

Implementation and monitoring

- In October, the General Council approved the membership of Vanuatu. At the Ministerial Conference in December, the membership of Russia, Montenegro and Samoa was also approved.
- The WTO's trade monitoring reports showed that despite the economic crisis, WTO members had generally continued to resist protectionist pressures and kept markets open.
- The reports warned of potential dangers in the near future due to uncertainties in the global economy, persistently high levels of unemployment and tensions over foreign exchange rates.
- The number of regional trade agreements (RTAs) between WTO members continued to increase, with the WTO receiving 25 new notifications in 2011.

Did you know?

509

By the end of 2011, WTO members had notified 509 regional trade agreements to the WTO.

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General Council

In 2011, the General Council oversaw the progress of the Doha Round negotiations on the basis of reports from the Director-General in his capacity as Chair of the Trade Negotiations Committee. The General Council also heard the Director-General's annual report on accessions as well as his report on the development assistance aspects of cotton. Ahead of the December Ministerial Conference, the General Council agreed on three broad themes – the 'Elements for Political Guidance'. These were the importance of the multilateral trading system, trade and development, and the Doha Development Agenda.

Preparations for the 8th Ministerial Conference

At the beginning of 2011, the Chair of the General Council initiated consultations in preparation for the 8th Ministerial Conference (see page 18). From May to November, the Chair undertook an intensive preparatory process to define both the substantive and organizational aspects of the conference. Delegations were consulted regularly. This process resulted in consensus on three broad themes: the importance of the multilateral trading system and the WTO; trade and development; and the Doha Development Agenda. These 'Elements for Political Guidance' formed the first part of the concluding statement of the Chair of the Ministerial Conference.

Accession of Vanuatu

In October, the General Council approved the text of the Draft Protocol on the Accession of Vanuatu and adopted the draft decision on this accession and the report of the respective working party. Vanuatu had until 31 December 2011 to ratify the deal.

China – Transitional Review Mechanism

At its November meeting, the General Council conducted the final review of China's implementation of the WTO Agreement and the provisions of its Protocol of Accession under the Transitional Review Mechanism, including reports by the subsidiary bodies charged with carrying out this review.



Background on the General Council

The General Council is entrusted with carrying out the functions of the WTO and taking actions necessary to this effect between meetings of the Ministerial Conference in addition to carrying out the specific tasks assigned to it by the Agreement establishing the WTO. The 8th Ministerial Conference was held in Geneva in December 2011.

TRIPS-related matters

In December, the General Council received a report from the Council on Trade-related Aspects of Intellectual Property Rights (TRIPS) on its review of the implementation of paragraph 6 of the Doha Declaration on the TRIPS Agreement and Public Health (see page 56). This relates to special provisions, currently contained in a waiver to the TRIPS Agreement, permitting generic versions of patented medicines to be exported to developing countries with no manufacturing capacity of their own, and which cannot otherwise use TRIPS flexibilities to issue compulsory licences on public health grounds.

Also in December, the General Council agreed to extend until 31 December 2013 the period for WTO members to accept the Protocol amending the TRIPS Agreement that is supposed to replace the waiver.

Aid for Trade

In July, the Director-General reported on the Third Global Review of Aid for Trade (see page 114), which included how members were building trade capacity, results from mobilizing resources and expertise in the development and business communities, and an assessment of current approaches and practices regarding both the allocation and implementation of Aid for Trade, as well as the need in future for a focus on deepening coherence.

Waivers under Article IX of the WTO Agreement

In 2011, the General Council considered and granted several requests for waivers from obligations under the WTO Agreement, as set out in Table 1. It also reviewed the following multi-year waivers:

- Least-developed countries (LDCs) – Article 70.9 of the TRIPS Agreement with respect to pharmaceutical products, granted on 8 July 2002 until 1 January 2016
- Preferential tariff treatment for LDCs, granted on 27 May 2009 until 30 June 2019
- European Union – Preferences for Albania, Bosnia and Herzegovina, Croatia, Serbia and Montenegro, and the Former Yugoslav Republic of Macedonia, granted on 28 July 2006 until 31 December 2011



Frederick Agah (centre) chaired the General Council in 2011.

- European Union – Application of autonomous preferential treatment to Moldova, granted on 7 May 2008 until 31 December 2013
- Mongolia – Export duties on raw cashmere, granted on 27 July 2007 until 29 January 2012
- United States – Former Territory of the Pacific Islands, granted on 27 July 2007 until 31 December 2016
- United States – Caribbean Basin Economic Recovery Act, granted on 27 May 2009 until 31 December 2014
- United States – African Growth and Opportunity Act, granted on 27 May 2009 until 30 September 2015
- United States – Andean Trade Preference Act, granted on 27 May 2009 until 31 December 2014
- Kimberley Process Certification Scheme for rough diamonds, granted on 15 December 2006 until 31 December 2012
- Canada – CARIBCAN, granted on 15 December 2006, from 1 January 2007 until 31 December 2011
- Cuba – Article XV:6 of the General Agreement on Tariffs and Trade (GATT) 1994, granted on 15 December 2006 until 31 December 2011.

Other issues

The General Council conducted a review of the exemption under paragraph 3 of the GATT 1994, and adopted decisions on the amendment to the procedures on certification of Harmonized System 2007 changes and on a procedure for the introduction of Harmonized System 2012 changes using the Consolidated Tariff Schedules database (see page 42).

Also brought to the General Council for consideration were the following: food export barriers and humanitarian food aid by the World Food Programme, raised by the European Union; improving the record of notifications, raised by the European Union; the WTO response to the impact of the food crisis on LDCs and net food-importing developing countries (NFIDCs), raised by the NFIDCs, African and Arab Groups; a proposal for furthering work on regulatory measures in financial services, raised by Ecuador; and the European Union's exports of out-of-quota sugar, raised by Brazil.

As part of its overall oversight function, the General Council also conducted a year-end review of WTO activities on the basis of annual reports from all its subsidiary bodies. These reports were forwarded to ministers at the Ministerial Conference. In addition, it reviewed matters relating to the WTO budget, the building renovation project for the Centre William Rappard and the WTO

pension plan, and considered a report from the Joint Advisory Group of the International Trade Centre (ITC). The Joint Advisory Group is the policy-making body of the ITC, the trade promotion agency for developing countries jointly sponsored by the WTO and the United Nations Conference on Trade and Development (UNCTAD).

Table 1: Waivers under Article IX (Decision-Making) of the WTO Agreement

In 2011, the Ministerial Conference and the General Council granted the following waivers from obligations under the WTO agreements.

Member(s)	Type	Decision of	Expiry	Decision
Least-developed countries	Preferential treatment to services and services suppliers of least-developed countries	17 December 2011	17 December 2026	WT/L/847
Australia; Brazil; Canada; China; Costa Rica; Dominican Republic; El Salvador; European Union; Guatemala; Honduras; Hong Kong, China; India; Israel; Republic of Korea; Macao, China; Malaysia; Mexico; New Zealand; Norway; Pakistan; Singapore; Switzerland; Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu; Thailand; and United States	Introduction of Harmonized System 2012 changes into WTO schedules of tariff concessions	30 November 2011	31 December 2012	WT/L/834
Argentina; Australia; Brazil; Canada; China; Costa Rica; Croatia; Dominican Republic; El Salvador; European Union; Guatemala; Honduras; Hong Kong, China; India; Israel; Republic of Korea; Macao, China; Malaysia; Mexico; New Zealand; Nicaragua; Norway; Pakistan; Philippines; Singapore; Switzerland; Thailand; United States; and Uruguay	Introduction of Harmonized System 2007 changes into WTO schedules of tariff concessions	30 November 2011	31 December 2012	WT/L/833
Argentina; Australia; Brazil; China; Croatia; European Union; Iceland; India; Malaysia; Mexico; Thailand; and Uruguay	Introduction of Harmonized System 2002 changes into WTO schedules of tariff concessions	30 November 2011	31 December 2012	WT/L/832
Canada	CARIBCAN	30 November 2011	31 December 2013	WT/L/835
European Union	Application of autonomous preferential treatment to the Western Balkans	30 November 2011	31 December 2016	WT/L/836
Cape Verde	Implementation of Article VII of GATT 1994 and of the Agreement on Customs Valuation	3 May 2011	1 January 2012	WT/L/812

Trade in goods

Over the course of four meetings in 2011, the Council for Trade in Goods considered waivers on tariff commitments – collective extensions regarding the on-going harmonization of tariff schedules, and some individual requests – and discussed a number of trade concerns raised by WTO members.

The Goods Council assessed two collective requests for extensions concerning changes to schedules of tariff concessions to be applied under the Harmonized System (HS), which is the global classification system for traded goods. Since 1999, members have been obliged to update their tariff schedules periodically to reflect changes in the HS.

The Council approved various requests for waivers. Cape Verde sought a waiver relating to the implementation of the WTO Agreement on Customs Valuation. Canada asked for an extension of a waiver for the Caribbean Initiative (CARIBCAN), an agreement whereby Canada offers duty free treatment to imports of eligible products from beneficiary Commonwealth Caribbean countries, while the European Union requested the extension of a waiver for preferential treatment for the western Balkans. These requests were all forwarded to the General Council for adoption.

Members raised a number of specific trade concerns during the year. These included Ecuador's system of mixed tariffs, Argentina's import licensing measures and procedures and Ukraine's implementation of customs valuation legislation and its export restrictions for cereals. The Council also discussed Brazil's tax measures in the automotive sector and the ruling of the EU Court of Justice on the detection in honey of pollen containing DNA from genetically modified maize.

Note was taken of India and China's notification of their unilateral non-reciprocal duty-free quota-free schemes for least-developed countries (LDCs), and of Mongolia's information about the elimination in June 2009 of an export tax on raw cashmere.

The Council held its final session under the Transitional Review Mechanism (TRM) for China, and received reports on the same issue from subsidiary bodies.



Background on trade in goods

The Council for Trade in Goods is responsible for the workings of all WTO agreements on trade in goods. It consists of the full WTO membership and reports to the WTO General Council. The Goods Council has 11 committees dealing with the following subjects: agriculture, anti-dumping, customs valuation, import licensing, market access, rules of origin, sanitary and phytosanitary measures, subsidies and countervailing measures, safeguards, technical barriers to trade, and trade-related investment measures. All these committees comprise all WTO members. Also reporting to the Goods Council are working parties on state trading enterprises and on the Information Technology Agreement.

Market access

The Committee on Market Access made progress on a number of fronts during 2011. In two meetings, in May and October, it pushed ahead with updating the tariff schedules of WTO members to reflect changes resulting from amendments to the Harmonized System (HS). It also made advances concerning notifications of quantitative restrictions.

At its May meeting, the committee took note of a WTO Secretariat document entitled 'Situation of Schedules of WTO Members', which compiles the legal instruments amending members' schedules of commitments. Most of the work of the committee concentrated on issues relating to four different transposition exercises: the 1996 Harmonized System (HS96), HS2002, HS2007 and HS2012.

By the end of the year, the transposition of schedules of commitments into HS96 had for the most part been concluded, with only three schedules remaining outstanding. There were also major developments on HS2002, with the number of certified files improving dramatically by 65 for a total of almost 100 transposed schedules.

At its meeting in October, the committee gave the secretariat the green light to begin work on HS2007 transposition work. However, because the work of the committee is based on correlation tables prepared by the Harmonized System Committee at the World Customs Organization (which are only indicative in nature and some of which do not have consensus), further discussion on how to address certain lines in the context of this transposition exercise is still required. The committee also discussed a draft decision to modify the HS2007 transposition procedures, which was adopted by the Council for Trade in Goods in November 2011.

The committee discussed the procedure for the introduction of HS2012 changes to schedules of commitments, and agreed to forward the document for adoption through the Council for Trade in Goods to the General Council. It also gave the go-ahead for collective waivers to HS2002, HS2007 and HS2012, and forwarded them to the Council for Trade in Goods for action. Waivers in the context of HS96 had expired and no extensions were sought.

Another area in which the committee made good headway was in discussing the timeliness and completeness of notifications. The committee was close to finalizing procedures for member notifications of quantitative restrictions but consultations to finalize them are still required.

As with all WTO committees, the Committee on Market Access held a final transitional review of China, bringing an end to an annual process that began with the country's accession to the WTO in 2001.

Databases

The secretariat reported on the development of the Integrated Data Base (IDB) and the Consolidated Tariff Schedules (CTS) database, their use, the status of software development and technical assistance. The committee took note of the status of submissions to the IDB and of secretariat efforts to encourage them. The IDB compiles information on applied tariffs and imports, as notified by members, while the CTS compiles information on members' schedules of commitments. The databases are used – among other things – for the calculation of 'ad valorem' equivalents (duties expressed as a percentage of the value of an item) of tariffs based on quantity or weight.



Background on market access

The Committee on Market Access provides a forum for consultation and supervises the implementation of tariff and non-tariff concessions that are not covered by any other WTO body. It also seeks to ensure that schedules of commitments are kept up to date, including changes required by amendments to the Harmonized System (HS). This is crucial for surveillance purposes (i.e. to be able to compare tariffs in the schedules of commitments with those applied in practice by WTO members). The HS, developed by the World Customs Organization, allows countries to classify traded goods on a common basis. It has been updated three times since 1996.

Agriculture

Food security, export restrictions and countries' domestic support programmes (subsidies and other assistance for farmers) were some key concerns of the Committee on Agriculture as it pursued its core activity of reviewing members' compliance with their reform commitments. The committee also worked on implementation issues for which it has responsibility under the Doha Development Agenda, such as developing disciplines on export credits. Grenada, Maldives and Swaziland were included in the WTO list of net food-importing developing countries (NFIDCs) within the framework of the Marrakesh Decision, which sets out objectives on the provision of food aid and other assistance to the beneficiary countries.

At its four meetings in 2011, the committee reviewed progress in the implementation of WTO members' reform commitments on the basis of their notifications and matters specifically raised under Article 18.6 of the Agreement on Agriculture (which allows members to raise any matter relevant to implementation). It also continued its work on improving the timeliness and completeness of members' notifications of how they are applying their commitments on market access, domestic support export subsidies and other topics. Notifications are the principal source of information for monitoring compliance.

As in previous years, the committee had a dedicated discussion on the implementation and monitoring of the Marrakesh Decision. The world's food import bill is likely to make a record-breaking leap to unprecedented heights, while policies to stabilize prices might have backfired, the committee heard in November. Furthermore, in the lead-up to the 8th Ministerial Conference, a special meeting of the committee was organized to consider a proposal by a group of members to establish a work programme on food security.

Building on discussions held in 2010, the committee intensified its work towards an agreement on an updated list of 'significant exporters' within the framework of notification requirements on export subsidies. Sorting out the revision of significant exporters will improve its ability to monitor export subsidies and the potential for exports to be subsidized and commitments to be evaded. Significant exporters were defined in 1995 as countries



whose share of total world exports in particular products exceeds 5 per cent and who, in addition to members with export subsidy reduction commitments, are subject to notification requirement on total exports.

Among the issues raised in the committee were:

- systemic concerns about delays in remedying breaches of domestic support commitments
- 'underfill' of certain tariff quotas (set import quantities allowed in at lower duty) – if part of a tariff quota is unused, this may be due to supply and demand conditions or to problems in the administration of the tariff quota
- methodological and definitional issues related to domestic support due to members' notification practices (the Agreement on Agriculture contains detailed guidance on the calculation and categorization of domestic support measures)
- recourse to special safeguard provisions (permitting a temporary increase in tariffs to deal with import surges or price falls) on certain products
- concerns over frequent and non-transparent use of export restrictions
- protectionist use of technical and sanitary measures.



Background on agriculture

The Agreement on Agriculture aims to reform trade and make WTO members' policies more market-oriented. The rules and commitments apply to the areas of market access, domestic support and export competition, as well as export restrictions and prohibitions. The Committee on Agriculture meeting in regular session oversees the implementation of the Agreement.

Throughout the year the committee worked on three implementation-related issues for which it has responsibility under the Doha Development Agenda. These are: developing disciplines on export credits and other export financing measures; improving the effectiveness of the decision taken at the 1994 Marrakesh Ministerial Conference regarding net food-importing developing countries (NFIDCs); and ensuring transparency in the administration of tariff quotas.

A Compendium of Documents on Implementation-Related Issues, consolidating relevant information pertaining to these three areas, was updated in advance of each regular meeting of the committee. The committee also conducted the final review of China's implementation of agricultural commitments under the Transitional Review Mechanism.

Timeliness and completeness of notifications

In 2011, WTO members submitted 180 notifications, taking the total since 1995 to 2,990. However, many notifications remain outstanding and individual members continued to raise specific related concerns. Members nevertheless continued their efforts to 'catch up' with their outstanding notification obligations, in particular by forwarding submissions that often covered multiple implementation years.

The most notable improvement has been for the implementation period 1995-2004: at the end of 2011, 54 members (43 per cent of all members) were in full compliance with their notification obligations compared with 41 (33 per cent) and 51 (41 per cent) at the end of 2009 and 2010, respectively.

A greater awareness of the need for transparency helped to spur the increase for the 1995-2004 period, aided by a number of actions implemented by the committee and the secretariat during 2011. These included:

- issuing (as restricted documents) compilations of questions and answers arising from the implementation review process
- the launch of the new Handbook on Notification Requirements and a self-learning module on the public WTO website in the three WTO languages

- two Geneva-based workshops on agriculture notifications, in English and French, on the sidelines of the regular sessions of the committee and a regional workshop in Spanish in Costa Rica in collaboration with the Inter-American Institute for Agriculture
- continued informal consultations on 'best practices' in preparing and reviewing notifications
- hosting of members' supporting tables (AGST) on the public WTO website. These tables provide background information on data and methodology used by members in deriving their commitments on domestic support and export subsidies in the Uruguay Round or in accessions.
- circulation of a comprehensive compilation of recourse to volume- and price-based safeguard actions since 1995
- informal consultations on updating the list of 'significant exporters' established in 1995 in the context of monitoring members' export subsidy commitments. No decision was reached but discussions will continue in 2012.

The committee will give priority in 2012 to further strengthening its monitoring functions by, among other things, improving notification compliance by members. The secretariat will contribute through technical assistance, including by continuing the cycle of workshops on agriculture notifications, and the development of a comprehensive information database on the implementation review process since 1995.

Sanitary and phytosanitary measures

In 2011, the Committee on Sanitary and Phytosanitary (SPS) Measures took concrete steps on private sector standards for food safety and animal and plant health. It agreed on five 'actions', including developing a definition of private standards. It also decided to encourage joint work by international standard-setting organizations on cross-cutting issues, such as certification and inspection. A workshop in October 2011 focused on identifying good practices in SPS national and regional coordination. It resulted in recommendations for members, and proposed the development of guidelines or a manual of good practices. The WTO Secretariat launched a new online system for submitting SPS notifications.

The SPS Committee approved five actions identified by the working group on SPS-related private standards. Among concerns that some members have raised about private standards are that they are not always based on science, they are numerous and not harmonized, and they are costly for suppliers. The committee actions relate to defining the scope of the discussions on these private standards and promoting information exchange among various actors in this area, including the SPS Committee, the relevant international standard-setting organizations, WTO members, entities involved in SPS-related private standards and the secretariat. Discussion will continue on how to implement the actions, as well as on proposed actions on which there was no consensus.

At its October meeting, the committee agreed to encourage joint work with the Codex Alimentarius Commission of the UN Food and Agriculture Organization (FAO) and the World Health Organization (WHO), the World Organization for Animal Health (OIE) and the International Plant Protection Convention (IPPC) on cross-cutting issues, such as certification, inspection, approval procedures and/or risk analysis. The same meeting conducted the final review of China's implementation of the SPS Agreement under the Transitional Review Mechanism.



At a workshop also held in October, the committee considered ways to improve coordination at the national and regional levels between officials responsible for participation in, and implementation of, the SPS Agreement and the three relevant standard-setting organizations. The workshop resulted in a number of recommendations to members. These address the need to allocate responsibility, to establish effective mechanisms for information sharing, to identify a national SPS policy and set an agenda, to share experiences, to reinforce the importance of SPS issues, to involve the private sector and academia, and to build institutions to guarantee continuity. The workshop also resulted in recommendations that the SPS Committee consider development of guidelines and/or a manual of good practices on SPS coordination.



Background on sanitary and phytosanitary measures

The Agreement on the Application of Sanitary and Phytosanitary (SPS) Measures establishes the rights and obligations of WTO members regarding measures taken to ensure food safety, protect human health from plant- or animal-spread diseases, protect plant and animal health from pests and diseases, or prevent other damage from pests. Governments must ensure that their SPS measures are based on scientific principles.

The SPS Committee considered a wide range of specific trade concerns at each of its three meetings in 2011, including trade measures relating to avian influenza and 'mad cow' disease (bovine spongiform encephalopathy, or BSE), restrictions on ractopamine in beef and pork, maximum levels of pesticide residues in various products, and restrictions related to plant health protection. In 2011, 16 new specific trade concerns were raised, 29 previously raised concerns were again discussed. No trade concerns were reported to have been resolved. A total of 328 specific trade concerns were raised between 1995 and the end of 2011 (see Figures 1 and 2).

In accordance with the transparency provisions of the SPS Agreement, 1,388 notifications (including corrections and revisions) were submitted during 2011, bringing the total number of SPS notifications submitted since the entry into force of the Agreement in 1995 to 13,644. In March 2011, the secretariat launched the new SPS Notification Submission System, which allows members to fill out and submit SPS notifications online. The new system – the first of its kind – allows for more accurate and complete notifications, and a substantial reduction in the time required for the WTO to circulate them.

The system was made available to members on 1 June 2011 upon request. To date, 30 members have requested and been given access to the system, and 13 of these have officially submitted notifications via this system. During November 2011, 35 per cent of all SPS notifications were submitted online.

Figure 1: Number of new SPS trade concerns raised per year

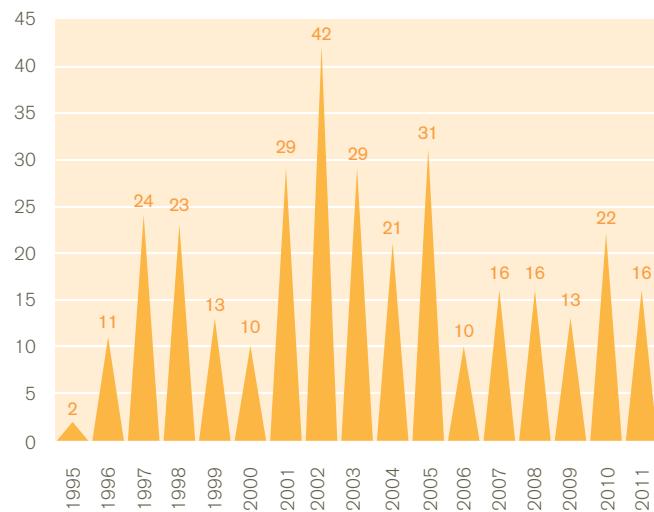
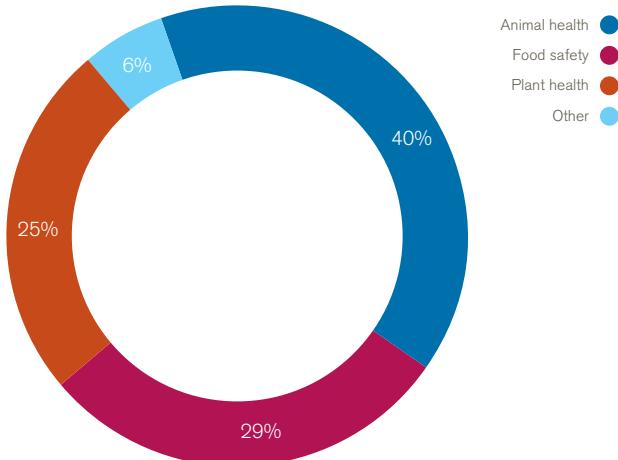


Figure 2: SPS trade concerns by subject, 1995 to end 2011

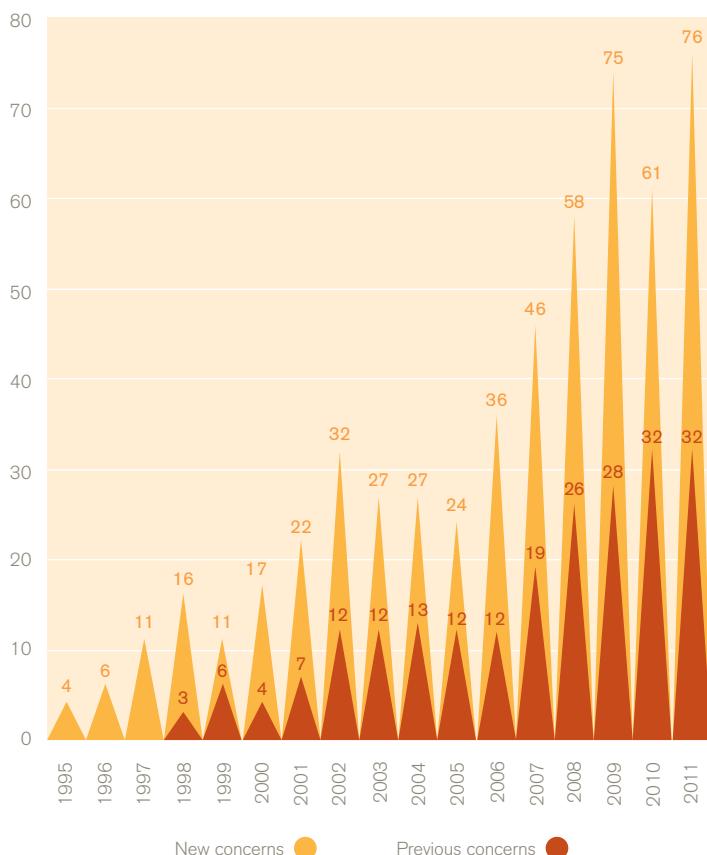


Technical barriers to trade

In 2011, WTO members raised 44 new ‘specific trade concerns’ at the three meetings of the Committee on Technical Barriers to Trade (TBT) on issues ranging from cosmetics to environmental standards. The committee also heard members outline their steps to ensure the implementation and administration of the TBT Agreement. Discussion continued on ways of refining implementation. This is seen as increasingly important due to the growing number of notifications of draft TBT measures and the lengthening discussions of ‘specific trade concerns’ in the committee.

The TBT Committee discussed 44 new trade concerns and 32 older ones on measures regulating cosmetics, alcoholic beverages, food, tobacco, chemicals, electrical and electronic products, as well as vehicle standards and energy labelling. Among these, the two most extensively discussed measures were on the content and packaging of tobacco products. Between 1995 and the end of 2011, over 330 specific trade concerns were raised in the TBT Committee (see Figure 3).

Figure 3: Technical barriers to trade



In 2011, members deepened their discussion on ways and means to improve cooperation in the development of regulations that affect trade. Such cooperation – referred to as ‘regulatory cooperation’ – is essentially a process by which regulators from different governments exchange information on rules and principles for regulating markets. When effective, this cooperation can reduce potential trade conflicts among members. Over 130 officials, including 33 selected developing country experts sponsored by the WTO Doha Development Agenda Global Trust Fund, attended a workshop in November.

Presentations on the experiences of regulatory cooperation were discussed. In addition, the efforts in other regional organizations, such as Asian Pacific Economic Cooperation (APEC), the South Asian Regional Standards Organization (SARSO), the Association of Southeast Asian Nations (ASEAN), the Organisation for Economic Co-operation and Development (OECD) and the United Nations Economic Commission for Europe (UNECE) were represented. The results of the workshop are likely to feed into the on-going 2012 TBT Agreement Triennial Review process.

Disputes

Since 1995, 41 WTO dispute cases have cited the TBT Agreement in the formal dispute settlement consultations. In 2011, three dispute panel reports that dealt mainly with the TBT Agreement were circulated. These disputes concerned challenges related to three US measures: country of origin labelling (COOL) requirements; the production and sale of clove cigarettes; and measures affecting the importing, marketing and sale of tuna and tuna products. A fourth dispute panel, regarding an EU measure prohibiting the importing and marketing of seal products, was also established.

Observers

Representatives of various observer organizations – Codex, the International Electrotechnical Commission, the International Organization for Standardization (ISO), the International Trade Centre (ITC), the OECD, the International Organization for Legal Metrology, the UNECE, the United Nations Industrial Development Organization (UNIDO), the International Telecommunication Union (ITU) and the World Health Organization (WHO) – updated the TBT Committee on activities relevant to its work, including on technical assistance.



Background on technical barriers to trade

The number of regulations adopted by countries continues to grow in response to consumers' demand for safe, high-quality products, the protection of health and the need to curb pollution and environmental degradation. The Agreement on Technical Barriers to Trade (TBT) tries to ensure that regulations, standards, testing and certification procedures followed by WTO members do not create unnecessary obstacles to trade.

Subsidies and countervailing measures

The Committee on Subsidies and Countervailing Measures (SCM) focused in 2011 on encouraging more WTO members to notify their subsidy programmes, and on improving the timeliness and completeness of notifications. It decided to extend the transition period for the elimination of export subsidy programmes of 19 developing countries.

In 2011 the SCM Committee reviewed members' notifications of specific subsidies, notifications of countervailing duty legislation, semi-annual reports of countervailing actions, and ad hoc notifications of preliminary and final countervailing measures taken. However, the Chair, Andreas Krallmann (Germany), expressed serious concern about the state of notifications. He said that 73 members had not yet made their 2009 notifications, and only 36 had submitted those for 2011. He said he would be asking the delegations concerned to explain why they have so far failed to submit their subsidy notifications.

The committee also reviewed the annual updating notifications by developing members granted an extended transition period for the elimination of certain export subsidy programmes. On the basis of the review, the committee agreed to renew the transition period for a further year to the end of 2012. The 19 members are Antigua and Barbuda, Barbados, Belize, Costa Rica, Dominica, Dominican Republic, El Salvador, Fiji, Grenada, Guatemala, Jamaica, Jordan, Mauritius, Panama, Papua New Guinea, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, and Uruguay. The programmes involved are mainly related to free trade zones or to tax incentives for exporters.

In addition, certain developing members are listed in the SCM Agreement as exempt from the general requirement to eliminate export subsidies as long as they remain low-income countries. To qualify for exemption, a listed member must have a per capita gross national product (GNP) of less than US\$ 1,000, as reported by the World Bank. Listed members in 2010 were the Plurinational State of Bolivia, Cameroon, Congo, Côte d'Ivoire, Egypt, Ghana, Guyana, Honduras, India, Indonesia, Kenya, Nicaragua, Nigeria, Pakistan, Senegal, Sri Lanka and Zimbabwe. Least-developed country (LDC) members are also exempt from the prohibition on export subsidies.

The SCM Agreement requires members to notify their specific subsidies each year. Members are asked to give priority to submitting new and full notifications every two years, while the committee gives less emphasis to reviewing updated notifications. In 2011 the committee continued its consideration of 2007 and 2009 new and full subsidy notifications and started its review of those for 2011. The committee also reviewed notifications related to countervailing duty legislation. At both its May and October meetings, the committee discussed ways to improve the timeliness and completeness of notifications and other information flows on trade measures under the SCM Agreement.

In the 12 months to 30 June 2011, five members notified the committee of 12 new countervailing duty investigations, including five initiated by the United States and four by the European Union. At the end of June, there were 80 notified countervailing measures in force (definitive duties and price undertakings), of which 50 were maintained by the United States, 11 by the European Union and nine by Canada.



Background on subsidies and countervailing measures

The Subsidies and Countervailing Measures (SCM) Agreement regulates the use of subsidies by WTO members as well as the use of countervailing measures (usually in the form of increased duties) by members where subsidized imports of a product are causing or threatening to cause injury to the domestic industry. The SCM Committee provides WTO members with the opportunity to discuss any matters relating to the operation of the SCM Agreement.



Anti-dumping practices

The Committee on Anti-Dumping Practices reviewed new legislative notifications, the semi-annual reports and ad hoc notifications of preliminary and final actions taken by WTO members at its two meetings in the spring and the autumn. In the period January–September, members initiated 120 anti-dumping investigations compared with 122 in the same period in 2010.

Members taking anti-dumping actions have been using the revised report format, adopted in 2008, to submit their semi-annual reports. Furthermore, many members taking anti-dumping actions have been using the minimum information format as revised in 2009 to provide their ad hoc notifications of such actions, and it has been observed that compliance with this notification obligation has improved. Following the creation of a more specific automated reply to electronic notifications, most members have been providing all their notifications electronically.

Australia, Indonesia, Mexico, Thailand, Ukraine and the United States increased their initiations of anti-dumping investigations in 2011. However, frequent users such as Brazil, India and Pakistan slowed their anti-dumping activity significantly.

The Working Group on Implementation discussed papers on 'constructed' export price, the accuracy and adequacy test, known causes of injury and sunset reviews at its spring and autumn meeting. The constructed export prices refers to cases where it appears to the authorities that an export price is unreliable and so one is created on the basis of the price at which imported products are first resold to independent buyers. The adequacy and accuracy test is used by anti-dumping authorities to assess whether there is sufficient evidence to launch an anti-dumping investigation. Finally, the sunset review is when at the end of an anti-dumping duty, the authorities have to decide, based on another investigation, whether to extend the duty or lift it.

Background on anti-dumping practices

WTO members are allowed to apply 'anti-dumping' measures on imports of a product where the exporting company exports the product at a price lower than the price it normally charges in its own home market and the dumped imports cause or threaten to cause injury to the domestic industry. The Committee on Anti-Dumping Practices provides WTO members with the opportunity to discuss any matters relating to the Anti-Dumping Agreement.

Customs valuation

The Committee on Customs Valuation continued its work in reviewing the legislation of a number of countries and made particular progress with regard to Cambodia, China, Costa Rica, Thailand and Ukraine. Technical assistance was provided through national and regional workshops. The most recent update of notifications under the Agreement on Preshipment Inspection was circulated.

At its two meetings in 2011, the Committee on Customs Valuation made significant progress with regards to Cambodia, China, Costa Rica, Thailand and Ukraine. The examinations of two of them – Cambodia and Thailand – could be concluded in the near future. In addition, the committee also continued its review of the legislation of the Kingdom of Bahrain, Belize, Nigeria, Saint Vincent and the Grenadines, and Tunisia. With regards to Ukraine's legislation, several WTO members expressed satisfaction with moves to improve Ukraine's customs legislation to include all provisions of the Customs Valuation Agreement.

By the end of 2011, 85 members (European Union members counting as one) had notified their national implementing legislation on customs valuation to the committee. However, notifications by 41 members remained outstanding. The Customs Valuation Agreement stipulates that members must ensure that their laws, regulations and administrative procedures comply with its provisions, and must notify the committee of any changes.

Technical assistance on customs valuation was delivered in the context of national and regional workshops in Barbados (for Caribbean countries), in Austria (for Central and Eastern Europe, Central Asia and the Caucasus), and in South Africa (for English-speaking African countries) on several market access-related issues, as well as in the context of the WTO's regional and advanced trade policy courses.

Preshipment inspection (PSI), a standing item on the agenda of the committee, is the practice of employing private companies to check shipment details, such as price, quantity and quality of goods ordered overseas. The Agreement on PSI recognizes that principles of the General Agreement on Tariffs and Trade apply to such activities. The purpose is to safeguard national financial interests (prevention of capital flight and commercial fraud as well as customs duty evasion, for instance) and to compensate for inadequacies in administrative infrastructures.

Background on customs valuation

Customs valuation plays a fundamental role in the importing of goods. It is the methodology that countries use to value imported goods in order to collect duties. The Agreement on Customs Valuation aims to develop a fair, uniform and neutral system for the valuation of goods for customs purposes. The Committee on Customs Valuation manages the Agreement along with the Agreement on Preshipment Inspection.

Rules of origin

The Committee on Rules of Origin continued in 2011 its technically complex, long-running discussions on the harmonization of rules of origin, which determine in which country a good has been made. It also began to consider how to bring negotiations relating to products specified in the 1996 Harmonized System (HS) into line with the latest versions of the system, given that the original HS has been updated three times.

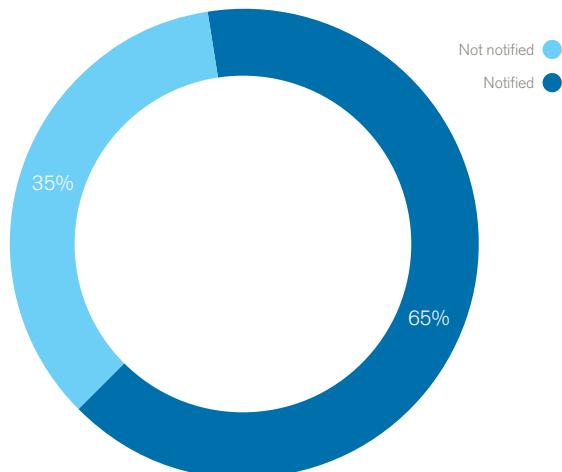
In two meetings in 2011, the committee pressed ahead with discussions on the harmonization of non-preferential rules of origin. The work programme was launched in 1995 and the fact that it is still going on reflects the technical complexity of the issues involved. The Harmonized System, developed by the World Customs Organization, allows countries to classify traded goods on a common basis.

Determining where a product comes from is no longer easy when raw materials and parts criss-cross the globe to be used as inputs in scattered manufacturing plants. Rules of origin are important in implementing such trade policy instruments as anti-dumping and countervailing duties, origin marking, and safeguard measures.

Background on rules of origin

Rules of origin are the criteria used to determine the country in which a product was made. They are used for many trade purposes, including customs duties, origin labelling, anti-dumping and anti-subsidy measures, trade statistics and bilateral and regional trade agreements. The main objective of the Agreement on Rules of Origin is to harmonize the rules so that all WTO members are using the same criteria in all circumstances (the one important exception being origin rules in preferential trade agreements). This work is conducted by the Committee on Rules of Origin in the WTO and the Technical Committee under the auspices of the World Customs Organization in Brussels.

Figure 4: Members having notified their non-preferential rules of origin to the Committee on Rules of Origin



One significant decision taken by the committee in 2011 was to start work on transposing the current draft consolidated text of harmonized rules of origin onto the more recent versions of the HS nomenclature. The products for which harmonized rules of origin are currently being negotiated were described in the 1996 version of the HS nomenclature, which has since been revised three times. This diminishes the practical usefulness of the rules and significantly complicates the task of delegations consulting their industry representatives for purposes of conducting negotiations at the WTO.

The committee also reviewed notifications by WTO members. To date, 83 members have made notifications of non-preferential rules of origin – governing the rules they apply to goods from WTO members that are not covered by bilateral or regional preferential trade arrangements – and 126 members have made notifications of preferential rules of origin. Members that had not yet notified their non-preferential rules of origin were urged to do so as early as possible.

Technical assistance on rules of origin was delivered in regional workshops on several market access-related issues, as well as in the context of the WTO's regional and advanced trade policy courses. A workshop was also organized for delegations.

The committee conducted the final transitional review of China.

Import licensing

During 2011, WTO members submitted 81 notifications to the Committee on Import Licensing for review, up from 75 in 2010. Currently only 15 members have never submitted any notification under any provision in the Agreement. Members' compliance with the transparency obligations of the Agreement continued to take up much of the committee's time.

The committee has provided a regular forum for the discussion of specific notifications submitted by members. At the two meetings held in 2011, 12 members submitted 14 notifications under Articles 1.4(a) and/or 8.2(b) covering import licensing procedures, and seven members submitted 14 notifications under Article 5, which refers to the institution of licensing procedures or changes in these. Finally, 44 members made 53 notifications under Article 7.3, which relates to responses to the annual questionnaire on import licensing procedures.

Members' compliance with the transparency obligations of the Agreement has been the main preoccupation of the committee for some time. Members have highlighted the importance of improving compliance with notification obligations.

As a result of two years of informal discussions, the committee agreed to let members use, on a voluntary basis, two types of notification form under Articles 1.4(a) and/or 8.2(b), and under Article 5. Several members have already used the forms.

The committee carried out the final Transitional Review Mechanism exercise on China's accession.

Background on import licensing

The Agreement on Import Licensing Procedures establishes disciplines on members' import licensing systems, with the principal objective of ensuring that the procedures applied for granting import licences do not in themselves restrict trade. The Agreement says import licensing should be simple, transparent and predictable, and administered in a neutral and non-discriminatory way.

Safeguards

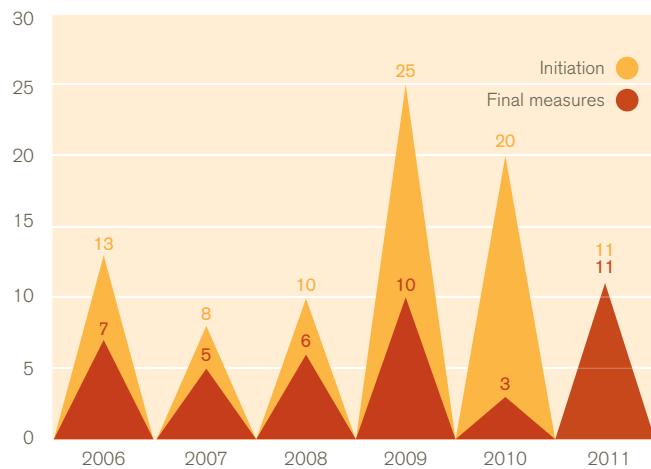
Notifications of new investigations fell during 2011 to 11 from 20 the year before. In a new development, there were two requests regarding Article 13.1 of the Agreement on Safeguards. It was the first use of this article, which deals with whether the procedural requirements of the Agreement have been complied with in connection with a safeguard measure.

At its two meetings in 2011, the Safeguards Committee reviewed notifications by members of their safeguards rules and actions.

By the end of 2011, the committee had received and discussed notifications from six members regarding their new or revised domestic legislation and/or regulations pertaining to safeguards. There were 11 notifications of new investigations. The number of final measures was 11, up from three last year (see Figure 5). Indonesia and Ukraine made the largest number of notifications.

At the October meeting, the committee discussed two specific requests made by Colombia and India whether the procedural requirements of the Agreement had been complied with in connection with safeguard measures taken by Ecuador on glass windshields and by Turkey on cotton yarn, respectively. It was the first use of Article 13.1 of the Safeguards Agreement.

Figure 5: Safeguard investigations (for all members)



Background on safeguards

WTO members may take 'safeguard' actions (temporarily restrict imports of a product) to protect a specific domestic industry from an increase in imports of any product that is causing, or threatening to cause, serious injury to the industry. In these circumstances, they have the right to restrict imports of the product from all sources (but not from a specific member or group of members). The Agreement on Safeguards provides detailed rules concerning the investigation that must be conducted and the application of safeguard measures.

Trade-related investment measures

The Committee on Trade-Related Investment Measures (TRIMs) held one meeting in 2011 at which members raised questions about certain investment measures by India, Indonesia and Nigeria. The committee also reviewed the current status of compliance with members' notification obligations under the TRIMs Agreement.

The WTO Secretariat continued, at the request of the TRIMs Committee, to circulate reminders to members to submit required notifications without delay, and to provide updated information where warranted. Article 6.2 of the TRIMs Agreement requires members to notify the committee of all publications in which TRIMs may be found, including those applied by regional and local governments and authorities within their territory.

Two new items were placed on the agenda at the meeting. The first, at the request of Japan and the United States, was on India's mandatory local content requirements in project guidelines for phase 1 (batch 1 and batch 2) of the Jawaharlal Nehru national solar mission. The second related to regulations on the development of Nigerian content in the Nigeria oil and gas industry, which was placed on the agenda at the request of the European Union and the United States.

Following a request from the European Union and Japan, the committee continued to discuss measures by Indonesia relating to local content requirements in investment in telecommunications. It also, at the request of the European Union, Japan and the United States, resumed discussion on certain Indonesian laws and draft implementing regulations on mineral and local mining, oil and gas.

Background on trade-related investment measures

The Agreement on Trade-Related Investment Measures (TRIMs) recognizes that certain investment measures can restrict and distort trade. It states that WTO members may not apply any measure that discriminates against foreign products or that leads to quantitative restrictions, both of which violate basic WTO principles. A list of prohibited TRIMs, such as local content requirements, is part of the Agreement. The TRIMs Committee monitors the operation and implementation of the Agreement and allows members the opportunity to consult on any relevant matters.

Information technology

Russia, whose WTO membership was approved at the 8th Ministerial Conference in December, said that it planned to join the Information Technology Agreement (ITA) and would begin the notification process shortly. At its two meetings in 2011, the ITA Committee continued work on non-tariff measures (NTMs), classification divergences and implementation issues. It held further discussion of the EU proposal for a review of the ITA. It also announced plans to mark the 15th anniversary of the Agreement with a symposium.

At the ITA Committee meeting in October 2011, Russia said it intended to join the ITA when it becomes a WTO member. It indicated that in the coming weeks it would begin the notification process by sending a formal letter of request and subsequently submitting its ITA schedule of commitments for verification. At the end of 2011, the number of ITA participants stood at 73 (the European Union counting as 27 members).

The committee continued its deliberations under the non-tariff measures (NTMs) work programme. It noted that of the 46 participants in the pilot project on conformity assessment procedures for electromagnetic compatibility (EMC) and electromagnetic interference (EMI), only 24 have provided survey responses to questions on their procedures. It encouraged those that have not yet given the information to do so without delay. In considering ways to advance and expand its work on NTMs other than EMC/EMI, the committee heard reports and updates by participants on their contribution, including their activities in other WTO bodies, such as in the Negotiating Group on Market Access.

The committee also held further discussion of the European Union's proposal for a review of the ITA, tabled in 2008. The proposed review would cover negotiations on non-tariff barriers, expansion of product coverage, enlargement of membership, and keeping the Agreement up to date with technological developments and convergence. At the October meeting, the EU answered question raised by ITA members from the Association of Southeast Asian Nations (ASEAN).

The committee agreed to organize a symposium during the second quarter of 2012 to commemorate the 15th anniversary of the ITA.

Background on information technology

The Information Technology Agreement (ITA) was launched in December 1996 in Singapore as a plurilateral agreement. It requires participants to provide duty-free treatment to products such as computers, telecommunication equipment, semiconductor manufacturing equipment, software and scientific instruments. The Committee of the Participants on the Expansion of Trade in Information Technology Products (or the ITA Committee) oversees issues concerning the ITA.



State trading enterprises

The Working Party on State Trading Enterprises reviewed notifications at its regular meeting in the autumn of 2011. Chair Christian Fresard of Chile will consult members on whether to keep the current practice of notifying about state trading enterprises every two years.

The working party reviewed 7 updating notifications and 12 new and full notifications from eight members covering different review periods. This compared with 22 updating notifications and 49 new and full notifications from 21 members in 2010.

Background on state trading enterprises

State trading enterprises are defined as governmental or non-governmental enterprises, such as marketing boards, that are granted exclusive or special rights or privileges to deal with goods for export and/or import. They are required to act in a manner consistent with the WTO principle of non-discriminatory treatment. The Working Party on State Trading Enterprises reviews notifications by WTO Members on their state trading activities.

Trade in civil aircraft

In 2011, the Trade in Civil Aircraft Committee held one meeting, at which signatories continued to discuss its work to bring the annex to the Agreement relating to product coverage into line with the 2007 update of the Harmonized System, used for classifying goods for customs purposes.

Currently, the Agreement has 31 signatories, 20 of which are member states of the European Union. Albania acceded to the Agreement in 2008, the most recent WTO member to do so.



Background on trade in civil aircraft

The Trade in Civil Aircraft Agreement aims to achieve maximum freedom of world trade in civil aircraft, parts and related equipment by eliminating tariffs, promoting fair and equal competitive opportunities for civil aircraft manufacturers, and regulating government support for civil aircraft development, production and marketing. The Committee on Trade in Civil Aircraft provides signatories with an opportunity to consult on any matters relating to the operation of the Agreement.



Trade in services

Information and Communication Technologies (ICT) figured prominently on the agenda of the Council for Trade in Services in 2011. Discussions focused on e-commerce and international mobile roaming. The council concluded the third review of most-favoured-nation (MFN) exemptions and continued its discussions of specific services sectors and modes of supply, on the basis of background notes produced by the WTO Secretariat.

The Council for Trade in Services resumed its deliberations under the work programme on electronic commerce mandated at the 2009 Ministerial Conference. The council addressed, among other things, issues related to the electronic supply of services, drawing from secretariat background notes on sectors and modes of supply, as well as communications on trade-related ICT principles and on mobile applications and cloud computing services.

The 8th Ministerial Conference in December called for the continued monitoring and examination of development-related issues, such as technical assistance, capacity building and the facilitation of access to electronic commerce by micro, small and medium-sized enterprises, including small producers and suppliers, in developing countries and particularly least-developed countries. It also decided that members would maintain the current practice of not imposing customs duties on electronic transmissions until the next session, to be held in 2013. E-commerce is expected to continue to figure prominently on the council's agenda in 2012.

Members also held dedicated discussions in the council on international mobile roaming and the applicability of the General Agreement on Trade in Services (GATS). Consultations on the technical aspects involved are scheduled to be held in 2012.

The council concluded its third review of the exemptions from the most-favoured-nation (MFN) obligation that many members took at the entry into force of the WTO Agreement or upon acquiring WTO membership (in the case of accessions). The review examined whether the conditions at the origin of the exemptions subsist. The council also agreed to hold a fourth review of MFN exemptions no later than 2016. These exemptions from the WTO's fundamental principle of non-discrimination between trading partners are permitted under the GATS, subject to certain conditions, but are supposed not to exceed ten years in principle.

Following a request by the Philippines, which had completed the domestic ratification process, the council re-opened the Fifth Protocol to the GATS. The Philippines accepted the Protocol on 16 March 2011, thus giving legal effect to the commitments on financial services that it had undertaken as part of the extended negotiations on the sector concluded in December 1997.

To complement the 20 or so background notes already produced on services sectors and modes of supply, the secretariat issued two further notes, dealing with engineering services and statistics on trade flows in services. These notes are intended to stimulate deliberations in the council, without being their sole focus. They provide updated information and analysis in the respective areas of the main trade-related economic and regulatory developments over the past decade. Issues under this agenda item also concerned the participation of small and medium-sized enterprises (SMEs) in services trade, with several members providing information about the role of SMEs in their economies.

In accordance with the GATS' transparency provisions, during 2011 the council received a total of 35 notifications. Of these, 22 related to new or revised measures that were deemed by the members concerned to affect significantly trade in services and 13 dealt with economic integration agreements.

In 2011, the council conducted its ninth and final review of China's compliance with the commitments undertaken upon WTO accession.

Background on trade in services

The General Agreement on Trade in Services (GATS) defines trade in services as consisting of four types of transactions: mode 1 – cross-border supply (a supplier in one WTO member provides services to a consumer in another member's territory); mode 2 – consumption abroad (a consumer from one member consumes services in another member's territory); mode 3 – commercial presence (a foreign company establishes an operation in another member's territory); and mode 4 – presence of natural persons (individuals move to supply services in another member's territory). The Council for Trade in Services, which is open to all WTO members, facilitates the operation of the GATS.

Financial services

The Committee on Trade in Financial Services, a standing body under the council, discussed the implications of the financial crisis from a GATS perspective. Barbados presented a communication entitled 'Unintended Consequences of Remedial Measures Taken to Correct the Global Financial Crisis: Possible Implications for WTO Compliance', which suggested possible amendments to the GATS to take account of the situation. The committee also considered a communication from Ecuador calling on the 8th Ministerial Conference to instruct the WTO Secretariat to monitor and report on the trade effects of the crisis and the remedial measures taken and the council and the committee to continue to review the WTO rules governing trade liberalization in financial services.

The relationship between trade in financial services and development was another important issue for the committee. Members shared experiences and perspectives concerning, among other things, the impact of financial trade liberalization on growth and development, the relationship between international and domestic liberalization of the sector, and the role of sectoral policies and regulations in promoting development. At the committee's request, the secretariat prepared a background note reviewing the literature on the link between financial services trade and economic growth and development. The committee will hold a workshop on the issue in 2012.

The committee renewed its discussion of classification issues in financial services, also based on a background note prepared by the secretariat, and carried out the final transitional review of the implementation by China of its commitments and other accession obligations on financial services.

Specific commitments

The Committee on Specific Commitments oversees the implementation of GATS commitments and most-favoured nation (MFN) exemptions, and procedures for the modification of schedules of commitments, with a view to improving their technical accuracy and coherence. To this end, it discusses classification and scheduling questions and their implications for the scope and content of specific commitments. During the Doha Round, at the request of members, it is also looking into negotiation-related issues, such as the conventions for the submission of offers, the relationship between old and new commitments, and the verification of schedules at the end of the negotiations.



In view of the stalemate in the Doha negotiations, the committee focused on its regular work. Classification issues were examined in informal mode in four services sectors: computer and related services, telecommunication services, audiovisual services, and environmental services. To facilitate the discussions, the secretariat prepared informal notes analysing the issues raised. The key substance is reflected in informal, non-attributable summaries circulated under the Chair's responsibility.

On scheduling issues, the committee paid particular attention to the question of economic needs tests related to mode 4. The aspects raised included: the kind of measures that might qualify; the criteria that could be used; and ensuring consistency with the Scheduling Guidelines.

Trade-related aspects of intellectual property rights (TRIPS)

Access to medicines for the poorest countries, promotion of transparency and least-developed countries' needs for assistance were some of the topics discussed by the TRIPS Council in 2011 as part of its regular review of intellectual property matters in the WTO's member countries. The Council also discussed particular concerns raised by individual countries, such as Australia's plain packaging bill for tobacco products.

The council reviewed intellectual property legislation in individual countries and discussed the relationship between the TRIPS Agreement and the Convention on Biological Diversity, TRIPS and public health, technical cooperation and capacity building and a number of other matters. In 2011, nine more countries accepted the amendment to the so-called 'Paragraph 6' system, which creates a compulsory licence for the export of needed medicines.

TRIPS and public health

In 2003, members agreed on the 'Paragraph 6' system, which gives poor countries additional flexibility under the TRIPS Agreement to gain access to affordable medicines. The system allows generic versions of patented medicines to be produced under compulsory licence (that is, without the consent of the patent holder) for export to countries that cannot manufacture the medicines themselves.

The TRIPS Agreement originally only permitted compulsory licensing predominantly to serve the domestic market. The new system changed this, first through a set of waivers and then through an amendment to the agreement agreed in 2005, creating a new kind of compulsory licence for the export of medicines. At its October meeting, the council held its annual review of the functioning of the system. The amendment will come formally into force when two-thirds of members have accepted it. As of 31 December, 41 countries had done so



(counting the European Union as one). The General Council decided in December to extend the period of acceptance of the amendment to December 2013.

Promoting transparency

Transparency of national intellectual property systems is a key principle of TRIPS. It reduces trade tensions and builds productive trading relationships in knowledge products and technology.

In 2011 the council gave further consideration to ways of improving the timeliness and completeness of notifications under the TRIPS Agreement and other relevant information flows. It took note of the material still required to complete the pending reviews of three other members and agreed on the arrangements for the review of TRIPS implementing legislation of Maldives, which graduated from least-developed country (LDC) status on 1 January 2011. The council also undertook the final transitional review of the implementation by China of its WTO commitments in the area of TRIPS.



Background on trade-related aspects of intellectual property rights

Intellectual property rights have become an important element in international trade and a key part of the debate over economic development and broader public policy questions such as public health and the environment. The Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) is the most comprehensive international treaty governing the protection, administration and enforcement of intellectual property rights. The Council for TRIPS, a body open to all WTO members, administers the TRIPS Agreement, provides a forum for debate on policy issues relating to TRIPS and reviews the intellectual property legislation of individual members.

Plants, animals, biodiversity and traditional knowledge

In parallel with the Director-General's consultations on outstanding implementation issues (see page 28), the council continued to address a cluster of subjects related to biotechnology, biodiversity, genetic resources and traditional knowledge, as instructed by the 2005 Hong Kong Ministerial Declaration. These discussions cover the review of the TRIPS provisions dealing with the patentability of plant and animal inventions and the protection of plant varieties, the relationship between the TRIPS Agreement and the Convention on Biological Diversity (CBD), and the protection of traditional knowledge and folklore.

The discussion was based on members' papers, which concentrated on the relationship between the TRIPS Agreement and the CBD, as well as on the review of the TRIPS provisions dealing with the patentability of plant and animal inventions. The council was also briefed on the Nagoya Protocol on Access to Genetic Resources and the Fair and Equitable Sharing of Benefits Arising from their Utilization to the Convention on Biological Diversity, adopted at the 10th meeting of the Conference of the Parties to the CBD at Nagoya on 20 October 2010.

Technical cooperation and capacity building, and LDC general transition period

The council reviewed the available technical cooperation in the area of intellectual property on the basis of information it received from developed countries, other intergovernmental organizations and the WTO Secretariat. The 2005 decision that extended to 1 July 2013 the transition period for LDCs to apply their TRIPS obligations also requested them to identify their priority assistance needs so that these could be effectively addressed. In 2011, Senegal reported in detail on its needs, taking the number of countries to report so far to six. The 8th Ministerial Conference invited the council to give full consideration to a request from LDC members for a further extension of the transition period.

As part of an intensifying coordination process, the secretariat organized, at the request of the LDC Group, a coordination meeting that brought together officials from LDCs, donor countries and concerned intergovernmental organizations to promote practical dialogue and coordination on assessing and practically responding to priority needs.

Inter-agency cooperation

The TRIPS Council Secretariat continued to work closely with other relevant international agencies, such as the World Intellectual Property Organization (WIPO), the World Health Organization (WHO), the Joint United Nations Programme on HIV/AIDS (UNAIDS), the United Nations Development Programme (UNDP), the United Nations Conference on Trade and Development (UNCTAD) and the International Telecommunication Union (ITU). Under their well-established trilateral cooperation on matters pertaining to intellectual property and public health, the WTO, WHO and WIPO secretariats held a joint technical symposium in February 2011 on 'Access to Medicines, Patent Information and Freedom to Operate'.

Other issues

The TRIPS Council also had on its agenda the reviews, mandated under the TRIPS Agreement, of the Agreement as a whole (the '71.1 review') and of the application of the provisions on geographical indications (the '24.2 review'). However, no new proposals emerged.

The council also discussed particular matters raised by individual members. Some countries raised concerns about the compatibility of Australia's proposed tobacco plain packaging legislation with the TRIPS Agreement, while some others asserted countries' rights to use flexibilities in the TRIPS Agreement for public health purposes, including tobacco control. The council also discussed trends relating to the enforcement of intellectual property rights. Some members provided information about the objectives and contents of the recently concluded Anti-Counterfeiting Trade Agreement (ACTA), but some others voiced concerns about what they saw as being obligations that went beyond those required under TRIPS.

The council's work on the incentives for technology transfer to LDCs and on 'non-violation and situation complaints' is described on page 28.

Trade and environment

In 2011, the Committee on Trade and Environment continued to pay particular attention to the effect of environmental measures on market access, especially in relation to access to developed country markets, and those situations in which the elimination or reduction of trade restrictions and distortions would benefit the environment, development and trade. Discussions also focused on mutual supportiveness between trade and climate change. The WTO Secretariat prepared a submission to the United Nations Conference on Sustainable Development (Rio+20), including a set of messages on sustainable development and trade that may be pronounced at the Conference, which will take place in Brazil in June 2012.

Carbon footprint labelling

The Committee on Trade and Environment (CTE) held extensive discussions on product carbon footprint and labelling schemes. Key concerns included the proliferation of different carbon footprint calculation methodologies, the lack of transparency and the scientific basis on which carbon emissions are computed, the lack of common criteria and the adverse trade effects of private carbon footprint standards. During these discussions, several WTO members took the opportunity to share information on their national experience with carbon footprint and labelling schemes.

Eco-labelling

Eco-labelling schemes were discussed in the committee in 2011. Some members presented recent national experiences. Concerns were raised over the proliferation of private sector environmental standards and labelling schemes, the costs of compliance for producers, the need for international harmonization and the participation of developing countries. Attention was also drawn to the importance of capacity building for developing countries to implement these schemes.



Background on trade and environment

Sustainable development and protection and preservation of the environment are fundamental goals of the WTO. The Committee on Trade and Environment is responsible for studying the relationship between trade and the environment.

Multilateral environmental agreements

The CTE continued to be a platform for information exchange on the latest developments in multilateral environmental agreements (MEAs). In 2011, the United Nations Framework Convention on Climate Change (UNFCCC) presented the state of play of the climate change negotiations following the 16th Conference of the Parties in Cancún, Mexico, and following sessions of the ad hoc working groups as well as preparations for the Durban (South Africa) 17th Conference of the Parties. The Secretariat of the Convention on Biological Diversity (CBD) provided an update on activities related to the implementation of the decisions of the 10th meeting of the Conference of the Parties of the CBD in Nagoya, Japan.

The WTO Secretariat prepared a revised version of the 'Matrix on Trade-related Measures pursuant to Selected Multilateral Environmental Agreements'. This presents updated information on aspects such as membership, decisions and other major developments in MEAs.

Green economy

The WTO Secretariat prepared a submission to the United Nations Conference on Sustainable Development (Rio+20) taking place in Brazil in June 2012. Entitled 'Harnessing Trade for Sustainable Development and a Green Economy', it includes a set of messages on sustainable development and trade that may be pronounced at the conference. The Secretary-General of the United Nations Conference on Sustainable Development (UNCSD) briefed the CTE on the Rio+20 process and made a presentation on the linkages between trade and the green economy.



Technical assistance

Besides two national workshops on trade and environment in Mexico and Uganda, the WTO Secretariat delivered a regional workshop for Latin America in Mexico City. Particular attention was given to the negotiations on environmental goods and services, the relationship between the WTO and MEAs, and linkages between climate change and the green economy and trade. This regional workshop was also an opportunity for participants to exchange experiences and enhance mutual dialogue between trade and environment officials.

Climate change mitigation measures

The committee began a discussion on a proposal from Singapore stressing the importance of promoting the mutual supportiveness between trade and climate change mitigation measures, such as carbon tax adjustments, in order to ensure consistency of climate change-related initiatives with WTO rules.

The WTO organized a side event at the UNFCCC Conference of the Parties in December in Durban, South Africa, on linkages between green economy measures, trade and climate change. The event explored the extent to which green economy measures in various sectors could make a positive contribution to climate change mitigation and their impact on trade. The sessions gathered key thinkers and decision-makers, and addressed the challenges facing the trade and climate change governance systems. Speakers explored synergies between trade policies and climate change action, and focused on identifying constructive and innovative solutions.

Regional trade agreements

In 2011, the WTO received 25 new notifications, little change on the previous year, involving 15 regional trade agreements (RTAs). Slightly more than half the new RTAs were between developed and developing partners, extending a trend that has emerged in recent years. The Americas was the region with the highest number – eight.

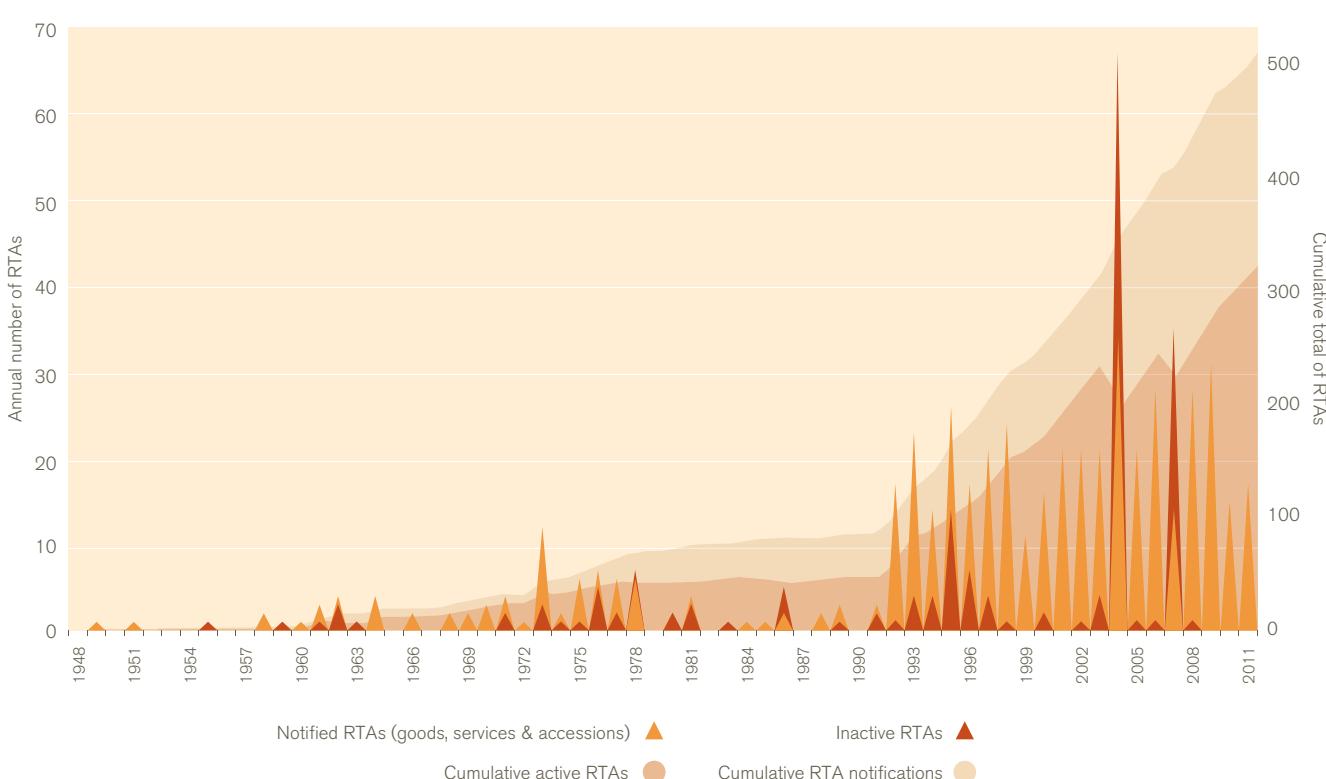
Of the 509 RTAs notified to the WTO as of 31 December 2011, 317 were in force (see Figure 6). RTAs include free trade agreements and customs unions. Under WTO rules, the goods and services aspects of RTAs have to be notified separately, so they are counted separately. However, putting the two together, the 509 notifications involved 392 individual RTAs, of which 213 are currently in force.

A key feature of modern RTAs is that they are broadening and, in many cases, deepening their coverage. While some agreements are limited to reducing barriers to trade in goods, increasingly agreements are becoming more comprehensive, with provisions on market opening in services and in other areas, such as investment, competition policy, trade facilitation, government procurement, intellectual property, electronic commerce and, in some cases, labour and the environment.

Figure 6: All RTAs notified to the GATT/WTO (1949 to 2011) by year of entry into force

Most agreements are bilateral, giving rise to an increasingly complex regime of different trade regulations. Critics argue that these overlapping regional trade regimes make international trade more complex and undermine WTO non-discrimination principles. However, proponents of RTAs say they can lay the groundwork for future multilateral trade rules. The consolidation of existing RTAs, for instance, through accession by non-parties to existing RTAs can also reduce the degree of discrimination they cause.

Of the 15 individual RTAs notified to the WTO in 2011 (counting goods and services components as one), ten included both components. As in previous years, the discernable trend towards agreements between developing and developed trading partners appears to have been maintained, with eight agreements between developed and developing partners. Countries from the Americas region were involved in eight RTAs, and the rest involved members in Europe and the Asia Pacific (seven each).



Monitoring RTAs

All RTAs, regardless of whether they are notified under Article XXIV of the General Agreement on Tariffs and Trade (GATT) 1994, the Enabling Clause between developing countries (for trade in goods), or the General Agreement on Trade in Services (GATS) Article V (for trade in services), are subject to the provisions and procedures of the Transparency Mechanism for Regional Trade Agreements. Established by a decision of the General Council in December 2006, and applied provisionally from 2007, the mechanism provides specific guidelines on when a new RTA should be notified to the WTO Secretariat and the related information and data to be provided.

Agreements notified under Article XXIV of the GATT 1994 and Article V of the GATS are considered by the Committee on Regional Trade Agreements (CRTA), while agreements notified under the Enabling Clause are considered by a dedicated session of the Committee on Trade and Development (CTD). The General Council decision requires WTO members to inform the WTO Secretariat in the event of any subsequent changes to a notified agreement and to provide a report once an agreement is fully implemented. In the interests of transparency, WTO members are also encouraged to inform the secretariat of any agreements currently being negotiated or that have been signed but are not yet in force ('early announcements').

Notified agreements already in force are considered by the CRTA, normally within a year of the date of notification. The consideration is based on a 'factual presentation' prepared by the secretariat on the basis of information and data provided by the parties to the agreement. The factual presentation describes the main provisions of the agreement and the degree of trade liberalization to be achieved between the parties during its implementation period.

Table 2: Regional trade agreements considered in 2011

Japan – Switzerland (goods and services)	EU – Serbia (goods)
Costa Rica – Panama (goods and services)	EU – Montenegro (goods and services)
China – Pakistan (services)	Turkey – Montenegro (goods)
Japan – Viet Nam (goods and services)	EU – Albania (services)
Japan – Thailand (goods and services)	Turkey – Serbia (goods)
EU – Croatia (services)	Chile – China (services)
EU – Former Yugoslav Republic of Macedonia (services)	Peru – China (goods and services)

Note: The table refers to 14 individual agreements, of which six covered both goods and services, four covered only goods and the others covered only services.

In 2011, the CRTA held four meetings and considered 20 notifications of RTAs, counting goods and services separately (or 14 RTAs counting goods and services notifications together), compared with 28 in 2010 and 27 in 2009.

The Transparency Mechanism also requires the WTO Secretariat to prepare 'factual abstracts' on RTAs examined by the CRTA prior to the 2006 General Council decision. By the end of 2011, 72 factual abstracts of RTAs had been prepared in consultation with the relevant RTA parties and posted on the RTA database.

In addition, a total of nine 'early announcements' were received from members in 2011, five for RTAs under negotiation and four for newly signed RTAs not yet in force. As of December 2011, the WTO had received 70 'early announcements', 26 involving RTAs that had been signed but were not yet in force and 44 involving RTAs under negotiation. Thirty of these 'early announcements' have subsequently been notified following entry into force of the agreements.

As called for by the General Council decision on transparency, all the information on RTAs notified to the WTO is contained in a publicly accessible RTA database, which can be consulted at <http://rtais.wto.org>. The database, which became available to the public in January 2009, contains textual information on all RTAs notified to the WTO, including links to the official texts and annexes of each agreement, as well as information on the examination or consideration process in the WTO. For those RTAs that have already been the subject of a factual presentation, the database also contains the relevant trade and tariff data.

In order for the Transparency Mechanism to be adopted on a permanent basis, WTO members need to review, and if necessary, modify it as part of the overall results of the Doha Round. Members are also required to review the legal relationship between the mechanism and relevant WTO provisions on RTAs. In December 2010, members decided to commence the review (see section on Negotiating Group on Rules on page 32).

Background on regional trade agreements

The Committee on Regional Trade Agreements (CRTA) is responsible for monitoring all regional trade agreements (RTAs) notified to the WTO, except those notified under special provisions for developing countries (the Enabling Clause), which are considered by the Committee on Trade and Development. The CRTA's two principal duties are to examine individual RTAs and to consider their systemic implications for the multilateral trading system and the relationship between them. The overall number of RTAs in force has been increasing steadily; all WTO members except Mongolia are members of one or more (some belonging to as many as 30), creating what has been described as a tangled 'spaghetti bowl' of overlapping trade regulations.

Trade policy reviews

During 2011, the Trade Policy Review Body reviewed 14 WTO members: Australia, Cambodia, Canada, Ecuador, the European Union, Guinea, India, Jamaica, Japan, Mauritania, Nigeria, Paraguay, Thailand and Zimbabwe.

Under the Trade Policy Review Mechanism, the four largest trading entities (at present, the European Union, the United States, China and Japan) are reviewed every two years. The next 16 largest trading partners undergo reviews every four years and the remaining members every six years, with a longer interval envisaged for least-developed countries (LDCs). These intervals can be extended by up to six months. Reviews take place against the background of members' wider economic and developmental needs, policies and objectives, as well as the external trading environment. They are not intended to serve as a basis for the enforcement of obligations, for dispute settlement procedures, or to impose new policy commitments.

By the end of 2011, 338 reviews had been conducted, covering 141 of the 153 WTO members. The United States, Japan and the European Union had been reviewed ten times; Canada nine times; Australia, Thailand and Hong Kong, China six times; eight members (Brazil, India, Indonesia, Republic of Korea, Malaysia, Norway, Singapore and Switzerland) five times; six members (Chile, Mexico, Morocco, New Zealand, South Africa and Turkey) four times; 36 members three times; and 38 members twice.

The programme for 2012 includes 20 review meetings of 26 members, including eight LDCs and the United States for the 11th time. Over the past few years, greater focus has been placed on reviews of LDCs. By the end of 2011, reviews had covered 29 of the 32 LDCs that are WTO members.



Background on trade policy reviews

The objective of the Trade Policy Review Mechanism is to encourage all WTO members to adhere to WTO rules, disciplines and commitments, and thus to contribute to the smoother functioning of the multilateral trading system. Through its regular Trade Policy Reviews, the mechanism enables WTO members to examine collectively the trade policies and practices of individual members in all areas covered by WTO agreements. Reviews are carried out by the Trade Policy Review Body, a full-membership body of equal ranking to the General Council and the Dispute Settlement Body.

Transparency

Documents distributed for reviews are made available in electronic format to all members. The summary observations of the WTO Secretariat report, the concluding remarks by the Chair, and the full reports by the member under review and the WTO Secretariat are available immediately on the WTO website. Trade policy reviews are published on behalf of the WTO by Bernan Press, a commercial arrangement that aims to ensure a wide and efficient distribution. Press briefings are occasionally held by the Chair, senior WTO Secretariat staff and/or the member under review.

Appraisal of the Trade Policy Review Mechanism

As required in Annex 3 of the Marrakesh Agreement establishing the Trade Policy Review Mechanism (TPRM), the Trade Policy Review Body (TPRB) undertook in 2011 its fourth appraisal of the mechanism's operation. Members stressed the high importance that they continue to attach to the TPRM and its existing mandate aimed at enhancing transparency. They agreed that the mechanism is functioning effectively and achieving its objectives. Nonetheless, in anticipation of the mandated rise in the number of Trade Policy Reviews and consequent increased burden on members, the Chair and the WTO Secretariat, the TPRB agreed to streamline the mechanism in order to make it even more effective.

Members focused on three main aspects: preparation for TPRB meetings; organization and structure of these meetings; and follow-up to TPRB meetings. At the same time, members agreed to enhance the role of the mechanism in making available technical assistance to developing country members, and in particular to LDC members. The results of the appraisal were presented to the 8th Ministerial Conference in December.

Concluding remarks by the Chair

The concluding remarks by the Chair in the reviews carried out in 2011 are provided below.

Jamaica

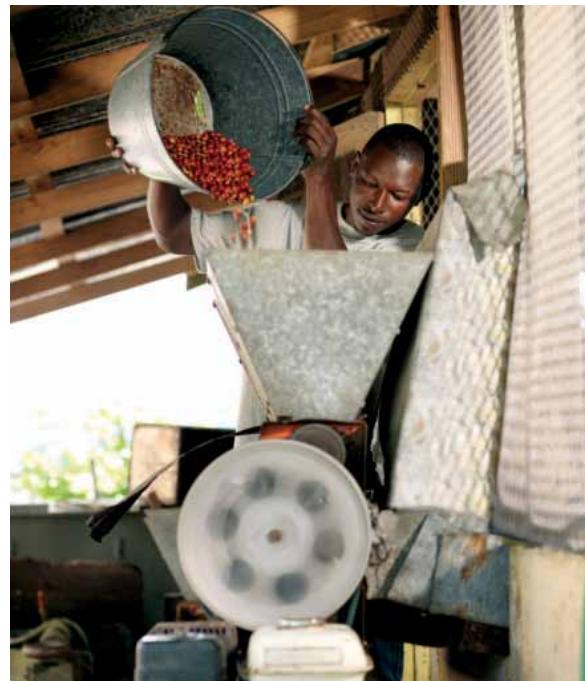
'This third Trade Policy Review of Jamaica has allowed members to assess developments since 2005 and help develop a deeper understanding of Jamaica's trade and investment regime. The participation of Dr. Baugh, Deputy Prime Minister and Minister of Foreign Affairs and Foreign Trade, Ambassador McCook and their delegation greatly contributed to the success of this meeting. I am also grateful to our discussant, Ambassador Piantini Munnigh of the Dominican Republic for his insightful observations.

Members noted that despite a series of external shocks and the burden of large public debt, Jamaica has persevered with the reform of its economy. Members pointed out that as a small island economy Jamaica had not been able to improve its economic, including its export, performance during the review period. Jamaica was encouraged to continue efforts to lower trade costs, expand its limited export base, improve infrastructure and energy supply as well as enhance the competitiveness of its goods and services trade.

Members commended Jamaica for its active participation in the WTO and acknowledged Jamaica's contributions to the multilateral trading system through its strong commitment to a successful conclusion of the Doha Round negotiations and its initiatives to advance special and differential treatment for developing countries. Members noted Jamaica's participation and leadership in the regional Caribbean Single Market and Economy integration process and in CARICOM [Caribbean Community] negotiations with other trading partners.

Members highlighted the overall openness of the Jamaican economy, witnessed by the large share of trade in GDP. While it was observed that tariffs and numerous other duties and charges remain Jamaica's main trade policy instrument, concerns were raised about their costs and whether excessive import taxation might be constraining Jamaica's competitiveness. Members expressed concerns about the use of non-tariff charges such as customs fees and additional stamp duties on certain agricultural products. Members also raised questions on other measures such as modernization of customs procedures, challenges in meeting international quality standards, divestment of state-owned enterprises, SPS [sanitary and phytosanitary] requirements for imports of certain agricultural products, and IPR [intellectual property rights] legislation and enforcement, in particular in the area of patents. Members appreciated that Jamaica expects to eliminate its remaining export subsidies by 2015 in line with WTO requirements.

Services continues to play an increasingly important role in the economy in terms of share of GDP and employment, and services exports help to offset Jamaica's overall trade imbalance. Members expressed confidence that Jamaica could capitalize on its numerous strengths, such as its natural beauty,



which remains a powerful engine for tourism expansion. Jamaica was commended for its liberalization of financial services and telecommunications but the issue was raised of Jamaica levying a surcharge on international calls. Members noted that Jamaica had still not ratified the Fifth Protocol to the GATS [General Agreement on Trade in Services] and encouraged it to do so.

Members appreciated the replies to written questions provided by the Jamaica delegation and looked forward to further responses.

In conclusion, the numerous questions and active discussion indicate the importance members attach to this Review. Members acknowledged the progress made by Jamaica in reforming its economy, while recognizing the challenges it faces on account of changes affecting the world economy. I encourage Jamaica to take to heart members' concerns and at the same time I invite members to assist Jamaica by taking appropriate steps, including through aid for trade, to build trade capacity in policy formulation and improved infrastructure, and by further opening their markets to Jamaica's exports.'

Japan

'This tenth Trade Policy Review of Japan has greatly enhanced members' understanding of Japan's trade and related policies as well as how it has responded to the global financial and economic crisis. Our discussions have benefited from the active participation of the Japanese delegation led by Mr Takehiro Kagawa, the insightful and thought-provoking contributions by the discussant, Ambassador Smidt of Denmark, and the many interventions by members. Japan's answers to the large number of questions, made available at the beginning of this meeting, were well appreciated.

Members looked forward to a quick recovery of Japan's economy, which will enable it to become once again an engine for economic growth and social progress worldwide. Members commended Japan for not introducing any protectionist trade-policy measures despite the severe negative impact of the global financial and economic crisis on its economy, notably the sharp drop in exports and contraction in domestic demand.

Members felt that the macroeconomic policies pursued have helped Japan to recover from the crisis, yet they do not adequately address Japan's long-standing structural impediments to growth. Consequently, members urged Japan to undertake far-reaching structural reforms, with trade liberalization as an integral part. Such reforms would stimulate competition, and thereby improve productivity, especially in agriculture and services. In this context, members expressed interest in the direction of Japan's regulatory reform as announced in the New Growth Strategy. Furthermore, they welcomed the recent announcement by the Government of Japan on "opening Japan and reinventing Kizuna".

Members welcomed Japan's active role in the multilateral trading system; they looked to Japan, as one of the world's largest economies and traders, for leadership in reaching an early conclusion of the Doha Development Agenda.

Members commended Japan for its financial and technical assistance, including its Official Development Assistance and various regional initiatives on economic cooperation, as well as its contribution to aid for trade. Members also commended Japan's support for the process of accession by future members. They expressed appreciation of preferential market access provided by Japan to developing and least-developed countries; they encouraged Japan to open its market further to these countries' exports.

Members also noted Japan's increasing involvement in bilateral/regional trading arrangements, including its interest in the Trans-Pacific Partnership agreement. While some members appreciated Japan's stance expressed in its Basic Policy on Comprehensive Economic Partnerships in regard to trade liberalization and economic reform, they urged Japan to ensure that these bilateral/regional arrangements are compatible with the multilateral system.



Members encouraged Japan to increase domestic transparency, and urged it to further utilize cost-benefit analysis and thus be in a better position to evaluate its existing policies with a view to formulating more effective new ones.

While noting Japan's relatively liberal trade regime, Members urged Japan to continue its liberalization of trade and investment. Members noted that although Japan's tariff is low, it remains complex. Products of export interest to developing countries, notably agricultural products, textiles and clothing, leather products and footwear, continue to encounter significant tariff peaks (which tend to be concealed by non-ad valorem rates), tariff escalation, tariff quotas (and their intricacies), and/or state trading. Members also urged Japan to implement its update of the Pharmaceutical Agreement.

Members expressed concern about certain restrictions on foreign access to Japan's government procurement market and encouraged it to allow greater foreign participation.

Members expressed concern over the complexity, and thus lack of transparency, of Japan's sanitary and phytosanitary (SPS) measures as well as technical regulations and standards. Some members questioned the appropriateness of Japan's risk assessment practices regarding SPS measures. Members encouraged Japan to further adhere to international norms in these areas.

Members expressed concern about border measures and the relatively high level of overall domestic support for agriculture, noting that this support amounted to almost as much as the sector's small contribution to GDP. More specifically, they were concerned about Japan's use of import quotas for fish and marine products and the ban on the import of certain beef. As regards reforms, members sought clarification regarding the new direct payment scheme.

Members encouraged Japan to continue reforms to enhance competition in services. In this context, members looked forward to the steps to remove remaining impediments to inward foreign direct investment, which remains relatively low in comparison with other OECD [Organisation for Economic Co-operation and Development] countries, and movement of natural persons. They encouraged Japan to ensure a level playing field in its major services markets, particularly insurance, telecommunications, maritime transport, and medical and health services. Members also raised concerns about the status of reform of Japan Post.

In closing, I would like to thank the Japanese delegation for its active participation in this Review, including its written responses provided before and during this meeting. We all look forward to receiving remaining answers within one month. The keen interest shown by members in this Review, as reflected in the large number of advance written questions, numerous interventions, and high attendance, indicates the importance they attach to Japan's leadership role in the multilateral trading system. This Review has clearly indicated that the Trade Policy Review Mechanism is an important element in ensuring a transparent multilateral trading system. I am encouraged by the statement by Japan that, despite current difficulties, not only had it maintained the openness of its economy and continued to adhere strictly to WTO rules, it also envisaged "opening Japan" further in the near future. In doing so, I trust that Japan will take to heart the concerns expressed by members.'

Australia

'This sixth Trade Policy Review of Australia has enabled us to improve our understanding of recent developments in its trade and trade-related policies, and the challenges it now faces. Our discussion has clearly benefited from the active participation of the Australian delegation, led by Mr. Hamish McCormick, First Assistant Secretary (Department of Foreign Affairs and Trade), as well as from the remarks of our discussant, Mr. Kwok Fook Seng, Ambassador of Singapore, and many interventions by members. Australia's prompt response to almost all questions was very much appreciated.'

Members acknowledged the exemplary institutionalization of transparency with regard to Australia's trade and trade-related policies as well as its role as a catalyst for unilateral reforms, including trade liberalization, that have greatly increased market flexibility and improved economic performance; over the past 20 years, Australia has experienced uninterrupted real GDP growth. They congratulated Australia for continuing to be among the most open economies in the world and successfully weathering the global financial crisis without backsliding on trade liberalization. Members commended Australia for responding appropriately to the crisis with fiscal and monetary stimuli, which had contributed to the economy's strong recovery in 2010 despite the possible adverse impact on growth of recent natural disasters (floods, cyclone). Several members noted the marked decline in multi-factor productivity growth and were interested



in plans over the longer term to reverse it. In this regard, while recognizing Australia's achievements in the area of regulatory reform they sought information on further structural reforms, whose implementation was lagging and thus handicapping Australia's ability to increase its productivity and keep its international competitive edge.

Members acknowledged that Australia's efforts to promote open markets through multilateral, regional, and bilateral initiatives had provided a catalyst for trade and economic liberalization efforts around the world and reinforced the WTO's objectives; in addition, note was taken of doubts over the actual benefits of its preferential trade agreements. Members praised Australia's commitment to a rules-based and transparent multilateral trading system, as well as its leading role in attempting to achieve a successful conclusion of the Doha Round. They also commended Australia for being a major provider of trade-related technical assistance, including in the area of aid for trade, thus enabling developing and least-developed countries to benefit from the multilateral trading system. Members also commended Australia's low average MFN [most-favoured nation] applied tariff rate owing to unilateral reductions. Some members expressed appreciation for Australia's action in further strengthening protection of intellectual property rights.

Having carefully considered the interventions, questions, and answers during this review, there seems to be ground for recommending that the Australian authorities give thought to improvements that could be made in the following areas:

- **SPS [sanitary and phytosanitary measures].** Virtually all members expressed concern over Australia's strict SPS requirements, including the lack of cost-benefit analysis; they urged Australia to re-evaluate these measures with a view to bringing them more into line with international norms and thus rendering them less restrictive as regards imports.

- **FDI [foreign direct investment].** Some members expressed concern over remaining foreign investment restrictions in sensitive sectors (on grounds of “national interest”) and hoped that Australia would consider liberalizing them.
- **Government procurement.** Some members expressed concern over Australia’s use of government procurement as an instrument of economic policy; they were critical of, inter alia, the “buy local” requirements by certain states and encouraged Australia to implement a single procurement policy and join the WTO Agreement on Government Procurement.
- **Trade remedies.** Certain members expressed concern over the deficiencies of the anti-dumping and countervailing system, and called for less reliance on the former.
- **Tariff structure.** Despite Australia’s low level of tariff protection, some members called for further action, including the reduction in remaining tariff peaks and simplification of the tariff structure by, inter alia, converting non-ad valorem into ad valorem rates.
- **Support.** Information was sought on the operation of an export support scheme and export controls. Some members noted the level of industry-specific support provided to the automotive, textiles, clothing, and footwear industries and expressed the hope that it would be reduced.

This successfully concludes our sixth Review of Australia. The large number of advance questions and the many interventions indicate the important role Australia plays at the WTO. I would once again like to thank the Australian delegation, the discussant and members for contributing to what has been a very enlightening two days of discussions.’

Paraguay

‘This third Trade Policy Review of Paraguay has provided an opportunity for us to improve our understanding of recent developments in its trade and trade related policies, and the areas where there is room for improvement. We are thankful for the active participation of the Paraguayan delegation, headed by Ambassador Manuel María Cáceres, Vice Minister of Economic Relations and Integration at the Ministry of Foreign Affairs; our thanks also extend to Ambassador Federico González, Permanent Representative of Paraguay in Geneva, and to the rest of the Paraguayan delegation. Our discussions have also benefited from the insightful remarks of our discussant, Ambassador Fernando de Mateo, and many interventions by members. The answers provided by the Paraguayan authorities to the questions submitted in advance were very much appreciated.

Members congratulated Paraguay for the solid economic performance achieved during most of the period under review, which had allowed GDP per capita to double over that period. Members commended Paraguay for having successfully emerged from the global economic crisis, while refraining from adopting trade protectionist measures. They noted that



Paraguay’s appropriate implementation of fiscal and monetary policies, as well as strong global demand for commodities, had enabled the Paraguayan economy to stage an impressive recovery in 2010, with GDP growth exceeding 15 per cent.

Members acknowledged the openness of Paraguay’s trade regime, as evidenced by a trade to GDP ratio of nearly 100 per cent. They also noted the central role of trade in Paraguay’s development strategy. However, concerns were expressed about reliance on a few export markets and products, and therefore members urged Paraguay to step up efforts to diversify its export basket and markets in order to minimize exposure to external shocks.

Members commended Paraguay for its relatively low average MFN tariff and its overall scant use of non tariff measures, although some concerns were raised with respect to the use of import fees and registration and licensing requirements. Members also recognized the efforts undertaken by Paraguay to streamline its business environment and facilitate trade, including the creation of single windows for imports and exports, as well as actions taken to enhance transparency and compliance with WTO notification obligations, such as in the area of technical regulations. While there was a positive assessment of the legal and institutional reforms undertaken by Paraguay to support trade and investment, several areas for further improvement were highlighted, particularly relating to intellectual property rights protection, government procurement, competition policy and market access in services.

Paraguay’s active participation in the WTO, including in the DDA negotiations, was recognized. At the same time, it was acknowledged that Paraguay’s trade policy was conducted in the general framework of MERCOSUR. In this regard, some concerns were raised at the prospect of Paraguay increasing applied tariffs in order to fully implement MERCOSUR rates.

From a careful analysis of the discussions held and the points raised by delegations during this Review, there seems to be ground for recommending that the Paraguayan authorities consider introducing further improvements in the following areas:

- **Tariffs.** While recognizing the relatively low level of the average MFN [most-favoured nation] tariff, members encouraged Paraguay to reduce the gap between bound and applied rates.
- **Non tariff measures.** Some members noted that Paraguay had recently introduced prior registration and licensing requirements for certain products, and exhorted Paraguay to relax them. They also urged Paraguay to consider eliminating consular fees and the requirement to use customs brokers.
- **Intellectual property.** Noting the actions undertaken to strengthen the enforcement of intellectual property rights, including through reform of the penal code, members urged Paraguay to continue stepping up efforts in this area, which remains of particular concern. Members urged Paraguay to pass legislation to implement the regulations of the patent law, in particular in light of the large number of patent applications pending, especially for pharmaceuticals. Paraguay was also invited to speed up the adoption of legislation concerning geographical indications.
- **Government procurement.** While recognizing the progress made in the regulatory and institutional aspects of government procurement, members noted that there was scope for further improvement in openness and transparency. Some members expressed concern over Paraguay's use of preferences for national products and urged it to reassess the costs of these measures to its economy. Paraguay was also invited to consider joining the WTO Plurilateral Agreement on Government Procurement.
- **Incentive schemes.** Members noted that Paraguay implements a number of incentive schemes to attract investment and promote exports. Some queried whether a cost benefit analysis had been undertaken to assess the effects of such schemes, others urged Paraguay to re-examine them, and some recommended notifying them to the WTO.
- **Competition policy.** Paraguay was also encouraged to accelerate the process of adoption of competition policy legislation to fill the regulatory gap in this area so as to improve business predictability and attract FDI [foreign direct investment].
- **SPS.** A number of members noted that Paraguay was in the process of putting in place a notification mechanism for SPS [sanitary and phytosanitary] measures, and invited it to implement it as soon as possible, as had already been done in the TBT [technical barriers to trade] area.

• **Services.** Noting the relative importance of services to the Paraguayan economy and the limited GATS [General Agreement on Trade in Services] commitments undertaken by Paraguay, members suggested that Paraguay would benefit from further services liberalization, including in areas such as telecommunications and river transportation; with respect to the latter, market access could be enhanced, including through participation in international conventions. Paraguay was also urged to bind any such reforms in the WTO.

This successfully concludes our third Review of Paraguay. The detailed nature of the questions submitted and the insightful interventions witness the interest of members in Paraguay's trade policies and practices. I would once again like to thank the delegation of Paraguay, the discussant and members for contributing to what has been a very enlightening Review.'

Canada

'This ninth Trade Policy Review of Canada has given us a better understanding of the country's recent economic, including trade, policy developments and enabled us collectively to measure the challenges Canada currently faces in maintaining its economic prosperity. Our candid discussion has proved more engaging thanks to the full and open participation of the Canadian delegation, led by Mr. Robert Ready, Director-General of the Intellectual Property Office and the Office for Trade in Services, Department of Foreign Affairs and International Trade, and by the insightful remarks made by the discussant, H.E. John Adank of New Zealand, as well as active participation by numerous members.

Canada's sound economic policies and its outward-looking trade regime have enabled it to successfully weather the global financial crisis and the ensuing economic recession. Members congratulated Canada on its economic performance, welcomed the sustained reduction in the use of trade remedies, and praised its unilateral trade liberalization initiative in the manufacturing sector, as well as its efforts to streamline national regulations. They recognized that such reforms would contribute to greater competitiveness of Canadian products. Nonetheless, given Canada's sluggish productivity growth compared to other OECD [Organisation for Economic Co-operation and Development] economies, various members urged Canada to continue liberalizing its trade and investment regime, at both federal and provincial levels.

Members appreciated Canada's active participation in the WTO and the constructive part it was playing in the DDA [Doha Development Agenda]; they also commended Canada for its significant contribution to trade-related technical assistance and its non-reciprocal preferences for the developing countries.

The numerous statements, questions and replies voiced in the course of this Review have highlighted the fact that there is room for further streamlining of Canada's trade and trade related policies. There are in fact a number of areas where reforms could be both beneficial to Canada and would help strengthen its international trade, which Canada itself acknowledged as being integral to its continued prosperity. The Canadian authorities might give thought to improvements that could be made in the following spheres:

- **Domestic market fragmentation:** Members mentioned a series of matters subject to provincial jurisdiction which impact on investment and trade, and expressed concern regarding transparency and domestic market fragmentation, particularly in areas such as sub federal state enterprises, financial incentives, and financial and professional services.
- **Tariff structure:** Despite Canada's relatively low overall level of tariff protection, members saw room for simplifying its tariff structure in the agricultural sector through the reduction of tariff peaks, the conversion of non-ad valorem rates to ad valorem duties, and the elimination of inconsistencies between the bound and the applied rates.
- **National treatment:** Members recommended that Canada eliminate discriminatory internal taxes in order to fully comply with the WTO principle of national treatment.
- **Agricultural products:** Members asked Canada to consider replacing its supply management system with less market distorting alternatives, and to reform the management of its MFN [most-favoured nation] and preferential tariff quota schemes in the interests of greater transparency.
- **Investment:** Members welcomed the streamlining of review thresholds in Canada's foreign investment regime, but questioned some aspects such as the criteria for qualifying net benefit as proof, the limitations on property, the residence requirements for managers, the national security review provisions and the role of provincial governments. They expressed the hope that Canada would consider further liberalization of its investment regime, *inter alia*, by eliminating local content requirements used for the purpose of incentives. Canada demurred.
- **SPS [sanitary and phytosanitary measures] and TBT [technical barriers to trade]:** Members highlighted a number of weak points noted in connection with Canada's technical regulations and sanitary and phytosanitary prescriptions, including risk assessment, accreditation criteria and insufficient coverage of sub-federal regulations in notifications to the WTO. They requested greater transparency in Canada's SPS and TBT regimes.
- **Intellectual property rights:** Members encouraged Canada to modernize its intellectual property rights regime, particularly copyright.



- **Government procurement:** Members took note of the public procurement agreement concluded between the United States and Canada and enquired about plans to extend access to opportunities for sub-federal procurement on an MFN basis. They also encouraged Canada to develop uniform standards for MASH sector and Crown Corporations procurement.

In conclusion, this Review has confirmed the important role played by Canada in the multilateral trading system, as evidenced by the large number of advance questions and statements made. Once again, I thank the delegation of Canada, the discussant and members for contributing to an informative and interesting review. I also wish to express my appreciation to the delegation of Canada for its oral and written responses during the meeting. We look forward to receiving Canada's outstanding responses within the coming month.'

Nigeria

'This fourth Trade Policy Review of Nigeria has given us a better understanding of the country's recent economic, including trade, policy developments and enabled us collectively to measure the challenges Nigeria currently faces in improving its economic prosperity. Our candid discussion has proved more engaging thanks to the full and open participation of the Nigerian delegation, led by H.E Frederick Agah, and by the insightful remarks made by the discussant, H.E. Faizel Ismail of South Africa, as well as active participation by numerous delegations.

Members appreciated Nigeria's active participation in the WTO and the constructive part it was playing in the DDA and noted the important role being played by Ambassador Agah as Chairman of the General Council, in the preparations for the 8th Ministerial Conference later this year.

On the positive side, members commended Nigeria on its robust and broad-based economic growth during the review period, they welcomed the reduction in the average applied MFN [most-favoured nation] tariff and the number of products on the import prohibition list while praising the steps taken to simplify customs procedures. Members also recognized Nigeria's efforts at diversification of the economy and regulatory reform. However, they also noted that reform would have to continue and the pace of reform would have to accelerate if Nigeria was to meet its own ambitious development objectives.

Some delegations however also stated that certain measures taken by Nigeria might not be compatible with its WTO commitments, such as import prohibition and restrictions and the Nigerian Content Development Act, which discriminates against foreign suppliers of goods and services in the oil and gas sector of the economy. Some delegations also noted that Nigeria continues to use trade restrictive measures to achieve objectives that could be better served with other policies.

The numerous statements, questions and replies voiced in the course of this Review have highlighted the fact that there remains room for significant further improvement of Nigeria's trade and trade related policies. In fact, there are a number of areas where reforms could be both beneficial to Nigeria and would help strengthen its international trade and investment. The Nigerian authorities might give thought to improvements that could be made in the following spheres:

- **Legislative change:** Some members mentioned the large number of draft bills at various stages of development, some of which had already been prepared at the time of the last review in 2005. Although some legislation has been enacted, many important pieces of legislation are still at the draft stage or have been before the National Assembly for some time. Delegations urged Nigeria to implement its planned reforms, in areas such as competition policy, contingency measures, the petroleum industry, and public utilities. Such reforms would provide a more conducive economic and investment environment.
- **Transparency:** Members stated the lack of transparency in existing laws and regulations including those pertaining to customs rules and procedures increase the cost of doing business in Nigeria. Members invited Nigeria to provide full transparency of its laws and regulations including import procedures and customs regulations.
- **Tariff predictability:** While they welcomed the reduction in the average applied MFN tariff from 29 per cent in 2003 to 12 per cent in 2009, some delegations were concerned that the significant gap between the applied MFN tariffs and the bound rates and the low level of tariff bindings created uncertainty and urged Nigeria to make its tariffs more predictable.

- **National treatment:** Members noted that some other duties and charges levied on imports appeared to be applied in a discriminatory fashion. They recommended that such discrepancies be eliminated in order that Nigeria fully comply with the WTO principle of national treatment.
- **Intellectual property rights:** Members noted that the current law on intellectual property was out-dated and, therefore, encouraged Nigeria to implement the new National Bill quickly, as well as strengthening protection and enforcement aspects.
- **Government procurement:** Members took note of the new Public Procurement Act and urged Nigeria to consider the benefits of becoming an observer to the WTO Agreement on Public Procurement as a first step toward full membership.
- **Infrastructure:** Several delegations, including the Nigerian, noted the poor state of infrastructure generally, particularly electricity while noting progress made in telecommunications. However, they welcomed the Government's new Power Sector Plan and progress made in privatization and divestment in power generation, distribution and transmission.

This review of Nigeria's trade policy would not be complete without a mention of its booming film industry. Nollywood, as the movie production centre is called, is in close competition with its Hollywood (United States) and Bollywood (India) counterparts for first place in terms of volume of film production. This new industry, which has contributed to diversifying production in Nigeria, emerged in the early 1990s and currently provides direct or indirect employment for 2 million people, according to the sector concerned. A fine example that could serve as a case study for schools of economics and business administration. Moreover, there are a number of aspects that relate to our discussions, including audio-visual services and intellectual property, amongst others. This is an industry that bears witness to the wealth of creativity in Nigeria.

In conclusion, this Review has confirmed the important role played by Nigeria in the multilateral trading system, as evidenced by the large number of advance questions and statements made. Once again, I thank the delegation of Nigeria, the discussant and members for contributing to an informative and interesting review. I also wish to express my appreciation to the delegation of Nigeria for its oral and written responses during the meeting. We look forward to receiving Nigeria's outstanding responses within the coming month!

European Union

'This is the tenth Trade Policy Review of the European Union and I would like to thank Peter Balás and his delegation for their constructive and interactive engagement in this meeting. I would also like to thank Ambassador de Mateo for his excellent intervention as discussant. The Review was based on reports by the WTO Secretariat and the EU, both of which delegates appreciated.'

At the time of its previous Trade Policy Review, in April 2009, the EU was in deep economic recession, which was accompanied by a sharp contraction of EU and global trade. Helped partly by a vigorous policy of national and EU stimuli, the EU economy is recovering, and EU trade has rebounded along with global trade. Delegations welcomed this, and commended the EU for having resisted pressures to respond to economic difficulties by tightening restrictions on imports and exports. In the face of economic uncertainty caused by the sovereign debt turmoil in some euro area countries, the EU's continued commitment to openness and transparency remains essential for many members' own trade and development prospects. Delegations were encouraged by the role assigned to trade and investment openness in the EU's overall economic growth and competitiveness strategy.

This is the first Trade Policy Review of the EU after the Treaty of Lisbon entered into force on 1 December 2009. Under the Treaty, the European Parliament has rights equal with the Council in adopting EU trade legislation, and must give its consent before the Council can ratify international trade agreements. In addition, the Lisbon Treaty broadened the exclusive competence of the EU to encompass foreign direct investment as part of the common commercial policy. Delegations commented on the importance of these changes for increased EU trade and investment policy coherence, and for further trade and investment liberalization.

Delegations congratulated the EU for having confirmed that the WTO remains the focus of its trade policy. They recognized the significant contribution made by the EU to the Doha Round, and called on the EU to assert leadership commensurate with its status as the world's largest trader in order to help bring the Round to a successful conclusion, including its development dimension. A number of delegations cautioned against the possibility that the pursuit of the EU's agenda of "competitiveness-driven" free trade agreements might detract from the EU's commitment to a strong multilateral trading system.

Delegations welcomed the EU's preference programmes to support export growth and diversification in developing and least developed countries, and remarked on the recent introduction of new, more flexible rules of origin for product imported under the Generalized System of Preferences (GSP). Many delegations drew attention to the European Commission's proposal to amend the GSP regime, and some voiced concerns about the potential impact of this proposal on their exports to the EU. The EU delegation responded that the proposed changes were meant to create better opportunities for those developing countries that are most in need and complied with the letter and the spirit of the enabling clause. Many delegations welcomed the EU's contributions of Aid for Trade and trade-related development assistance and capacity building, including through the WTO Global Trust Fund and the Enhanced Integrated Framework.



The numerous interventions, questions, and answers during this review have highlighted the scope for further rationalization of the EU's trade and trade policies. Indeed, there remain a number of areas where reforms would both be beneficial for the EU and help to strengthen international trade, which the EU acknowledged is integral to its continued prosperity. The EU authorities may wish to give particular thought to possible improvements in the following areas:

- **Tariffs:** It was recognized that import tariffs have remained relatively low and that a significant proportion of imports enters the EU duty free under zero-level MFN [most-favoured nation] tariffs or preference programmes. At the same time, delegations encouraged the EU to eliminate remaining tariff peaks, including on motor vehicles, fish, and agriculture, and to simplify its overly complex tariff structure. Members were satisfied to know that the EU stands ready to move in this direction as the result of a successful conclusion to the Doha Round.
- **Regulatory barriers to trade:** Many delegations repeated concerns expressed in previous EU Reviews about the burdensome impact of certain regulatory measures on market access in areas such as technical barriers to trade and sanitary and phytosanitary measures. It was felt that more extensive reliance on international standards as well as enhanced transparency and closer cooperation with third countries during the development and implementation of technical regulations and conformity assessment procedures have important roles to play in ensuring that new and existing regulations do not result in unnecessary obstacles to trade.

- Support to agriculture:** While acknowledging recent progress in reforming the Common Agricultural Policy (CAP), delegations remain concerned about the high level of support to EU agriculture, in both absolute and relative terms, and the large share of market price support in total transfers to EU farmers. The EU was urged to continue reducing the role of the CAP in the market, and to complement this with significant reductions of MFN tariffs on agriculture.
- Crisis-related government support:** The EU was urged to persevere with ongoing initiatives to phase out crisis support in order to minimize any distortions to international trade and investment.
- Single EU market:** Delegations commended the EU for its recent initiatives to deepen the internal market for goods and services. Nonetheless, several delegations expressed concern about delays in the implementation of the EU Services Directive, which is seen as essential to strengthening competitiveness throughout the EU. Many delegations urged the EU to align with best liberalization practices services sectors such as professional services that remain subject to high barriers to the free establishment of and cross border provision by foreign competitors.

I also noted the EU's suggestions for improving the Trade Policy Review process. We will go back to this point as part of our discussions within the framework of the fourth appraisal of the Mechanism with a view to the eighth Ministerial Conference.

The large number of questions tabled during this Trade Policy Review indicates clearly the importance of the EU as a trading partner for most WTO members. The EU delegation is to be commended for giving comprehensive replies to so many questions and for having reacted to many of them in the meeting room. Members look forward to receiving the final responses within one month. In closing, I would once again like to thank the EU delegation, the discussant, and members for contributing to what has been a very successful Review.'

India

'This fifth Trade Policy Review of India has provided an opportunity for us to improve our understanding of recent developments in India's trade and trade related policies, and to identify areas in which there is room for improvement. I would like to thank Commerce Secretary Rahul Khullar and his delegation for their constructive engagement in this meeting. My thanks also goes to Ambassador Aran for his excellent participation as discussant, and to the members for their numerous interventions. I would further like to commend the authorities of India for the effort that they have made to answer the almost one thousand questions that they received prior to this meeting, which have been extremely useful to us.'

Members congratulated India for the solid economic performance achieved during the period under review, which had allowed GDP to grow at an impressive rate. India was continuing to reap the benefits of the trade liberalization process and of the structural reforms begun in the 1990s. It deserved praise for dealing satisfactorily with the economic crisis, without adopting any protectionist trade measures. Members urged India to continue to deepen the liberalization process that had been so beneficial to the country.

Members also praised India for having used trade policy to promote sustainable growth, and for having acted to ensure that the different levels of society would benefit from it. However, in spite of all that had been achieved, poverty reduction remained a challenge.

Members expressed their satisfaction with the adoption of trade facilitation measures such as the introduction of an electronic customs clearance system, and with the fact that the average MFN [most-favoured nation] tariff had decreased during the period under review.

Similarly, there was a positive assessment of the legal and institutional reforms introduced by India to support trade and investment; however, members highlighted a number of areas for further improvement, as mentioned further on.

Members acknowledged India's active participation in the WTO, particularly in the DDA [Doha Development Agenda] negotiations, and the fact that India was a strong proponent of the multilateral system. They noted with satisfaction India's participation as an observer in the Agreement on Government Procurement, and urged India to accede to that Agreement. They also urged India to improve its compliance with its WTO notification obligations.

A close examination of the observations made by delegations during this Review would suggest that there were reasons to recommend that the authorities of India consider introducing further improvements in certain areas. There are ten in all, some of which have been already mentioned by Mr. Khullar this morning.

- Tariffs and other import duties:** While they recognized that there had been a reduction in the average MFN tariff, members encouraged India to make its tariff regime simpler and more transparent, and to narrow the gap between the bound and applied rates. They also urged India to simplify its tax system, for example by eliminating certain additional levies and by introducing a tax on goods and services at the national level.
- Non tariff measures:** Some members noted that imports could be subject to prohibitions, restrictions and licensing. They considered India's licensing system to be complex and lacking in transparency, and they urged India to simplify it. In general, members suggested that India adopt a less complex import regime.

- **Anti-dumping:** Members noted that India was one of the WTO's most active users of anti dumping measures, and that it had also imposed a number of safeguard measures. This morning Mr. Khullar mentioned that only one safeguard measure was in place. They called upon the authorities of India to use contingency measures more rationally in order to avoid harming trade.
- **SPS [sanitary and phytosanitary measures] and TBT [technical barriers to trade]:** A number of members questioned the scientific basis for certain sanitary and phytosanitary measures adopted by India, and pointed out that certain technical standards could constitute a barrier to trade. Members urged India to eliminate measures that impeded trade and to introduce a notification mechanism so that trading partners could be kept informed of the measures in force.
- **Government procurement:** While recognizing the progress made by India on certain aspects of its government procurement regime, members pointed out that it was still possible to enhance the openness and transparency of the system. With reference to the decentralization of government procurement, certain members expressed concern that the system would not be governed by a common law. India was urged to reconsider the costs to its economy of using preferences and set asides, and to join the WTO Plurilateral Agreement on Government Procurement as soon as possible.
- **Incentives:** Members pointed out that India had a series of incentive schemes to attract investment, promote exports and protect agriculture and other less advantaged sectors, such as micro and small enterprises. Some members asked whether India had assessed the impact of these programmes and determined whether they were WTO consistent, while others urged India to notify the programmes to the WTO.
- **Intellectual property:** Noting the actions undertaken to strengthen the enforcement of intellectual property rights, including through administrative and legal reforms, members urged India to continue stepping up efforts in this area, which remained a source of particular concern.
- **Agriculture:** While recognizing the importance of agriculture for India, members also noted the support and protection received by that sector. Mention was made of the fact that tariff protection for agricultural products was substantially higher than for industrialized goods and that very high tariffs were maintained for certain products. Members encouraged India to liberalize the agricultural sector by reducing tariffs, and by eliminating superfluous sanitary and phytosanitary measures and export restrictions on raw materials, as it had done for cotton last year.



- **Services:** Members urged India to open up the services market and bind any liberalization under the GATS [General Agreement on Trade in Services], noting that the country stood to benefit from the further liberalization of financial and transport services.
- **Investment:** Members observed that most sectors were at least partly open to foreign direct investment. Members urged India to eliminate remaining investment barriers, such as permits and requirements, which reduced transparency and could end up being more restrictive than an investment cap. A number of members emphasized the importance of foreign direct investment for India's future development in view of its infrastructure requirements.

This successfully concludes our fifth Review of India. The detailed nature of the questions submitted and the numerous interventions attest to members' interest in India's trade policies and practices. I would once again like to thank the delegation of India, the discussant and the members for contributing to an enlightening Review of India's trade policies and practices.'

Guinea and Mauritania

'This joint review of Guinea and Mauritania has allowed us to better understand their recent trade developments and the challenges they face. Our discussions have benefited from the participation of H.E. Mr Mohammed Dorval Doumbouya (Minister of Trade), head of the delegation of Guinea; and H.E. Mr Cheikh Ahmed Ould Zahaf, head of the delegation of Mauritania.

I am also grateful to H.E. Mr Omar Hilale for his valuable contribution as discussant, and to members for their constructive engagement in this review.

Guinea and Mauritania have recently experienced serious political turmoil which has severely affected their macroeconomic performance. As a result, the annual growth rate of the Guinean economy has remained below 5 per cent since 2005; Mauritania has not performed any better, except in 2006, when the annual growth rate jumped to 11 per cent following the start up of new oilfields.

Members praised Guinea and Mauritania for having organized democratic elections in 2009 and 2010, respectively, and for their legal and institutional reform efforts. Some members noted that investment in the largely untapped potential of Guinea and Mauritania would benefit from sustained reforms to improve their business environment. To this end, both countries are invited, *inter alia*, to fight corruption, facilitate trade, effectively enforce legislation, and strengthen their commitments under the GATS [General Agreement on Trade in Services]. This, together with further assistance, mainly in human and infrastructural capacity building, would help diversify their economies and further reduce poverty.

On the basis of the numerous statements made in the course of this joint review, it appears that there remains room for further improvement of the trade and trade related policies of Guinea and Mauritania. Areas where reforms could be beneficial to their domestic economies and would serve their commitments to the multilateral trading system include:

- **Trade facilitation:** Members expressed concerns about the large number of documents required for import and export clearance; the costs related to preshipment inspection; and the delayed implementation of the WTO Customs Valuation Agreement by Guinea and Mauritania.
- **Bound and applied duties:** Noting that, on a significant proportion of tariff lines, applied rates exceed the bound levels, members urged Guinea and Mauritania to take steps to comply fully with their binding commitments, and to simplify their tax systems.
- **Intellectual property rights:** Members encouraged both Guinea and Mauritania to improve protection of IPRs [intellectual property rights], *inter alia*, by strengthening their institutional frameworks.



- **Government procurement:** Members welcomed the efforts undertaken by both Guinea and Mauritania to adopt new procurement laws that are more transparent and respectful of international codes of good practice, and called for their prompt and full implementation.
- **Sectoral policies:** Members expressed the hope that the agricultural policies of Guinea and Mauritania achieve their food security objective, and that their sectoral policies (in mining and fisheries in particular) contribute to the sustainable exploitation of their resources, and to the development of their economies.
- **Notifications:** Members urged Guinea and Mauritania to comply with their notification obligations to the WTO.

Members appreciated the responses provided by the delegations of Guinea and Mauritania.

In conclusion, I believe that this review has given us a comprehensive update on the trade regimes of Guinea and Mauritania. Both members are encouraged to pursue their reforms, and to further adhere to WTO rules and improve their multilateral commitments with a view to enhancing the transparency and predictability of their trade regimes and contributing to attracting foreign investment. I advocate that members support Guinea and Mauritania in their continued efforts by providing further market access for their goods and services, and by being attentive to their requests for technical assistance.'

Zimbabwe

'This second Trade Policy Review of Zimbabwe has provided an opportunity to improve our understanding of recent economic, including trade, policy developments, and to identify areas in which there is room for improvement. Our frank discussion has been stimulated by the full and open participation of the Zimbabwean delegation led by H.E. Pr. Welshman Ncube, Minister of Industry and Commerce, as well as by the perceptive remarks of the discussant, H.E. Dr. Anthony Mothae Maruping of Lesotho, and the active engagement of many members.'

Members commended Zimbabwe on its economic reform efforts, including its unilateral tariff liberalization, the upgrading of its computerized customs clearance system, the improvements in its intellectual property regime, its de facto adoption of the US dollar as legal tender in 2009, and the introduction of more discipline into its fiscal system. The reforms have enabled it to break its economic recession, which had lasted for nearly a decade. Zimbabwe's potential to achieve rapid and sustained growth was acknowledged, and the challenges posed by high unemployment, and an external debt approaching unmanageable proportions were stressed. Some members pleaded for more assistance to help Zimbabwe address its supply-side constraints, mainly under a well-designed Aid for Trade programme.

Several members voiced concerns about the legal protection of investments, in the light of Zimbabwe's controversial land reform and its indigenization programme. They noted the significant loss of competitiveness experienced by the economy over the past decade, and encouraged Zimbabwe to ensure a transparent and predictable business environment, including through further liberalization of its trade and investment regimes.

Members are of the view that there remain a number of areas where reforms would be beneficial to Zimbabwe and help promote international trade. These include:

- **Structural reforms:** Members encouraged Zimbabwe to pursue its structural reforms, including in the financial and tourism services subsectors, with a view to achieving its sustainable economic and social development.
- **Tariff structure:** Members recommended Zimbabwe to simplify its tariff structure through conversion of non-ad valorem into ad valorem rates, and reduction of applied rates, with a view to complying with its binding commitments.
- **Quantitative restrictions:** Members flagged various prohibitions, restrictions and licensing requirements maintained by Zimbabwe on a range of imports and exports, and encouraged it to rationalize its licensing system with a view to making it more transparent, as well as to eliminate the export ban on unprocessed chrome ore.



• **SPS [sanitary and phytosanitary measures] and TBT [technical barriers to trade]:** Several members questioned the scientific basis for certain sanitary and phytosanitary measures imposed by Zimbabwe, suggested that the requirements be guided by a risk-based analysis, and called for further transparency in Zimbabwe's SPS and TBT regimes, including through better compliance with notification obligations.

- **Services:** Further liberalization of the services sector and improvement of commitments under the GATS [General Agreement on Trade in Services] were recommended as a way to help attract investment into the sector.
- **RTA initiatives:** Some members encouraged Zimbabwe to rationalize its membership to bilateral and regional trade agreements, with a view to simplifying its trade regime.

Members appreciated the responses provided by the delegation of Zimbabwe and looked forward to further responses.

Overall, this Review concludes to the need for Zimbabwe to improve its business environment by addressing governance issues and further liberalizing its trade regime, with a view to attracting foreign investment. Enhancement of and full compliance with multilateral commitments would help by increasing the credibility of the regime and making it more predictable. Trading partners could help Zimbabwe in its reform efforts by keeping their markets open to goods and services of interest to it and by being attentive to its requests for assistance.'

Cambodia

'The first Trade Policy Review of Cambodia has given us a much better understanding of recent developments in its trade and trade-related policies and practices together with the challenges it faces. We are grateful for the active participation of the Cambodian delegation headed by H.E. Mr Cham Prasidh, Senior Minister and Minister at the Ministry of Commerce. I would also like to thank the discussant, Ambassador Mr Yi Xiaozhun of China, and members of the TPRB [Trade Policy Review Body] for contributing to our fruitful exchange of views. Cambodia's detailed responses to the many questions posed by members is also appreciated.'

Members commended Cambodia for the solid economic performance achieved during the period under review, which had allowed per capita income to more than double while the poverty rate has fallen from 35 per cent of the population to 26 per cent over the period. Members congratulated Cambodia for having successfully emerged from the global economic crisis, while refraining from adopting trade protectionist measures.

Members acknowledged the relative openness of Cambodia's economy, as evidenced by a trade-to-GDP ratio of about 65 per cent. They also noted that exports account for a large proportion of employment growth and that trade policy is an integral part of Cambodia's efforts to promote development and improve living standards. However, concerns were expressed about reliance on a few export products and markets and members therefore urged Cambodia to step up its efforts to diversify its export basket and seek new markets in order to limit its exposure to external shocks.

Members noted that Cambodia had made good use of its WTO membership to further its integration into the world economy, reflected in the country's active participation in the Doha Development Agenda as well as its regional co-operation efforts with its Asian neighbours. Members called upon developed members to provide duty-free and quota-free (DFTQ) market access to Cambodia and other LDCs [least-developed countries] on products of export interest to them.

Members expressed their satisfaction that Cambodia had simplified its tariff structure, bound 100 per cent of tariff lines and recently had made efforts to ensure that its applied rates remain below bound rates and that Cambodia was also reducing dependence on trade-related taxes by starting to strengthen their domestic revenue base. Members appreciated Cambodia's continued commitment to fully implementing the agreements on Customs Valuation, TRIPs [trade-related aspects of intellectual property rights], TBT [technical barriers to trade] and SPS [sanitary and phytosanitary measures] and acknowledged the steps taken by Cambodia to promote good governance through judicial and legal reforms and create a more transparent and predictable business environment to help attract investment. At the same time, members noted that there is still significant work to do in improving the business environment and addressing infrastructure bottlenecks.



From a close examination of the observations made by delegations during this Review, it appears to me that the Cambodian authorities might consider introducing further action or improvements in certain areas. I note from the Minister's concluding statement that action is already being taken in several of these areas:

- **Improving the business framework:** Members encouraged Cambodia to continue strengthening its trade and investment environment through further regulatory and legislative reform and addressing issues of weak institutional capacity.
- **Customs reform:** While encouraged by Cambodia's efforts in the area of customs reform including enactment of the 2007 Customs Law, members encouraged Cambodia to make Camcontrol import requirements more transparent.
- **Government procurement:** While recognizing steps taken in this area such as the preparation of a preliminary draft procurement law, Cambodia was encouraged to focus attention on provisions related to transparency and access to information about tendering.
- **Standards:** There was appreciation for Cambodia's efforts in complying with WTO requirements on standardization.
- **SPS requirements:** Cambodia was encouraged to better organize the inspection and certification of products, address problems regarding full compliance with the SPS Agreement including notification requirements and shed more light on the methodology Cambodia was using as the basis for its risk assessments.

- **TRIPs:** Members welcomed developments in introducing a number of IPR-related laws and inter-agency coordination of Cambodia's IPR policy, and were interested to learn about Cambodia's actions for implementing TRIPs by July 2013, including progress made towards completing the process of granting patents.
- **Export diversification:** Members appreciated that Cambodia was diversifying its range of exports and was currently focusing on increasing paddy rice production and expanding exports of milled rice for which improvements in infrastructure and productivity were needed.

In conclusion, I believe that this Review has given us a comprehensive update on the trade regime of Cambodia. Cambodia has been encouraged to pursue its regulatory and legal reforms and to further adhere to WTO rules with a view to enhancing the transparency of its trade regime and thus contribute to attracting foreign investment. I recommend that members support Cambodia in its continuing efforts by providing further market access to its goods and services and by responding to Cambodia's needs for technical assistance and expertise.'

Ecuador

'The second Trade Policy Review of Ecuador has given us a much better understanding of recent developments in its trade and trade-related policies and practices together with the challenges it faces. We are grateful for the active participation and the prompt response of the Ecuadorian delegation headed by H.E. Mr Francisco Rivadeneira, Vice-Minister of Foreign Trade and Economic Integration at the Ministry of Foreign Affairs and Economic Integration. I would also like to thank the discussant, H.E. Ambassador Luis Manuel Piantini Munnigh of the Dominican Republic, and the members of the TPRB [Trade Policy Review Body] for contributing to our fruitful exchange of views. Ecuador's detailed responses to the many questions posed by members are also appreciated.'

Members commended Ecuador for weathering well the global economic downturn, while without adopting trade protectionist measures other than those taken in 2009 for balance-of-payments purposes on a temporary basis. They recognized Ecuador's achievements in the areas of human development and income inequality as well as the benefits and policy constraints relating to its dollarized monetary regime. Members noted that Ecuador's dependence on oil revenue and expatriates' remittances left its economy more vulnerable to external shocks.

Members also noted the changes brought by constitutional and legislative developments since 2008 in several areas, including those in strategic sectors, which some felt had created elements of uncertainty for domestic and foreign investors. Some acknowledged the improvements brought recently to the FDI [foreign direct investment] regime, though they were concerned at the steps to terminate bilateral investment protection agreements, and questioned whether national legislation could provide the same assurances as an international treaty. Members



acknowledged the efforts Ecuador has recently made to improve productivity and international competitiveness, although some concerns were expressed about using trade policies for selective import substitution and to support investment in value adding activities.

Members acknowledged Ecuador's constructive participation in the WTO and Doha Round activities. They welcomed the transparency improvements that had been made and encouraged further progress in certain WTO notification areas. In that connection, we take note of Ecuador's request for consolidation of the relevant WTO technical assistance.

Some members welcomed the reduction of average MFN [most-favoured nation] applied tariff rates since the last TPR [Trade Policy Review] while others noted the relatively wide gap between the average bound and applied MFN tariff rates as well as the increase of average MFN tariff levels for agricultural products. Several members commended Ecuador for its trade facilitation achievements and expressed their satisfaction with developments in government procurement and competition legislation. More information was sought from Ecuador about the latest requirements in six areas: (1) import licensing; (2) sanitary and phytosanitary standards and measures; (3) export measures; (4) energy-related subsidies; (5) prices policy; and (6) GATS [General Agreement on Trade in Services] commitments. Remarks were also made on the impact of IVA [value-added tax] and ICE [special consumption tax] tax rates on imports of certain items as well as the possible effect of the foreign exchange flight tax on production costs. Some members noted improvements in IPR [intellectual property rights] protection in Ecuador and raised questions relating to its scope and enforcement.

From a close examination of the Vice-Minister's statements and observations made by delegations during this Review, it appears to me that this TPR of Ecuador should encourage the authorities to press ahead with their reforms and consider taking further action or introducing improvements in certain (five) areas:

- **Productivity:** Members urged Ecuador to improve its productivity and thereby its competitiveness, and to view more open trade policies as a potentially valuable tool in this regard.
- **Export diversification:** Members urged Ecuador to step up its efforts to diversify its exports and seek new markets.
- **Business environment:** Members encouraged Ecuador to proceed with its structural and regulatory reforms in order to further improve its business and investment environment.
- **Compound duties:** Several members reiterated their request for submission of ad valorem equivalents (AVEs) of compound duties and observance of binding levels.
- **Standards:** Ecuador was encouraged to increase the proportion of its national standards that are based on international standards.

In conclusion, I believe that this Review has given us a comprehensive update on Ecuador's foreign trade regime. Ecuador has been encouraged to adhere more closely to WTO rules with a view to enhancing the stability, predictability and transparency of its trade regime. I recommend that members support Ecuador in its continuing efforts by providing further market access to its goods and services and by responding to Ecuador's needs for technical assistance and expertise.'

Thailand

'The sixth review of Thailand's trade policies has taken place against the backdrop of recent severe flooding in the country that has led to the deaths of hundreds of people and caused severe damage to the Kingdom's infrastructure and production valued at over 2.3 per cent of GDP. Indeed, the damage caused by the flooding was felt beyond Thailand's borders as it disrupted international supply chains for both industrial and agricultural goods. I would also like to take this opportunity to add my appreciation to the Thai delegation for providing replies to the questions despite the disruptions caused by the flooding.'

Thailand has a relatively open economy and trade and investment have played important roles in its development. Economic growth over the past decades, including over the past few years, has been impressive and the economy recovered strongly from a recession in first half of 2009 caused by the global financial crisis to grow by nearly 8 per cent in 2010. In turn, strong economic growth has led to a decline in poverty and Thailand has been able to meet its Millennium Development Goals ahead of time. Members commended Thailand for its active participation in the DDA and its strong support for the multilateral trading system.



This review of Thailand has been able to note that it did not take any new measures to restrict trade since the 2008 global financial crisis. Indeed, it has made some important improvements to trading conditions in some areas, such as its adoption of paperless import procedures and its intention to move to a single window. Furthermore, an appeals system has been introduced by the Customs Department to cover many aspects of import procedures. As a member of ASEAN [Association of Southeast Asian Nations], Thailand has adopted the Association's harmonized tariff nomenclature which has also helped facilitate trade by standardising the customs codes used to identify products.

Thailand, with its trade and current account surpluses, continues to pursue a policy of export-led growth. But with low growth in its traditional export markets, a number of delegations asked if it would put greater emphasis on domestic consumption. Thailand is also a member of ASEAN and actively participates in its negotiations with other countries. It has also negotiated its own free trade agreements. The result has been overlapping trade agreements which can make it confusing for exporters as they face a variety of import charges or different rules of origin. Members also noted that foreign direct investment has declined over the past few years and they pointed out several existing measures that obstruct investment, such as limits on foreign ownership.

Furthermore, most of the delegations drew attention to areas of Thailand's import and domestic policies that they felt hampered trading opportunities and impeded its development. Among the issues raised by delegations and referred to in the Secretariat Report were:

- **Agriculture:** Thailand is an important producer and exporter of several agriculture products, particularly rice. Although the immediate concern for the country is recovery from recent flooding, a number of delegations also expressed concern about current agricultural policy, such as domestic support and tariff quota administration, and their impact on trade.
- **Complex tariffs:** With ad valorem tariffs, specific duties and compound tariffs charged at various rates on different products, Thailand has a complicated tariff structure. Furthermore, members noted that Thailand continues to have a large number of unbound tariffs all of which creates uncertainty and distorts trade.
- **Technical Barriers to Trade and SPS Measures:** Thailand was encouraged to make greater use of international standards for both TBT [technical barriers to trade] and SPS [sanitary and phytosanitary] measures and to improve transparency in developing standards and applying them. There were also concerns about health warnings on alcohol products.
- **Complex income tax, corporation tax and excise duties:** In addition to a complicated tariff system, Thailand also has complex systems of income and corporation tax which makes compliance expensive and acts as a deterrent to investment. Furthermore, some delegations stated that the different excise duties on similar products tended to favour domestically produced goods to the detriment of imports of, for example, alcoholic drinks.
- **Intellectual property:** Several members noted the steps taken by Thailand to improve the protection of intellectual property and the Thai delegation also emphasized the importance of a strong and efficient intellectual property system, particularly since the launch of the Creative Economy Policy in 2009. However, the current system was still considered to be deficient and several problems, including counterfeiting and piracy, were pointed out by members.
- **Trade in services:** Despite progress in the liberalization of trade in some services sectors, members continued to be concerned by foreign ownership and market access restrictions in some areas, such as financial services (particularly insurance), telecommunications, maritime and professional services. It was also noted that Thailand has yet to modify its GATS [General Agreement on Trade in Services] schedule following the negotiations on telecommunications in 1997. Also on services, concerns were raised about new regulations that appear to impose criteria that could restrict foreign participation in telecommunications, insurance and logistics.
- **Regulation:** Several delegations mentioned the need for enhanced regulation of several sectors, particularly financial and other services and it was noted that Thailand has committed to liberalize the regulatory regime with legislation governing key sectors, such as transport, distribution, and telecommunications under review.

In conclusion, Thailand, as a major exporter of industrial and agricultural products as well as services, is an important player on the world market and its policy decisions have impacts well beyond its borders. This, the sixth review of Thailand's trade policies, has taken place at a very important time. Following the global financial crisis that started in 2008 and the recent flooding in Thailand along with current uncertainty in the global economy, the policy direction that Thailand is going to take will be very important for its future development.¹

Trade monitoring reports

Four reports prepared by the WTO Secretariat on behalf of the Director-General showed that despite the financial and economic crisis, WTO members generally continued to resist protectionist pressures in 2011. However, these pressures are mounting along with the risks to the global economy. The outlook for world trade has worsened, with global exports likely to have grown less than initially forecast.

The reports on global trade developments prepared by the WTO Secretariat during 2011 showed that members and observers had by and large continued to resist domestic protectionist pressures and kept markets open overall. However, they warned of potential dangers in the near future because of uncertainties in the global economy and persistently high levels of unemployment and tensions over foreign exchange rates. The reports showed an upward trend in the imposition of new trade restrictions. In particular, the number of export restrictions increased sharply.

Two of these reports, covering trade and investment measures taken by the Group of 20 (G20) leading developed and developing economies, were prepared jointly with the secretariats of the Organisation for Economic Co-operation and Development (OECD) and the United Nations Conference on Trade and Development (UNCTAD). The other two covered relevant measures taken by all WTO members and observers, and were discussed at meetings of the Trade Policy Review Body (TPRB). The Director-General stressed at these meetings that the global crisis and the WTO's trade monitoring exercise underlined the importance of increased transparency for the smooth functioning of the multilateral trading system. The 8th WTO Ministerial Conference in December called on the TPRB to continue discussing the strengthening of the monitoring exercise.

At the request of a group of members, a symposium was held in July 2011 for TPRB members to discuss and exchange views on the financial and economic crisis and the role of the WTO.

Background on trade monitoring reports

In 2009, the WTO began regular monitoring of global trade developments, covering all trade and trade-related measures implemented by WTO members and observers. Initially launched in the context of the global financial and economic crisis, the monitoring exercise has become a regular function that further strengthens the transparency aims of the Trade Policy Review Mechanism by providing comprehensive information on recent trade policy changes. It is overseen by the Trade Policy Review Body, which also conducts detailed reviews of members individually (see page 62).

A consolidated report covering the period mid-October 2010 to mid-October 2011 was presented in the Director-General's 'Annual Report on the Overview of Developments in the International Trading Environment', published in November and discussed at the TPRB meeting in December. The Director-General noted that current global difficulties, especially increasing concerns about debt in many large economies, were affecting economic activity and, hence, trade. He stressed that the multilateral trading system had helped members navigate the financial crisis and resist inevitable protectionist pressures so far, that the system had proved its resilience and usefulness for all, and that, at a time of greater economic uncertainty and rising global risks, it was all the more important that the process of global trade opening continued.

Transparency and surveillance

Transparency and surveillance of national trade policies are one of the pillars of the multilateral trading system, along with trade negotiations and dispute settlement. The strengthened surveillance provided by the regular monitoring of trade and trade-related measures during the crisis has not only enhanced transparency but helped governments faced with scrutiny by their peers to resist domestic protectionist pressures. It has thereby increased trust in the multilateral trading system.

According to the monitoring exercise, no WTO member retreated into widespread trade restriction, nor was there any significant instance of trade retaliation in 2011. Governments appeared to have learnt lessons from the past, with political leaders firmly rejecting a return to 'beggar-thy-neighbour' protectionism that had such disastrous consequences in the 1930s. Their response this time was a clear demonstration of the value and resilience of the rules-based multilateral trading system.

Members and observer governments recognized the role played by the WTO in helping to mitigate the impact of the crisis and in providing increased transparency on trade policy developments. At various summit meetings where the crisis was addressed, world leaders also welcomed the part played by the WTO. In November 2011, the Director-General and the respective heads of the OECD and UNCTAD submitted a joint report on trade and investment developments to the Cannes Summit of the Group of 20, which brings together leading industrialized and developing countries.

Monitoring summary

The outlook for the global economy worsened considerably towards the end of 2011. Risks and uncertainties are increasing after the encouraging signals of recovery seen at the end of



2010. Global activity slowed down, economic performance continued to be uneven across countries, debt levels and financial volatility rose, high unemployment levels persisted in many countries, and confidence fell sharply. These risks were aggravated by perceptions in markets that governments' responses to these challenges had been inadequate.

In this context, world trade grew more slowly than expected. Developed economies were hit by a number of problems ranging from shrinking global demand to the impact of natural disasters, issues related to national budgets and credit conditions, and the sovereign debt crisis. Trade growth in developing countries was also adversely affected by global developments, including signs of overheating in some major emerging markets. In light of the deteriorating economic situation, the forecast for world export growth in 2011 was revised to 5.8 per cent, down from the earlier estimate of 6.5 per cent. Developed economies' exports are expected to rise by 3.7 per cent and those from developing countries by 8.5 per cent.

The monitoring exercise and individual trade policy reviews undertaken in 2011 recorded 339 new trade restrictive measures, which is 53 per cent more than in the previous period, with new export restrictions rising particularly strongly. Moreover, there was a growing perception that trade protectionism was gaining ground in some parts of the world as a political reaction to local economic difficulties – difficulties that trade restrictions are very poorly equipped to resolve. Various signs of a revival in the use of industrial policy to promote national champions and of import substitution measures to back up that policy were observed. New restrictive measures introduced in the period between mid-October 2010 and mid-October 2011 covered around 0.9 per cent of world imports.

On the other hand, some countries also adopted measures to facilitate trade, especially by reducing or temporarily exempting import tariffs, terminating trade remedies actions and streamlining customs procedures. Trade facilitating measures implemented during this period accounted for 48 per cent of the total number of measures recorded in the Director-General's Annual Report.

In the area of trade in services, members maintained the general thrust of their policies and levels of market openness. Save for a few instances in which the original restrictive effect of policies has been attenuated and work-permit requirements for certain categories of workers have been removed by a few countries, restrictive measures introduced in the last couple of years are still in place.

Notifications of trade policies

WTO notification activities underwrite the implementation, administration and operation of WTO agreements and increase the organization's institutional effectiveness. The Director-General's Annual Report showed that there is more to do in all areas. In some areas, the gaps that exist in the WTO's knowledge about its members' trade policies and practices are still so serious that they undermine the value of the individual



WTO agreements. Most of those gaps are related to poor compliance with formal notification (of policy) requirements. In some cases, correcting this is a matter of intensifying existing work programmes in the specialized committees and councils to eliminate backlogs and stay on top of the flow of new trade policy data and information.

In other cases, however, additional efforts are needed from members to meet their notification obligations and to report regularly on their trade policies and practices, if they are to achieve the fullest possible degree of transparency. More can be done to make active use of the trade policy information available from monitoring and surveillance activities. More can be done also to respond to requests from developing countries, in particular the least developed countries, for assistance in managing information on their trade policies and reporting on them to the WTO. Assistance in this area has been included as a priority in the Biennial Technical Assistance and Training Plan 2012-2013.

Conclusions

The multilateral trading system has been instrumental in maintaining trade openness during the global financial and economic crisis. WTO members need to preserve and strengthen this system so that it keeps performing this vital function. The best way to further open trade in a global, predictable and transparent manner remains the multilateral route. The multilateral trading system has helped countries navigate the crisis so far and resist protectionism. In a context of greater economic uncertainty and rising global risks, it is all the more important that the process of global trade opening continues.

Trade, debt and finance

In 2011, the Working Group on Trade, Debt and Finance contributed towards addressing some of the structural gaps in the trade finance markets. In particular, the G20 Summit in Seoul requested the WTO to ‘assess and monitor’ the effectiveness of programmes operated by multilateral development banks to facilitate the provision of trade finance to low-income countries. The work undertaken by the WTO in the area of trade finance has benefited from the positive interaction between WTO members and the Expert Group on Trade Finance convened by the Director-General.

Expert Group on Trade Finance

Some 80-90 per cent of world trade relies on trade finance (trade credit and insurance/guarantees) and during the worst of the financial and economic crisis many companies, especially smaller enterprises in both developed and developing countries, found it impossible or prohibitively expensive to obtain the credit they needed to trade.

Against this backdrop, the Expert Group on Trade Finance continued to meet in 2011, with a view to identifying the remaining gaps in the trade finance markets, especially in the poorest countries, and to propose policy measures to fill such gaps. The report of the expert group, presented in 2011 to the G20 sherpas (senior officials) and development working group, concluded that trade finance facilitation programmes were effective tools to boost the supply of trade finance, and that they should be enhanced where they existed, and created where they did not exist yet (in Africa, for example).

Established in the wake of the Asian financial crisis in the late 1990s, the group brings together representatives of the main players in trade finance, including the World Bank's International Finance Corporation (IFC), regional development banks, export credit agencies and big commercial banks, as well as the International Chamber of Commerce (ICC), commercial banks and other international organizations.



Background on trade, debt and finance

WTO ministers decided in Doha in 2001 to establish a Working Group on Trade, Debt and Finance to look at how trade-related measures could contribute to finding a durable solution to the external debt problems faced by many developing countries. Since then the working group has turned its attention to a range of financial issues with an impact on trade, including the provision of trade finance, and more recently, the relationship between exchange rates and trade.

Together with the IFC and the ICC, the WTO Secretariat also worked with the Basel Committee on Banking Supervision, which provides a forum for regular cooperation on banking supervisory matters, to explore ways of further promoting trade and trade finance availability, with a particular focus on the beneficial effects for low-income countries. Changes were made to this effect by the Basel Committee at the end of 2011. The Committee announced a number of flexibilities that were not in Basel II to avoid harming trade finance with poor countries. These changes were hailed by the Director-General of the WTO and the President of the World Bank.

Working Group on Trade, Debt and Finance

In tandem with the expert group meetings, the WTO Working Group on Trade, Debt and Finance also met twice in 2011. WTO members continued to lend their support to the work of the expert group and of the Director-General. They also continued to look at regulatory obstacles under Basel II, recommendations on banking rules and regulations, and considered the potential impact of proposals made under the new framework, Basel III. They looked at the state of trade finance markets, based on the analysis of expert group meetings.

In addition, the Working Group on Trade, Debt and Finance adopted a work programme to examine the economics of the relationship between exchange rates and trade, in particular the impact of the former on the latter. At its first meeting in the spring of 2011, it commissioned a review of the recent economic literature on the subject matter.

The review was presented by the WTO Secretariat and discussed by members at its second meeting in the autumn of 2011. During this meeting, members agreed to proceed with the organization of a seminar at WTO headquarters in the spring of 2012 on this subject, with a view to exchanging perspectives on the impact of exchange rate volatility and misalignment on international trade.



Government Procurement Agreement

In 2011, significant progress occurred on pending accessions to the Government Procurement Agreement. Armenia joined in September and China submitted an improved accession offer including coverage, for the first time, of its sub-central (provincial and municipal) entities. In addition, Ukraine applied for accession to the Agreement. The demand for technical training in government procurement continues to grow.

Membership of the agreement

Armenia's accession to the Government Procurement Agreement (GPA) took effect on 15 September 2011. The committee had agreed in March that Armenia had met the terms and conditions for its accession, specifically with respect to its national legislation. Armenia is the first member of the Commonwealth of Independent States to join. GPA members noted that its accession had clearly shown the relevance of the Agreement for transition economies.

Towards the end of 2011, China submitted a second revised coverage offer, which included a number of China's larger provinces and municipalities. The revised offer clearly represents an important step forward in China's accession negotiation. However, China's proposals regarding its coverage have not yet met the expectations of the parties to the agreement. Discussions also took place on aspects of China's procurement legislation. Intensive further negotiations aimed at completing China's accession are expected in 2012. Ukraine's application for accession was submitted on 9 February 2011. Subsequently, Ukraine circulated a description of its procurement laws and institutions, an important step in the GPA accession process...

Apart from the countries mentioned above, and Jordan, whose accession has been under negotiation for many years, six other WTO members not currently parties to the Agreement have applied for accession and submitted relevant documentation: Albania, Georgia, the Kyrgyz Republic, Moldova, Oman and Panama. A further six WTO members have commitments regarding accession to the agreement in their respective



Protocols of Accession to the WTO: Croatia, the Former Yugoslav Republic of Macedonia, Mongolia, Saudi Arabia and, most recently, Montenegro and the Russian Federation.

At the end of 2011, the GPA comprised 15 parties representing 42 WTO members: Armenia; Canada; the European Union (including its 27 member states); Hong Kong, China; Iceland; Israel; Japan; the Republic of Korea; Liechtenstein; the Netherlands with respect to Aruba; Norway; Singapore; Switzerland; Chinese Taipei; and the United States. Overall, public procurement accounts for 15-20 per cent of world GDP, though only a portion of this is covered by the GPA.

The value of the total market access commitments under the GPA was estimated at US\$ 1.6 trillion in 2008, representing 2.64 per cent of the world's GDP.



Background on the Government Procurement Agreement

The WTO Government Procurement Agreement (GPA) ensures that signatories do not discriminate against the products, services or suppliers of other parties to the Agreement with respect to the procuring agencies, goods and services that they have agreed to open to foreign competition. The agreement requires transparent and competitive purchasing practices in the covered markets. The GPA is a plurilateral agreement, which means that it applies only to those WTO members that have agreed to be bound by it. It is administered by the Committee on Government Procurement.

Other activities of the Committee

In 2011 the committee also considered modifications to the schedules of the Agreement, statistical reports, notifications of changes in domestic legislation and notifications of the thresholds in national currencies of procurement covered by the agreement. Work continued on the improvement of methodologies for the preparation of statistical reports

Technical cooperation and training

The demand for technical assistance in the area of government procurement continues to grow, in part due to the work under way in the committee on pending accessions. In 2011 the WTO Secretariat delivered the following activities focused on the Agreement:

- a national seminar in Armenia
- a series of national seminars in five cities in India: Bangalore, Chennai, Delhi, Hyderabad and Mumbai
- a national seminar in Hanoi, at the request of the Government of Viet Nam
- national seminars in Beijing and Wuhan City, at the request of China
- a two-day national seminar in Kiev, Ukraine.

A Regional Workshop for Asia-Pacific economies was held in Bangkok, Thailand, in December, in cooperation with the United Nations Economic and Social Commission for the Asia Pacific (UN ESCAP). The secretariat also participated in a national seminar on the Agreement organized by Australia.

Cooperation with other international organizations

The WTO Secretariat maintains close links with the United Nations Commission on International Trade Law (UNCITRAL) concerning its work in the area of government procurement. This is to ensure compatibility between the GPA and the UNCITRAL Model Law on Procurement, an important point of reference for many developing countries in reforming their procurement systems. During the year, the secretariat also participated in a meeting of the G20 Anti-corruption Working Group, reflecting that body's interest in learning about the GPA. Cooperation is also ongoing between the secretariat and other intergovernmental organizations, notably UN ESCAP and various regional development banks and bodies.

Figure 7: Members and observers of the Government Procurement Agreement

