desirable and whether the move to a single-tier mechanism would not be preferable.

Private Parties and WTO Dispute Settlement System
Alberto Alemanno

This chapter examines the (non) role that private business operators play in the implementation of WTO Dispute Settlement Reports. More precisely, by analysing the legal status of these decisions in national and regional law, it looks at what individuals are entitled to obtain when a WTO Member ignores the results of a Dispute Settlement Body’s ruling. As private business operators bear most of the economic costs of non-compliance, there is an increasing pressure for a more direct involvement of these parties in the Dispute Settlement System mechanisms. The challenge is therefore to find a way to accommodate their interests within the current settlement system, without reducing the discretion WTO Members enjoy in the implementation of the reports. By building upon the EC case law, it is argued that allowing individuals to seek compensation of damages deriving from non-compliance by the losing Member might be a valuable solution to strike a more fair bal-
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between the interests of the WTO actors: its Members and their private business operators.

**Une injustice des sanctions de l'OMC**

**Henri Culot**

Ce chapitre examine un problème particulier que pose, sur le plan de la justice, l'application des sanctions dans le droit de l'OMC.

Lorsque les Etats violent les règles de l'OMC, c'est généralement en imposant des mesures protectionnistes qui empêchent les biens étrangers d'être vendus sur leur territoire. Une fois la violation reconnue par l'ORD, l'Etat préjudicié peut prendre des contre-mesures sous la forme d'une augmentation des droits de douane sur les biens originaires de l'autre Etat. Les marchandises concernées par la mesure protectionniste ne sont pas les mêmes que celles visées par la sanction.

Combinées avec l'absence d'effet direct, ces règles induisent des résultats injustes. Les mesures protectionnistes sont seulement imputées aux Etats, mais elles favorisent certains producteurs (généralement appuyés par un lobby efficace) au détriment des producteurs étrangers de biens similaires. De même, les sanctions sont uniquement dirigées contre les Etats, mais en fait elles portent préjudice aux producteurs de certains (autres) biens choisis par l'Etat qui sanctionne. D'autres catégories d'agents économiques sont également affectées. Sans effet direct, aucun d'entre eux ne peut obtenir un dédommagement. L'absence de coordination entre la violation du droit et la sanction rend ce système injuste.

Ce problème de justice est une conséquence de l'utilisation du concept juridique de la personnalité morale, et se pose dans d'autres hypothèses où le droit considère qu'un groupe d'individus ne forme qu'une seule personne.

**WTO Dispute Settlement Remedies: Monetary Compensation as an Alternative for Developing Countries**

**Adebukola A. Eleso**

When the WTO came into existence formally as an institution in 1995, it was a culmination of the process to institutionalize the General Agreement on Trade and Tariffs (GATT) which had been in operation since 1947. As an institution with Membership of 151 countries to date, it was imperative on the WTO to provide a forum for Members to settle disputes arising among themselves.
The Understanding on Rules and Procedures Governing the Settlement of Disputes (DSU) of the WTO is probably one of the biggest achievements of the Uruguay Round of negotiations. It aims to provide security and predictability to the multilateral trading system. However, it is a fact that the smaller developing countries have not availed themselves of the procedure. This chapter argues that the inadequacy and unsuitability of the existing remedies for these countries is responsible, and suggests monetary compensation as an alternative dispute settlement remedy.
Private Parties and WTO Dispute Settlement System

Who bears the costs of non-compliance and why private parties should not bear them

Alberto Alemanno

1. Introduction

The WTO system, by providing rules addressed to both States and private parties, represents the most sophisticated legal framework ever conceived to govern global trade1. Unlike many other interna-

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tional organizations, the WTO has a dispute settlement system characterized by compulsory jurisdiction, strict time frame, automatic decision-making process, and is based on a two-tier mechanism of panels of first instance and an Appellate Body (AB). As stated in the Understanding on rules and procedures governing the settlement of disputes (DSU), the new system, replacing the old and less rule-oriented GATT settlement mechanism, is a “central element in providing security and predictability to the multilateral trading system.”

However, despite the progressive judicialization of the dispute procedure, private parties have no direct access to any of the WTO Geneva-based bodies to complain about government practices that allegedly infringe on a WTO agreement, nor can they rely on rights.

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2 The adoption of panel by the DSB cannot longer be blocked by the losing party as it was the case under the GATT system. A refusal of the report is possible only within 30 days of circulation by consensus (thus including also the highly improbable vote of the winning party). See, Articles 16.4 and 17.14 DSU.

3 Article 3.2 DSU.

4 On the evolution of the dispute settlement from a “power-oriented” to a more “rule-oriented” mechanism, see William J. Davey, *WTO Dispute Settlement: Segregating the Useful Political Aspects and Avoiding “Over-Legalization”*, in MARCO BRONCKERS & REINHARD QUICK (eds.), NEW DIRECTIONS IN INTERNATIONAL ECONOMIC LAW, Essays in Honor of John Jackson 291 (Kluwer Law International: The Hagues, London, Boston, 2000); the most significant element brought by the reform is the introduction of the so called “automaticity principle” according to which the formation of panels, adoption of reports and retaliation – if a DSB ruling is not complied with – are all automatic.

5 However, in the event of a Member violating WTO rules, private companies can petition their governments to have recourse to the dispute settlement system to challenge the legality of their measures with the WTO agreements. Both the US and the EC have created trade remedy mechanisms that allow private parties to complain about illegal practices of third countries and to request their trade authorities (US Trade Department; the EC Commission), to intervene before the WTO. As for the US trade mechanism, see Fred L. Morrison & Robert Hudec, *Judicial protection of Individual Trade Rights in the US*, in MEINHARD HILF & ERNST-ULRICH PETERSMANN, NATIONAL
granted by WTO law before domestic courts, as they lack of direct effect.7

7 In this chapter, “direct effect” refers to the possibility of a private person in a WTO Member to base a claim in domestic courts against another private party, or another Member State, relying on an alleged violation of a WTO rule. The literature on the issue of direct effect of WTO rules is extensive and the problem is yet unresolved. For our purpose, it is sufficient to remind that, as a result of the Uruguay Round, both the EC and the US excluded the invocation of any rule of the WTO before national courts as a matter of statutory law. See respectively, Decision 94/800 of 22 December 1994, OJ 1994 L336/1 and 1994 Uruguay Round Agreement Act, 19 USCS § 3511, Pub. L. No. 104-305 (1996), § 102(c). Several reasons explain why private parties are not allowed direct access to the dispute settlement system, among which: the majority of the Members do not want the organization to lose its intergovernmental nature; Member want to maintain their monopoly in deciding which cases to bring before the DSB; lack of adequate structure and resources. In short, recognizing direct effect to private parties would inevitably hamper the WTO Members' attempts to defend the national interest by eliminating the flexibility underpinning the whole multilateral trade system. For a canonical overview on direct effect in international law generally, see John H. Jackson, Status of Treaties in Domestic Legal Systems: A Policy Analysis, 86 AM. J. INT’L L. 310, (1992). More specifically on direct effect of WTO rules, see ex multis Jacques Bourgeois, The European Court of Justice and the WTO, in GRAINNE DE BURCA & JOANNE SCOTT, THE EU, THE WTO AND THE NAFTA, TOWARDS A COMMON LAW OF INTERNATIONAL TRADE 71, at 115 (Hart publishing ed., 2000); Thomas Cottier, Dispute Settlement in the World Trade Organization: Characteristics and Structural Implications for the European Union, 35 COMMON MKT. L. REV. 325 (1998) and Francis Snyder, The Gatekeepers: The European Courts and WTO Law, 40 COMMON MKT. L. REV. 365 (2003). Among the voices contra the recognition of direct effect of both WTO and DSB rulings see e.g., Joel P. Trachtman, Bananas, Direct Effect and Compliance, 10 EUR. J. INT’L L. 655, 677 (1999) and Mark L. Movsesian, Enforcement of WTO Rulings: An Interest Group Analysis, (September 12, 2003) at http://ssrn.com/abstract=444640.
Having this in mind, *quid iuris* when a violation of a WTO agreement has been sanctioned by a panel and/or an Appellate Body Report? May private business operators invoke the Reports adopted by the DSB before the courts of the losing member? Are individuals entitled to recover compensation for damages suffered from the non-compliance?

In this chapter I will try to provide an answer to these questions by addressing the controversial issue of the legal status of the WTO Dispute Settlement Decisions in national and regional law.

The question is not merely academic: despite the fact it only arises in pathological situations of non-compliance, this issue is extremely relevant for those private companies who might be affected by the non-implementation of DSB rulings addressed to countries where they do business. Indeed, to some extent the question of the legal status of panel and AB reports measures the effectiveness of the new dispute settlement system in promoting security and predictability for all the actors, notably for private companies.

On the one hand, the DSU provides for an obligation to comply with the ruling. On the other, its text offers a range of ways and means of provisional implementation aimed at putting economic and political pressure on Members to withdraw or amend the WTO-illegal measures. According to these rules, instead of complying with the report the losing party may offer to compensate, when immediate withdrawal of the measure is “impracticable”. Should this party fail to agree with the winning party on a “mutual acceptable compensation”, it can face retaliation under the form of surcharge tariffs. As a matter of fact, these remedies do not result in the resumption of sales of the products or services in the Member maintaining inconsistent WTO measures, rather they tend to raise substantially the trade barriers amongst countries. It follows that, whenever these alternative

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7 Article 22.1 and 22.2 DSU
8 In particular, doubts have been expresses as to the effectiveness of retaliation as a temporary remedy for breach of WTO law by several scholars, see e.g. Abram Chayes & Antonia Handler Chayes, *The New Sovereignty: Compliance with International Regulatory Agreements* 109-11
ways are taken, often as a “traditional option of Realpolitik” by the governments, the costs of non-compliance are mainly borne by those private companies directly affected by the WTO violation.

The current enforcement mechanism is traditionally depicted as a balanced system of powers whereby the WTO has sufficient power to promote global trade without becoming a threat to representative democracy. Retaliation aims at producing incentives for the exporting groups to lobby against protection measures while allowing the offending member to have the final say on its regulatory policy. However, retaliation, mainly relying on the unforeseeable outcomes resulting from the activity of interest groups, may not always ensure compliance. Hence, WTO member's non implementation with DSB rulings may hurt innocent firms that find their products barred from the market or subject to higher duties.

This situation amounts to a real denial of justice: why should private companies bear the costs of strategic commercial decisions taken by WTO members without having a right to recover their damages? There exists an anomaly in a system of dispute settlement that ascertains the violation of WTO rules, but whose decisions cannot be invoked before courts by individuals affected by their non-implementation. Henceforth, there is a need to shift the costs of non-


9 Cottier, supra note 6, at 364.
10 For this line of argument, see Edwini Kessie, Enhancing Security and Predictability for private Business Operators under the Dispute Settlement System of the WTO, 34(6) J. WORLD TRADE 1, 17 (2000) (stating that “Althought private business operators do not have access to the DSS of the WTO, they are the ones who are most likely to be affected by the inefficiencies of the system” and Charnovitz, infra note 12, at 810-11 (arguing that WTO sanctions hurt “innocent economic actors” and violate the “basic human right” to “voluntary commercial intercourse”).
compliance with DSB reports from the private business operators to the responsible Members.

Against this backdrop, the real challenge is to accommodate the private parties’ interests within the DSS without reducing the discretion that WTO Members enjoy in the implementation of the DSB reports 11.

To date, any WTO member’s court has recognized the ‘invokability’ of these reports, by regarding this issue as strictly related to the question of direct effect of WTO obligations. Lacking WTO rules of direct effect, the possibility to invoke DSB reports before courts is denied. Hence, private business operators cannot recover the damages suffered as a direct result of the non-compliance with a DSB report 12.

This study argues that private business operators, currently bearing all the costs of non-compliance, should be allowed to invoke the DSB reports before the courts of the losing Member in order to recover the damages suffered as a result of the non implementation with the DSB rulings. To this end, it will demonstrate that looking at the status of DSB reports exclusively through the lens of direct effect might be misleading. It will illustrate that the ‘invokability’ of a DSB report is a separate conceptual problem from the one of direct effect.

11 A first step toward the opening of the DSS to private parties was made by the Appellate Body’s report in the Shrimps/Turtle case where for the first time the submission of amicus curiae briefs was accepted. See Appellate Body Report, United States – Import Prohibition of Certain Shrimp and Shrimp Products, WT/DS58/AB/R.

and how the arguments generally put forward to deny direct effect of WTO rules do not necessarily prevent the recognition of some status to the WTO dispute settlement decisions in domestic law. To provide private parties the right to obtain the recovery of the damages suffered does not amount to the recognition of direct effect, but rather it is a matter of recognizing decisions made by and through the WTO system.

The WTO Dispute settlement system would gain both in terms of legitimacy and efficiency by the recognition of the invokability of panel and AB reports before the courts of the losing member ignoring the DSB ruling. This solution would provide an adequate incentive for Members to comply with their obligations under WTO rules, without depriving them of the discretion they enjoy in the implementation process. In fact, the invokability of these reports aiming at the recovery of damages would not prevent a losing Member from deciding whether to bring its measure into conformity or to have recourse to temporary measures, such as compensation or retaliation. It would rather protect private operators from a situation of possible denial of justice by giving at the same time teeth to the DSS.

While the US and Japan have both systematically ruled out the possibility for an individual to rely on WTO DSB reports, the Euro-

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13 In this line of thought see Thomas Cottier, The impact of the TRIPs Agreement on private practice and litigation, in JAMES CAMERON & KAREN CAMPBELL (eds.), DISPUTE RESOLUTION IN THE WTO 126 (Cameron & May, 1998), who says that the “invokability” of DSB decision “is a matter entirely different from the issue of direct effect”.

14 In the US “there is virtually no constitutional basis for individual challenges to trade policy measures … The general tendency of federal statutes in the trade policy area is to provide the executive with extremely broad discretion, leaving little room for judicial review”. See Morrison & Hudec, supra note 5, at 132.

15 In Japan, the attitude adopted by the courts toward GATT/WTO rules and decisions seems to be quite prudent. Although DSB rulings may be invoked in various situations: as “aids in interpreting Japanese domestic trade laws”, or “as evidence supportive of a conclusion reached through the interpretation of the laws”, they cannot be relied upon before courts. See, Yuji Iwasawa,
The European Community (EC)\textsuperscript{16}, through its Luxembourg-based courts, has always showed more judicial openness and receptiveness for WTO law\textsuperscript{17}.

This chapter will therefore mainly refer to the discourse developed within the EC upon the role of private individuals in the implementation of WTO dispute settlement decisions. The attempt made by a French meat trader to recover damages incurred as a result of the EC non-compliance with the *Hormones* decision\textsuperscript{18} is provided, throughout this chapter, as a good example of private parties’ involvement in the implementation phase\textsuperscript{19}. References will also be made to some

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\textit{Implementation of International Trade Agreements in Japan, in HILF & PETERSMANN, supra note 5, at 343; Bourgeois, supra note 6, at 115.}

\textsuperscript{16} The words “European Economic Community” (EEC), “European Community” (EC) and European Union (EU) do not mean the same thing. The EEC was established in 1957 by the Treaty of Rome, but was then radically reformed by the Treaty of Maastricht in 1992, thus becoming the EC. The Treaty of Maastricht also gave rise to a more ambitious supranational project: the EU, based on three “pillars”: the first pillar being the EC, the second and third respectively the EU Foreign and Security policy and the EU Home and Internal Affairs. Under the Draft Reform Treaty, signed in Lisbon on December 13\textsuperscript{th} 2007 and currently subject to ratification process, the “Treaty Establishing the European Community” (Treaty of Rome) will be renamed the “Treaty on the Functioning of the European Union” and its articles will be re-numbered (Reform Treaty, Article 5).

\textsuperscript{17} Although the Council Decision 94/800 has clearly denied the direct applicability of WTO rules, that issue is by no means settled in the European legal order. Both legal scholars and the European Courts are currently engaged on a lively debate about the legal effects of WTO law in the in the internal legal order. Such a debate has been triggered by an increasing receptiveness to WTO law by the European Courts. Under their current case law, WTO Agreements could serve as a ground for review in cases where the Community intends to implement a particular WTO obligation (the Nakajima doctrine: Case C-69/89, Nakajima All Precision Co.Ltd., v. Council, 1991 ECR I-2069), or if a Community act expressly refers to specific provisions of the WTO Agreements. (the Fediol doctrine: case C-70/87, Fediol v. Commission, 1989 ECR 1781).

\textsuperscript{18} See supra note 12.

\textsuperscript{19} See Case T-174/00, Biret International v. Council, 2002 ECR II-17 and Case T-210/00, Etablissements Biret et Cie SA, 2002 ECR II-47, on appeal, Case
other more recent cases which have offered the Court the opportunity to better define its case law on the issue of direct effect of WTO law in relation to Reports adopted by the WTO DSB.

A possible opening by the European Court of Justice towards private parties’ involvement could strongly influence other relevant WTO implementation fora, such as the US and Japan. As private business operators may benefit from such a solution, regardless of their place of incorporation, the European debate over the issue seems to attract great interest in the business world.

2. A brief overview over the DSS: who bears the costs of non-compliance?

Before turning to the issue of private parties’ involvement within the DSS, through the analysis of the Biret case in the broader context of the Hormones dispute, it is necessary to briefly describe how the dispute settlement works and, accordingly, which is its nature: conciliatory, diplomatic, political or legal?20

The DSU, governing the new dispute settlement system, provides specifically for a set of norms related to the implementation of Panel and Appellate Body decisions21.

Before being adopted by the Dispute settlement body, Panel and AB reports do not have any direct binding effect on Members, but they are instead mere recommendations. Once a recommendation has been adopted by the DSB22, the losing party has primarily an obliga-

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20 See Andrew T. Guzman & Beth A. Simmons, To settle or Empanel? An Empirical Analysis of Litigation and Settlement at the World Trade Organization, 31 J. LEGAL STUD. 303 (2002) for an insightful (empirical) analysis of the dynamics underpinning the DSS.

21 Articles 16.4 and 17.14 DSU.

22 Adoption occurs according to a “reverse consensus” rule: adoption occurs automatically, unless the DSB (all Contracting States) decides by consensus to reject the report. Currently depending on whether or not an appeal is
tion to bring the unlawful measure into conformity with WTO law. At a DSB meeting scheduled within 30 days after the date of adoption, the losing party has a duty to inform the DSB of its intentions in respect of implementation of the recommendations. Article 21.1 underlines the importance of prompt compliance with recommendations and rulings of DSB “to ensure effective resolution of disputes to the benefit of all Members”.

Secondly, when it is “impracticable” to comply immediately, the Member has a “reasonable period in which to do so”. This period of time may be either proposed by the Member, provided that it is approved by the DSB, or “mutually agreed” by the parties to the dispute within 45 days of the date of the adoption of the recommendation. If the reasonable period of time for implementation is not determined in one of these two ways, provision is made for that period to be decided through binding arbitration within 90 days of adoption. However, such a limit period for implementation cannot exceed 15 months. The determination of the duration of this period is relevant to the extent that, lacking an obligation to retroactively remedy any offending measure, the calculation of nullification and impairment commences from the expiry of the reasonable period.

Thirdly, the DSB has to keep under surveillance the implementation of the adopted recommendation. Issues of implementation may be raised at the DSB by any Member at any time following their adoption. Implementation is to remain on the DSB agenda until the issue is resolved. Article 21.5 establishes then a mechanism for dispute resolution (compliance panel) when there is disagreement as to the

lodged, a case may take around 12-15 months before the adoption of the final report. See Article 20 DSU.

23 Article 19.1 DSU.
24 Article 21.3 DSU.
25 Article 21.3 DSU.
26 Id.
27 Article 21.3(c) DSU.
28 Except in the case of prohibited subsidies.
29 Article 21.6 DSU.
existence or consistency with a covered agreement of measures taken to comply to with recommendations and rulings.

But what happens when the losing party fails to bring measures into conformity with the adopted report within a reasonable period of time? How should the courts deal with a persisting inconsistency of the domestic measure with WTO obligations?

Remedies within the WTO are prospective: they do not aim at punishing the offending member, but they rather tend to readjust trade relations so that the complainant will not suffer further losses. There are basically two “temporary” measures that a successful complainant may seek: it may ask either for compensation or for suspension of concessions (generally called countermeasures)\(^{30}\). Both these instruments are temporary measures available exclusively in the event that the recommendations are not implemented within a reasonable period of time\(^{31}\). They operate according to the following scheme: a member failing to comply within the time limit “shall, if so requested” enter into negotiations with any party having invoked the dispute settlement procedures, with a view to developing a mutually acceptable compensation. If those negotiations do not lead to an agreement between the parties, any party having invoked the dispute settlement procedures may request authorization from the DSB to suspend the application of concessions or other obligations under the covered agreements\(^{32}\).

A first problem that may arise in this situation is to determine the level of suspension. If the losing party objects to the proposed level of suspension, it may call for an arbitration proceeding aiming at establishing whether the level of suspension is legal and appropriate with reference the WTO violation. A second problem one may face

\(^{30}\) Although the DSU refers to suspension of concessions, in the trade jargon this remedy is generally described as countermeasure or retaliation act.

\(^{31}\) Article 23 DSU.

\(^{32}\) Since 1995, the DSB has allowed retaliatory measures in several transatlantic cases, such as those on bananas, hormone-treated beef and Foreign Sales Corporations. See supra note 12. However, actual countermeasures have been adopted only in the Bananas and in the Hormones cases.
with this “temporary” measure is then to determine in which sector the suspension of concessions should occur. Under the DSU, the preferred option is that retaliation should be in the same trade sector and under the same WTO agreement where the violation occurred. However, if the complaining party considers that it is not practicable or effective to suspend concessions or other obligations with respect to the same sector, cross-retaliation may be authorized in another trade sector or under another agreement that those where the WTO violation took place.

Who loses and who wins from the adoption of “temporary” implementation measures?

While these two temporary measures have been designed to facilitate and foster compliance with the report, the beneficiaries are likely to be companies that have not been affected by the original WTO violation. Compensation, consisting generally in charge reduction and applying on a multilateral most-favored-nation basis, favors all companies operating in the market and benefiting accordingly from the reduction. Countermeasures, although disfavoring consumers in the applicant country (who will pay higher prices for the targeted products), tend to protect the domestic and foreign providers of products competing with those targeted by the measure as they reduce considerably the level of competition in the market.

Who are then those affected by the adoption of these “temporary” implementation measures? We may distinguish between two categories of economic operators. First, private companies in the complain-

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33 Article 22.3 (a) DSU.
34 Article 22.3 (b) (c) DSU.
35 To our knowledge, parties to a dispute have only once agreed on compensation: US – Section 110(5) of the US Copyright Act, WT/DS160/ARB25/1.
ing Member whose exports continue to not receive the benefits that are normally entitled to and, secondly, those companies in the respondent countries that are affected by the retaliatory measures (retaliation and cross-retalatory measures). Therefore the only remedy that all affected private parties would aim at is the withdrawal of WTO-inconsistent measures, as it would result in the resumption of exports.\textsuperscript{37}

In short, when a WTO Member ignores the ruling, private companies run the risk of not being protected by a system that on the one hand make them bear all the costs of non-compliance and, on the other, does not allow private parties to rely on the DSB decisions before any court.

3. A case study: the non-implementation of the Hormones rulings and private parties

To fully understand the (non) role played by private business operators in the DSB reports implementation process, we will turn to those companies that have been directly affected in their business by the famous EC-Hormones dispute.\textsuperscript{38} This case is probably the one that, by highlighting what may be perceived to be a limitation on the effectiveness of the current WTO dispute settlement system, best illustrates the tensions within the WTO system between private operators and WTO members.\textsuperscript{39}

\textsuperscript{37} As Allan Rosas noticed: “(suspension of concessions) restricts rather than promotes trade, while hurting companies which have nothing to do with the subject matter of the dispute, including companies of the complaining party”, Implementation and Enforcement of WTO Dispute Settlement Findings: An EU Perspective, J. INT’L ECONOMIC L., 131, 143 (2001).

\textsuperscript{38} Panel Report, European Communities – Measures concerning meat and meat products (Hormones), WT/DS26/R/USA (Aug. 18, 1997); Appellate Body Report, WT/DS26/AB/R.

\textsuperscript{39} See Daniel Wuger, The Never Ending Story: The Implementation Phase in the Dispute between the EC and the US on Hormone-treated Beef, LAW & POL’Y INT’L BUS., at 777, for a detailed reconstruction and insightful analysis of the dispute.
In this case both the panel and the Appellate Body found the European legislation, originating in the 1980s and restricting the imports of hormone-treated beef, in violation of the SPS Agreement 40, essentially on the ground that it was not based on a complete risk assessment analysis of the cancer risks associated with the use of certain hormones as growth hormones 41. Because the EC failed to meet the deadline to comply with the report, the complaining parties (US and Canada) were authorized by the DSB to impose retaliatory measures in the form of punitive tariffs on certain products exported into their respective territories by the EC 42. The EC, maintaining its ban until today, is currently facing heavy retaliatory action. European exporters of luxury products – ranging from French cheese producers to Italian handbag manufacturers 43 – are those most affected by the economic sanctions.

Although this measure was meant to restore the balance of concessions established between the parties during the Uruguay Round, it raised substantially the trade barriers between the two countries by damaging not exclusively those companies who do not receive the benefits that are normally entitled to under the WTO Agreement (essentially the hormone-treated beef importers), but also those private companies exporting from the EC into the US that have nothing to do

40 Annex 1A to the Agreement Establishing the World Trade Organization.
41 More precisely, the WTO Appellate Body reversed most of the findings of the panel. The WTO Appellate Body only upheld the finding that prohibition of imports of meat from hormone-treated animals to the EU did not comply with the requirement that such a measure should be based on a relevant assessment of the risks to human health. To know more on the Hormones case, see A. ALEMANNO, TRADE IN FOOD – REGULATORY AND JUDICIAL APPROACHES IN THE EC AND THE WTO, Cameron May, London, 2007, pp. 270-292, 311-314 and 448-45.
42 The World Trade Organization had allowed the US, which used to ship $500 million of beef to the European Union annually, to impose punitive tariffs on EU goods worth $117m (€101m) a year in 1999. Canada has been authorized to retaliate for the amount of 11 million US dollars.
43 The sanctions targeted several European delicacies such as Roquefort cheese, Danish ham, German chocolate and French mustard.
with the original complaint (mainly luxury goods producers). In addition, it must also be noted that, some months after the USTR increased tariffs, the US Congress enacted Section 407 of the Trade and Development Act of 2000 (the “Carousel Legislation Act”) allowing the US trade authorities to rotate the products contained in the retaliation list when a country does not comply with the DSB ruling. The legislation attempts to put pressure on the foreign governments, through their domestic exporters, to bring their measures into conformity with the WTO Agreements. It follows that an exponential number of economic operators have been heavily affected by the EC non-compliance with the WTO final ruling.

Lastly, the EC has issued a new Hormones directive that has in essence upheld the WTO-illegal restrictions to the imports of hormones. Although the EC claims that this legislation is now WTO-compatible – being based on new scientific evidence –, the US and Canada have opposed this new text by arguing that it would still be contrary to WTO law and, as a result, they maintain their retaliatory measures against the Community. Having the EC questioned the right of the US and Canada to continue suspending concessions fol-

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44 Having the US beef industry been severely damaged by the EC ban, it has been proposed to allocate the income obtained from the application of the retaliatory measures to these companies through the establishment of a Beef Industry Compensation Trust Fund. See Trade Industry Compensation Act of 2000, S. 2709, 106th Cong. § 2(7) (2000).

45 US Pub. Law 106-200, 18 May 2000, 114 Stat. 251, Sect. 2. The EC immediately requested consultations under Article 4 of the DSU arguing the “Carousel legislation” was against the DSU as it allowed unilateral suspension of concessions that had not been authorized by the DSB. However, after an agreement was reached in the Bananas case, the EC did not go further in the proceedings thus leaving the issue of the legality of this measure still open.


47 Directive 2003/74/EC implementing the WTO ruling, entered into force on 14 October 2003. The directive provides for a permanent ban on one of the hormones, oestradiol 17ß, and provisional bans on the other five hormones.

lowing the adoption of the new directive, an implementation Panel was expected to circulate its report in late 2007\textsuperscript{49}.

Meanwhile, a growing number of companies are heavily affected by the EC non-compliance with the report.

4. **The Biret case or “how to take WTO law seriously” within the EC legal order**

The *Biret* judgment represents one of the most representative cases showing the tensions currently existing within the DSS’s implementation process between Members and its business economic operators\textsuperscript{50}.

4.1 **Facts and the CFI’s judgment**

In June 2000, *Biret International*, a French trader of meat, filed an action before the Court of first instance (CFI) seeking compensation for the damage which it claimed to have suffered as a result of the adoption and maintenance in force of the European ban on the import of meat from non-approved countries, as well as other measures in compliance with the WTO’s Panel report on the McDonald’s ban (see supra section 3.1).

\textsuperscript{49} In January 2005, the European Communities requested the establishment of a panel regarding the United States and Canada’s continued suspension of concessions and other obligations in the Hormones case (WT/DS320 and 321, US — Continued Suspension). On the possible outcomes of the Hormones dispute, see Daniel Wüger, *supra* note 39, at 17.

\textsuperscript{50} Although not issue of first impression, the ECJ and the CFI have been confronted only twice with individual actions based on DSB reports pronounced against the EC. In both cases, the applicants relied on the WTO Appellate Body Report in the *Bananas* case. In the first case, the ECJ dismissed the claim on procedural grounds (Case C-104/97 P, Atlanta AG v. European Union, [199] ECR I-6983), and in the second the CFI rejected the claim as unfounded relying on the fact that in the meanwhile the EC amended its regulation bringing it into compliance with the DSB report (Case T-254/97, Fruchthandelsgesellschaft mbH Chemnitz v. Commission [1999] ECR II-2743). Following the Biret judgments, two other relevant cases have offered the Courts the opportunity to develop their position on the issue of the effects of DSB rulings within the Community legal order: T-19/01, Chiquita v. Commission ECR II-315 and C-377/02, Leon Van Parys NV v. Belgisch Interventie – en Restitutiebureau (BIRB), ECR I-1465. See *infra* section 5.
into the Community of meat and meat products from cattle treated with certain hormones.

The plaintiff, relying on the WTO Hormones decision condemning this ban as violating WTO law, asked the Court to hold the EC liable for the non-implementation of the report under Article 228 of the EC Treaty (ex Article 215)\(^{51}\).

*Biret* based his action on two arguments. First, it contended that since 1 January 1995 (date of entry into force of the WTO Agreements) the European hormones regime has conflicted with the WTO agreements, particularly with the SPS. Secondly, it stated that this case would fall outside the scope of the classic case law denying direct effect to the WTO Agreements as the violation was “subject of express criticism on the part of the DSB” and was “permanent” since “the EC has expressed its intention to maintain the embargo despite the current state of scientific research”\(^{52}\). In other terms, the plaintiff asked the Court to examine the issue of invokability of DSB reports irrespective of the direct applicability of the WTO Agreements.

However, the Court of first instance dismissed the action for damage by referring to the “firmly established case-law” denying the right of individuals to rely on WTO rules before the European Courts\(^{53}\). It then added that the “decision of the DSB of 13 February 1998 […] cannot alter” this conclusion.

\(^{51}\) According to EC’s settled case law, in order for the EC to be held “non-contractually” liable, a number of conditions have to be met: a) the conduct of the EC institutions must be unlawful; b) there must be a real and certain damage c) there must be a causal link between the conduct of the institution concerned and the alleged damage. In the present claim, the central question is to determine whether the EC’s attitude vis-à-vis the Hormones decision satisfies, in the light of the ECJ’s case law, the unlawfulness requirement.

\(^{52}\) *Case T-174/00, Biret International v. Council*, para 58 and *Case T-210/00, Etablissements Biret et Cie SA*, para 65, supra note 19.

\(^{53}\) *Case T-174/00, Biret International v. Council*, para 61 and *Case T-210/00, Etablissements Biret et Cie SA*, para 71, supra note 19.
According to the Court,

“There is an escapable and direct link between the decision and the plea alleging the infringement of the SPS Agreement, and the decision could therefore only be taken into consideration if the Court had found that Agreement to have direct effect in the context of a plea alleging the invalidity of the directives in question”\(^{54}\).

Although suggested by the applicant to examine the two issues separately, the Court, in line with its traditional case law, treated the invokability issue as strictly related to the question of direct effect of WTO rules. It then emphasized \textit{ad colorandum} that

“the purpose of the WTO Agreements is to govern relations between States or regional organizations for economic integration and not to protect individuals”\(^{55}\).

\textbf{4.2 The Advocate General’s opinion}

Biret introduced an appeal against the CFI’s judgment, thus giving the Advocate General (AG) the opportunity to deliver an opinion on the matter\(^{56}\). Surprisingly, the Advocate General Alber sided with the applicant, by advising the ECJ to recognize the possibility of individuals to invoke DSB reports and, accordingly, to hold the EC liable for failure to implement the \textit{Hormones} ruling.

How did the AG come to this “revolutionary” conclusion?\(^{57}\)

\(^{54}\) Case T-174/00, Biret International v. Council, para 67 and Case T-210/00, Etablissements Biret et Cie SA, para 77, supra note 19.

\(^{55}\) Case T-174/00, Biret International v. Council, para 62 and Case T-210/00, Etablissements Biret et Cie SA, para 72, supra note 19.

\(^{56}\) The task of the Advocate General is to propose to the Court, in complete independence, a legal solution to the case in question. Its Opinion does not bind the Court of Justice. See, Opinion of Advocate General Sigbert Alber in Cases C-93/02 and C-94/02, Biret International v. Council, delivered on 15 May 2003, ECR I-10565.

\(^{57}\) Geert Zonnekeyn, \textit{EC Liability for the Non-Implementation of WTO Dispute Settlement Decisions – Advocate General Alber Proposes a “Copernican In-
The AG started his opinion by analyzing in great detail the Dispute Settlement Dispute’s mechanisms. Relying on Art. 22 of the DSU, the AG took the position that WTO Members do not have other (legal) choice than to comply with the adopted reports. The recognition of a “direct effect” to a Panel and/or Appellate Body’s ruling – he proceeded – would not reduce the margin of discretion that WTO Members enjoy in the implementation process, as there is no room for further negotiations.

Moreover, even if the implementation of DSB rulings and recommendations requires the adoption of a legislative act, the European Community has not adopted during the last four years any acts following the expiration of the reasonable period of time accorded to comply with the decision. Against this backdrop, the AG wondered whether Biret should face this situation without any possibility of recovery or should it rather be entitled to invoke the Hormones decision establishing the WTO illegality of the ban.

The AG embraced the latter conclusion relying on the existence of a fundamental right of free trade within the EC legal order. According to Alber, it would not only be unfair to refuse to compensate the damages suffered by an individual as a result of the non-compliance – lasting for more than four years – with a DSB report, but it would also amount to a fundamental right’s violation. In addition, he argued that the recognition of the right of individuals to invoke WTO’s reports before the courts does not imply per se an individual’s right to compliance. Private operators would not be able to oblige the European Community to implement the decision in a particular way, but they would simply be allowed to claim damages suffered as a result of the non-compliance. In other terms, the AG made a claim in favor of the invokability of DSB reports by arguing that this would

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58 AG opinion, supra note 56, para 86.
59 AG opinion, supra note 56, para 95.
60 AG opinion, supra note 56, para 90.
61 AG opinion, supra note 56, para 92.
not reduce the margin of discretion that EC authorities enjoy in ensuring the implementation of the WTO’s rulings.

Finally, the AG clearly stated that where a DSB report establishes a WTO violation and the EC has not complied with the report, within a reasonable period of time, WTO law is “directly applicable.” In other words, the expiration of the reasonable period of time marks the instant in which the EC obligations stemming from the WTO turn into a legally enforceable provisions should the plaintiff, like Biret, claim for damages.

4.3 The ECJ’s judgment

As announced by some commentators, it was quite unlikely that the Court would have adhered to the AG’s position. Therefore the judgment caused no surprise when it rejected the appeal in its entirety.

However, a careful reading of its text shows the will of the Court to bring its classic case law a bit further towards the recognition of some role for individuals in the implementation phase of DSB reports.

The ECJ first criticized the CFI for having reduced the issue of invokability of the DSB report to the one of direct effect of WTO rules stating that

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62 AG opinion, supra note 56, para 114.
63 Zonnekeyn, supra note 57; at 769.
“… such reasoning does not suffice […] to deal with the plea put forward by the applicant at first instance concerning infringement of the SPS Agreement”.

The Court also faulted the CFI for not having considered the EC ban in the light of the *Hormones* ruling since DSB reports provide grounds for a review by the Community Courts of the legality of EC law.

However, the ECJ, after showing such an unexpected opening towards a possible control upon EC rules under the DSB findings, ultimately rejected the action since Biret did not suffer any damages after the expiration of the reasonable period of time to comply with the report. Biret went out of business in 1995, while the 15 month-period within which to implement the report elapsed only in May 1999. According to the Court, recognizing a right to recover damages suffered before the end of this deadline would render ineffective the grant of a reasonable period of time for compliance with the DSB report.

On the basis of these arguments, the Court has rejected the appeal in its entirety. However, in the same judgment, the Court seemed to leave open the possibility that individuals may rely on DSB reports to recover those damages encountered after the expiration of the reasonable period of time within which the EC is supposed to comply.

5. **The follow-up on the case law: the 2005 *Chiquita* judgment**

A conclusion similar to that developed in *Biret* has been reached by the CFI in a judgment delivered in 2005: Case T-19/01 Chiquita Brands International and other v Commission. Although the factual

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65 Case C-93/02 P, Biret International v. Council, para 56 and Case C-94/02 P, Etablissements Biret et Cie SA, para 59, supra note 19.
66 Case C-93/02 P, Biret International v. Council, para 57 and Case C-94/02 P, Etablissements Biret et Cie SA, para 60, supra note 19.
background is partly different from that of the *Biret* case, the Court confirmed, in some *obiter dicta*, the approach undertaken in that previous judgment.

Chiquita brought an action against the Commission for compensation in respect of the loss it had allegedly suffered by reason of the adoption and maintaining in force of Regulation 2362/98, which had been adopted to comply with a previous DSB Ruling holding the EC common regime for bananas WTO-incompatible.

Unlike the situation at stake in *Biret*, the damages allegedly suffered by Chiquita were not due to the legislative inactivity of the EC institutions following the DSB ruling, but they stemmed from the allegedly bad implementation of the *Bananas* DSB ruling. This explains why Chiquita's arguments were exclusively based on the *Nakajima* exception – according to which direct effect of WTO rules must be recognized where the EC intended to implement a particular obligation assumed in the context of GATT/WTO. However, in the circumstances of the case, the CFI provided for a very narrow interpretation of such a doctrine. After drawing a distinction between EC measures adopted "to comply with" WTO law and those adopted "to implement" WTO law, it held that the *Nakajima* exception only applies to the latter. This approach has been then confirmed in *Van Parys* (at paras 50-52).

The Court went on by examining "what the possible consequences as regards compensating individuals would be of non-implementation by the Community of a DSB ruling finding a Community measure incompatible with WTO". He did so even though it is "a question which the applicant has not expressly raised independently of that concerning the application of the Nakajima case-law".

Contrary to the position taken by AG Alber in *Biret*, the CFI excluded the review of the legality of the Community measures not only before the reasonable period has expired but also afterwards, "until the question of implementing the DSB ruling is resolved". Against this backdrop, the CFI declared that it could not review the legality of the Regulation adopted to comply with the DSB ruling because the banana dispute was still on the DSB agenda when Chi-
quita brought the damages action before it. According to the Court, a review of the legality of the EC Regulation at stake would risk to interfere with the solutions available to the Community to implement the DSB report and this also if it would occur after the expiry of the reasonable period of time.

By this *obiter dictum* the CFI seems to have blurred again the distinction it has previously made in *Biret* between the question of the legal effects of DSB reports and that relating to the direct effect of WTO law. However, the possibility for individuals of invoking DSB reports recognizing that WTO rules have been infringed in order to recover the damages stemming from their non-implementation does not seem entirely excluded. Under this judgment, such a possibility would seem to be relegated only to those circumstances in which the question of implementation has been resolved. From that moment on it seems that private parties may invoke the unlawfulness of the EC measure in order to recover damages. In these circumstances, private parties had better seen whether the delay in the implementation of the DSB ruling has not exceeded the 5 year time limit set for bringing actions for damages. This solution would indeed lamentably link (and subject) the admissibility of the underlying action to the time which was necessary for reaching an agreement on the implementation.

6. **Some reflections on private parties’ role in the WTO’s report implementation in the light of the Community experience**

Since WTO Agreements fail to provide a satisfactory answer to the question of private parties’ involvement in the implementation of DSB decisions, this issue finally boils down to an interpretative question. Lacking a concrete answer to that question into the WTO Agreements, most WTO members’ courts have taken a very careful position with respect to this issue. As for the panels and the AB, they have discussed about the status of their reports only in one occasion by stating in an *obiter dictum* that
“Whether there are circumstances where obligations in any of the WTO agreements addressed to Members would create rights for individuals which national courts must protect, remains an open question, in particular in respect of obligations following the exhaustion of DSU procedures in a specific dispute”\textsuperscript{68}.

To our knowledge, neither national nor regional courts have ever taken into consideration the DSB decisions in their judgments, by recognizing a right to damage to private parties.

Against this backdrop, I turn now to examine the underlying arguments developed both in the literature and in the case law against the recognition of the invokability of DSB reports.

The analysis will illustrate how most of the legal policy considerations that run against such a recognition may be counterbalanced by other arguments in favor of such a result.

6.1 \textbf{The arguments pro and con “invokability” of DSB reports}

Which are the main obstacles to the recognition of a right of individuals to rely on DSB report?

Most of the arguments that have been developed in both the literature and in court against the enforceability of DSB reports by private parties are strictly interrelated to the issue of direct effect of WTO rules. There is a clear tendency to reduce these two issues to a unique problem.

6.1.1 \textbf{The contra}

The invokability of DSB’s reports has generally been denied on the following grounds.

a) **Direct effect of WTO rules would serve as a pre-condition for the invokability of reports**

According to this argument, lacking WTO rules of direct effect, it would be impossible to recognize a right of individuals to invoke DSB reports as this would lead to granting a *de facto* direct affect to these rules. In other words, recognizing the invokability of the reports would circumvent the well-established lack of direct effect of WTO rules\(^69\).

As underlined above, this argument leads to a situation in which the absence of direct effect protects the WTO Member who ignores a DSB reports, thus shifting the costs of non-compliance from the losing Member to the affected private parties.

I do not find this argument persuasive as I conceive the issue of direct effect of WTO rules as conceptually different from the one of invokability of DSB reports\(^70\). In the former situation, parties would rely on WTO rules before courts by alleging a violation, whereas in the latter a violation would already have been established. Moreover, it has to be noticed that granting a right of individual to invoke DSB reports before courts – to seeking damages – does not amount to the recognition of direct effect to WTO rules as Members would still be free to decide whether or not to comply with the report. In other words, private parties would not be able to obligue the WTO losing Member to implement the decision in a particular way. They would be exclusively allowed to rely on a WTO ruling to seek for damages.

\(^69\) It is mainly relying on this argument that the ECJ has thus far refused to hold the EC liable for its persisting non-compliance with WTO decisions. See, for instance Case C-104/97 P, Atlanta, [1999] ECR I-6983, para 20. The same argument has also been developed in Japan, see Iwasawa, *supra* note 15, at 337.

\(^70\) In the same line of thought, see Cottier, *supra* note 13, at 126 ("this matter is entirely different from the issue of direct effect") and Thomas Cottier & Krista Nadakavukaren Schefer, *The relationship between the world trade Organization Law, National and Regional Law*, 1 J. INT’L ECONOMIC L. 83, 84 (1998) ("This is an issue which legally speaking is separate from direct effect in the traditional sense").
arisen subsequently to the period within which the losing Member should have complied with the report.

In the *Biret* judgment, the ECJ would seem to have easily overcome this argument: it looked prepared to consider itself bound by an adopted report irrespective of the direct applicability of the WTO Agreements. Support for this view can be found in one of its landmark judgments, *Francovich*, in which it has been established that the lack of direct effect does not necessarily exclude liability under EC law. It follows that “invokability” and direct effect are two self-contained concepts.

Finally, this argument can be easily reversed by claiming that it is the very fact of lacking of direct effect that justifies the recognition of a right of individuals to rely on WTO decisions. Since WTO rules lack direct effect, the DSB reports should be enforceable before national courts in order to provide individuals with some judicial protection of the rights they derive from the WTO.

b) Reliance on the reports would upset reciprocity and the balance of power with major trading partners that deny such an effect ("balance-of-concessions argument")

This is the “paramount policy argument” developed to refuse direct effect to WTO rules and, accordingly, any other policy increasing receptiveness for WTO law. According to this view, originally developed under the GATT system, the WTO has to be seen as a framework of balanced trade concessions that have been negotiated during several multilateral negotiation rounds. In this framework, should a WTO Member recognize direct effect, or the mere invokability of the DSB rulings before its courts, this would upset the balance of mutual rights and obligations of that State and the other WTO Members. It follows that as long as any trade power such as the EC or the US do not allow private parties to rely on WTO rules, or on its DSB rulings, before its courts, most of the WTO Members

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71 Case C-479/93, Francovich v. Italian Republic, 1995 ECR I-3843.  
will deny direct effect or any other form of invokability of these rules.

From a political point of view, a stricter enforcement of WTO rules is seen as potentially detrimental to WTO Member’s interests.

The current situation has been effectively described as a deadlock in which “everybody expects someone else to make a move with the result that nobody moves”\(^73\).

Arguably the reciprocity principle is relevant not only to deny direct effect of WTO rules, but also to rule out a possible reliance on WTO reports before courts. Should the ECJ recognize the EC liable for non-implementing the *Hormones* decision, that would put the Community under pressure to bring its measures into conformity. On the contrary, if the US continues to persist in non-complying, for instance, with the recent gambling ruling\(^74\), it would not be subjected to the same kind of pressure. Henceforth, the EC increased receptiveness to WTO law would upset the reciprocity principle.

\(c\) DSB reports would not be binding, but simply one of the implementation options available to the losing member

According to this argument, the legal status of these reports when adopted is strictly related to the question of the nature of legal obligations deriving from the membership to the WTO and its DSS.

As the DSU gives WTO Members the possibility of maintaining the unlawful measures in place beyond the reasonable period of time by allowing compensation or suspension of concessions, it might be argued that full implementation with the DSB reports would not be an absolute obligation\(^75\). Hence the question that arises is: are DSB reports binding upon the parties?

\(^73\) J. Bourgeois, *supra* note 6, at 116; this situation has also been described as an “impasse in academia and practice” by Cottier & Schefter, *supra* note 70, at 84.

\(^74\) United States — Measures Affecting the Cross-Border Supply of Gambling and Betting Services, DS 285.

\(^75\) The most persuasive formulation of this thesis has been developed by Judith Hipler Bello, *The WTO Dispute Settlement Understanding: Less is More*, 90
Professor Jackson\textsuperscript{76}, one of the most prominent voices in the International Trade arena, has convincingly argued that compensation and suspension of concessions, being temporary measures available exclusively in the event that recommendations are not implemented within a reasonable period of time, do not constitute an exception to complying with WTO obligations\textsuperscript{77}. By examining the DSU articles governing the implementation process, he concluded that the DSU “clearly establishes a preference for an obligation to perform the recommendation”\textsuperscript{78}. Indeed, the obligation to comply with the report may be inferred from the language of the DSU itself\textsuperscript{79}.


\textsuperscript{77} The question whether a Panel and Appellate Body reports, once adopted by the DSB, are binding upon WTO Members has been the object of a significant debate during the last decade. There seems to be a consensus among scholars that DSB rulings, once the reasonable period has expired, constitute international legal obligations. Parties do not have other choice than to comply with the DSB rulings. For an overview over this debate, see Jeff Waincymer, \textit{WTO Litigation, Procedural Aspects of Formal Dispute Settlement} 659-664 (Cameron May ed., 2002). See also Joost Pauwelyn, \textit{The Role of Public International Law in the WTO: How Far Can We Go?} 95 A. J. Int’l L. 535, 538 (2001). For a more recent contribution, see Nathalie McNelis, \textit{What Obligations Are Created by World Trade Organization Dispute Settlement Reports?}, J. World Trade 647, 672 (2003).

\textsuperscript{78} Jackson, \textit{supra} note 74.

\textsuperscript{79} Art. 22.1 of the DSU provides that “… neither compensation nor the suspension of concessions or other obligations is preferred to full implementation of a recommendation to bring a measure into conformity with the covered agreements …”.
Therefore, even when it is not implemented by the responsible Member, a DSB ruling is legally binding.

I believe that it would be inconsistent with the legalistic nature of the new DSS to interpret its text by recognizing a complete freedom on whether to comply with DSB decisions. More realistically, compensation is a “practical option to temporarily defuse a dispute between WTO Members who are parties to a dispute”\(^{80}\). This conclusion is confirmed by Article 17, paragraph 14, DSU that reads “An Appellate Body report shall be adopted by the DSB and unconditionally accepted by the parties to the dispute (…)”. Finally, the DSU rules on compensation and retaliation should not act as a barrier to acknowledging that WTO dispute settlement decisions are binding on the WTO Members’ judiciary and, accordingly, may be relied upon by individuals before courts\(^{81}\).

d) The invokability would reduce the margin of discretion that WTO members enjoy in the implementation

Another argument generally put forward to deny the invokability of DSB reports is based on the claim that holding a WTO Member liable for non-compliance would reduce, or completely remove, the legal room of maneuver that WTO Members enjoy in the implementation phase.

A losing WTO Member held liable on that ground, being forced by individuals to implement the report as soon as possible, would lose its discretion in deciding whether or not to comply with the decision.

However, it should be noted that WTO Members’ liability does not reduce per se the ability of the State to decide whether to comply, as it does not entitle the individual to oblige the WTO Member to abide by the report. Therefore, although held liable for non-implementation, the losing Member would still be free to decide whether and how to implement the report.

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\(^{81}\) In the same line of thought, see Eeckhout, *supra* note 72, at 55.
In other words, it is not argued here that courts should suspend the application of domestic law contrary to the decision, as this would admittedly amount to reducing the discretion Members enjoy in complying with WTO obligations. Rather this chapter suggests that individuals should be granted a right to recover the damages suffered as a direct result of persistent and arbitrary non-compliance with DSB reports.

In short, the invokability of these reports would not prevent a losing Member from deciding whether to bring its measure into conformity or to have recourse to temporary measures, such as compensation or retaliation. It would rather protect private operators from a situation of possible denial of justice while giving teeth to the DSS.

Finally, it seems that the reasons for not granting direct effect cannot convincingly be extended to deny the invokability of the reports. In other words, all the reasons for not granting direct effect – whether it is the agreement’s flexibility, the “balance of powers” argument, or the lack of direct effect of WTO rules – “cease to be valid where a violation is established”.

6.1.2 The pros

After having examined why most of the legal policy arguments do not seem really persuasive in denying the possibility of individuals to

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82 This is what was claimed by Van Parys in Case C-377/02. Here, in contrast with AG Tizzano’s opinion, the ECJ denied to the plaintiff the right to plead before a court of a Member State that EC legislation is incompatible with WTO law rules and this notwithstanding the fact that that legislation has been found in breach of WTO law. See on this judgment, A. Alemanno, Droit de l’OMC: Arrêt Van Parys, REVUE DU DROIT DE L’UNION EUROPÉENNE 2005 n° 1 p. 189-193 and L. Nikolaos: The Chiquita and Van Parys Judgments: An Exception to the Rule of Law, Legal Issues of Economic Integration 2005 p. 449-460.

83 Thomas Cottier took this view arguing that in cases where WTO rulings are simply ignored, courts, both of the EC and of its Member states, should no longer apply those measures found inconsistent with the reports. See Cottier, supra note 6, at 374.

84 Eeckhout, supra note 72, at 53.
invoke the settlement dispute reports, I turn to examine some of the arguments in favor of this solution, by presenting some of the advantages that could be attained through more judicial openness and receptiveness for WTO law in national and regional courts.

\( a) \quad \textit{Individuals as the main beneficiaries of the multilateral trade system}\)

Although the WTO is essentially an international organization in which private individuals do not play any role, they are the main beneficiaries of the whole trading system.

A growing number of WTO provisions – such as those concerning public procurement, intellectual property rights or food safety – have an immediate impact not only on legal relations between the WTO Members and their citizens but also between individuals themselves.

This is probably the most appealing legal policy argument that can be made to support the granting of a right of individuals to invoke before national and regional courts the adopted decisions.

As the Panel in Section 301 case has stated:

“… it would be entirely wrong to consider that the position of individuals is of no relevance to the GATT/WTO legal matrix’. Many of the benefits to Members which are meant to flow as a result of the acceptance of various discipline under the GATT/WTO depend on the activity of individual economic operators in the national and global market places. The purpose of these disciplines, indeed one of the GATT/WTO as a whole, is to produce certain market conditions which would allow this individual activity to flourish”\(^85\).

“The multilateral trading system is, per force, composed not only of States but also, indeed mostly, of individual economic operators. The lack of security and predictability affects mostly these individual operators”.

\(^{85}\) See \textit{supra} note 67, para 7.73.
“Trade is conducted most often and increasingly by private operators. It is through improved conditions for these private operators that Members benefit from WTO disciplines…”

Moreover, this argument finds a strong support and might be strengthened by the theory developed by some Authors according to which GATT/WTO rules would lay down fundamental rights of freedom of trade, aimed at restricting the power of governments to regulate their economic activities. If the WTO Agreements provide individuals with fundamental rights, its Members should recognize not only the invokability of the reports, but also the direct effect of WTO rules or at least of some of them, in order to ensure the protection of these rights through enforcement mechanisms. Whenever these free trade rights – the argument proceeds – should be considered also as fundamental, the absence of justiciability would constitute a dangerous hole in the legal system.

In this line of thought, one may conclude by stating that, by having a fundamental economic right to be compensated, private business operators must be able to invoke the non-implementation of these reports as a basis for liability of the WTO losing Member.

b) Denial of justice and legitimate expectations

This chapter has already described the situation of denial of justice that it might arise from the deliberate WTO Member’s decision to not comply with a report. As we have seen, the DSU, by providing alternative, although temporary, measures to implement the WTO decisions, such as compensation and retaliation, makes individuals bear the cost of non-compliance without allowing them to rely on WTO’s reports before national courts.

86 See supra note 67, para 7.76.
87 See in particular the writings by Ernst-Ulrich Petersmann, National Constitutions and International Economic Law, in HILF & PETERSMANN, supra note 5, at 3-52; contra, Steve Peers, Fundamental right or Political Whim? WTO Law and the European Court of Justice, in DE BURCA & SCOTT, supra note 6, 111, at 130.
When a losing Member does not comply with a DSB report, it is presumably aware of its unlawfulness and of the possibility of harm inflicted to some private parties. However, under the current DSU regime, private parties affected by the persisting non-implementation with the report are not entitled to invoke the WTO decision before any courts. Conversely, the lack of invokability of the reports is judicially protected by the DSS.

What about all those companies affected by either the persistent WTO violation or by the retaliatory measures?

It would be unfair to deny to private parties the right to claim for damages in a situation in which the losing Member’s inaction would negatively impact on its business. It has also be argued that non-compliance with a DSB report may amount to a weakening of protection of legitimate expectations88.

From an EC perspective, this situation is even less tolerable to the extent that the Community Legal order considers not only the Member States as subjects but also the individual. Therefore I believe that the absence of protection of individual rights currently existing within the DSS calls for the recognition by the European Courts of the invokability of the DSB reports as the only possible way to give the individuals the right to seek for damages suffered as a result of the EC’s non-compliance.

\textit{c) Incentive to comply with DSB reports: toward full compliance?}

Holding a WTO losing Member liable for non-compliance with DSB reports would contribute to the health of the WTO dispute resolution, by providing an adequate incentive for Members to comply with their obligations under WTO rules, while yet at the same time depriving them of the discretion they enjoy in the implementation process.

\footnote{88 Cottier & Scheffer, \textit{supra} note 70, at 85.}
Although the final goal of the DSS is not to assure full compliance with the DSB reports, but simply to achieve between the parties a mutual acceptable solution, “policies of simply ignoring the rulings by blocking their adoption are no longer available”. From a legal perspective, a DSB report is a “legally binding order” addressed to a WTO Member, whose adoption cannot be blocked any longer by the losing Member. Equally, from a political perspective, ignoring adopted recommendations is not possible without carrying high political costs because of the increasing pressure from both outside (other governments) and inside (affected private parties) the country. Last, but not least, non-compliance, being negatively perceived by the public opinion, may damage the reputation of the losing country that may find itself under the public spotlight. Hence, non-compliance, causing problems abroad and at home, is increasingly feared by WTO Members.

Henceforth, the threat of being condemned to pay damages arisen subsequently to the period within which the WTO Member should have implemented the report may constitute a great incentive to comply, by reinforcing the judicial nature of the DSS.

Finally, the perspective of being obliged to pay damages associated with the threat of retaliatory measures may considerably enhance the incentives to abide by the WTO settlement disputes’ decisions. While the total costs of non-compliance would inevitably increase, their burden would partly shift from the economic operators to the losing Member.

\[ \textbf{d) More fair balance between the conflicting interests of the WTO actors} \]

This argument holds that reliance on DSB reports would provide a valuable solution to the need of striking a more fair balance between

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89 See Carlos M. Vazquez & John Jackson, *Some reflections on Compliance With WTO Dispute Settlement Decisions*, 33 LAW & POL’Y INTL BUS. 555, 565 (2002) explain that “members were unwilling to pay the collateral costs in terms of sovereignty for a regime that would achieve [full] compliance”.

90 Cottier, *supra* note 6, at 364.

the interests of the WTO actors: its Members and their private business operators.

The invokability of DSB reports could improve the relationship that private operators have with the multilateral trading system without subverting its flexible diplomatic nature. Indeed, in Biret-like situations, the admissibility of action for damages would offset the negative impact that a Member State's non compliance may have on private parties without producing any negative consequence from a reciprocity viewpoint.

e) Increased enforcement level of DSB Rulings

The recognition of some legal effects deriving from the non-implementation of these decisions, by turning individuals into enforcement actors, could also bring about major changes in the level of enforcement of DSB rulings. That is exactly what the recognition of direct effect of the EC provisions has given rise to within the Community legal order.

These arguments seem to justify, at least in principle, the acknowledgement of the invokability of DSB reports before the courts of the WTO losing Member. Indeed, it is by partly relying on these arguments, originally developed by the AG, that the ECJ seemed to have considered itself bound by the DSB rulings irrespective of the direct applicability of the WTO Agreements.

7. Conclusion

Although WTO Members are aware of the importance to protect also private individuals as far as the DSS is concerned, they also pursue other equally important interests that may not necessarily coincide with those of private operators. This is the reason that explains why the WTO, notably its DSS, has been conceived as a flexible system

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that allows parties to deviate from the rules whenever they think it is necessary. However, there is an increasing pressure for more direct involvement of private parties in the WTO dispute settlement\textsuperscript{93}.

This chapter, after assuming that arbitrary non-compliance should not be judicially protected by the DSS, tried to develop a solution capable of addressing private parties’ interests within the DSS’s implementation process.

Since private parties are those most affected by the inefficiencies of the DSS, it is important to find a way to somehow accommodate their interests within the system without subverting the DSS’s main objective, which is to promote mutual acceptable solutions between Members.

The analysis ventures to suggest that allowing individuals to seek compensation of damages deriving from non-compliance by the losing Member might be a valuable solution to strike a more fair balance between the interests of the WTO actors: its Members and their private business operators. As a result, the invokability of DSB reports could improve the relationship that private operators have with the multilateral trading system without modifying its flexible nature.

It is not argued here that WTO Members’ courts should suspend the application of domestic law contrary to the decision, as this would inevitably compress the margin of discretion Members enjoy in complying with WTO obligations under Article 21(6) DSU, but it has been simply suggested that it should be granted a right of individuals to recover the damages suffered as a direct result of persistent and arbitrary non-compliance with DSB reports. The recent Biret judgment by the ECJ seems to prove that such an approach, at least within the EC, may reasonably encounter the favor of the Courts,

\textsuperscript{93} Apart from the numerous claims made in the literature for granting individuals access to the WTO dispute settlement proceedings, the debate ranging over whether private parties should be allowed to submit their amicus curiae briefs before the panels and AB clearly shows the existence of this trend. See supra note 11.
even those of large trading powers\textsuperscript{94}. The Chiquita judgment would seem to have confirmed such a result although promoting a more restrictive approach. Should the courts of one WTO Member open their doors to private parties’ claims relying on DSB reports, this solution would probably reverberate beyond its borders. This opening could positively impact the whole WTO DSS’s proceedings by giving incentives to the losing Member to comply with DSB rulings thus promoting higher compliance with the DSB rulings. Regardless of their origin, all economic operators affected by the non-compliance with a DSB decision should be entitled to seek compensation before the Courts of the losing Member who consciously and persistently chooses not to give effect to the WTO ruling. As a result, both the private parties directly affected by the WTO violation and those affected by the sanctions imposed as a result of the non-compliance, would be allowed to claim damages before the Courts of the losing WTO Member. As showed above, this could happen without subverting the “complex package deal” represented by the WTO\textsuperscript{95}, nor its “principle of equilibrium”\textsuperscript{96}. Indeed, this solution would not reduce the margin of discretion Members enjoy in the implementation process nor it would force them to comply with the reports.

However, it remains open the question to see how this result may be attained within the current WTO institutional framework. This solution may be either left to each WTO Member, who may act domestically, or it may be agreed multilaterally at international level. In view of the progressively judicialization of the DSS, it would not seem totally far-fetched to seek multilaterally agreed rules regarding the internal effect of DSB reports in future negotiations\textsuperscript{97}. The rule-

\textsuperscript{94} On the issue of unilateral implementation of decisions of the DSB in specific and adjudicated cases by “large trading powers”, see Cottier & Scheffer, supra note 70, at 117.

\textsuperscript{95} Snyder, supra note 6, at 365.

\textsuperscript{96} Miquel Montana I Mora, Equilibrium: A rediscovered basis for the Court of Justice of the European Communities to refuse direct effect of the Uruguay Round Agreements?, 30 J. WORLD TRADE 43, 59 (1996).

\textsuperscript{97} Negotiations on the reform of the WTO Dispute Settlement System are currently under way and they do not have led yet to an amendment of the DSU.
oriented nature of the current dispute settlement would justify the introduction of some enforcement remedies capable of strengthening its implementation process. The introduction of a WTO Member liability for non-implementation of a ruling would be likely to improve the overall effectiveness of the DSS by moving the system closer to the objective of full compliance

Finally, if it is true that the main weakness of the DSS – currently under scrutiny – lies in the fact that it does not provide incentives for Members to comply with their WTO obligations, I believe the invokability of DSB reports before the courts of the WTO losing Member could pave the way to achieving the goal of full compliance. Should the EU recognize the possibility for individuals of invoking DSB rulings in order to obtain damages, this judge-made solution would set a relevant example for the other WTO Members. The high levels of legitimacy and acceptance reached by the Panel and AB reports among WTO Members could not but facilitate that process.