



Pascal LAMY
Director-General

18 NOV 2009

Dear Minister,

In less than two weeks we will gather in Geneva for the 7th WTO Ministerial Conference. We will have an opportunity to look at the operation and functioning of the multilateral trading system and to review WTO activities, including the Doha Development Agenda (DDA) and the WTO's contribution to economic recovery, growth and development.

This will be our first opportunity in four years to review the full range of the WTO's responsibilities, from the monitoring and surveillance of trade policies and the role of the WTO in global governance, to accessions, the dispute settlement mechanism, the Aid for Trade agenda and, not least, the negotiating agenda, the DDA.

As a contribution to those discussions, I have the pleasure to submit to you my Annual Overview of Developments in the International Trading Environment for 2009, prepared pursuant to Paragraph G of the Trade Policy Review Mechanism. This Report examines how the WTO has performed in what has been an extraordinary period of stress for the global economy. It also examines a number of factors that will be shaping international trade in the future.

I will let the Report speak for itself on the trade and trade-related developments that have occurred over the past twelve months. As a general observation, I believe that, under the extraordinary economic and financial circumstances that have prevailed, trade policies have overall been managed in the right direction, thanks both to the maturity of the political response to the crisis by developed and developing countries and to the security and stability provided by the WTO rules. The global economy has not suffered an outbreak of protectionism. But there has been some policy slippage which could make recovery more difficult. There has also been trade liberalisation and facilitation by many Members. In general terms, the world economy is about as open for trade today as it was before the crisis started. However, even if the worst of the crisis may be behind us, its economic effects – particularly unemployment – are still with us for months to come. And low-income countries remain in an exceptionally difficult situation, without proper economic or social safety-nets in place to withstand the external shocks that they are experiencing. We must therefore remain vigilant.

Events of the past twelve months have tested the WTO disciplines in many respects, and areas of weakness have come to light. These are described in this Report as well as in other documents prepared for this event. In my view, they deserve your consideration in the Working Sessions of the Conference. Looking together into a number of these issues will help us keep our common house in good order.

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First, strengthening the WTO's trade-policy information systems and equipping them with the means to allow Members to look forward to what lies ahead and anticipate difficulties at an early stage. The past twelve months have taught us the value of having comprehensive, accurate and up-to-date information on trade-policy developments so that Members can evaluate their impact on the multilateral trading system. You have numerous trade-policy information systems at your disposal, through the Trade Policy Review Body, all of the WTO Councils and Committees, and electronic systems such as the Integrated Database. There is merit in discussing how to improve the completeness and coherence of these systems and even how to improve public accessibility to such information. Work on these issues has started in 2009. I think your political guidance would be beneficial to take our collective efforts up to a higher standard in 2010, in terms of improving both the information systems and the monitoring mechanisms that are based on them.

A second area relates to Regional Trade Agreements (RTAs). In my view, there is merit in discussing how to encourage convergence between RTAs and the multilateral trading system. Part of this is already under negotiation in the DDA, even if it would be fair to say that not much progress has been made on this issue. In parallel, the RTA Transparency Mechanism, established in December 2006, is providing factual information on the large number of RTAs in force. I believe your guidance would be useful on how to better collate information across RTAs and evaluate commonalities and differences between their main features and their main policy instruments.

A third area relates to improving the link between trade policy and trade capacity building: the Aid for Trade Agenda. We could explore together how to ensure that mainstreaming of trade continues in development assistance programmes and how to secure future financing at a time when public treasuries are suffering from the crisis.

Better information and a sharper monitoring capacity cannot, of course, compensate for weaknesses in the underlying trade rules. By and large, the WTO rules have stood the test of the past twelve months, but some areas of weakness have come to light. One is the current, large gap that exists between most Members' levels of bound and applied trade measures. This is being addressed through the DDA negotiations. The longer it takes to conclude those negotiations, the longer the WTO's insurance policy to guarantee stability and predictability of market access to governments and traders alike will remain undersubscribed. Other areas of policy-making that have come to light lately are government procurement and subsidies, which played a prominent role in many governments' responses to the economic and financial crises. These areas also deserve our attention.

Looking ahead, there are many uncertainties concerning the post-crisis trade environment. I have highlighted some of these in the second part of my Report. It is not clear to what extent, or when, global economic integration will resume. The macroeconomic environment poses a number of important questions, as do the effects of increased financial regulation and the fragmentation of production processes. Furthermore, in difficult times positive public attitudes towards trade cannot be taken for granted.

On the broader stage, the shaping of the trade outlook cannot be dissociated from other major international economic and political concerns. The most high-profile example is, of course, the challenge of combating climate change, but there are others too such as the rising trend since 2003 in prices of food, energy and natural resources.

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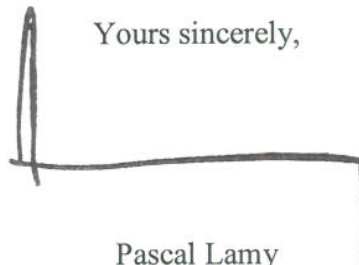
Concluding and implementing the Doha Development Agenda quickly is the lowest hanging contribution the WTO can make to economic recovery on a basis which can sustain widely-shared growth. It would amount to a global economic stimulus package that could contribute to generate good-quality jobs and that would not have to be financed from national treasuries. It would update and strengthen the WTO's rules and disciplines as a benchmark against protectionism and better adapt them to the trade challenges of the 21st century. It would deliver on the development aspirations that you share. It is also the right step in the right direction of strengthening the multilateral trading system, which has served us so well in the last 60 years. Surely, it would send a very positive message that international co-operation remains the best solution to tackle global challenges.

In recent months some modest but necessary progress has been made in the negotiations. However this must be speeded up seriously if the goal of finishing the Round in 2010 is to be met. We have two more weeks of Senior Officials engagement before the end of the year, the first one starting Monday 23 November. You have it in your hands to ensure they come with the necessary instructions to narrow remaining gaps in negotiating positions. This will allow us to take stock at the beginning of next year and chart a course for the final approach to the deal. A message of your determination at the Ministerial will be of great value in consolidating our commitment to conclude the Round and as a collective step towards sustainable recovery. This is a step the world cannot afford to miss.

Our meeting comes just one week ahead of the climate change conference in Copenhagen. And the underlying question we face is how do we preserve and protect our global public goods. Food for thought.

I look forward to seeing you in Geneva.

Yours sincerely,

A handwritten signature in black ink, consisting of a vertical line on the left, a horizontal line extending to the right, and a vertical line on the right that descends from the horizontal line.

Pascal Lamy