

# A message from WTO Director-General Pascal Lamy

**In the early days of trade, seafarers relied on a combination of navigational skills, courage and good instincts to steer their way through turbulent waters. In more recent times, technology has transformed the way we circumnavigate the globe but the basic need to steer a steady course through stormy seas remains the same.**



Over the past year, world trade has found itself tested by strong sea swells, with the global economy still buffeted by the lingering effects of the crisis of 2008-09. As a result, world trade growth fell to 2.0 per cent in 2012 – down from 5.2 per cent in 2011 – and is expected to climb only slightly in 2013, to around 3.3 per cent.

The need for a steady hand at the helm is greater now than ever before. The trade figures for 2012 highlight that, despite some progress, many of the structural flaws in the global economy are still to be addressed. Until governments rectify the policy shortcomings that have contributed to the crisis, protectionist pressures will continue to mount.

At this critical time, countries need to refocus their attention on reinforcing the multilateral trading system to enable trade to once again be an engine of growth and a source of strength for the global economy.

The upcoming WTO Ministerial Conference in Bali in December can contribute to reinforcing global trade by delivering a multilateral agreement on trade facilitation, some aspects of agriculture trade and important development issues. A trade facilitation agreement would make importing and exporting easier, less costly and more efficient. In a world increasingly defined by global supply chains, improvements to the flow of trade across borders would help developing countries in particular participate in these value chains and play a bigger part in world trade. An agreement in agriculture could create new exporting opportunities for developing country farmers while reinforcing governments' ability to source food for the needy. A development accord would offer reassurance to our poorest members, the least-developed countries.

The year 2012 marks the first time in world economic history that the GDP of developing countries surpassed that of developed economies. This is the product of the impressive growth registered by developing economies in recent decades. It has also been accentuated by the dismal growth rates experienced by advanced economies since the beginning of the crisis. In the years to come, developing countries, starting with Africa, are expected to grow three times faster than advanced economies. In short, the essence of future world growth will come from developing countries.

The geography of trade is also changing. Twenty years ago, 60 per cent of world trade was between developed countries, 30 per cent was between developed and developing countries and only 10 per cent was between developing countries. By 2020, trade between developing countries is expected to climb to one-third of world trade.

Through supply chains, developing countries have found an accessible means to insert themselves into the global economy. Trade is no longer about finished products or services. It is about adding value by contributing to a stage in the production of a finished product or by providing services. This is what prompted me to launch an international effort to look at the facts and figures of trade in value-added terms in the "Made in the World" initiative.

In January this year, the WTO and the OECD launched a first set of data that measures trade in value-added rather than gross terms. The preliminary results were surprising. First, services are traded internationally far more than we originally thought, comprising around 45 per cent of trade measured in value-added terms. Secondly, around 40 per cent of the value of exported goods is in fact imported inputs. Thirdly, bilateral trade balances, which are

## Events of 2012

### January

Director-General attends World Economic Forum in Davos, Switzerland.

### February

WTO hosts workshop on "Aid for Trade, Sustainable Development and the Green Economy".

### March

WTO launches new database on preferential trade arrangements.

Seminar on "Exchange Rates and Trade" held at WTO.

WTO and OECD sign accord to develop new database on trade in value-added terms.

### April

Director-General announces members of "Panel for Defining the Future of Trade".

WTO welcomes Montenegro as its 154th member.

### May

WTO marks 15th anniversary of Information Technology Agreement with two-day symposium.

WTO welcomes Samoa as its 155th member.

Workshop on "Aid for Trade and Trade Finance" held at WTO.

### June

WTO celebrates 30th anniversary of Legal Affairs Division.

Director-General attends G20 Summit in Mexico and Rio+20 Earth Summit in Brazil.

Launch of WTO/UNCTAD co-publication, *A Practical Guide to Trade Policy Analysis*.

often a source of tension among major trading partners, change when the full commercial value of imports is no longer attributed to the last link in the production chain. The geopolitical implications of using this measurement are therefore immediately plain to see.

Another change in the world trade scene is the increasing influence of non-tariff obstacles to trade. Successive WTO negotiating rounds, bilateral trade agreements and unilateral trade opening have significantly reduced the relative weight of tariffs in global trade but it is becoming clear that creating new trade opportunities and reducing the cost of trading will require addressing non-tariff barriers (NTBs). This was the topic of our flagship publication, the *World Trade Report*, in 2012.

A clear trend is emerging where NTBs are less about shielding producers from import competition and more about protecting consumers. In many cases, these measures are important and necessary. The new NTBs typically address concerns over health, safety, environmental quality and other social considerations. The danger is that these measures may sometimes be misused for protectionist purposes. Even when not used for protectionist reasons, the use of NTBs may result in differences between regulatory systems that can substantially raise trade costs and reduce or distort trade flows.

So, what can policy-makers do about these new trends? Better cooperation remains a priority. The trade-opening agenda remains even more relevant today than it was in the pre-crisis period, and the most effective way to do this is through the multilateral route. I see four priorities for a successful global trade opening agenda.

The first is to recognize that imports are an essential ingredient of a country's export competitiveness. So the key is not how to export more but how to add more value and to use trade to expand a country's economy more quickly. The second priority is to reduce the impact of non-tariff barriers by achieving regulatory cooperation and by avoiding the use of NTBs for discriminatory purposes. Thirdly, a global effort is needed to develop a common framework for investment. Fourthly, for many poor countries, trade opening cannot translate into growth, development and jobs without trade capacity building. Moving forward, we have to see how to better leverage the contribution of the private sector to support this.

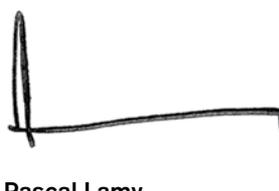
At a time when commitments to the Aid for Trade initiative are on the decline, it is important to find new ways of bringing support to developing countries so that they can continue to increase their share in world trade. South-South partnerships are key in this endeavour. Increasing the role of the private sector is another one. The focus of the Fourth Global Review of Aid for Trade in July 2013 in Geneva will therefore be on showcasing the partnerships which

exist between public and private sector actors focused on helping our poorest members to integrate better into value chains.

An important ingredient towards this goal is ensuring the availability and affordability of trade finance. While the picture in trade finance has improved since the collapse we saw at the beginning of the crisis in 2008, there remain concerns that small and medium-sized enterprises, especially those in low-income countries, do not have adequate access to the guarantees they need to enter fully into the global marketplace. Multilateral development banks have a very important role to play here so I particularly welcome the recent launch of a trade finance programme by the African Development Bank whose initiative complements the efforts of other regional players.

Further guidance on the future of world trade has been provided by the panel of stakeholders that I constituted in April 2012. Their report, published this year, emphasizes that WTO members need to strive for the alignment of their trade regimes and for "convergence" between preferential trade agreements and the multilateral trading system. The report also calls for greater coherence between trade and other domestic policies, such as education, and between trade and public policy non-tariff measures. The role of the WTO is to seek out new initiatives that can bring about these aims in cooperation with other international agencies and non-governmental organizations. There is plenty of "food for thought" in this short report which I hope WTO members will now use as they re-think their multilateral trade policy agendas.

Finally, on a personal note, it has been a great honour for me to serve as the Director-General of the WTO for the past eight years. As I approach the end of my mandate, I would like to thank the Secretariat for its outstanding work during my tenure. I would also like to encourage them to continue challenging our members with new ideas, high-quality research and sharp analysis, all of which are trademarks of the WTO Secretariat. I would also like to wish every success to Mr Roberto Carvalho de Azevêdo, who will be tasked with steering the WTO in the years to come.



**Pascal Lamy**  
Director-General

## July

WTO hosts workshop on "Aid for Trade and Services".

Launch of *World Trade Report 2012* on non-tariff measures.

## August

WTO welcomes entry of Russia and Vanuatu, bringing total membership to 157.

## September

WTO Public Forum takes place in Geneva.

## October

General Council approves WTO membership for Laos.

## November

EU and Latin American countries sign agreement ending 20-year banana disputes.

## December

General Council approves WTO membership for Tajikistan.

General Council announces next Ministerial Conference to be held in Bali in December 2013.

Nine candidates are nominated for post of Director-General to succeed Pascal Lamy.

# Our year

In 2012, WTO membership grew to 157 following the accession of Montenegro, Russia, Samoa and Vanuatu. The General Council also approved the membership of Laos and Tajikistan, paving the way for their accession in early 2013. WTO members continued to seek to break the deadlock in the Doha Round negotiations and were unanimous in their desire to deliver a positive outcome for the Ninth Ministerial Conference, which will be held in Bali, Indonesia, from 3 to 6 December 2013.

## Trade negotiations

In 2012, negotiators responded to a call by the Eighth Ministerial Conference in December 2011 to seek to break the deadlock in the Doha Development Agenda, with some progress made in a number of areas, notably trade facilitation, agriculture and dispute settlement.

The Trade Negotiations Committee (TNC) meeting in December 2012 provided an opportunity to weigh up the work undertaken in each area of the negotiations and to map the way forward for 2013. The chairs of the TNC subsidiary bodies provided reports on the activities in their respective committees. The Director-General, as Chair of the TNC, gave his own assessment of the state of play and his view of the path to follow, and WTO members had an opportunity to voice their needs and expectations for the year ahead.

Members were unanimous in their desire to deliver a positive outcome at the Ninth Ministerial Conference in Bali, Indonesia, in December 2013 and agreed to continue working in a timely, pragmatic and constructive manner towards identifying some accords to deliver to the ministerial meeting.

The Director-General encouraged members to work towards what is reasonably doable, strive to build consensus around such proposals and avoid being confrontational. Members also stressed that any early package would not be the end of the line, but rather a milestone to gather momentum for the full conclusion of the Doha Round.

 See pages 20-33

9

The WTO will hold its Ninth Ministerial Conference in Bali in December 2013.

9

The Doha Round is the ninth round of trade negotiations.



## Implementation and monitoring

Following the offer by the Government of Indonesia to host the WTO's Ninth Ministerial Conference, the General Council agreed that it would be held in Bali, Indonesia, on 3-6 December 2013.

In July, the General Council approved improved guidelines that will provide a simpler framework for the entry of least-developed countries into the WTO family. The Council also approved the membership of Laos and Tajikistan in the latter part of 2012, clearing the way for them to join the WTO in early 2013.

Other WTO councils and committees continued to monitor the implementation of WTO agreements in 2012. The Information Technology Agreement celebrated its 15th anniversary with a two-day symposium that reviewed trade liberalization and the evolution of global trade in information and communications technology since 1996.

The WTO also maintained its trade monitoring role. The reports on global trade developments prepared by the WTO Secretariat in 2012 showed that WTO members and observers had by and large continued to resist domestic protectionist pressures and kept markets open overall. However, they also warned of potential dangers in the near future because of uncertainties in the global economy, persistently high levels of unemployment, and increasing trade tensions.

The number of regional trade agreements (RTAs) between WTO members continued to increase. By the end of 2012, WTO members had notified 546 RTAs to the WTO. All WTO members except Mongolia are members of one or more, with some belonging to as many as 30. The WTO received 37 new notifications in 2012, a considerable increase over the 25 received in 2011.

 See pages 34-73

20

The WTO conducted 20 Trade Policy Reviews of WTO members in 2012.

15

The WTO marked the 15th anniversary of the Information Technology Agreement with a two-day symposium.



159

The WTO has 159 members following the accession of Laos and Tajikistan in early 2013.



## Dispute settlement

There was a sharp increase in dispute settlement activity in 2012, with both developed and developing countries active in bringing disputes to the WTO for resolution. Some WTO members, including Russia, participated for the first time.

The Dispute Settlement Body (DSB) received 27 notifications of requests for consultations, the first stage in the WTO's dispute settlement process. This is the highest number of requests in the last ten years. By the end of 2012, 456 disputes had been filed since the WTO's creation in 1995. Of the 27 new requests for consultations, Latin American members launched nine, with Argentina the most active with three complaints.

The DSB established 11 new dispute settlement panels. The recent trend of increasing numbers of disputes in the trade remedies area continued in 2012. The DSB set up seven panels to examine complaints in this area, covering anti-dumping measures, countervailing duties (subsidies) and safeguard actions (to guard against import surges). Trade remedies allow governments to take remedial action in situations where the domestic industry is being injured.

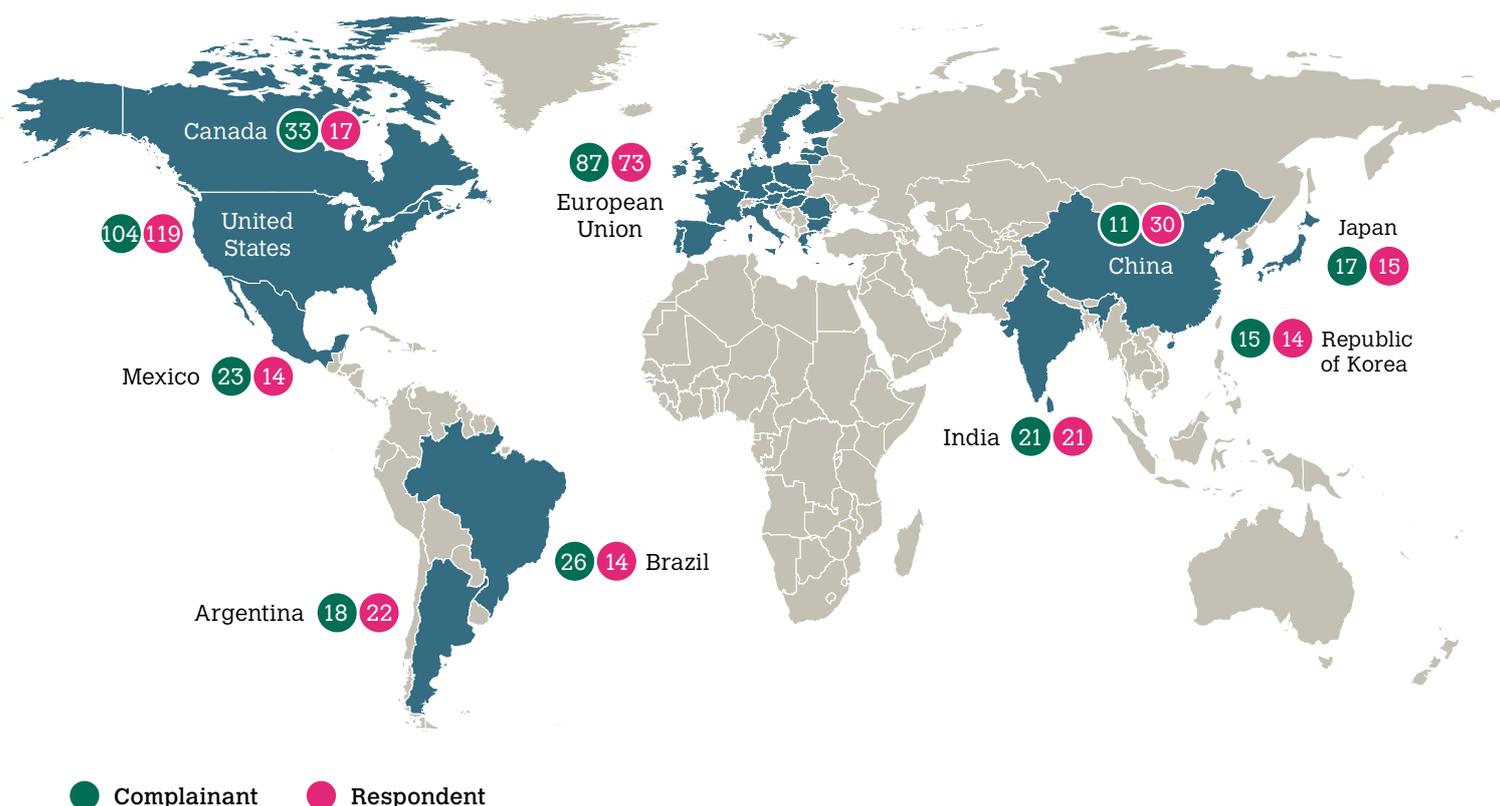
The DSB adopted 18 panel reports and 11 Appellate Body reports. Of the reports issued in 2012, four addressed claims under the Technical Barriers to Trade Agreement and three addressed export restrictions. A long report dealt with subsidies relating to large civil aircraft (often referred to as the Boeing dispute).

The 20-year EU-Latin America banana disputes reached a major milestone in 2012 when the European Union and Latin American countries formally settled their claims.

In June 2012, the WTO's Legal Affairs Division held a conference to mark the 30 years since its predecessor, the GATT Office of Legal Affairs, was created. The DSB appointed Mr Seung Wha Chang (Republic of Korea) to serve for four years as Appellate Body member commencing on 1 June 2012.

 See pages 74-93

WTO members most involved in disputes 1995 to 2012



456

By the end of 2012, WTO members had filed 456 disputes since the WTO was created in 1995.

27

WTO members filed 27 new disputes in 2012.

## Building trade capacity

New guidelines were introduced in 2012 to streamline the accession process of least-developed countries (LDCs). "These improved guidelines provide a simpler framework for the entry of LDCs into the WTO family. It is another example of positive action in favour of the world's poorest countries", said WTO Director-General Pascal Lamy.

In 2012, Aid for Trade continued to mobilize resources. Commitments rose in 2010 to USD 45 billion, according to the latest figures, up from some USD 40 billion in 2009. The Director-General announced that the Fourth Global Review of Aid for Trade will take place on 8-10 July 2013. With a focus on private sector development, the review will cover the role that Aid for Trade can play in helping connect developing countries to national, regional and global value chains. Underpinning the review is a monitoring and evaluation exercise conducted by the WTO and the Organisation for Economic Co-operation and Development (OECD). Four workshops on Aid for Trade were held in 2012.

After four years of negotiations and a year of work by WTO members on implementation measures and data collection, the WTO launched in March 2012 a new publicly available database on preferential trade arrangements (PTAs) – schemes under which developed countries grant preferential tariffs to imports from developing countries.

In 2012, the WTO undertook 343 technical assistance activities, both in Geneva and in various WTO member countries, to help government officials from developing countries gain a better understanding of the multilateral trading system. The programme continued to place particular emphasis on providing assistance to Africa and LDCs, with activities for Africa constituting 24 per cent of the annual total.

The WTO e-learning programme continued to grow in 2012, with a total of 33 online courses in English, French and Spanish available on the e-learning website and through the WTO website. Over 6,500 people applied for enrolment in these courses, including more than 1,110 from LDCs.

 See pages 94-109

## Outreach

The WTO maintained regular dialogue with non-governmental organizations (NGOs), parliamentarians, other international organizations, journalists and the general public in 2012. The major outreach event of the year was the Public Forum, which attracted about 1,200 participants from a wide variety of backgrounds and organizations to discuss "Is Multilateralism in Crisis?".

The WTO organized two regional technical assistance events in Ghana and Colombia for African and Latin-American NGOs. It also organized four training activities for journalists and two regional workshops for parliamentarians in Singapore and Laos.

The WTO website attracted almost 1.4 million visits a month in 2012 and the WTO made increased use of social media. It also further expanded its publications programme, in particular its co-publications with other international organizations.

The WTO participated in the Rio+20 Earth Summit in Brazil and the UNCTAD Ministerial Conference in Doha, Qatar. The Director-General also attended the G20 Summit in Los Cabos, Mexico, in June 2012. Earlier in the year, he established a panel of eminent individuals to analyse challenges to global trade opening in the 21st century.

In 2012, the WTO took a number of initiatives to bring the WTO and the business community closer together. Over 300 businesses replied to a survey asking for their views on the work of the WTO and on how to improve cooperation between business and the WTO.

The WTO named its first two Youth Ambassadors, students Ankita Mishra from India and Karina Hehs from Brazil, who were appointed after winning a contest to produce the best essay and video on the theme of "How can trade promote development?". The WTO also continued to develop its Chairs Programme for academic institutions from developing countries.

The WTO and the Organisation for Economic Co-operation and Development (OECD) developed a database on bilateral trade flows measured in value-added terms rather than the traditional customs value. The database was launched in Paris in January 2013.

 See pages 110-131



# 1,200

The WTO Public Forum 2012 attracted about 1,200 participants.

