

# A message from the WTO Director-General Pascal Lamy

**It's often said that good things come to those who wait. This might not be true of all things in life but at the WTO, patience is most assuredly a virtue.**



After 18 years of negotiations, Russia finally concluded its accession process in 2011 and will be welcomed into the WTO once its membership deal is ratified by the Russian parliament. These were the longest negotiations of their kind in the history of the WTO and they resulted in a Working Party report of more than 1,400 pages. This document constitutes Russia's terms of entry into the WTO, the result of a tough and successful engagement between Russia and WTO members.

The accession of Russia is a win-win deal. It will cement Russia's integration into the global economy and will bring greater certainty and stability to business operators and trading partners. It marks the biggest step forward in world trade opening since China joined the WTO a decade ago.

The accession of the world's largest country still outside the world trading system to the WTO was certainly a high point of 2011. But we also welcomed three of the smallest countries to our family as well: Vanuatu, Samoa and Montenegro successfully concluded their accession process. Once these accords are successfully ratified by their respective national parliaments, our membership will rise to 157, representing 97 per cent of world trade.

Vanuatu and Samoa will be the fourth and fifth least-developed countries (LDCs) to join the multilateral trading system since 1995. I know that for small Pacific islands, the road to the WTO in Geneva is long and winding. But both countries have demonstrated that with patience, perseverance and determination, even the longest journey can be completed.

As for Montenegro, the approval of its accession terms comes seven years after it first applied for WTO membership. With its population of less than 1 million, Montenegro – a country which

went through a period of turmoil in the past – will make a small but important contribution to the expansion of the multilateral trading system, and its imminent WTO membership will help it to integrate further into the international community.

Another landmark achievement in 2011, after many years of negotiation, was the extension of the Government Procurement Agreement, which regulates the procurement of goods and services by government agencies. This plurilateral deal is expected to expand the market access coverage for this key sector of the economy by between US\$ 80 billion to US\$ 100 billion a year. It will provide a much-needed stimulus to the world economy as it covers many crucial sectors, such as infrastructure, public transport, hospital equipment and many other government services.

Participants negotiated the revision of the original agreement ten years ago but the changes were not finally agreed until hours before the official opening of the 8th Ministerial Conference, when ministers from the 42 parties to the Agreement adopted the text of the revised Agreement and the additional commitments for expanded market coverage.

Talk of patience and perseverance brings us of course to the Doha Round, which we launched in the Qatari capital in 2001. At the start of 2011, we had hoped that we might make a breakthrough by the time of the Ministerial Conference in December. The publication of an 'Easter package', outlining the state of play in each negotiating group, allowed us to examine where a small package deal might be achieved, pending the delivery of the entire Doha deal. As the year progressed, however, it became apparent that agreement could not be reached by year-end.

## EVENTS OF 2011

### January

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

### February

Global Forum on Trade Statistics takes place at the WTO.

WHO, WIPO and the WTO hold joint symposium on patents and access to medicines.

### April

WTO holds first Reference Centre Symposium.

Chairs of the negotiating groups issue the 'Easter Package' - the latest state of play in the Doha Round.

### May

Director-General attends the 4th UN Conference on Least-Developed Countries in Istanbul.

### June

Second Annual Conference for the WTO Chairs Programme takes place at the WTO.

### July

Third Global Review of Aid for Trade takes place at the WTO.



After a frank exchange of views at the Ministerial Conference, WTO members acknowledged through the concluding statement of the Chair that negotiations are currently at an impasse. To tackle this, there is a need to explore more fully different negotiating approaches, including delivering on the parts of the Doha Round that are more mature in the form of an 'early harvest'.

Our Ministerial Conference concluded with a commitment from ministers to three key principles. First, they emphasized the importance of the multilateral trading system and its vital role in stimulating economic growth and employment. Secondly, they reaffirmed their commitment to working towards a successful conclusion of the Doha Round. Thirdly, they emphasized that support for developing countries is a core element of the WTO's work.

Importantly as well, ministers agreed on seven proposals, three of which are of benefit to our poorest members, the LDCs. These provisions will make it possible for WTO members to extend special consideration to LDC services exporters, will give LDCs further breathing room in the implementation of WTO rules on the protection of intellectual property, and will result in a more streamlined and effective process of accession for those LDCs seeking membership in the WTO.

The importance of responding to the needs of developing countries was certainly a key consideration at the Third Global Review of Aid for Trade which we hosted in July. The event brought together high-level participation from a host of organizations, donors and partner countries involved in this important initiative that aims to build capacity to trade in developing countries so that they can take advantage of the opportunities provided by the multilateral trading system.

A report co-published with the Organisation for Economic Co-operation and Development in 2011 highlights the increase in Aid for Trade funding since its launch in 2005. As well as providing a comprehensive analysis of trends and developments in aid over the past six years, the report refers to over 260 case stories that illustrate the impact of Aid for Trade on the ground, from improving the livelihoods of coffee farmers in Tanzania to speeding up customs procedures at the Honduras-El Salvador border. We now have a clear compass

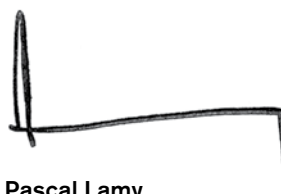
for work over the next two years, focused on looking at results and impact on the ground.

Another area of WTO work that was tested this year is dispute settlement. In 2011, panel and Appellate Body reports regarding the largest case to come before the dispute settlement system – a case involving the European Union and the United States in the area of aircraft – were finally adopted by the Dispute Settlement Body. Despite the large number of disputes, many of which are of growing complexity, the WTO dispute settlement system continued to show its value in enforcing multilateral trade rules.

A look back on the past year would not be complete without referring to the WTO's trade monitoring role. In 2011, we found that despite the adoption of trade-restrictive measures by some of our members, since the crisis started in 2008, by and large WTO members have continued to resist protectionist pressures despite a high level of uncertainty in the global economy and persistently high levels of unemployment. It is clear that the multilateral trading system has helped countries weather the economic crisis but in view of the on-going economic uncertainty, continuing the process of trade opening is more important than ever.

Finally, at the Ministerial Conference in December I announced my intention to set up a panel of WTO 'stakeholders' to analyse how we respond to the challenges facing the global trading system in the 21st century. My aim is to report to the entire WTO membership by next year on the outcome of these deliberations.

The year gone by was one of some triumph and some frustration. Given the turbulent environment in which all multilateral institutions are operating today, it appears very much as though we can expect more of the same in 2012.



**Pascal Lamy**  
Director-General

## September

WTO holds ceremony to lay the foundation stone for its new building.

WTO and ILO launch co-publication on how to make globalization socially sustainable.

WTO Public Forum takes place in Geneva.

## October

WTO approves membership of Vanuatu.

WTO and World Bank welcome Basel Committee's changes to the regulation of trade finance.

## November

Director-General participates in G20 summit in Cannes, France.

Two new Appellate Body members are appointed.

## December

WTO participates in Climate Change Conference in Durban, South Africa.

Parties to the Government Procurement Agreement sign new deal to expand market access.

8th Ministerial Conference takes place in Geneva.

WTO approves membership of Russia, Samoa and Montenegro.

# Our year

In 2011, the WTO held its 8th Ministerial Conference, at which it approved the membership of Russia, Montenegro and Samoa. The membership of Vanuatu was approved earlier in the year. The concluding statement of the Conference acknowledged that negotiations are at an impasse but ministers remain committed to a successful conclusion of the Doha Round.

## Trade negotiations

Trade negotiations in the first part of 2011 culminated in the publication in April of the so-called 'Easter Package'. This document, issued by the chairs of the negotiating groups and the Chair of the Trade Negotiations Committee, represented the product of their work since the launch of the Doha Round negotiations in 2001. While the document showed significant progress in many areas, it also revealed issues that divided members and put the successful conclusion of the Round at risk. The area where the divide was most evident was in market access for industrial products.

Recognizing that the Doha Round could not be completed in its entirety by the end of 2011, WTO members embarked in May on a process aimed at delivering a smaller package by the Ministerial Conference in December. In July, the Chair reported that from his consultations, it had become clear that a package was not shaping up as members had wished. Consequently, the consultations turned to the question of what to do next during

and after the Ministerial Conference. In October, the Chair reported that while no member was ready to give up on the Doha objectives, there was a collective sense that they needed to explore different approaches from the ones employed before.

At the Ministerial Conference in December, the concluding statement by the Chair of the Conference included 'elements for political guidance', members' shared view of the current situation in the WTO. This stated that 'negotiations are at an impasse' but 'ministers remain committed to work actively towards a successful multilateral conclusion of the Doha Development Agenda'.

 See pages 20-35

8

The WTO had its 8th Ministerial Conference in 2011

4

The WTO approved the membership of four new countries in 2011

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The Doha Round is the ninth round of trade negotiations



## Implementation and monitoring

In the lead-up to the Ministerial Conference, the Chair of the General Council consulted regularly with the WTO membership to determine how the Conference would be organized and what it would cover. 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.

In October, the General Council approved the membership of Vanuatu. Later in the year, at the Ministerial Conference, the membership of Russia, Montenegro and Samoa was also approved. In addition, ministers adopted seven decisions in various areas of WTO work, covering intellectual property, e-commerce, small economies, least-developed countries and Trade Policy Reviews.

Other WTO councils and committees continued to monitor the implementation of WTO agreements in 2011. The WTO also maintained its trade monitoring role.

The four reports on global trade developments prepared by the WTO Secretariat during 2011 showed that despite the financial and economic crisis, WTO members had generally continued to resist protectionist pressures and kept markets open overall. However, they 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 reports showed an upward trend in the use of new

trade restrictions. In particular, the number of export restrictions increased sharply. The WTO also conducted 14 trade policy reviews of individual WTO members during the year.

The number of regional trade agreements (RTAs) between WTO members continued to increase. By the end of 2011, WTO members had notified over 500 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 25 new notifications in 2011.

 See pages 36-83

# 509

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

# 14

The WTO conducted 14 trade policy reviews of WTO members in 2011



## Dispute settlement

WTO members filed eight new disputes in 2011, the lowest number in the history of the WTO. By the end of 2011, 427 disputes had been filed since the WTO's creation in 1995. The most active users of the system are the United States (98), the European Union (85), Canada (33), Brazil (25), Mexico (21) and India (19). In eight of the last ten years, the filing of disputes by developing countries has come to equal or surpass the total by developed countries.

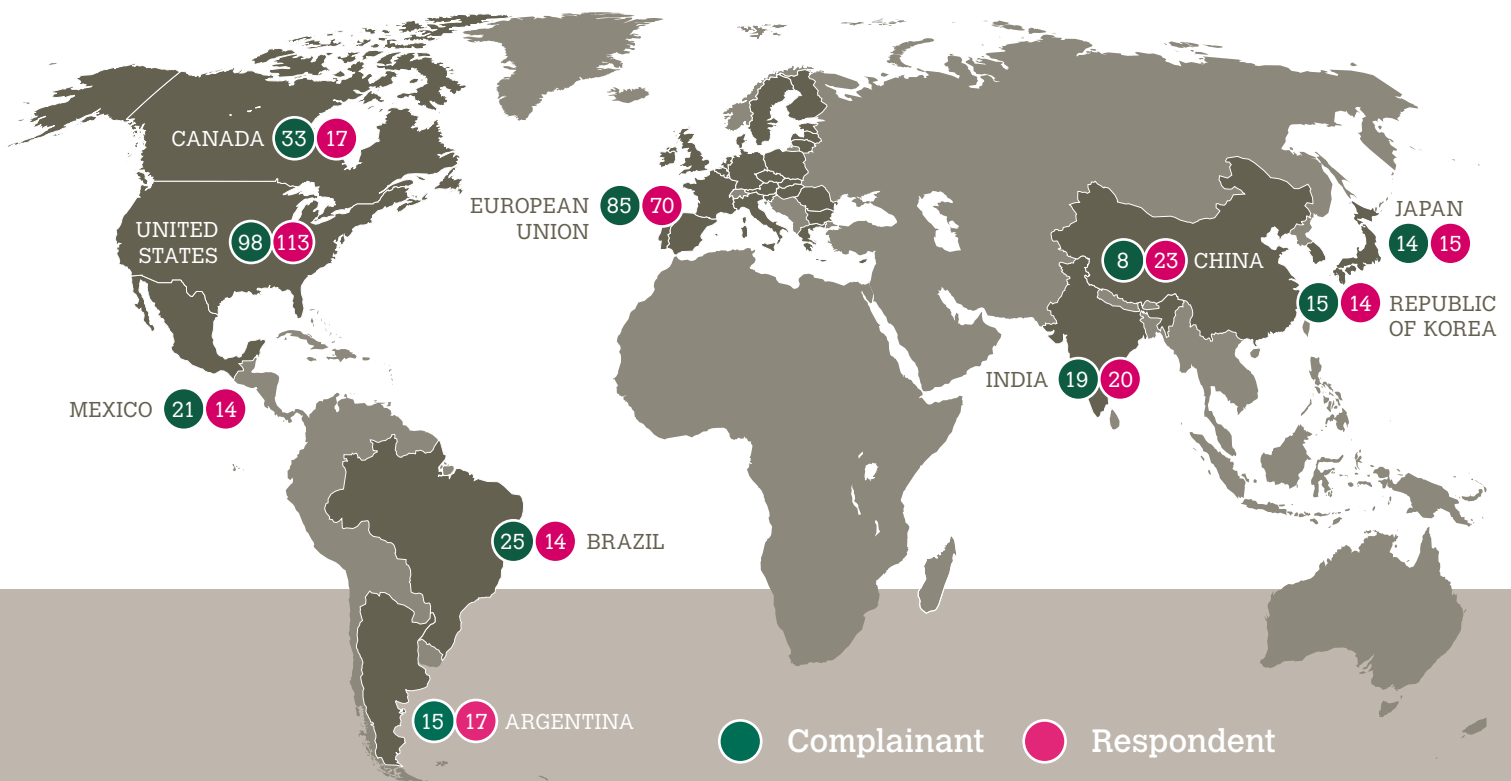
The Dispute Settlement Body (DSB) adopted eight panel reports and five Appellate Body reports in 2011, including those in the largest case to come before the dispute settlement system, the dispute involving the European Union and Airbus.

The DSB established nine new panels in 2011 to adjudicate 13 new cases.

Nine appeals of panel reports were filed with the Appellate Body in 2011, up from three in 2010. Seven Appellate Body reports were circulated during 2011, bringing to 108 the number of reports circulated by the Appellate Body since the creation of the WTO in 1995. Two new members of the Appellate Body were appointed in 2011. Mr Ujal Singh Bhatia (India) and Mr Thomas R. Graham (United States) will both serve for four years.

 See pages 84-107

### WTO members most involved in disputes, 1995 to 2011



## Building trade capacity

The Third Global Review of Aid for Trade was held at the WTO in July 2011. The two-day meeting – attended by the WTO Director-General, the United Nations Secretary-General Ban Ki-moon, the heads of other international organizations, ministers, civil society and the private sector – demonstrated strong political commitment to the Aid for Trade initiative. The Review highlighted examples where trade opening, supported by Aid for Trade, has helped attract domestic and foreign investment and stimulated economic growth, so helping to alleviate poverty. A joint WTO/OECD publication launched at the Review showcased over 260 case stories and provided a comprehensive analysis of trends and developments in aid.

In May 2011, the WTO participated in the 4<sup>th</sup> UN Conference on Least-Developed Countries (LDCs), in Istanbul. One of the outcomes of the Conference was the adoption of the Istanbul Programme of Action (IPoA), which aims to halve the number of LDCs by 2020, increase official development assistance, enhance trade access and improve productive capacity in LDCs. LDCs called on WTO members to mainstream the trade-related elements of the IPoA into the work of the WTO.

The WTO undertook 267 technical assistance activities in 2011 to help officials from developing countries gain a better understanding of the multilateral trading system. Activities in Africa represented 26 per cent of the programme in 2011 while LDCs benefited from over 48 per cent of activities. In 2011, over 5,000 participants from all regions enrolled in the WTO's e-learning courses, including more than 1,000 from LDCs.

 See pages 108-123

## Outreach

The WTO's major outreach event of the year was the Public Forum, which attracted over 1,500 participants from a wide variety of backgrounds and organizations. The Forum, whose theme was 'Seeking Answers to Global Trade Challenges', focused on food security, trade in natural resources and its effect on the environment, international supply chains, and the outlook for the trading system. The event included the launch of the WTO Youth Ambassador Programme, which aims to engage young people in global economic governance issues.

Throughout the year, the WTO maintained regular dialogue with journalists, non-governmental organizations, parliamentarians, other international organizations and the general public. The WTO organized a number of training activities for journalists, and made increased use of social media to communicate news and promote events. The WTO website was redesigned to give a stronger sense of what the WTO does and to make information easier to find. The WTO further expanded its publications programme, in particular its co-publications with other international organizations.

For the first time, the annual Parliamentary Conference on the WTO, organized by the Inter-Parliamentary Union and the European Parliament, was held at the WTO. During the year, the WTO continued to collaborate with academic institutions from developing countries, and to support projects to strengthen curriculum development, teaching, research and outreach. Support was provided through the WTO Chairs Programme and the Academic Support Programme. Singapore's National University became the latest institution to join the Chairs Programme.

 See pages 124-139



# 267

The WTO undertook 267 technical assistance activities in 2011

# Ministerial Conference

**The 8th Ministerial Conference, held in Geneva from 15 to 17 December 2011, approved the accessions of the Russian Federation, Montenegro and Samoa to the WTO. Ministers also adopted a number of decisions in various areas of the WTO's work. The Chair's concluding statement comprised two parts: a consensual part on Elements for Political Guidance, which included a renewed commitment to the multilateral trading system, the Doha Development Agenda and trade and development; and a summary of the key points raised in the ministerial discussions.**

On 16 December 2011, Russia cleared the final hurdle to becoming a WTO member, bringing 18 years of negotiations to a successful close. In what the Director-General called a 'historic' moment, the 8th Ministerial Conference adopted Russia's terms of entry. Russia must ratify the deal within the next 220 days and will become a fully-fledged WTO member 30 days after it notifies the ratification to the WTO.

A day later, Montenegro and Samoa followed Russia in having their membership approved. The accessions, including the accession of Vanuatu which was approved by the General Council in October 2011, will bring the WTO membership to 157.

Trade ministers adopted a waiver to enable WTO members to provide preferential treatment to services and services suppliers of least-developed countries (LDCs). Of the 153 WTO members, 31 are LDCs, which stand to benefit from preferential treatment designed to promote their trade in those sectors and modes of supply that are of particular interest to them. The waiver releases WTO members from their legal obligation under

WTO rules to provide non-discriminatory treatment to all trading partners.

The Chair's concluding statement contained the Elements for Political Guidance which had been approved by the WTO General Council ahead of the Conference. This recognized the importance of the multilateral trading system, trade and development, and the Doha Development Agenda.

With respect to the first theme, ministers emphasized the role of the WTO in keeping markets open and in the fight against protectionism. They underscored the importance of the work of WTO regular bodies and the need to strengthen and improve it. Ministers also recognized the importance of the dispute settlement system and committed themselves to strengthening it.

On trade and development, ministers reaffirmed the central importance of development in the WTO and called for focused work in the Committee on Trade and Development in this respect. They reaffirmed the need to give LDCs' interests due





**Background on the Ministerial Conference**

The Ministerial Conference of the WTO consists of representatives of all WTO members. It is the highest decision-making body of the organization and usually meets every two years. Ministerial conferences review ongoing work, give political guidance and direction to that work, and set the agenda for further work.

priority, and made a commitment to make progress on the issue of cotton and on special and differential treatment provisions for developing countries.

On the Doha Development Agenda, ministers acknowledged that despite the efforts made, negotiations were at an impasse. However, they reiterated their commitment to work actively in a transparent and inclusive manner towards a conclusion of the Doha Round. They recognized the need to explore different negotiating approaches and committed themselves to

advance negotiations where progress could be achieved. The development component of the mandate was also underscored.

The Chair's factual summary of key issues raised in the ministerial discussions comprised the following: keeping markets open and resisting protectionism; current global challenges, for example climate change, energy, food security, trade and exchange rates, competition and investment; dispute settlement; accessions; regional trade agreements; the role of the Committee on Trade and Development; Aid for Trade and the Enhanced Integrated Framework; and Doha Round negotiations.

In addition to the decision on the LDC services waiver, ministers adopted six other decisions in various areas of work, namely: non-violation and situation complaints under the Agreement on Trade-related Aspects of Intellectual Property Rights (TRIPS – see page 28), electronic commerce (see page 54), small economies, the transition period for LDCs under Article 66.1 of the TRIPS Agreement, LDC accessions (see page 7), and a decision concerning the Trade Policy Review Mechanism. Follow-up work will be undertaken in WTO relevant bodies as a result of these decisions.



**18** After 18 years of negotiations, Russia was approved as a WTO member

**157** The accession of four new countries will bring the WTO's membership to 157

