



Implementation and monitoring

- > The General Council decided that the Tenth WTO Ministerial Conference will be held in Nairobi, Kenya, in December 2015.
- > The Sanitary and Phytosanitary Measures (SPS) Committee, which deals with issues surrounding food safety and animal and plant health, adopted a new mediation procedure to help WTO members settle their differences on specific SPS measures.
- > The Committee on Rules of Origin agreed on steps to implement the Bali ministerial decision on preferential rules of origin for least-developed countries (LDCs), which should make it easier for LDC exports to qualify for preferential market access in the future.
- > WTO economists reported world trade growth of 2.8 per cent in 2014, and forecast growth of 3.3 per cent for 2015.

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Background on implementation and monitoring

Various WTO councils and committees seek to ensure that WTO agreements are being properly implemented. All WTO members undergo periodic scrutiny of their trade policies and practices.

General Council

In 2014, the General Council oversaw the implementation of decisions taken at the Bali Ministerial Conference in December 2013. Work reached an impasse in July over disagreements about the timing of implementation of two of the decisions. However, the deadlock was broken in November when the General Council adopted the decisions on trade facilitation, public stockholding for food security purposes, and post-Bali work. In December, the General Council approved the accession package of Seychelles and decided that the Tenth Ministerial Conference will be held in Nairobi, Kenya, from 15 to 18 December 2015.

➤ Bali decisions

Throughout the year, the General Council Chair provided regular reports on the implementation of Bali Ministerial Conference decisions in various WTO councils and committees. These decisions covered both the “regular work” of the WTO – on TRIPS (Trade-Related Aspects of Intellectual Property Rights Agreement) non-violation and situation complaints (see page 37), the work programme on e-commerce (see below), the work programme on small economies (see page 113), Aid for Trade (see below), and trade and transfer of technology (see page 38) – and Doha Round issues, including trade facilitation, some agricultural issues and a number of other decisions to help least-developed countries (LDCs) trade.

The Chair updated the General Council on the work taking place in the Committee on Agriculture regarding the Bali decisions. These include the decision on improving the use of tariff rate quotas, which allow import volumes within a quota to carry a lower tariff, the declaration on export competition, where WTO members undertook to keep existing export subsidies below permitted levels, and decisions on development issues, including for LDCs. Those decisions include the monitoring mechanism for special and differential treatment for developing countries (see page 110), duty-free quota-free market access (see page 111), preferential rules of origin (see page 61) and operationalizing a services waiver for LDCs (see page 67).

Under a standing item in the General Council’s agenda, Director-General Roberto Azêvedo, in his capacity as Chair of the Trade

Negotiations Committee (TNC), regularly reported to the Council on the progress of the Doha Round of trade negotiations in relation to the Bali decisions. During the five regular General Council meetings in 2014, the Director-General provided an overview of the progress in agriculture, non-agricultural market access (NAMA), services, rules, TRIPS, trade and environment, development and dispute settlement.

➤ Public stockholding, trade facilitation and post-Bali work

According to the Bali decision on trade facilitation, the General Council had to meet no later than 31 July 2014 to adopt the protocol inserting the Trade Facilitation Agreement (TFA) into the WTO Agreement, to add members’ “category A” commitments (i.e. provisions that the member will implement by the time the TFA enters into force or in the case of LDCs within one year of its entry into force) and to open the protocol for acceptance. Members were unable to meet this deadline due to concerns raised by some members over the pace of work in trade facilitation relative to other areas of the Bali Package, including the issue of public stockholding for food security purposes. An intensive period of consultations, conducted by the Director-General and the Chair of the General Council, took place from September, both in Geneva and in capitals, aimed at breaking the deadlock (see page 31). There was also a series of meetings at the level of heads of delegations in September, October and November.

As a result of this intensive work, on 27 November the General Council held a special meeting to adopt three decisions. The first was on public stockholding for food security purposes, where it was agreed that members will make all concerted efforts to reach agreement by 31 December 2015 on a permanent solution.

The second decision was to adopt the protocol of amendment to insert the TFA into the WTO Agreement, opening the door for the ratification process to commence. The TFA will come into force once it is ratified by two-thirds of the WTO membership. Adoption of the protocol also triggered the coming into effect of the WTO Trade Facilitation Agreement Facility. Launched by the Director-General on

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.



Ambassador Jonathan Fried was elected as Chair of the General Council in March 2014.

22 July – together with the coordinators of the LDC, ACP (African, Caribbean and Pacific) and African groups – the Facility aims at ensuring that LDCs and developing countries have access to the necessary technical support to benefit from the TFA (see page 41). It will complement and enhance existing assistance programmes.

The decision on post-Bali work establishes the immediate resumption of work on the implementation of all Bali decisions, and on the preparation of a clearly defined work programme on the Doha Development Agenda by July 2015.

> Tenth Ministerial Conference

In 2014, the General Council Chair held consultations on the date and venue of the 10th Ministerial Conference. Consultations were held on the offers to host the Conference received from the governments of Turkey and Kenya. In December, Turkey withdrew its offer in favour of Kenya. Further to the consultations by the General Council Chair, the General Council agreed that the Ministerial Conference will be held in Nairobi, Kenya, on 15-18 December 2015.

> Accession of Seychelles

In December, the General Council approved the draft protocol on the accession of Seychelles and adopted the draft decision on this accession and the report of the Working Party. Seychelles ratified the deal in March 2015 and became the WTO's 161st member on 26 April 2015. The General Council also considered, at its meeting in December, the 2014 Annual Report on Accessions by the Director-General. This focused in particular on post-accession issues, responding to the request by some new members, including LDCs, for support in implementing accession-specific obligations.

> Work programme on e-commerce

In July and December, in line with the Bali decision on e-commerce, the General Council conducted a periodic review to assess progress in the implementation of the work programme on electronic commerce.

The programme examines all issues related to trade arising from global e-commerce, including enhancing internet connectivity, the growth of mobile telephony, electronically delivered software, cloud computing, and the protection of confidential data, privacy and consumer protection. The programme also explores how e-commerce can enhance economic opportunities for developing countries, particularly least-developed countries, and examines opportunities for access to e-commerce by micro, small and medium-sized enterprises.

The chairs of the Council for Trade in Services and the Council for Trade in Goods also submitted written reports on developments on this matter.

> Aid for Trade

In 2014, the General Council considered the 2014-15 Aid for Trade work programme, "Reducing Trade Costs for Inclusive, Sustainable Growth" (see page 114). The Director-General provided an overview of the preparations for the Fifth Global Review of Aid for Trade, scheduled for 30 June to 2 July 2015, on the same theme.

> Waivers under Article IX of the WTO Agreement

In 2014, the General Council considered and granted a number of 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 treatment for least-developed countries, granted on 27 May 2009 until 30 June 2019
- United States – Former Trust 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
- Preferential treatment to services and service suppliers of least-developed countries, granted on 17 December 2011 until 17 December 2026
- Kimberley process certification scheme for rough diamonds, granted on 12 December 2012 until 31 December 2018
- European Union – Application of autonomous preferential treatment to the West Balkans, granted on 30 November 2011 until 31 December 2016
- European Union – Application of autonomous preferential treatment to Moldova, granted on 26 November 2013 until 31 December 2015
- Cuba – Article XV: 6 of General Agreement on Tariffs and Trade (GATT) 1994, extension of waiver, granted on 14 February 2012 until 31 December 2016.

> Other issues

The General Council heard a number of trade and implementation concerns raised by various WTO members. Other matters considered by the General Council in 2014 included consultations on the observer status of international intergovernmental organizations, regular reports on the work programme on small economies, the development assistance aspects of cotton, trade and the post-2015 development agenda, and preparations for the WTO's 20th anniversary in 2015.

The General Council also regularly considered reports by the WTO Budget Committee and dealt with matters related to the WTO Pension Plan. As part of its overall oversight function, the General Council conducted a year-end review of WTO activities on the basis of annual reports from all its subsidiary bodies.

In addition, the General Council considered a report from the Joint Advisory Group of the International Trade Centre (ITC), which 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 2014, the General Council granted the following waivers from obligations under the WTO agreements:

Member(s)	Type	Decision of	Expiry	Decision
Argentina, China, European Union, Iceland, and Malaysia	Introduction of Harmonized System 2002 changes into WTO Schedules of Tariff Concessions	11 December 2014	31 December 2015	WT/L/945
Argentina; Australia; Brazil; China; Costa Rica; Dominican Republic; El Salvador; European Union; India; Israel; Republic of Korea; Macao, China; Malaysia; Mexico; New Zealand; Norway; Pakistan; Philippines; Switzerland; Thailand; United States; and Uruguay.	Introduction of Harmonized System 2007 changes into WTO Schedules of Tariff Concessions	11 December 2014	31 December 2015	WT/L/946
Argentina; 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; Philippines; Russian Federation; 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	11 December 2014	31 December 2015	WT/L/947
Philippines	Special Treatment for Rice of the Philippines	24 July 2014	30 June 2017	WT/L/932

Trade in goods

At the meetings of the Council for Trade in Goods, WTO members addressed a large number of trade concerns, including measures, policies and practices considered potentially discriminatory or trade restricting. Some of these concerns had already been raised in the past. The Council also considered a number of waiver requests and took note of an updated and comprehensive list of notifications submitted by members under Annex 1A of the WTO Agreement. Gabon announced the conclusion of renegotiations of its tariff commitments.

The Goods Council's agendas at its four meetings in 2014 included a large number of trade concerns raised by WTO members. Russia asked that measures adopted by the United States and Canada concerning assets owned or controlled, directly or indirectly, by Russian individuals be included in the agenda for discussion, together with a decision of the European Union to adopt unilateral preferences in favour of Ukraine. Russia also raised questions about Ukraine's reviews of its anti-dumping measure on ammonium nitrate originating in Russia, Brazil's application of differentiated import duties on diammonium phosphate and Norway's ban on sales or exports of wild living maritime resources not carried out by the authorized Norwegian sales organization or without its authorization.

Nine members, including Australia, Canada, the European Union, Japan, the Republic of Korea, Chinese Taipei, New Zealand, Ukraine and the United States, reiterated their systemic and commercial concerns about the lack of implementation by Russia of its accession commitments in terms of bound rates for import duties and timely

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 subsidiary committees dealing with specific subjects, such as agriculture, market access, subsidies, technical barriers to trade, sanitary and phytosanitary measures, import licensing and customs valuation. All these committees also comprise all WTO members. Also reporting to the Goods Council are a working party on state trading enterprises and the Information Technology Agreement.



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notifications as well as various trade-restricting measures, including those preventing agricultural products from transiting through Russia to countries in Central Asia, and discrimination against imported products in favour of "like" domestic products. Reference was also made to the four dispute settlement cases against Russia on motor car recycling fees, pork ban, antidumping fees on light commercial vehicles, and excessive import duties.

Other concerns taken up by the Council referred to EU restrictions on the importation of biodiesel from Argentina and the imposition of anti-dumping duties on imports of biodiesel from Indonesia, the United States Congress Renewable Fuel Standard Program which established a minimum volume of biofuel to be used in the national transportation fuel supply, the measures adopted by Venezuela aimed at controlling costs and establishing fair prices, Bahrain's duties on imported cigarettes, and Canada's preferential tariffs.

Concerns carried over from 2013 related to Brazil's indirect taxation applied to automobiles and being extended to various sectors, Indonesia's import and export restricting policies and investment measures affecting a broad range of sectors, Japan's Wood Use Points Programme, Nigeria's investment measures in the oil and gas sector and restrictions being imposed on imports of sea products, and Canada's preferential measures under its tariff regime.

The Council approved three collective waiver requests, extending the deadlines for the updating of tariff schedules under the Harmonized System changes (2002, 2007 and 2012) (see page 51). It also approved a waiver permitting an extension for the special treatment of rice submitted by the Philippines. Two waiver requests for the extension of the transitional period for Jordan's elimination of its export subsidy programme and for the Caribbean Basin Economic Recovery Act of the United States will continue to be considered in 2015.

The Council was informed that the renegotiation of concessions under Article XXVIII.3, concerning the EU enlargement of 2007, had been completed. As regards the EU enlargement of 2013 (Croatia), the Council agreed to extend the time period for the withdrawal of concessions for the European Union until 1 July 2015.

Gabon informed the Council that it had concluded the renegotiations with interested WTO members on compensation for the changes introduced to its tariff commitments resulting from its membership in the Central African Economic and Monetary Community (CEMAC).

In a statement to the Council, the United States called on WTO members to complete and update their data on trade trends and changes in their nomenclature, and to comply with their notification obligations as these three elements were essential for an agreement on a post-Bali work programme. Various members supported this request.

In line with the decision at the Bali Ministerial Conference, the Chair invited WTO members to express their views and to make suggestions as to how to work on the preparation of the periodic reviews, to be held in the General Council at its sessions in July and December 2014 and in July 2015, in order to continue the reinvigoration of the post-Bali work programme, especially under the initiatives taken in relation to commercial issues, development and evolving technology. The Chair also asked members to explore appropriate mechanisms to address the relationship between electronic commerce and development in a focused and comprehensive way.

In 2014, the Council was informed about nine free trade agreements (FTAs) concluded and notified by WTO members. Chile notified the Council that it had started the elimination of its customs duties for least-developed countries (LDCs) and that its duty-free quota-free (DFQF) scheme became operative with 0 per cent duty for imports of goods originating in LDCs.



Market access

Members of the WTO's Committee on Market Access welcomed the release to the public of the WTO database on quantitative restrictions. The Committee made significant progress in one of the important tariff transposition exercises under way under the Harmonized System (HS). At its two formal meetings, it took note of a number of specific trade concerns raised by members.

At the Committee on Market Access meeting in May, delegates welcomed the opening to the public of the WTO database on quantitative restrictions through the WTO website (<http://qr.wto.org/>). The database informs businesspeople and traders of what products are subject to restrictive measures and procedures in various countries.

At the meeting, the WTO Secretariat made a presentation on the database and showed a film on the importance of WTO members notifying their quantitative restrictions in line with the 2012 decision on notification procedures. The video provides information to WTO members and to the public on the decision, which requires members to notify restrictions in force every two years.

The Committee reviewed notifications from the European Union, Georgia, Hong Kong (China), Japan, the Republic of Korea, Mali, Peru, Singapore, Switzerland, Thailand and Ukraine. At its October meeting, disappointment was expressed that the number of notifications is still low.

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 concessions 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 concessions 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.

› Trade concerns

Russia expressed concerns about measures taken by Brazil, the European Union and Norway. It said Brazil's application of two sets of import duties on diammonium phosphate (or DAP, used as fertilizer) discriminated against Russian exports. Brazil said it has held bilateral discussions on this matter with Russia, which will continue.

Russia said the European Union has eliminated most of its duties on imports from Ukraine without there being a free trade agreement (FTA), which it said breaches the most-favoured-nation principle and discriminates against other WTO members. Argentina and Venezuela shared these concerns. Nicaragua, Ecuador and Cuba said they will be following the matter closely. The European Union said that it has negotiated an FTA with Ukraine and informed the WTO Secretariat.

With regard to Norway, Russia said that Russian fishing vessels landing fresh catch in Norway but destined for a third country have to pay charges to a Norwegian fishermen's sales organization. It said this is discriminatory because EU fishing vessels are exempted from these charges. The Norwegian representative said he will transmit the concern to Oslo. Switzerland expressed concern that Bahrain is applying duties on imported cigarettes that are higher than its bound rate.

› Harmonized System (HS) transposition exercises

The Committee noted the status of work on the various Harmonized System transposition exercises, which correspond to the years in which the World Customs Organization (WCO) made changes to the HS nomenclature. The exercises help guarantee that members' schedules of commitments are up to date and relevant, and that tariff obligations are transparent.

Significant progress has been made on the HS2007 exercise, with around 85 files either certified or under the certification process, compared with 27 in 2013. For HS96 and HS2002, the situation has changed little and there are a few files still open in both cases. As the focus has been on HS2007, the HS2012 exercise has not yet started.

As usual, the WTO Secretariat issued its "Situation of schedules of WTO members" report, which gathers in one place the legal instruments relating to each member's schedule of commitments.

› Databases

The Secretariat reported on the Integrated Data Base (IDB) and the Consolidated Tariff Schedules (CTS) database, including information on the use of information in the databases, the status of software development and technical assistance. The IDB compiles information on applied tariffs and imports, as notified by WTO members, while the CTS collates information on members' schedules of concessions.

IDB coverage has significantly improved in recent years but some important gaps remain. A comprehensive dataset on tariffs and import statistics is very important for any analysis that WTO members might want to undertake. However, at present IDB data needs to be complemented with data coming from other sources. For this reason, the WTO Secretariat encouraged members to notify

their data and help fill in the gaps. The Secretariat is available to provide technical support on IDB notifications.

› Other issues

The Committee lifted restrictions on publication on the WTO website of bilateral tariff negotiating material from the Kennedy Round and agreed on procedures for doing the same for the Tokyo Round. The negotiating records from the first five trade rounds have already been posted on the WTO website.



Agriculture

The Committee on Agriculture examined how countries are complying with their commitments on subsidies and market access and discussed issues arising from this. In 2014, the Committee was also tasked with implementing several of the outcomes from the 2013 Bali Ministerial Conference, including on export competition and tariff rate quotas. In addition, the Committee held informal information sessions and consultations to discuss recent developments in agricultural policy and trade.

The review of WTO members' progress in implementing their commitments on subsidies and market access under the Agriculture Agreement is largely based on their notifications. Members can and do also ask about agricultural measures that have not been notified. At its four meetings in 2014, the Committee reviewed in detail approximately 80 notifications. Members raised a total of 239 questions on individual notifications. Figure 1 gives a snapshot of the proportion of concerns raised by subject area.

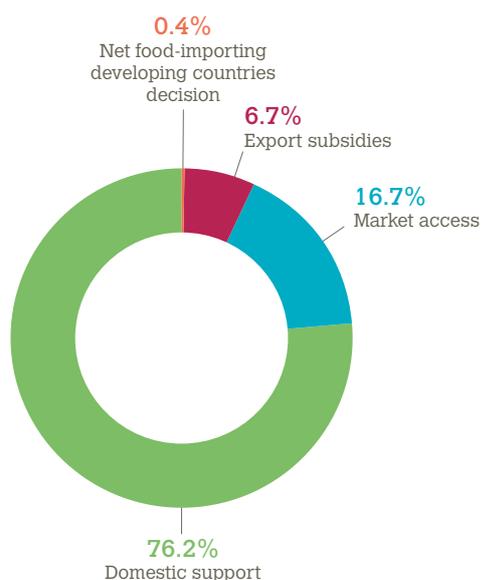
Background on agriculture

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. The Committee is also entrusted with monitoring the follow up to the Marrakesh ministerial decision regarding net food-importing developing countries, which sets out objectives on the provision of food aid and other assistance to the beneficiary countries.

Members also raised 35 issues that were not related to specific notifications, 16 of them for the first time. The remaining issues had been discussed at least once in previous years. As notifications are the principal source of information for monitoring compliance with the Agriculture Agreement, the Committee also looked at how well members are fulfilling their reporting obligations. Some delegations raised specific concerns about overdue notifications, particularly on domestic support (subsidies) and export subsidies.

Among issues raised at the Committee was an Indian support programme announced in February involving incentive payments to sugar exporters. Some delegations urged India to remove immediately what they described as export subsidies that will potentially impact world trade. Other topics raised included Costa Rica's breach of its domestic support limit for rice, which it says it will correct in 2015, Thailand's rice support programme known as "paddy pledging", under which farmers can borrow from the government using unmilled rice (paddy) as collateral, and Canada's reclassification of pizza toppings to prevent traders avoiding import duties with the import of cheese pizza toppings.

Figure 1: Questions on notifications raised in the Committee on Agriculture in 2014, by subject area



> Follow-up to Bali Ministerial

The Committee contributed to the implementation of Bali ministerial decisions on export competition (export subsidies and policies that are equivalent to export subsidies) and the administration of tariff rate quotas, where imports within an agreed quota (limit) are charged lower duties than those outside, which can be high.

In June, the Committee held its first annual dedicated discussion on export competition, as called for in the Bali declaration on export competition. The discussion was based on a background document from the WTO Secretariat covering replies to a questionnaire to members on their export subsidies, export credits, export credit guarantees or insurance programmes, international food aid and agricultural exporting state trading enterprises. A revised version of the document was circulated in September. For the second dedicated discussion in November, the Chair sent WTO members the revised questionnaire on export competition and a summary of suggestions received on how to increase the number and improve the overall quality of replies to the questionnaire.

In relation to tariff rate quotas, the Committee focused on basic transparency provisions contained in the Bali decision, in particular on notifications of the extent to which import quotas are filled (fill rates). The Bali ministerial decision sets out a monitoring process within the Committee on Agriculture that combines consultations with the quick provision of information about under-filled quotas. When import quotas go unfilled, it means that exporters have missed out on possible sales. The Committee considered in detail specific requirements for the notification of fill rates and members' notification practices. The Chair suggested adopting as best practice a notification format that includes an additional column for reporting tariff quota fill rates. Several members said they have already included this information in their notifications in 2014.

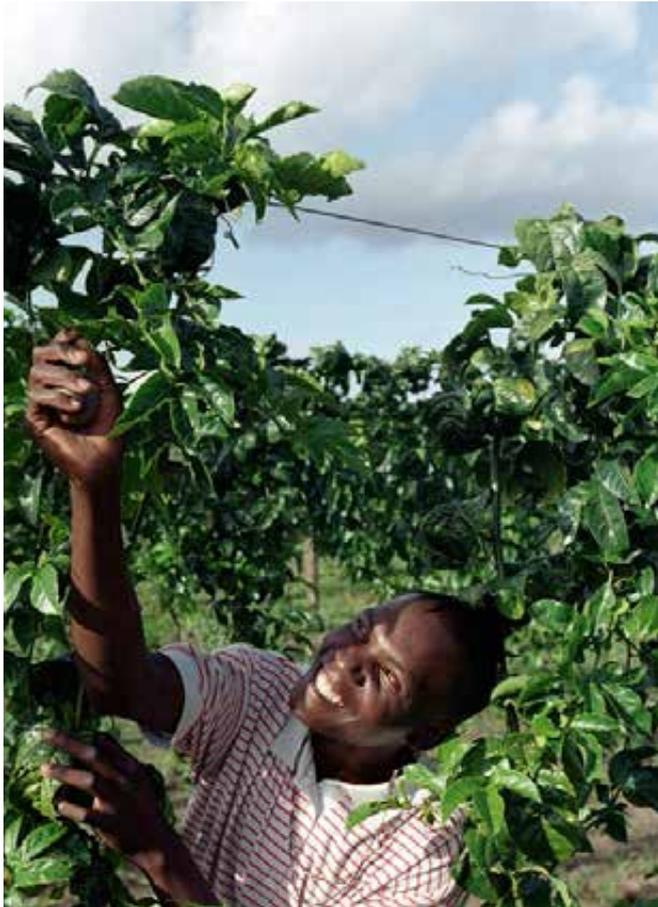
> Discussions on agricultural policies and trade

The Committee discussed in informal setting issues relating to trends in domestic support, trade trends and aspects related to the implementation of market access commitments. In these informal meetings, members also shared experiences with domestic policy reform and explored opportunities to enhance transparency, including through notification practices in the area of domestic support.

> Significant exporters

In 2014, WTO members agreed on a voluntary solution to the long-running question of how to update the 1995 list of significant exporters – used to define who should provide information on their exports in order to help members monitor whether exports might have hidden subsidies. They failed to agree on formally proposed solutions, including on updating the list, how to add new products and how to separate information notified in broad categories of products, such as "coarse grains", into component parts such as rye, barley, oats, maize (corn), sorghum and some other products.

However, no delegation objected to the Chair's suggestion that countries could voluntarily announce that they consider themselves no longer to be on the list for the product or products concerned – meaning that they will not notify their exports of those products – since they no longer meet the 5 per cent threshold trade share to qualify as significant exporters. Similarly, countries that do meet the threshold can voluntarily notify their exports as significant exporters.



Sanitary and phytosanitary measures

In July 2014, WTO members adopted a new procedure to resolve trade issues in the areas of food safety, animal health or plant health, referred to as sanitary and phytosanitary (SPS) measures. The procedure lays out how members can seek the services of the Chair of the SPS Committee or another facilitator to help find a solution to their concerns. The Committee undertook the fourth review of how well the SPS Agreement is working. It received a record number of notifications during the year. A workshop examined how risk analysis can be used as a basis for SPS measures.

The SPS Committee, which deals with issues surrounding food safety and animal and plant health, adopted a new mediation procedure to help members settle their differences on specific SPS measures. The SPS Agreement already allows members to seek the Chair's services as a mediator. However, the new decision spells out steps that the members concerned and the Chair should follow when those members agree to use this procedure. It adds a new tool for resolving differences on specific trade concerns, which can help avoid lengthier and costly legal challenges under the WTO's dispute settlement procedure.

During 2014, the SPS Committee undertook the fourth review of the operation and implementation of the SPS Agreement. Members submitted proposals and discussed possible areas for future work. Following one such proposal, the Committee held a workshop on risk analysis. This workshop provided a platform for discussion and sharing of experiences and best practice concerning analyses of risks related to food safety, animal or plant health. The SPS Agreement requires that trade measures be based on risk assessments or on international standards. Apart from assessment of risks, the workshop also focused on decision making, or risk management, and on communication during the risk analysis process.

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.

> Net food-importing developing countries

As in previous years, the Committee had a dedicated discussion on the implementation and monitoring of the 1994 Marrakesh decision on least-developed and net food-importing developing countries (NFIDCs). WTO members considered food aid levels to least-developed countries and NFIDCs as well as the technical and financial assistance made available by donor members and multilateral institutions to improve their agricultural productivity and infrastructure.

The 2014 discussions were based on the notifications received, the WTO Secretariat note on implementing the Marrakesh Decision and on inputs from the Organisation for Economic Co-operation and Development, International Grains Council, Food and Agriculture Organization and the Inter-American Institute for Cooperation on Agriculture.

Other proposals submitted in the context of the fourth review of the Agreement include developing a catalogue of instruments available for WTO members to manage SPS issues, and a proposal on transparency intended to improve the quality and completeness of notifications.

In March, delegates and other experts discussed the relationship between the SPS Agreement and trade facilitation at a session organized by the Standards and Trade Development Facility (see page 118). The session presented a number of case studies from developing countries and identified needs for assistance in building up the capacity to handle SPS measures. Although in general customs officials handle trade facilitation, many SPS controls by veterinary and plant protection services also occur at borders. While many of these controls are necessary to make sure that the products traded are safe, some may entail unnecessary delays, costs and procedures.

> A record number of notifications

Members submitted a record 1,633 notifications of new or changed food safety, animal or plant health regulations that will have an effect on international trade. The number was up 25 per cent on the previous year.

The notifications inform trading partners that there will be changes in the importing member's requirements and – unless there is an urgent health protection issue – provide a period during which they can submit comments on these regulations before they enter into force. When members adopt a regulation in response to an urgent health problem, they submit an emergency notification immediately upon the regulation's entry into force, and they do not have to provide a comment period. And when there are changes to a regulation after it has been notified, or when a member wants to inform trading partners of a regulation's dates of adoption or entry into force, they can submit an addendum.

As Figure 2 shows, the total number of all SPS notifications has grown steadily over the years, reaching its highest level ever in 2014. Altogether, there were 1,633 SPS notifications in 2014, compared with 1,297 the year before. Of these, 1,057 were regular notifications (up from 859 in 2013), and 111 were emergency notifications (compared with 85 in 2013).

Developing countries are submitting an increasing number of SPS notifications; these also reached a new record in 2014, with a total of 1,023, up from 782 in 2013. Notifications submitted by developing countries accounted for 63 per cent of all SPS notifications, up from 60 per cent the year before – see Figure 3. While over the years there has been an upward trend in the share of all SPS notifications submitted by developing countries, 2014 did not represent the highest percentage. This was reached in 2009, when they submitted 68 per cent.

Figure 2: Number of SPS notifications per year, 2000 to 2014



Figure 3: Share of SPS notifications submitted by developing countries, 2000 to 2014

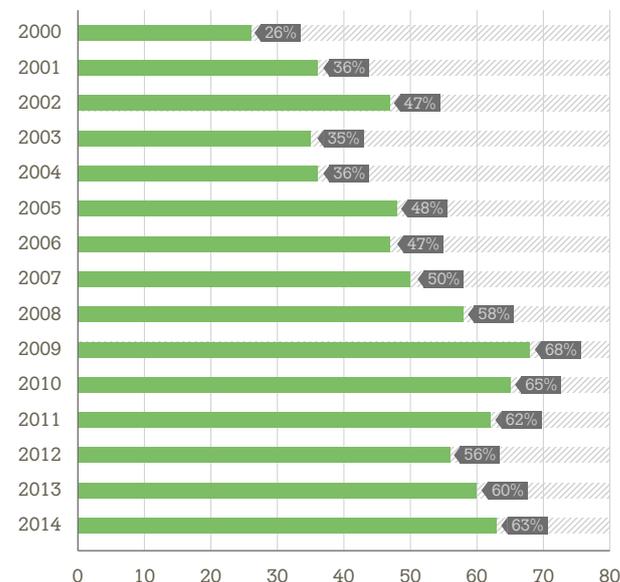


Figure 4 shows a regional breakdown of SPS notifications, illustrating the very high numbers of notifications submitted by members in the Americas and in Asia.

Figure 4: Number of SPS notifications by region



> Specific trade concerns

As usual, the Committee also considered a wide range of “specific trade concerns” at each of its three meetings in 2014. Fourteen new specific trade concerns were raised and other previously raised



concerns were discussed again. The measures discussed related to issues ranging from diseases such as BSE (“mad cow disease”) and African swine fever to plant pests and matters concerning certification.

New trade concerns included Brazil’s certificates for fish and fishery products, Russia’s restrictions on plant products and on live pigs and pork, US and EU measures on mangoes and India’s requirements for blueberries and avocados.

Overall, of the 382 trade concerns that have been raised since the Committee started considering them in 1995, members have reported that a solution has been found for 143. A partial solution has been reported for another 31, meaning, for example, that not all those raising a concern accept the solution.

Thus, altogether about 46 per cent of the specific trade concerns that have been raised in the SPS Committee since 1995 have been either completely or partially resolved. For the remaining 54 per cent, members have not reported that a solution has been found.

> Private standards

The SPS Committee continued its efforts to develop a working definition of SPS-related private standards, such as those of supermarket chains and other entities outside government. A working group consisting of interested members, under the leadership of China and New Zealand acting as co-stewards, attempted to find consensus language. They were unable to resolve all remaining differences.

> Training and technical assistance

Training and technical assistance for government officials from developing countries and former centrally planned economies is an important part of WTO work. This is delivered through an e-learning course, through regional and national SPS workshops and through an annual advanced course on the SPS Agreement. In 2014, this advanced course was offered for the 10th time. The course is particularly intensive, targeting future national leaders in the implementation of the SPS Agreement.

Apart from participating in coursework consisting of lectures, exercises and discussions, participants also develop an action plan to resolve one implementation difficulty at home. After the course, participants report on the progress they have made with their action plans, and return to Geneva nine months later to present the results.



Technical barriers to trade

In 2014, WTO members notified a large number of draft measures and raised an increasing number of “specific trade concerns” in the three formal meetings of the Technical Barriers to Trade (TBT) Committee. The number of new concerns was the highest since 1995, with developing countries increasingly active in airing concerns. The Committee also held thematic sessions on cross-cutting themes and select topics of interest. These focused on good regulatory practice, transparency, standards, conformity assessment procedures, special and differential treatment and technical assistance.

> Good regulatory practice and transparency

The Committee continued to devote considerable time to developing voluntary guidance on good regulatory practice. The purpose of this work, launched in 2012, is to streamline the way regulations are prepared, adopted and applied through the “regulatory lifecycle”, thereby avoiding unnecessary regulatory barriers to trade. While the Committee concluded most of its substantive work on the guidance in 2014, based on drafts reflecting broad-based engagement, including contributions from developed, developing and least-developed country members, a concern about the legal interpretative value of the document (the “non-exhaustive list of voluntary mechanisms and related principles of good regulatory practice”) still needs to be resolved.

Another area of focus is transparency, where the Committee has long been refining and improving its procedures. In 2014, the Committee adopted a new recommendation on the “coherent use of notification formats”, which sets out situations for use of new notifications, addenda, corrigenda, supplements or revisions, and should improve transparency and traceability of the notified measures across the regulatory lifecycle.

Background on technical barriers to trade

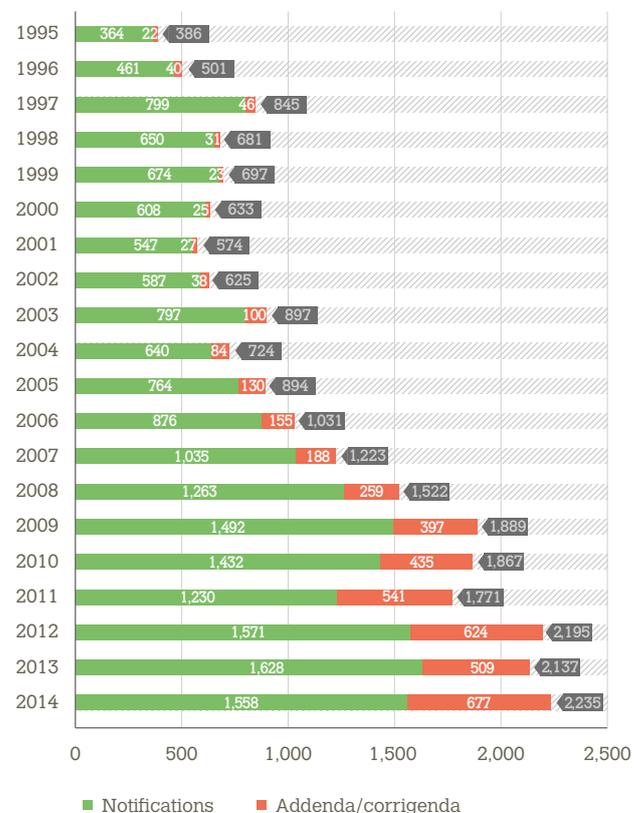
The Technical Barriers to Trade (TBT) Agreement aims to ensure that regulations, standards, testing and certification procedures followed by WTO members do not create unnecessary obstacles to trade. The number of regulations adopted by members has continued to grow in response to consumers’ demands for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

Online tools are being increasingly used. A growing number of members are submitting notifications online through the TBT Notification Submission System (TBT NSS). In 2014, a total of 798 notifications were submitted by 23 members through the TBT NSS, representing 36 per cent of the annual notification volume. The increasing use of the TBT NSS has enabled the Secretariat to process notifications more rapidly. With respect to dissemination of notifications, a proposal to develop a WTO email-based notification alert system was discussed by the Committee and may be developed further in conjunction with the Seventh Triennial Review in 2015. The review by the Committee, which covers all key areas, looks at how well the Agreement on Technical Barriers to Trade is working.

> Review of measures

Notification of new (or changed) draft measures to the TBT Committee continues to rise on a year-on-year basis (see Figure 5). Members are also making increasing use of the TBT Committee to raise trade concerns. In 2014, 47 new specific trade concerns were raised in the Committee, up from 42 the previous year and more than in any other year since 1995. In addition, 38 concerns that had been already raised in previous years were discussed (see Figure 6). Developing countries are increasingly active in airing their concerns and raised 63 (about 75 per cent) of the 85 trade concerns discussed during the year.

Figure 5: TBT notifications, 1995 to 2014

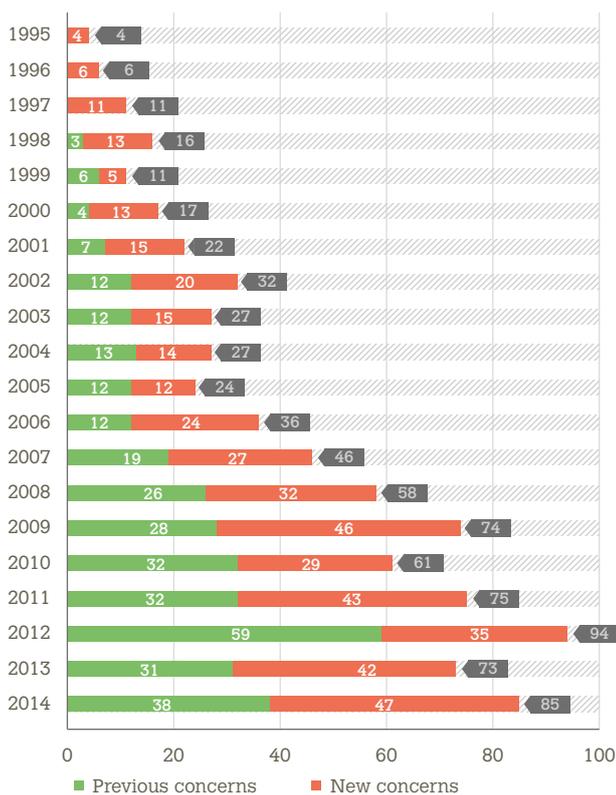


Matters relating to human health or safety, such as nutritional labelling for food and drink, continue to be a dominant theme in the trade concerns addressed by the Committee. For example, measures introduced to combat ailments such as diabetes or cardiovascular diseases, arising from an unhealthy diet or obesity, are being discussed. While there is broad appreciation on the need to protect health and to allow consumers to make informed choices, there is debate on the best means of achieving these objectives and whether there are potentially less trade-restrictive alternatives available.

Other health or safety-related regulations discussed by the Committee during the year included measures on medical equipment, cosmetics, toys, health warnings and labelling requirements for alcoholic beverages, and plain packaging for tobacco.

Some measures raised during the year relate to environmental concerns. For example, proposed measures to simplify waste sorting and recycling were discussed by the Committee as well as regulations affecting trade in biofuels.

Figure 6: Specific trade concerns raised in the TBT Committee, 1995 to 2014



Capacity building

During 2014, the WTO Secretariat organized a significant number of TBT-related technical assistance activities in response to growing demand. A total of 14 workshops were organized specifically on the TBT Agreement and hosted by various developing country members or observers. These included four regional events and 10 national events. The programmes were designed to assist participating economies to consolidate knowledge of the principles and disciplines of the TBT Agreement, discuss implementation-related challenges and better engage in the work of the TBT Committee. Particular emphasis was put on transparency and national coordination.

In total, participants from 80 developing country members or observers benefited from TBT-specific technical assistance activities in 2014.

Disputes

Since 1995, 50 disputes have cited the TBT Agreement in their requests for consultations, the first formal step to initiate a WTO case. In 2014, one such request was lodged concerning certain Indonesian measures affecting exports of chicken meat and products. Other developments during the year included the circulation of the Appellate Body report in two disputes involving EU measures regulating seal products and the circulation of the ruling of a compliance panel on the US country of origin labelling regulations for meats (still under appeal).

There was also the establishment of a compliance panel for a previous ruling on US measures on canned tuna labelling and the settlement ending compliance panel proceedings with respect to US tobacco control measure banning flavoured cigarettes. In addition, a single panel was established to decide on five disputes launched in 2013 against Australia's tobacco control measures ("plain packaging").

Observers

During 2014, representatives of various observer organizations – the Bureau International des Poids et Mesures, the FAO/WHO Codex Alimentarius Commission, the International Electrotechnical Commission, the International Organization for Standardization, the International Trade Centre, the United Nations Economic Commission for Europe and the World Health Organization – updated the TBT Committee on activities relevant to their work, including on technical assistance.

The Committee welcomed and granted ad hoc observer status to the Gulf Cooperation Council Standardization Organization.



Subsidies and countervailing measures

The Committee on Subsidies and Countervailing Measures focused on encouraging more WTO members to notify their subsidy programmes and on improving the timeliness and completeness of notifications. A significant number of members have yet to make new and full notifications for the latest notification periods, 2011 and 2013. The procedures for the extensions of the period for the elimination of export subsidy programmes of 19 developing-country members entered their final two-year phase-out period in 2014.

In 2014, the Subsidies and Countervailing Measures (SCM) Committee reviewed WTO 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. At the autumn meeting, the Chair urged the 59 members that still had not made their 2011 new and full subsidy notifications, and the 69 members that had not yet made their 2013 new and full subsidy notifications, to contact the WTO Secretariat with any questions and to make their notifications as soon as possible.

The Committee continued its consideration of 2013 new and full notifications, which is the latest notification period, as well as of newly received new and full subsidy notifications for prior notification periods (2011, 2009, 2007, 2005 and 2001). At both its April and October meetings, the Committee continued its discussions of ways to improve the timeliness and completeness of notifications and other information flows on trade measures under the SCM Agreement.

For 19 developing-country members, the period for elimination of export subsidy programmes entered its final two-year phase-out. In line with a decision by the General Council, the SCM Committee had since 2007 granted annual extensions up to the end of 2013. The Committee took no further action on these extensions in 2014, as 2014 was the first year of the final phase-out period.

Background on subsidies and countervailing measures

The Subsidies and Countervailing Measures (SCM) Agreement regulates WTO members' use of subsidies and of countervailing measures on subsidized imports of a product found to be injuring domestic producers of that product. The SCM Committee serves as a forum for members to discuss the implementation of the SCM Agreement and any matters arising from it.

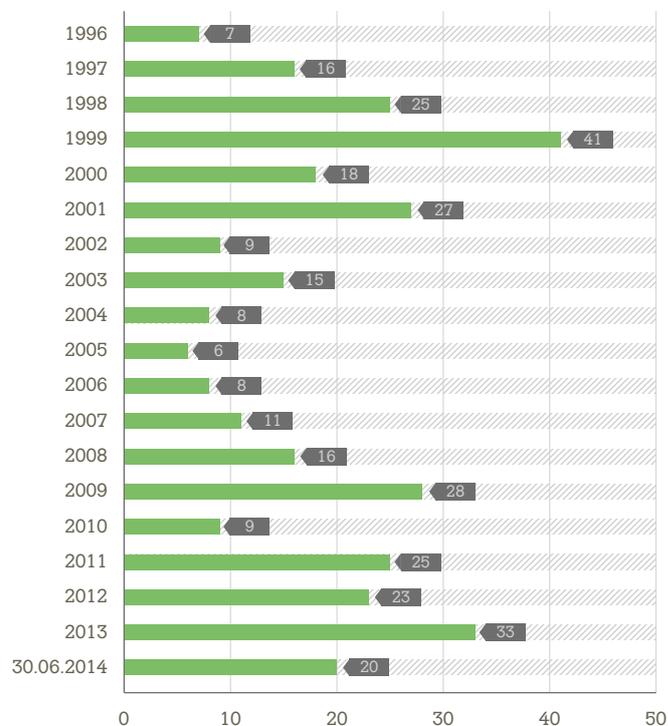
Certain other developing members are exempted from the general requirement to eliminate export subsidies so long as they remain least-developed countries (LDCs) or if they are listed individually in Annex VII to the SCM Agreement and remain below the US\$ 1,000 threshold for per capita GNP.

According to a ministerial decision taken in Doha in 2001, an individually listed WTO member remains below the US\$ 1,000 threshold until its per capita gross national income (GNI) is above US\$ 1,000 calculated in constant 1990 dollars for three consecutive years. The World Bank calculates the deflated per capita GNI figures for the members concerned once per year. According to the most recent of these calculations, performed in 2014, the listed members remaining below the US\$ 1,000 threshold are Bolivia, Cameroon, Congo, Côte d'Ivoire, Ghana, Guyana, Honduras, India, Kenya, Nicaragua, Nigeria, Pakistan, Senegal, and Zimbabwe.

In addition, all members designated as LDCs by the United Nations are included in Annex VII as such, and thus are exempt from the export subsidy prohibition.

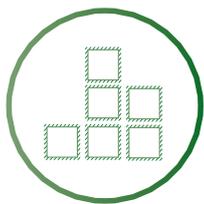
The Committee reviewed notifications related to the countervailing duty legislations of Australia, Brazil, Cameroon, Chile, Congo, Côte d'Ivoire, the European Union, The Gambia, Mexico, Montenegro, New Zealand, Papua New Guinea, Qatar, Russia and the United States. The Committee also reviewed notifications of countervailing actions taken (see Figure 7).

Figure 7: Countervailing initiations by reporting WTO member, 1 January 1996 to end-June 2014*



* Figure 7 covers initiations up to the end of June 2014. Data for the second half of 2014 are not yet available.

The notifying members were Australia, Brazil, Canada, China, Egypt, the European Union, India, Mexico, Pakistan, Peru, South Africa, Turkey and the United States. As of 30 June 2014, there were 100 notified countervailing measures (definitive duties and undertakings) in force, of which 52 were maintained by the United States, 17 by Canada and 14 by the European Union.



Anti-dumping practices

From January to June 2014, WTO members initiated 106 anti-dumping investigations, down from 127 in the same period in 2013 (see Figure 8). At its two meetings in 2014, the Committee on Anti-Dumping Practices reviewed new legislative notifications, semi-annual reports on anti-dumping actions and ad hoc notifications of preliminary and final actions taken by WTO members.

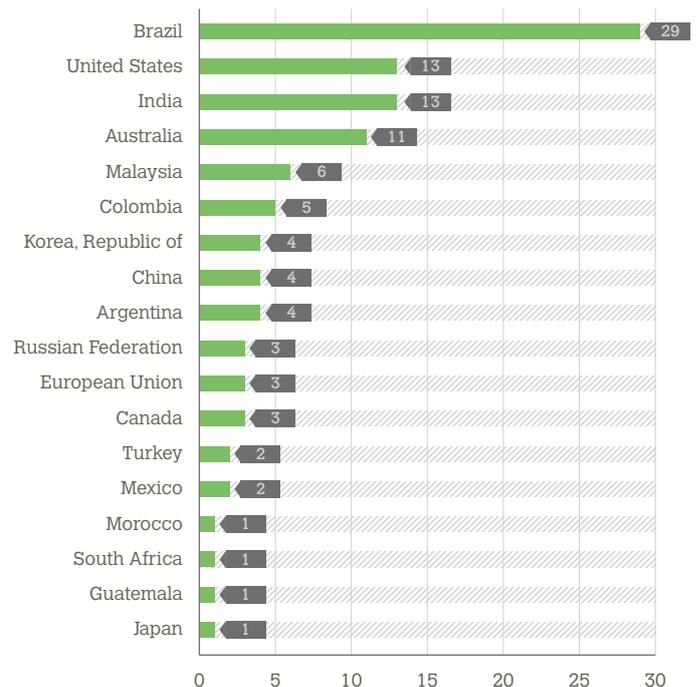
Figure 8: Anti-dumping initiations by reporting WTO member, 1 January 1995 to end-June 2014*



* Figure 8 covers initiations up to the end of June 2014. Data for the second half of 2014 are not yet available.

Australia, Brazil, the Republic of Korea and the United States initiated more anti-dumping investigations during the first half of 2014 compared with the same period in 2013. However, other recent frequent users of anti-dumping, including China, Colombia, India, Malaysia, South Africa and Turkey, initiated fewer. While Russia did not report any initiations during the first half of 2013, it reported a number during the first half of 2014 (see Figure 9).

Figure 9: Anti-dumping initiations by reporting WTO member, 1 January 2014 to end-June 2014



WTO members taking anti-dumping actions are using the revised report format, adopted in 2008, for their semi-annual reports. Many use the minimum information format, as revised in 2009, in making their ad hoc notifications of such actions. 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.

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 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.

At its spring and autumn meetings, the Committee reviewed semi-annual reports for the second half of 2013 submitted by 30 members and semi-annual reports for the first half of 2014 submitted by 32 members. It also reviewed ad hoc notifications of preliminary and final actions taken by 25 WTO members at both meetings. As of 30 June 2014, 31 members had notified the WTO of 1,449 anti-dumping measures (definitive duties and undertakings) in force.

The Committee reviewed new notifications relating to legislation from Australia, Brazil, Cameroon, Congo, the European Union, the Gambia, Mexico, Montenegro, New Zealand, Qatar and the United States in 2014. It also continued its review of the legislative notifications of Chile and Russia.

The Working Group on Implementation discussed two papers at its spring and autumn meetings. The first was on "other known causes of injury", focusing on the "non-attribution" language, which provides that injuries to the domestic industry caused by known factors other than dumped imports should not be attributed to the dumped imports under investigation. The paper looked at the issue of separating and distinguishing the effects of known other factors causing injury from those of the dumped imports. The second paper dealt with sampling and the "all others" rate, addressing the selection of exporters or producers for individual examination and calculation of individual dumping margins, and the determination of the anti-dumping duty rate applied to importers not individually examined.



Customs valuation

The Committee on Customs Valuation reviewed national legislation and WTO members' responses to a standard checklist of issues. It concluded the review of the legislation of Chile, China, Costa Rica, Japan, Lao PDR, Macao (China) and Tunisia. New or additional notifications of national legislation were received from nine members. The Committee held an informal workshop on the use of customs valuation databases and requested the Director-General to rectify a linguistic error in the Agreement on Customs Valuation. The Committee agreed to study a proposal to update the method for determining the customs value of software for data processing equipment.

The Committee received new or further notifications of national legislation from Chile, Colombia, The Gambia, Guinea, Honduras, Moldova, Montenegro, Russia and South Africa. During the year, it concluded the review of Chile, China, Costa Rica, Japan, Lao PDR, Macao (China) and Tunisia. The notification record for WTO members

remains poor: 38 of the 160 members have never sent any notification and 66 members have not provided responses to the checklist of issues, a questionnaire that facilitates the review of national legislation.

Two national training activities were delivered in 2014, in Azerbaijan and Colombia. National training on customs valuation can also be provided for members and countries as part of the WTO accession process. In October, the Committee held an informal workshop on the use of customs valuation databases, attended by a number of experts from the private and public sector. The workshop drew speakers from Argentina, Ecuador, the European Union, Mauritius, Uruguay and the United States as well as representatives of the World Customs Organization and the International Chamber of Commerce and the chairperson of the Technical Committee on Customs Valuation.

One new notification on preshipment inspection was received from The Gambia. 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 the 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.

> Uruguay's proposals

Uruguay proposed updating a 30-year-old decision that has allowed members to value, for customs purposes, software and data on the basis of the cost of the carrier media (such as magnetic tapes, CDs and DVDs in which they are transported from one country to the other). It called for the 1984 decision to be extended to USB keys or flash drives because of their growing popularity as carrier media. According to Uruguay, under the existing decision, customs may value software in a CD-ROM at US\$ 5 while the same software imported using a USB key could be valued at US\$ 1,000. The WTO Secretariat prepared a statistical analysis for the October meeting of the Committee, which agreed to continue studying the issue.

Background on customs valuation

The value of a good plays a critical role in the calculation of import duties. Although the customs value is indispensable for the calculation of ad valorem duties, which are the most common type, it is often also required for the calculation of other duties as well as other border taxes. The WTO Agreement on Customs Valuation seeks to protect the value of tariff concessions by establishing a fair, uniform and neutral system for the valuation of goods for customs purposes, which precludes the use of arbitrary or fictitious values. The Committee on Customs Valuation manages the Agreement along with the Agreement on Preshipment Inspection.

In a separate proposal, and following a discussion in 2013 by the WCO's Technical Committee on Customs Valuation, Uruguay called for a technical rectification in the Spanish and English language versions of Article 8:(1)(b)(iv) of the Agreement on Customs Valuation, which, it said, has a different meaning to the French. The Committee agreed to request the Director-General to follow a "procès-verbal de rectification" procedure in order to rectify the Spanish and English versions of this provision. Following a 30-day period for objections, this procedure was finalized on 27 August 2014.



Rules of origin

The Committee on Rules of Origin agreed on steps to implement the Bali ministerial decision on preferential rules of origin for least-developed countries (LDCs). The Chair reported there continued to be two very differing views on whether work should resume on harmonizing non-preferential rules of origin. The Committee also reviewed notifications by WTO members.

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 in the implementation of many trade measures, including trade statistics, the determination of customs duties, labelling of country of origin, and the application of anti-dumping measures. The main objective of the Agreement on Rules of Origin is to harmonize the rules that all WTO members use to determine origin in their non-preferential trade. This work is conducted by the Committee on Rules of Origin and is referred to as the Harmonization Work Programme.

In contrast to other WTO committees and councils, where discussions on Bali-related decisions were halted for much of the year due to an impasse on trade facilitation and public stockholding (see pages 30-31), the Committee on Rules of Origin continued work on carrying out the ministers' instructions.

The decision on preferential rules of origin for LDCs – adopted at the Bali Ministerial Conference in 2013 – requires that non-reciprocal rules of origin for LDCs be simple and transparent and take into account the productive capacities of LDCs. Rules of origin are used to determine where a product is made. Products deemed under the rules to be made in LDCs qualify for preferential market access – that is, the privilege of being imported without paying customs duties into the countries that have preferential schemes for LDCs.

The ministerial decision requires the Committee to review new developments in relation to rules of origin for LDCs and to report on these developments to the General Council. The Committee approved initiating that work according to a series of recommendations by the Chair. These included that WTO members notify any new or modified preferential rules origin for LDCs as soon as possible and that the Committee review any such notifications and use its discussions to compile a report to the General Council and the LDCs Sub-Committee. Uganda, speaking on behalf of the LDCs at the April meeting, welcomed the proposals by the Chair and suggested that the Committee work towards the goal of facilitating market access opportunities for the LDCs.

As a result of the Bali decision, governments will have for the first time a set of multilaterally agreed guidelines, which, if implemented, should help make it easier for LDC exports to qualify for preferential market access. The decision recognizes that each country granting trade preferences to LDCs has its own method of determining rules of origin, and it invites members to draw on the decision when they develop or build on rules applied to LDCs.

› Harmonizing non-preferential rules

The Committee took note of the state of play in its negotiations for the harmonization of non-preferential rules origin, the Harmonized Work Programme (HWP). It was informed about a letter sent by the Chair of the General Council instructing the Committee to discuss all issues necessary to take decisions with respect to the continuation or not of the HWP. These negotiations began in 1995, and despite substantive progress for thousands of tariff lines, came to a halt in 2007 due to divergences on whether or not the harmonized rules of origin should also apply in the implementation of other trade policy instruments, like anti-dumping measures.

The Chair said that that there continued to be two distinct views in the Committee. Some members believe that fully harmonized non-preferential rules of origin would facilitate world trade but others believe that world trade has changed to the point that harmonized rules are no longer needed. The Committee agreed to engage in the examination of existing non-preferential rules of origin as notified by members and initiate a more detailed review of transposed rules of origin.

The Chair noted that 47 members have not yet submitted notifications on their non-preferential rules of origin. He urged these members to do so as soon as possible. The WTO Secretariat made a presentation on the transposition of the draft rules of origin into more recent versions of the Harmonized System (HS) nomenclature. It completed the technical transposition of draft harmonized rules of origin into more recent versions of the HS nomenclature (see page 51).

> Other matters

Uganda presented a detailed paper on the challenges that LDCs face in meeting developed countries' preferential rules of origin. The report examines in detail the trade impact from reforms in preferential rules of origin adopted by Canada (in 2003) and the European Union (effective in 2011).

It concludes that such reforms made it easier for LDCs to comply with the rules and therefore generated an overall increase of trade flows. The report also argues that a change in rules of origin reflecting global value chains generates a market response in terms of investment and trade flows while illustrating the difficulties in meeting certain origin criteria that are based on percentage criteria.

Uganda invited the United States and Japan, where preferential rules of origin remain largely unchanged since the 1970s, to review the substance and form of their systems in this area. The Committee also heard a presentation from the WTO Secretariat about its Database on Preferential Trade Agreements (<http://ptadb.wto.org>) where members' notifications and legislation on preferential rules of origin can be accessed.



Import licensing

The Committee on Import Licensing reviewed over 100 notifications submitted by WTO members under various provisions of the Agreement on Import Licensing Procedures. The Committee also heard a number of specific trade concerns about import licensing rules and procedures applied by some members.

The Committee reviewed 101 notifications submitted by WTO members under various provisions of the Agreement on Import Licensing Procedures. It reviewed 25 notifications from 18 members covering publications and/or legislation on import licensing procedures, and 18 notifications from nine members

relating to the institution of new import licensing procedures or changes in these procedures. It also reviewed 58 notifications from 46 members relating to responses to a questionnaire on import licensing procedures.

Improving transparency through notifications is an important objective of the Agreement, particularly given past concerns about the use of border measures, such as import licensing requirements, to restrict imports. The Agreement stipulates that import licensing should be simple, transparent and predictable, and administered in a neutral and non-discriminatory manner.

However, WTO members' compliance with notification obligations remains a challenge. As of October 2014, 16 WTO members had still not submitted any notification under the Agreement. In addition, 25 members had never fulfilled their obligation to submit responses to the annual questionnaire on licensing procedures.

WTO monitoring reports on recent trade developments identify import licensing as one of the main potentially trade-distorting or restricting measures being introduced by governments. On a positive note, Viet Nam, Lao PDR, Samoa, Russia and Tajikistan submitted their first notifications in 2014 under various provisions of the Agreement. The WTO Secretariat continues to provide technical assistance and capacity building to members in need.

The Committee also heard a number of specific trade concerns regarding import licensing. In particular, questions were raised on the import licensing procedures or legislation adopted by Argentina, Bangladesh, Brazil, Colombia, Ecuador, India, Indonesia, Malaysia, Mongolia, Russia, Saint Lucia, Thailand, Turkey, Ukraine and Viet Nam.

On dispute settlement, the United States and other members filed a request for consultations in the case "Indonesia – Importation of horticultural products, animal and animal products", citing a number of articles of the Agreement. A request for consultations is the first step in the WTO dispute settlement process.

Background on import licensing

The Agreement on Import Licensing Procedures establishes disciplines on WTO 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.

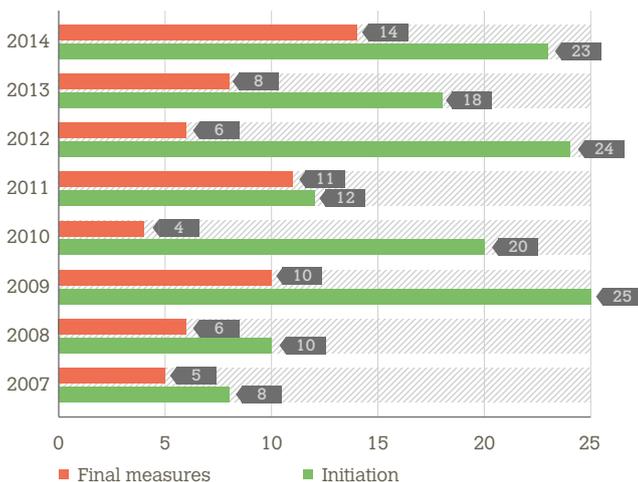


Safeguards

The Safeguards Committee reviewed notifications by WTO members of their safeguard rules and actions at its two meetings in 2014.

The number of notifications of new investigations increased to 23 from 18 the year before. The number of final measures taken during 2014 also increased, to 14 from eight in 2013 (see Figure 10). India initiated the most investigations in 2014, with seven, followed by Indonesia and Turkey with three. India also imposed the greatest number of final measures – four.

Figure 10: Safeguard investigations by year (for all WTO 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.

In addition to the safeguard investigations initiated by India, Indonesia and Turkey, investigations were also initiated in 2014 by Ecuador, Egypt, Jordan, Malaysia, Morocco and Tunisia. Armenia informed the Safeguards Committee in December 2014 that it will apply two safeguard measures adopted by the Eurasian Economic Union (EEU) on its accession to the regional trading bloc in January 2015. These two measures are counted as impositions for the purpose of the statistics above. Armenia is the second WTO member, after Russia, to be a member of the EEU.



Trade-related investment measures

Three new investment measures were discussed by the Committee on Trade-Related Investment Measures (TRIMs) in 2014. The Committee continued to debate ten measures previously raised. In addition, it reviewed compliance with WTO members’ notification obligations under the TRIMs Agreement.

The TRIMs Committee met twice in 2014, with three new measures on the agenda.

The first new measure, discussed at the request of the European Union, Japan and the United States, concerned certain Russian measures providing preferential treatment for companies engaged in automobile production and assembly if they fulfilled certain local-content requirements.

The second, discussed at the request of the European Union, Japan and the United States, concerned minimum local sourcing requirements imposed by Indonesia on franchises, including modern retail franchises (such as mini-markets and hypermarkets) and food establishments.

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.

The third new measure, discussed at the request of Canada, the European Union, Japan and the United States, concerned Indonesia's newly adopted Industry Law and Trade Law, which allow the government potentially to impose export bans on biological and non-biological raw materials (Industry Law) and restrictions on export and import of certain goods for national interest (Trade Law). They also allow for the mandatory use of domestic products and increased use of national standards, and the use of safeguard measures, either tariff or non-tariff, to protect the industry from international competition.

Discussions on measures previously raised before the Committee continued at both meetings. These included local content requirements in the Brazilian, Indian and Indonesian telecommunications sectors as well as the Indonesian, Nigerian, Uruguayan and US energy sectors (including mining, oil, gas, wind power and renewable energy) and certain local content requirements in the US water utilities sector, in the Russian agricultural equipment sector and in several Brazilian sectors regarding tax preferences.

The Committee took note of four new notifications under Article 6.2 of the TRIMs Agreement, which 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. Members who had not provided notifications to date were urged to do so promptly.



Information technology

Afghanistan and Seychelles joined the Information Technology Agreement (ITA) in 2014, bringing the total number of members to 52 (with the European Union counting as one). The Committee continued its work on non-tariff measures, with the objective of identifying impediments to trade in IT products. On the contentious issue of product classification, members agreed to work on the basis of a Swiss proposal. In negotiations to expand product coverage, participants significantly reduced differences, but not enough to yield agreement in 2014.

Afghanistan and Seychelles joined the ITA in 2014, bringing the total number of participants to 52 and the total number of WTO members involved to 80. The agreement covers some 97 per cent of world trade in information technology products, with 90 per cent of this trade now duty free, showing the benefit of the ITA to all WTO members. During the year, the Committee of the Participants on the Expansion of Trade in Information Technology Products continued to review implementation of the ITA.

> Non-tariff measures (NTMs) work programme

In one of the key areas of the NTMs work programme, 29 members have so far provided responses to a survey on conformity assessment procedures for electromagnetic compatibility (EMC) and electromagnetic interference (EMI). The survey aims to lead to the adoption of common guidelines. However, the number of respondents is still low overall. In considering ways to advance and expand its work on NTMs other than EMC/EMI, the Committee decided to hold an industry-driven workshop in May 2015 to further discuss the impact of NTMs in the IT sector.

> Product classification divergences

Classification divergences have been the most controversial area of the ITA since its inception. The ITA contains 55 products that are not classified under the same Harmonized System (see page 51) headings by ITA participants. In 2013, the Committee agreed on the classification of 18 of these products, mainly semiconductor manufacturing equipment.

For the 37 remaining items, the Committee agreed in 2014 to proceed on the basis of a Swiss proposal. The latter requires the Secretariat to circulate a list of the 37 items – including computers, network equipment, flat panel display and semiconductor manufacturing equipment – indicating their possible classification in HS2007 (see page 51) so that WTO members can identify where their domestic classification diverges from the Secretariat's list.

> Expanding product coverage

WTO members reported to the Committee on the state of play in bilateral and plurilateral consultations on increasing ITA product coverage. In the light of new technological developments, efforts have been under way since 2012 to extend the ITA to cover approximately 200 additional products, including many new-generation communication, data and medical devices. Members currently engaged in these negotiations account for approximately 90 per cent of world trade in the products being proposed for inclusion.

Background on information technology

The Information Technology Agreement (ITA) was struck in December 1996 in Singapore. The plurilateral agreement requires participants to eliminate duties on IT products on a most-favoured nation (MFN) basis. The ITA covers a large number of high-technology products, including computers, telecommunication equipment, semiconductors, software and scientific instruments, and their parts and accessories. The Committee of the Participants on the Expansion of Trade in Information Technology Products oversees the agreement.

Participants succeeded late in 2014 in significantly reducing their differences in the negotiations to expand the coverage of the ITA but it was not possible to finalize the talks. Director-General Roberto Azevêdo urged members to remain actively and constructively engaged in trying to bridge the gaps.

It is estimated that the expanded ITA would significantly cut tariffs and would boost the world economy. Crucially, it would benefit all WTO members, not just the ITA participants, because the tariff cuts would be applied on a multilateral basis. Agreement on expanding the ITA would be the first successful tariff-cutting negotiation in the WTO for over a decade and a half.



State trading enterprises

In 2014, the Working Party on State Trading Enterprises reviewed 77 notifications from WTO members, compared with 50 the previous year. However, the number of notifications remains low and the Chair called for improvement in members' compliance with the notification obligation.

At its regular meeting in October 2014, the Working Party reviewed 64 new and full notifications from 31 WTO members (compared with 38 from 13 members in 2013) and 13 updating notifications from three members, compared with 12 from four members

in 2013. Notifications cover products imported into or exported from members' territories by state trading enterprises (STEs). WTO members have extended indefinitely a June 2012 agreement to submit new and full notifications every two years.

Compliance with notification obligations remains poor. Of 133 notifying members, only 32 submitted notifications for the most recent period (2012-13). For the previous period (2010-11), only 44 notifications were received from a total of 130 notifying members. The Chair encouraged members to continue to work with their respective capitals and the WTO Secretariat to improve the notification record.

At the October 2014 meeting, the United States submitted a counter-notification regarding the STEs of China. Members may counter-notify when they have reason to believe that another member has not adequately notified its STEs. China did not comment on the US counter-notification and stated that it would submit its own notification shortly. Canada, the European Union, Australia and Colombia also expressed their concern and noted the need to improve transparency.

The European Union also noted its concern about the potential negative effects on world trade of the operations of numerous Indian agricultural STEs. The European Union was particularly concerned about the potential adverse spillover effects of operations aimed at building stocks of food grains by procuring the products from local farmers at minimum support prices and managing levels of imports. The European Union asked India to provide information on the extent to which the food grains were eventually exported and at what price. Canada and Australia expressed the same concern.

Chile and the European Union asked a question of New Zealand in relation to its STE managing the market for kiwi fruit. Also at this meeting, the European Union asked Russia why it had not yet notified state-controlled energy concern Gazprom as an STE despite its commitment to do so in its Protocol of Accession. The United States echoed this concern.

Background on state trading enterprises

State trading enterprises are defined as governmental or non-governmental enterprises, including marketing boards, which have been 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 2014, the Trade in Civil Aircraft Committee held one meeting at which signatories continued to discuss their 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 (see page 51). The Agreement has 32 signatories, of which 20 are member states of the European Union.

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

In 2014, the Council for Trade in Services focused to a great extent on the operationalization of the LDC services waiver. Services-related issues in electronic commerce also figured prominently on the agenda. Additionally, the Council debated recent developments in services trade and regulation raised by WTO members as well as transparency-related issues.

The services waiver for least-developed countries (LDC) was the object of much of the Council's work in 2014. The waiver enables members to grant more favourable treatment to services and service suppliers of LDCs. As of the end of 2014, no waiver preferences had been granted but, in keeping with the Bali Ministerial Conference decision, the Council initiated a process to operationalize the waiver.

Following a proposal by LDCs, the WTO Secretariat prepared a note on measures in the professional services sector notified, under various provisions of the General Agreement on Trade in Services (GATS), by the top ten services traders. As per the ministerial decision, on 21 July LDCs submitted a collective request identifying the sectors and modes of export of interest to them. In the wake of the collective request, and in line with the ministerial mandate, the Council agreed to hold a high-level meeting on 5-6 February 2015. At the meeting, over 25 members indicated services sectors and modes of supply from LDCs to which they would give preferential treatment.

The Council continued its work on electronic commerce. This included consideration of electronic authentication and trust services, on the basis of contributions by the European Union, as well as issues related to cross-border information flows, localization requirements, privacy protection and cloud computing, which were addressed in a US submission. Given the Bali Ministerial Conference decision to

press on with the work, e-commerce will continue to occupy the Council in 2015.

The Council debated recent developments in services trade and regulation. The 23 members participating in the negotiations on a plurilateral Trade in Services Agreement (TISA) kept the Council regularly informed on progress in their negotiations. While non-TISA participants were generally appreciative of the transparency provided by these updates, some remained concerned about the initiative, and in particular its impact on multilateralism.

TISA participants pointed out that TISA was developed to be compatible with the GATS and could help to facilitate multilateral talks in the future. The Council heard a presentation about the new EU directive on conditions of entry and residence of third-country, intra-corporate transferees. The directive is designed to make it easier and quicker for multinational companies to temporarily assign highly skilled employees to subsidiaries situated in the European Union. The Council also considered, at the request of Russia, a number of services trade-restrictive measures adopted by certain WTO members.

In accordance with the GATS' transparency provisions, the Council received 31 notifications of new or revised measures deemed by

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 provides services through establishment 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, oversees the operation of the GATS.



the WTO members concerned to significantly affect trade in sectors they had subjected to commitments. Another 17 notifications dealt with new economic integration agreements covering services trade.

In considering how compliance with the GATS' notification requirements might be improved in order to enhance transparency, the Council examined the feasibility of setting up an online system for services notifications. A Secretariat note provided the basis for the discussion, which estimated the cost of setting up a scheme for the online submission of GATS notifications as being in the order of CHF 100,000. It also signalled that, as concerns the retrieval of information about notifications, an online mechanism already exists thanks to the WTO's documents online facility. In the light of members' diminishing interest, the Council decided to suspend its deliberations on this issue.

> Financial services

The Committee on Trade and Financial Services discussed "financial inclusion" in the context of the relationship between trade in financial services and development. The discussion was based initially on presentations by members (e.g. China, South Africa and Chinese Taipei). In November, following a proposal by China, the Committee held a seminar on mobile banking, which featured a distinguished line-up of speakers representing international organizations, the regulatory community, the industry and senior trade negotiators. The seminar highlighted the importance of mobile banking as a vehicle for expanding financial inclusion. In order to deepen understanding of this issue, which has become a policy priority around the world, the WTO Secretariat prepared a note on financial inclusion and the GATS. The note addresses the issue from a trade policy perspective to provide an appropriate framework for the continuation of discussions.

The Committee continued its consideration of regulatory issues in financial services, on the basis of a WTO Secretariat note. The discussion aimed to provide background information on members' regulatory practices with regard to qualifications, licensing and technical standards in financial services, with a view to assisting the Working Party on Domestic Regulation (WPDR) in its discussions on these issues. In this context, following an invitation by the Committee, representatives of the Basel Committee on Banking Supervision, the Financial Stability Board, the International Association of Insurance Supervisors and the International Organizations of Securities Commissions gave an overview of the most recent international regulatory reforms and initiatives in the financial sector, and discussed with WTO members the potential implications for trade in financial services.

As part of its work on the classification of financial services, the Committee discussed the issue of "new financial services" on the basis of a note by the Secretariat containing a comprehensive and exhaustive collection of references to this in reports of past discussions, members' submissions, previous notes by the Secretariat, the Understanding on Commitments in Financial Services, schedules of specific commitments and relevant jurisprudence.

> Specific commitments

The Committee on Specific Commitments is mandated to oversee the implementation of WTO members' services commitments and, in particular, to ensure their technical accuracy and coherence through regular examination of classification and scheduling issues. In recent years, the Committee's activities have been focused on technical discussions on services classification.

In 2014, the Committee examined classification issues relevant to education, health, tourism and recreational services. As in the previous two years, in order to facilitate exchange of views, discussions were carried out in informal mode, and an informal, non-attributable summary of the discussion was circulated to WTO members after each meeting. To stimulate discussions, for each sector under examination, the WTO Secretariat prepared an informal note providing an overview of relevant classification issues and suggesting specific questions for members' consideration. Thus the Committee concluded the sectoral examination of classification issues, an exercise that started in late 2011 and that was focused on the challenges facing the GATS classification system as a result of dramatic technological and commercial developments over the past two decades. At the request of the Committee, the Secretariat compiled the 40 relevant documents produced in the exercise.

Building upon the sectoral discussion, the Committee started to consider the issue of "new services" based on a note prepared by the Secretariat. Divergent views were expressed in the Committee on a number of issues such as whether "new services" existed, whether a definition of "new services" was needed, and the implications of "new services" for existing commitments. It was agreed that the Chair of the Committee would hold consultations on how to proceed with further discussions in this regard.

Trade-related aspects of intellectual property rights (TRIPS)

The TRIPS Council carried out its regular work on promoting transparency of WTO members' intellectual property systems and reviewing WTO members' implementation of the TRIPS Agreement. It continued discussions on access to medicines for the poorest countries, biotechnology and technical cooperation, among other topics. The Council also exchanged information on and debated a number of issues raised by individual countries. It considered various aspects of innovation policy, in particular the role of university technology partnerships and innovation incubators, and heard a number of case studies. The Council also continued its discussions on climate change and tobacco control policies.

> TRIPS and public health

The TRIPS Council held its annual review of the functioning of the so-called "Paragraph 6" system. Four more countries accepted the 2005 amendment to the TRIPS Agreement, incorporating the paragraph, which will come into force when two-thirds of WTO members have accepted it. By the end of 2014, around half the WTO's members had done so, representing the full spectrum of the membership.

The "Paragraph 6" system of special compulsory licences for export 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 a special type

Background on trade-related aspects of intellectual property rights

Intellectual property rights have become 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 and reviews the intellectual property legislation of individual members.

of compulsory licence (that is, granted without the patent holder's consent) exclusively for export to countries that cannot manufacture needed medicines themselves. The TRIPS Agreement originally only permitted compulsory licensing predominantly to serve the domestic market (unless remedying anti-competitive practices). The new system changed this, first through a set of waivers and then through the 2005 amendment.

Issues relating to TRIPS and public health were addressed in many of the WTO Secretariat's technical cooperation activities. The Secretariat also continued to coordinate capacity-building activities in this area with the secretariats of the World Health Organization (WHO) and the World Intellectual Property Organization (WIPO). Thirty government officials from 28 developing and two developed country members and observers in the WTO took part in a November workshop on trade and public health, the latest in a series. It aimed to build national policy-makers' capacity to analyse policy choices in areas where trade, intellectual property and public health all play a part. The topics covered included access to medical technologies and innovation in the field, and wider trade and health policies.

The three organizations held, also in November, a fourth trilateral joint technical symposium to look at the opportunities and challenges in middle-income countries in regard to innovation and access to medical technologies. It was noted that, while these countries are catching up in the area of biomedical innovation and industrial development, they are also facing challenges in ensuring access to innovative health products for their populations. The emergence of major epidemics such as Ebola highlights the critical importance of inter-agency cooperation in addressing public health challenges, senior officials from the three organizations said.

> 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.

The TRIPS Council has developed a unique body of information about diverse approaches to protecting and regulating intellectual property, based on notifications of WTO members and the Council's review of national systems. It has also collected extensive reporting from members on such matters as technical cooperation and technology transfer incentives. In 2014, the Council continued its consideration of ways of making this information more easily accessible to members and the public at large, and ensuring it is more timely and complete, including through new applications of information technology to manage this material more effectively.

The Council completed its reviews of the TRIPS implementing legislation of Montenegro, initiated the review of the legislation of Tajikistan and followed up the review of the legislation of Russia.

> Plants, animals, biodiversity and traditional knowledge

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.

> Technical cooperation and capacity building

The Council reviewed 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. In its technical cooperation activities, the WTO Secretariat continued to focus on assisting members and observers to understand the rights and obligations which flow from the TRIPS Agreement and relevant decisions of WTO bodies in order to enable them to meet their developmental and other domestic policy objectives.

The WTO and WIPO delivered an advanced course on intellectual property for government officials in March in Geneva to strengthen the capacity of developing country participants to monitor and participate in international developments and to make informed assessments of intellectual property policy issues. The sixth in an annual series jointly convened by the two organizations, it was run over two weeks and attended by 20 officials from developing countries.

> Innovation

As in the previous two years, the Council discussed various aspects of innovation policy. At the request of the United States, at its meeting in February, the Council considered the contribution of university research to innovation and technology transfer as well as the need for technology partnerships to ensure that such innovation is brought to the market, and the role of intellectual property in this context. While some WTO members saw intellectual property rights as a key element in fostering such partnerships and thus bringing innovations to the market, others cautioned that an intellectual property-centric model risked directing research towards commercial interests and undermining access to the results of research.

Some members also noted that intellectual property rights were only one among many tools to promote innovation, and that the challenge for policy-makers was to design a balanced regime that was supportive of innovation and access at the same time. A number of members shared their experiences, based on concrete examples of universities developing and transferring technology, and described frameworks needed to make technology partnerships work.

At its June meeting, the Council focused on "innovation incubators" and their role in helping innovative small and medium-sized enterprises (SMEs) get off the ground. Where invention and intellectual property are concerned, these services can range from giving advice on management or for filing patents to providing office space or laboratories.

The co-sponsors (Chinese Taipei, Panama and the United States) and a number of other members shared their experiences and provided numerous examples of innovation incubators for start-ups, and underlined the importance of access to intellectual property protection. According to another view, there was no direct correlation between intellectual property protection and innovation, which was best fostered by freedom of expression, rigorous competition and open approaches to innovation. A further view was that while the grant of intellectual property protection was one way of encouraging innovation, a full disclosure of inventions was needed to ensure that it did not impede information flows and create problems such as patent "trolls". Patent trolls, a derogatory term, is used to describe the action of people or companies who seek to enforce a patent right



to collect licensing fees, but who do not manufacture or produce anything themselves.

At its October meeting, the Council heard various case studies. The co-sponsors of the item (the European Union, Switzerland and the United States) explained that they wished to help the Council appreciate the challenges and concerns faced by SME innovators. Several members emphasized the importance of innovation for growth and sustainable development. Intellectual property rights were seen as a key mechanism particularly for SMEs in managing risks involved. While agreeing about the importance of innovation, some members emphasized that competition and open approaches to innovation may also encourage innovation while ensuring access to knowledge and new products, especially in areas of market failure, such as neglected tropical diseases.

On the margins of the Council meeting, a number of members organized an innovation fair at which inventors from different regions were given an opportunity to showcase their innovations.

› Climate change

At the request of Ecuador, the Council continued at its February and June meetings its discussion on intellectual property and climate change and the contribution of intellectual property in facilitating the transfer of environmentally sound technology that Ecuador had initiated the previous year. Ecuador had proposed to evaluate the TRIPS Agreement from the standpoint of the mitigation of environmental problems, with the aim of reaffirming TRIPS flexibilities in connection with environmentally sound technologies.

While agreeing on the importance of technology transfer and innovation in addressing the challenges of climate change, WTO members expressed different views about the role of intellectual property protection for these purposes. While some emphasized the role of flexibilities in facilitating the transfer of environmentally sound technology, others underlined the importance of intellectual property so that these technologies could be developed in the first place. At the Council's October meeting, Ecuador said that it was continuing its review of the matter and was considering reverting to it at the Council next year. The WIPO Secretariat presented to the Council its WIPO Green Project, an online marketplace for green technology.

› Tobacco control measures

In the three previous years, the Council discussed, at the request of individual members, Australia's proposed tobacco plain-packaging legislation that has since entered in force. The issue is currently the subject of five pending disputes initiated by Cuba, the Dominican Republic, Honduras, Indonesia and Ukraine (see pages 96-7). The Council's discussions have also concerned the tobacco control policies of certain other members.

In 2014, the Council continued to discuss tobacco control policies under the heading "Concerns with respect to Measures Related to Plain Packaging of Tobacco Products and Their Compatibility with the TRIPS Agreement". This item was sponsored at the February meeting by Cuba and at the October meeting by Ukraine and the Dominican Republic.



The sponsors and some other delegations said that they are concerned that a number of members, in addition to Australia, are considering the introduction of tobacco plain packaging measures, and called on them not to adopt such measures until the WTO panels in the pending disputes have ruled on their compatibility with WTO obligations. Some other members defended such policies as legitimate public health measures that are consistent with WTO rules. In Australia's view, it is inappropriate to use the pending disputes to discourage other members from implementing public health measures.

› Other issues

No new proposals emerged from 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").

The Council's work on the incentives for technology transfer to least-developed countries (LDCs) and on "non-violation and situation complaints" is discussed on page 37.

Trade and environment

The Committee on Trade and Environment (CTE) continued its discussion of a broad range of environmental issues and policy developments, including environmental footprint and labelling initiatives, illegal logging, fisheries and environmental goods initiatives. The Committee was also briefed by international organizations on a number of international environmental initiatives and activities.

➤ Environmental footprint and labelling schemes

The CTE continued to discuss national and international environmental footprint and labelling initiatives. The European Union provided an update of its voluntary environmental footprint project being developed under the EU Single Market for Green Products Initiative. The three-year pilot phase of the project, covering a broad range of industrial and agriculture products, tests the development of environmental footprint methodologies for products and organizations and examines related verification and communication methods. One of the objectives is to reduce consumer confusion over the proliferation of national “green” labels and methods used to demonstrate the green credentials of a product or organization.

The International Organization for Standardization (ISO) shared information on its draft international water footprint standard related to the principles, requirements and guidelines for assessing and reporting the water “footprint” of products, processes and organizations. The ISO also updated the Committee on its technical specification about requirements and guidelines for the quantification and communication of greenhouse gas footprints.

The Organisation for Economic Co-operation and Development (OECD) briefed the CTE on its on-going project on environmental labelling, which highlights the importance of moving towards internationally recognized standards to tackle issues associated with the multiplicity of environmental labelling schemes.

WTO members remained engaged in these discussions on environmental footprint and labelling schemes. Some voiced concern over the proliferation and impact of these schemes on market access

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 examining the relationship between trade and the environment.



for small and medium-sized enterprises and developing countries. The need to take account of key WTO principles, such as transparency and non-discriminatory treatment, was stressed.

➤ Illegal logging

Thirteen delegations – Australia, Cameroon, Canada, Chile, China, the European Union, Ghana, Indonesia, Mexico, New Zealand, Switzerland, Chinese Taipei and the United States – shared experiences on their domestic efforts to promote legally harvested timber and combat illegal logging. In addition, the United Nations Forum on Forests (UNFF) and the Convention on International Trade in Endangered Species of Wild Flora and Fauna (CITES) reported on relevant activities.

WTO members welcomed the experience-sharing on illegal logging. Several underscored the importance of bilateral, regional and international cooperation in this area. Some members stressed that initiatives to counter illegal logging should be consistent with WTO disciplines, scientifically based, and not constitute unnecessary barriers to trade. Concerns were raised on the implementation costs of such initiatives and the need for capacity building in developing countries to build awareness and improve enforcement of laws to combat illegal logging. The impact on market access and the policy space available for developing countries to manage natural resources was also raised in the discussions.

> Fisheries

In response to requests by some WTO members, the Food and Agriculture Organization of the United Nations (FAO) presented its 2014 report on the State of World Fisheries and Aquaculture (SOFIA). It showed that total world fisheries production continued to grow in recent years, with aquaculture increasing in importance and fisheries becoming one of the most traded food products. The 2014 SOFIA also underscored challenges stemming from illegal unreported and unregulated (IUU) fishing, which led to an increase in the number of species being overfished.

Some members stressed the importance of the fishery sector in the work of the CTE and the WTO. Several delegations expressed concerns about over-exploitation and the pace of fish stock depletion, and some raised the issue of fisheries subsidies. The importance of artisanal fishing and technical assistance to developing countries as well as the need to address IUU fishing were also discussed.



> Energy

In 2014, there was an exchange of information on two energy-related topics. New Zealand briefed the CTE on the jointly organized roundtable by the World Bank, the United States and the Friends of Fossil Fuel Subsidy Reform (a group of non-G20 countries that supports reform of inefficient fossil fuel subsidies) in April. The event

updated participants on the peer review processes under way through the G20 and Asia-Pacific Economic Cooperation (APEC) and gave first-hand country accounts on reform experiences. Some WTO members noted that the peer review was a voluntary process taking place outside, and without any link to the WTO, and expressed the view that the CTE was not the appropriate forum to discuss fossil fuel subsidy reforms. Other delegations, highlighting the broad CTE mandate, welcomed the discussions and considered such information sharing to be useful.

Qatar made a presentation on natural gas as a source of clean energy and on the associated environmental benefits of preventing and removing trade restrictions in this sector. According to Qatar, natural gas products still face significant trade barriers, such as high tariffs. Some members expressed their support for reducing barriers to natural gas trade.

> Environmental goods

Fourteen WTO members launched plurilateral negotiations for an Environmental Goods Agreement (EGA) on 8 July 2014. Together, they account for a large proportion of global environmental goods trade. Several participants in the initiative updated the CTE on the negotiations. EGA participants are committed to transparency and the initiative remained open to other WTO members similarly committed to liberalizing trade in environmental goods.

Any agreement concluded would be implemented on a most-favoured nation (MFN) basis, meaning all WTO members would benefit, once a critical mass of participation was reached. The need to accommodate the concerns of participants with different development levels was highlighted.

China shared information on the Asia-Pacific Economic Cooperation (APEC) environmental goods initiative and the meeting of APEC trade ministers held in May 2014. Ministers reaffirmed their commitment to implement the APEC environmental goods list, which lists goods on which APEC members will reduce tariffs by the end of 2015. The list serves as a starting point for the EGA negotiations and includes such items as components for industrial air pollution control plants, spectrometers and magnetic resonance instruments. APEC leaders also called for opportunities to be explored to build on the APEC environmental goods commitment within the WTO.

> Multilateral environmental agreements

The CTE continued to serve as a platform to inform members on the latest developments in multilateral environmental agreements (MEAs). In 2014, this included briefings by CITES, the Convention on Biological Diversity (CBD) and the United Nations Framework Convention on Climate Change (UNFCCC). The WTO Secretariat participated in and organized side events at meetings of the Montreal Protocol and Vienna Convention for the protection of the ozone layer held in Paris in November as well as the UNFCCC Conference of Parties meeting held in Lima in December 2014.

> Briefings by other international organizations and the WTO

The United Nations Environment Programme (UNEP) updated the CTE on its latest trade-related activities, including country projects on the green economy and the launch of the Green Growth Knowledge Platform (GGKP). The GGKP, of which UNEP is one of the sponsors, is a global network of international organizations and experts that identifies and addresses major knowledge gaps in green growth theory and practice. UNEP also reported on a conference of the Partnership for Action on Green Economy Conference, which supports countries in building national green economy strategies, and the United Nations Environment Assembly held in 2014.

The United Nations Conference on Trade and Development (UNCTAD) gave a presentation on the United Nations Forum on Sustainability Standards, which aims to facilitate and strengthen the effective and active participation by developing countries in the international dialogue on voluntary sustainability standards. The WTO Secretariat briefed the CTE on recent developments concerning the Sustainable Development Goals (SDGs), which the United Nations plans to approve and incorporate into the post-2015 development agenda.

It also gave a presentation on environmental provisions in regional trade agreements (RTAs). Information provided by the OECD on its work on RTAs complemented this presentation. The Secretariat also made a presentation on environment-related case law under GATT Article XX, which covers general exceptions to the GATT rules.

> Technical assistance

In 2014, the Trade and Environment Division of the WTO organized a two-week advanced course on trade and environment at WTO headquarters. The course aimed to promote greater understanding of the key trade and environment issues and to strengthen members' capacity to address such issues both domestically and in the WTO. In addition, a regional workshop for Latin American countries was organized in Costa Rica in collaboration with the Inter-American Development Bank and the Inter-American Institute for Cooperation on Agriculture. Trade and environment modules were also delivered at WTO Geneva-based and regional trade policy courses and through the e-learning platform. Such modules were also delivered at the WTO workshop on trade and public health and as part of the WTO Chairs Programme in Argentina and China.

Regional trade agreements

In 2014, the WTO received 22 new notifications regarding regional trade agreements (RTAs), compared with 35 in 2013. The notifications involved 11 RTAs. One of the RTAs was between developed partners, with another seven involving developed and developing partners. The remaining three were between developing country partners. Europe and the Asia Pacific region both made the highest number of notifications – six – while the Americas and the CIS region both made four notifications.

Of the 603 RTA notifications received by the WTO as of 31 December 2014, 397 were in force (see Figure 11). RTAs include free trade agreements and customs unions. Under WTO rules, the goods and services aspects of RTAs, as well as accessions to existing RTAs, have to be notified separately so they are counted separately. However, putting the three together, the 603 notifications involved 445 individual RTAs, of which 258 were in force.

The newer RTAs broaden and, in many cases, deepen coverage, compared with the older ones. Thus, while some agreements are limited to reducing barriers to trade in goods, most are becoming increasingly 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.

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. They also let members wishing to move faster than others in opening their markets to do so within WTO rules.

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 agreements between 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).

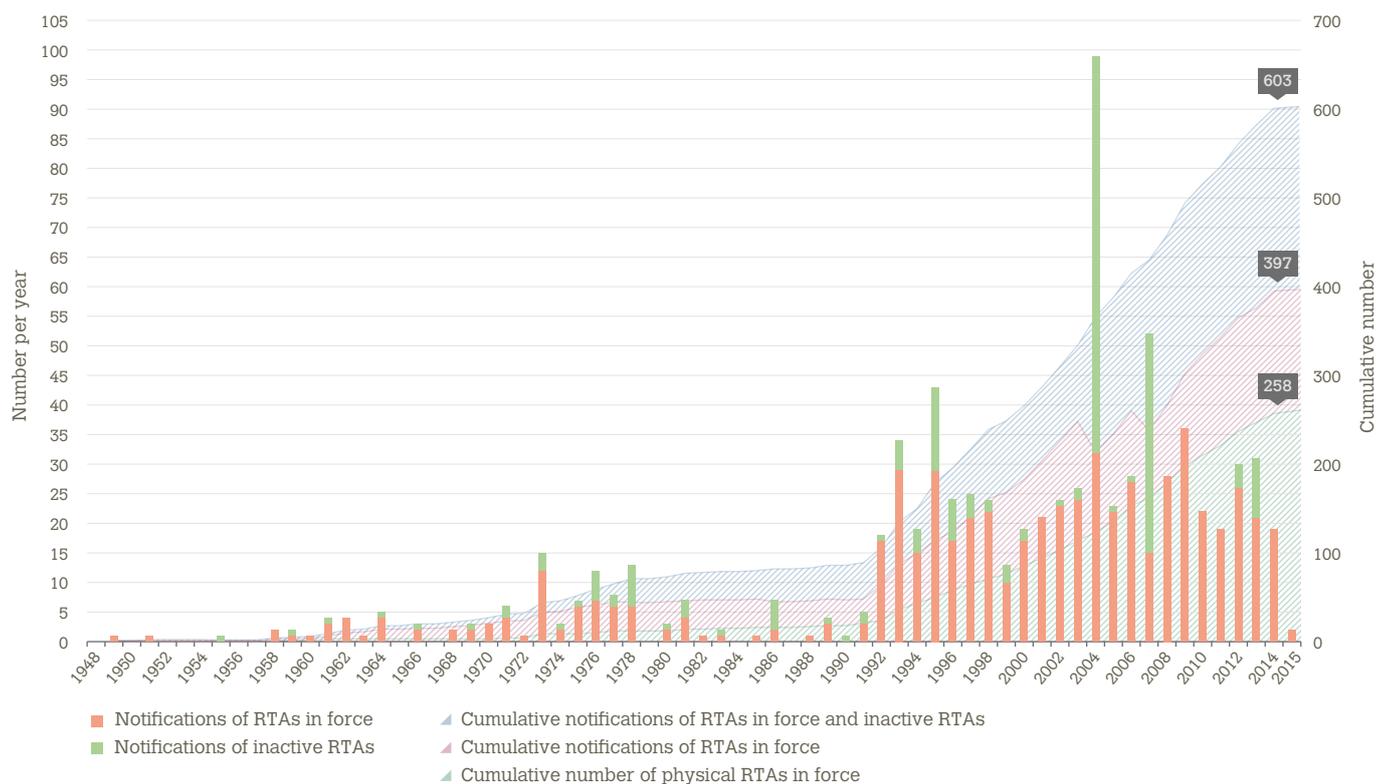
Although RTAs are by nature discriminatory, discrimination against non-parties can be reduced if the agreements are open and parties allow accession by third parties to existing agreements.

Such enlargement and consolidation of existing agreements is being proposed by new negotiations, such as the Trans-Pacific Partnership Agreement among 12 parties, most of which already have bilateral RTAs with each other, and the Regional Closer Economic Partnership Agreement between the Association of South East Asian Nations (ASEAN) and six other regional partners. Other negotiations include the Pacific Alliance, involving countries that already have bilateral RTAs with each other, and the Tripartite Agreement, which involves 27 partners at present. If the eventual agreements are able to harmonize some of the rules in existing RTAs between the individual parties or if they supersede existing bilateral agreements, they will to some extent simplify trade rules.

All 11 individual RTAs notified to the WTO in 2014 (counting goods and services components as one) included both goods and services provisions. The trend towards agreements between developing and developed trading partners appears to have been maintained. Members from the Europe and the Asia Pacific regions were involved in six RTAs each, and the rest involved members in the Commonwealth of Independent States (CIS) and the Americas regions (four agreements each). Nine of the agreements covered members from two different regions continuing the trend towards cross-regional RTAs.

In September, the WTO hosted a seminar on cross-cutting issues in RTAs at which the similarities and differences between the provisions in RTAs and WTO agreements were discussed. Most RTAs grant their partners a higher level of market access than that available through the WTO, for example, but in other areas such as anti-dumping, the majority of RTAs do not go beyond WTO rules. In an address to the seminar, Director-General Roberto Azevêdo said that while "RTAs are blocks which can help build the edifice of global trade rules and liberalization", for some issues RTAs were not a substitute for the multilateral system. He cited examples such as trade facilitation, financial or telecoms regulations or farming and fisheries subsidies that "can only be tackled in an efficient manner in the multilateral context through the WTO".

Figure 11: All RTAs notified to the GATT/WTO (1949 to 2015) by year of entry into force



Note: Notifications of RTAs: goods, services and accessions to an RTA are counted separately. Physical RTAs: goods, services and accessions to an RTA are counted together. One RTA notified in 2014 entered into force in 2015.
Source: WTO Secretariat.

Director-General Azevêdo highlighted that research by the Secretariat based on RTAs notified since 2000 shows that around 60 per cent of these RTAs contain commitments in both goods and services and that over half contain rules on investment. Other issues, such as provisions on government procurement, competition, sanitary and phytosanitary (SPS) measures, technical barriers to trade, trade defence measures and intellectual property rights, are also found in over half of the RTAs notified. Some RTAs also include other issues, such as environmental and labour standards and electronic commerce, which are not covered by the WTO.

> 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. The mechanism, in force provisionally since December 2006, provides specific guidelines on when a new RTA should be notified to the WTO Secretariat and the related information and data to be provided. It also requires the Secretariat to prepare a factual presentation on each RTA, and for each RTA to be reviewed by WTO members.

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) (see Table 2) while agreements notified under the Enabling Clause are considered by a dedicated session of the Committee on Trade and Development (CTD) using the factual presentation as the basis for consideration. WTO members are required to inform the WTO Secretariat of any subsequent changes to a notified agreement and to provide a report once an agreement is fully implemented. In the interests of transparency, they are also encouraged to inform the Secretariat of any agreements being negotiated or those that have been signed but are not yet in force ("early announcements").

Notified agreements already in force are considered by the CRTA or by the CTD, normally within a year of the date of notification. In 2014, the CRTA held four meetings and considered 42 notifications of RTAs, counting goods, services and accessions separately, compared with 23 in 2013 and 20 in 2012.

The transparency mechanism also requires the WTO Secretariat to prepare "factual abstracts" on RTAs examined by the CRTA prior to its entry into force. By the end of 2014, 72 factual abstracts of agreements currently in force had been prepared in consultation with the relevant RTA parties and posted in the RTA database.

Table 2: Regional trade agreements considered by the Committee on Regional Trade Agreements in 2014

Chile – Malaysia (goods)	Canada – Jordan (goods)
Canada – Panama (goods and services)	Republic of Korea – Turkey (goods)
Panama – Honduras (goods and services)	Panama – Nicaragua (goods and services)
Panama – Guatemala (goods and services)	European Union (28) enlargement (goods and services)
European Union – Bosnia and Herzegovina (goods)	Costa Rica – Singapore (goods and services)
Costa Rica – Peru (goods and services)	Peru – Mexico (goods and services)
Colombia – El Salvador, Guatemala, Honduras (goods and services)	Ukraine – Montenegro (goods and services)
United States – Oman (goods and services)	East African Community Common Market (services)
Turkey – Mauritius (goods)	Australia – Malaysia (goods and services)
ASEAN – Australia – New Zealand (goods and services)	Mexico – Uruguay (goods)
Chile – Nicaragua (goods and services)	European Union – Serbia (services)
China – Singapore (goods and services)	United States – Republic of Korea (goods and services)
New Zealand – Chinese Taipei (goods and services)	

Note: The table refers to 25 individual agreements, 17 of which covered both goods and services, six of which covered only goods, and two only services.

In addition, six “early announcements” were received from members in 2014, four for RTAs under negotiation and two for newly signed RTAs not yet in force. As of December 2014, the WTO had received 97 “early announcements”, 34 involving RTAs that had been signed but were not yet in force and 63 involving RTAs under negotiation. Fifty-six of these early announcements have subsequently been notified following entry into force of the agreements.

Not all agreements that are in force have, however, been notified and efforts are underway to improve the notification record. A list of agreements that have been verified by the Secretariat as being in force and not notified, through consultation with at least one of the parties to the RTA, is circulated before each meeting of the CRTA. The last list circulated contained 62 non-notified agreements.

The CRTA also discussed the provision of end-of-implementation reports. Most RTAs are implemented over a transition period and the transparency mechanism requires RTA parties to submit a short written report on the realization of the liberalization commitments as originally notified. The first such end-of-implementation report

– the EU-Chile Free Trade Agreement – was circulated on 6 November 2014. The reports are important for understanding whether RTAs accomplish what they set out to do.

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 includes links to the official texts and annexes 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.

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 page 110).

For information on preferential trade arrangements (PTAs), see page 110.

Trade Policy Reviews

In 2014, the Trade Policy Review Body (TPRB) reviewed the trade policies and practices of 21 WTO members in 13 meetings. In all, the TPRB had carried out 405 reviews by the end of 2014, involving 149 WTO members.

➤ Trade Policy Reviews

Myanmar and Tonga came up for review for the first time in 2014, when the policies and practices of 21 member countries were scrutinized by the TPRB. Ukraine was initially also scheduled to have its first review during the year, but its meeting was postponed, as were those of Sierra Leone and Tunisia, for a variety of reasons. The other members reviewed in 2014 were: Kingdom of Bahrain; Oman; Qatar; China; Djibouti; Mauritius; Ghana; Hong Kong, China; Malaysia; Mongolia; the Organization of Eastern Caribbean States (OECS: Antigua and Barbuda, Dominica, Grenada, Saint Kitts and Nevis, Saint Lucia, and Saint Vincent and the Grenadines); Panama; the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu; and the United States. The dates of the reviews and the countries covered are shown on the map on pages 80-81.

Printed versions of the Trade Policy Reviews are available as WTO publications. These contain the report by the WTO Secretariat, a report by the WTO member under review, the concluding remarks of the Chair of the TPRB and a key trade facts section.

Under the Trade Policy Review Mechanism (TPRM), the four largest entities (currently the European Union, the United States, China and Japan) are reviewed every two years. The next 16 largest undergo reviews every four years and the remaining every six years, with a longer cycle for least-developed countries (LDCs).

Background on Trade Policy Reviews

The Trade Policy Review Mechanism aims at encouraging 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 trade-related areas. Reviews are carried out by the Trade Policy Review Body. Reviews are not intended to serve as a basis for the enforcement of obligations, for dispute settlement procedures, or to impose new policy commitments.

The United States has been reviewed 12 times by the TPRB; Japan and the European Union 11 times; Canada nine times; Hong Kong, China seven times; Australia, the Republic of Korea, Malaysia, Norway, Singapore, Thailand, Indonesia, Switzerland and Brazil six times; China, India, Mexico and Turkey five times; 22 members four times; and 38 members three times.

➤ Implementation of the Fifth Appraisal of the TPRM

In 2013, the TPRB carried out the fifth appraisal of the TPRM, which stressed the need to make reviews as interactive and fruitful as possible. In 2014, four members chose to use the alternative timeline, one of the measures reviewed by the appraisal. The alternative timeline requires the submission of written questions four weeks in advance of the TPRB meeting and of written replies one week in advance. Members under review opted to use digital audio files (podcasting) of TPRB meetings, another innovation, in 12 of the meetings. The audio files are posted on the members' website. Also, the seven-minute rule for members' interventions was implemented satisfactorily.

➤ TPR follow-up workshops

Two TPR follow-up workshops were organized in 2014, one at the request of the Kyrgyz Republic as a national activity and the other at the request of the Central African Economic and Monetary Community (CEMAC) as a regional activity. Follow-up workshops had been envisaged for the East African Community (EAC) and the Organization of Eastern Caribbean States (OECS) but they did not take place.

The workshops have enhanced the benefits of the TPR exercise for developing countries, particularly LDCs. The TPR constitutes an external (independent) audit of the trade regimes of members, and this helps developing countries identify their technical assistance (including capacity-building) needs. The follow-up workshops help developing countries discuss and disseminate the results of their reviews in their capitals, and to convince national stakeholders of the need to address concerns expressed by other members about their trade regimes. However, the demand for TPR follow-up workshops has remained low.

> TPR programme for 2015

For 2015, 21 TPR meetings are scheduled for 25 members (counting the European Union as one): Barbados; Brunei Darussalam; Japan; Pakistan; Australia; Sierra Leone; India; Canada; Chile; New Zealand; European Union; Madagascar; Dominican Republic; Guyana; Angola;

Cabo Verde; Republic of Moldova; the members of the Southern African Customs Union (SACU: Botswana, Lesotho, Namibia, South Africa and Swaziland); Jordan; Thailand; and Haiti. Cabo Verde and Republic of Moldova are to be reviewed for the first time.



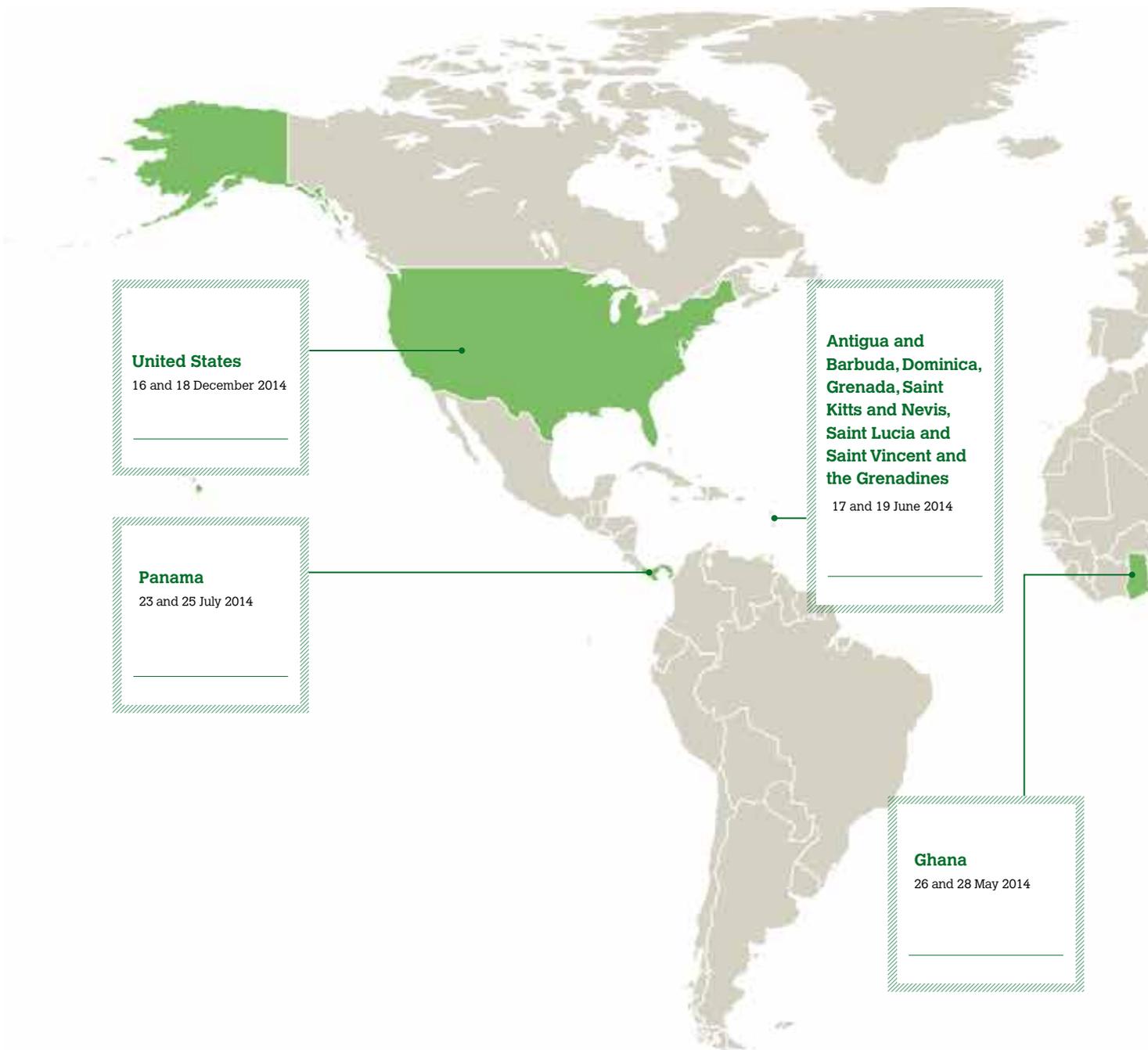
✓
405

The WTO had carried out 405 Trade Policy Reviews by the end of 2014, covering 149 of the WTO's members.



Trade Policy Reviews in 2014

The WTO conducted 13 Trade Policy Reviews in 2014 to examine the trade policies and practices of 21 WTO members. The dates of the reviews and the countries covered are shown on the map. Further information, including the Chair's concluding remarks for each review, can be found on the WTO website: www.wto.org/tpr





Trade monitoring reports

Trade monitoring reports revealed that trade-restrictive measures introduced by WTO members continued to rise. Given the continuing uncertainties in the global economy, the reports stressed the need for countries to show restraint in imposing new measures and to eliminate more of the existing measures.

The WTO Secretariat prepared four reports on global trade developments during 2014 amid continuing global economic uncertainty and sluggish trade growth. Two of the Secretariat reports, covering trade and investment measures taken by the G20, 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 reports covered trade measures taken by WTO members and observers and were discussed at meetings of the Trade Policy Review Body (TPRB).

> Trade monitoring summary for 2014

Against the backdrop of an unpredictable global economy with historically sluggish rates of growth of trade, certain developments in trade policy actions of WTO members were a cause for concern. First, although the pace of introduction of new trade-restrictive measures during the review period (mid-November 2013 to mid-October 2014) decreased compared with the period between October 2012 and November 2013, the number of new measures remained high at 168.

If trade-remedy actions – such as anti-dumping actions, countervailing duties and safeguard measures – are added,

Background on trade monitoring reports

In early 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 trade monitoring exercise has become a regular function in the WTO that further strengthens the transparency aims of the Trade Policy Review Mechanism by providing comprehensive information on recent trade policy changes. The Eighth Ministerial Conference decided in 2011 to strengthen the trade monitoring exercise. The trade monitoring is overseen by the Trade Policy Review Body, which also conducts detailed reviews of members individually (see pages 78-81).

Figure 12: Trade-facilitating and restrictive measures, not including trade remedies (average number per month)



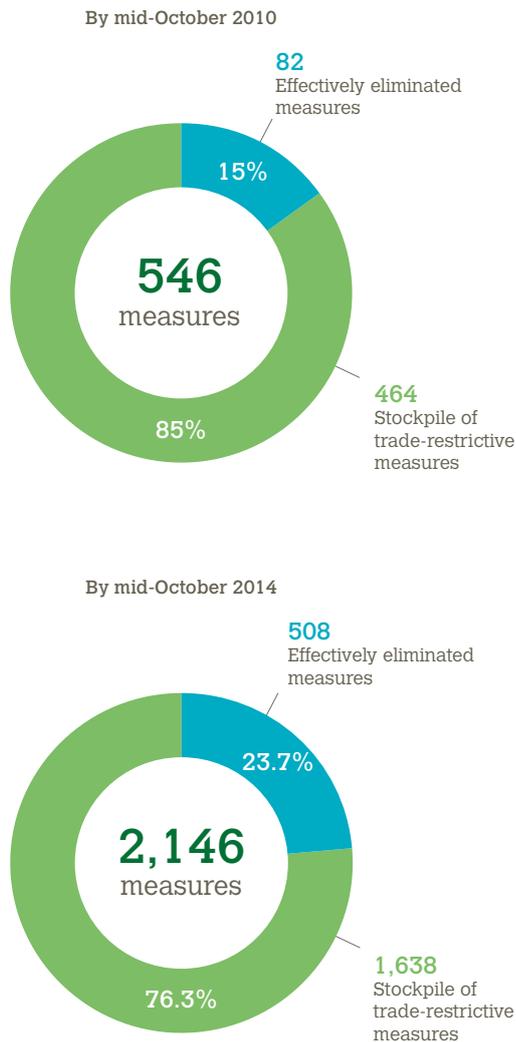
Source: WTO Secretariat.

WTO members applied 339 trade-restrictive measures in the period compared with 407 in the previous reporting period. These 339 measures accounted for 1.4 per cent, or US\$ 257.5 billion, of world merchandise imports during the review period.

The average number of trade-restrictive measures taken per month in the latest period was higher than during the two years immediately after the onset of the global economic and financial crisis in 2008 (see Figure 12). If trade-remedy actions are included, the average number of trade-restrictive measures per month was higher than in any other period since October 2008. Viewed in this light, the level of trade restrictions imposed by members in the period under review remained very significant.

Second, the stock of restrictive trade measures introduced by members since 2008 continued to increase during the review period. Of the 2,146 trade-restrictive measures introduced since October 2008, only 508 (24 per cent of the total) have been removed. The total number of restrictive measures still in place stood at 1,638 (76 per cent of the total measures) (see Figure 13).

Figure 13: Stockpile of trade-restrictive measures



Source: WTO Secretariat.

On a positive note, the number of trade-liberalizing measures significantly increased from 107 in the previous annual reporting period to 177 in the latest one. These trade-liberalizing measures accounted for 6.4 per cent, or US\$ 1,183.4 billion, of world merchandise imports. Combined with trade-liberalizing measures on trade-remedy actions, the total number of trade-liberalizing measures increased from 251 to 350.

However, the relatively positive development in the area of trade-liberalizing measures should not distract from the concerns about the accumulation of trade restrictions. Although the removal rate of trade-restrictive measures was significantly higher in 2014 compared with 2010, the stockpile of trade-restrictive measures has grown almost fourfold. The reports urged WTO members to take decisive action to reduce the stock of trade restrictions by showing restraint in the imposition of new measures and by effectively eliminating existing ones.

Furthermore, adequate information on behind-the-border measures, including regulatory measures and subsidies, is still lacking. Various types of non-tariff measures, such as technical or health regulations and product standards, have increasingly been the subject of debate in general bodies such as the Council for Trade in Goods and the General Council.

Some consider that these types of measures have become more prominent in recent years, compared with conventional border measures, and therefore the need to increase the quality of the information available is paramount. To deliver on this and enhance understanding of the operation and effects of non-tariff barriers to trade, the reports encouraged WTO members to provide greater transparency in this area.

Here, it is important to recall that the WTO trade monitoring exercise contains a unique verification process, which provides WTO members with the opportunity to update and correct information reports submitted to the Trade Policy Review Body. The ability of these reports to provide information on overall trends in trade policy measures depends on the participation and cooperation of all members. Although the increase in members participating in the preparation of this report was encouraging, a large number still do not take part.

The monitoring reports also highlighted the growth in the number of regional trade agreements and their changing scope. This underlined the need for continuing work by members to understand the systemic implications of regionalism and to ensure that regional trade agreements are consistent with and supportive of the multilateral trading system.

> WTO trade monitoring – A unique process

The purpose of the WTO trade monitoring reports is to enhance the transparency of trade policy developments and to provide WTO members and observers with an up-to-date picture of trends in the implementation of trade-liberalizing as well as trade-restricting measures, in particular in times of economic crisis when protectionist pressures tend to surge.

Preparing the trade monitoring reports is an on-going activity, which relies on continuous dialogue and exchange of information across divisions within the WTO Secretariat. The core of this information stems from formal notifications by WTO members, formal publication in various media of new legislation and other public sources, including media reports.

However, the most important element in collecting trade policy information for the reports is the close and continuous consultation between the WTO Secretariat and WTO delegations which seek to gather complete, up-to-date and accurate information on their trade and trade-related measures and to verify the relevant information collected from other public sources. In preparation for each report, the Director-General writes to all WTO members and observers inviting them to provide the WTO Secretariat with information on recent trade and trade-related measures as well as general economic support measures.

The WTO Secretariat then collates all recorded country-specific information on trade measures and re-submits this information to each delegation for verification. This verification process is a unique feature of the WTO's monitoring efforts and represents a quality control mechanism, allowing members to check the accuracy of the information before it is made public. The WTO-wide trade monitoring reports are subsequently discussed at meetings of the WTO's Trade Policy Review Body.

> Database

In 2013, the WTO launched its Trade Monitoring Database where all information gathered since October 2008, when the monitoring exercise began, can be found. The database, which is also publicly

available, provides information on trade measures implemented by WTO members and observers and includes various search criteria options, e.g. country or country group, HS code, type of measure, date of measure etc. This facilitates navigation of the comprehensive amount of data contained in the database. Members are also regularly invited to update all existing information compiled by the WTO Secretariat since 2008 so as to facilitate an evaluation of the extent of "roll-back" of such measures. The database is updated once a new report has been discussed by WTO members.

Trade, debt and finance

The Working Group on Trade, Debt and Finance continued efforts during its two meetings in 2014 to improve understanding of the links between exchange rates and trade, in particular with a view to strengthening coherence between the International Monetary Fund (IMF) and the WTO. WTO members strongly encouraged the WTO Director-General to continue to act by way of diagnosis, advocacy and leadership with partner institutions. At the request of members, a high-level WTO seminar was organized on the challenges of access to trade finance in March 2015.

In November 2014, WTO Director-General Roberto Azevêdo received unanimous support from the Working Group, with particularly strong backing from developing countries, regarding the need for the WTO to continue its diagnosis, advisory and advocacy role on the availability of trade finance in developing countries, in partnership with the IMF, the World Bank and multilateral development banks.

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 in 2008-09, 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.

The Working Group examined a WTO Secretariat background paper showing that trade finance is the top pre-condition for trading (along with trade facilitation), according to regional or global exporters' surveys recently published by the World Economic Forum and the World Bank. The study reviews the financing gap in Africa, the region in which international banks have cut back the most since the financial crisis. This financing gap in Africa was estimated to be between US\$ 50 billion and US\$ 225 billion. Annual rates of interest for international trade loans are well above 25 per cent in real terms

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 the WTO could contribute to finding a durable solution to the external debt problems of many developing countries and to avoid having WTO members' trade opportunities undercut by financial instabilities. The Working Group has been focusing its attention on 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.

(net of inflation). Gaps exist in other areas, such as in Latin America, South Asia and the Pacific and the Middle East.

The WTO therefore continued to work in 2014 with multilateral development banks to boost the global network of trade finance facilitation programmes that help to reduce the risk of financing trade in developing countries. With the renewed support of WTO members, the WTO has been a driving force behind a number of initiatives aimed at closing some of the structural gaps in trade finance markets.

The trade finance facilitation programmes expanded again in 2014, as a result of demand from traders in very poor countries. The African Development Bank introduced in 2013 a trade finance programme for African traders that can support up to \$1 billion in trade at any time. The Bank will further increase this support to trade finance in the African continent in 2015. In 2014, the European Bank for Reconstruction and Development also started to support finance for trade in the Middle East and North Africa (MENA) region. Other multilateral development banks remain active in supporting trade finance in their respective areas of competency. All in all, these programmes support over US\$ 20 billion of trade transactions by small and medium-sized enterprises in poor countries, which would not have received support from private markets.

Some regions, notably Africa and the Middle East, have seen a partial withdrawal of global banks since the financial crisis. As a result, the WTO Working Group on Trade, Debt and Finance decided in November 2014 to hold a seminar in the spring of 2015 on the challenges faced by developing countries in accessing affordable trade finance. The seminar brought together high-level experts from members' capitals, private bankers, representatives of multilateral development banks and prudential regulators for a dialogue aimed at increasing the synergies between stakeholders.



A meeting of the Working Group on Trade, Debt and Finance, at which DG Azevêdo provided the opening remarks.

› Strengthening coherence

The Working Group continued its efforts to improve understanding of the links between exchange rates and trade, in particular with a view to strengthening the coherence between the IMF and WTO. At the suggestion of Brazil, WTO members agreed to commission a factual note from the Secretariat. The note will address the instances and cases in the history of the GATT/WTO system where multilateral trade rules have been invoked to address the impact of exchange rate movements on members' rights and obligations under the WTO Agreement.

Members stressed the factual and historical character of that note, cautioning that it should neither venture into analysis nor affect their rights and obligations under the current agreements. The Secretariat is expected to present the note in the course of 2015. It was also agreed that the IMF will continue to give regular updates on progress in exchange rate and external sector surveillance. Members confirmed that there is a need to build a stronger relationship between the IMF and the WTO on the topic of exchange rates and trade.

› Expert Group on Trade Finance

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

The Expert Group on Trade Finance continued to meet in 2014, under the chairmanship of the Director-General, with a view to evaluating, and potentially helping to fill, remaining gaps in the trade finance markets, especially in the poorest countries. One tool to boost the supply of trade finance in these countries has been the expansion by multilateral development banks of trade finance facilitation programmes in the regions where they operate (see above). The Director-General confirmed the central role of its work on trade finance for the institution, and indicated that the WTO is ready to take whatever steps are necessary, provided it has the support of members.

Government Procurement Agreement

In October 2014, negotiations were concluded on the accessions of Montenegro and New Zealand to the Government Procurement Agreement (GPA), giving them access to a US\$ 1.7 trillion market. Important developments occurred with respect to the GPA accessions of several other WTO members, including China, Moldova and Ukraine. The revised Agreement, adopted by the GPA parties in 2012, came into force (see page 43). A new, automated market access information tool, the e-GPA system, was publicly released. The WTO Secretariat undertook high-level technical assistance and deepened its collaborative partnerships with other international organizations.

In October 2014, negotiations were concluded with respect to Montenegro's and New Zealand's accessions to the GPA. In Montenegro's case, this fulfilled a commitment made at the time of its WTO accession in April 2012. For Montenegro, the negotiations were concluded essentially in one year, while for New Zealand, it was a two-year process. The two WTO members' status as parties to the GPA will become effective on the 30th day following the deposit of their respective instruments of accession, which are expected to be submitted to the WTO in the coming months.

Accession candidates are invited to accede to the GPA and submit relevant instruments after a review by existing parties of the legislative, regulatory and policy framework of acceding WTO members – to ensure full compliance with the GPA – and after reaching agreement with each of the existing parties to the GPA on which parts of their procurement market will be covered by the GPA and thus open to international competition. The parties to the

GPA hope that the accessions of Montenegro and New Zealand will encourage other prospective parties to come forward.

Towards the end of 2014, China submitted a fifth revised GPA accession offer setting out multiple improvements to its proposed market access commitments under the GPA. It had previously undertaken to submit an offer that would be "commensurate with the coverage of GPA parties". The WTO Secretariat has estimated that, when it is concluded, China's accession to the GPA may add as much as US\$ 289 billion annually to the value of the market access commitments under the GPA.

Substantial progress was also made during the year regarding the GPA accessions of Moldova and Ukraine. Both have recently circulated new coverage offers and information concerning relevant national legislation. Hopes have been expressed that the accessions of both members might be concluded in 2015. Separately,

Background on the Government Procurement Agreement

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



Tajikistan and Pakistan were granted observer status under the GPA. Subsequently, Tajikistan applied for accession to the GPA in February 2015.

> **Monitoring of implementation and legislation**

A key focus of the Committee on Government Procurement in 2014 was on bringing into force the revised version of the GPA that was adopted by the parties in 2012. This required the submission of formal "instruments of acceptance" by two-thirds of the parties. Regular roundtable sessions were held to monitor progress, and the revised GPA came into force on 6 April 2014 (see page 43). The Committee also considered modifications to parties' schedules of commitments, statistical reports, threshold levels expressed in national currencies and changes in parties' legislation implementing the GPA.

With the encouragement and support of the GPA parties, the WTO Secretariat developed a new automated GPA market access information tool (the "e-GPA system"). The system provides a convenient single point of access to the market access information available under the revised GPA, together with related information that the parties are committed to provide. An initial version of the tool was released in November 2014. Additional functionalities will be added over time.

> **Technical assistance and international cooperation**

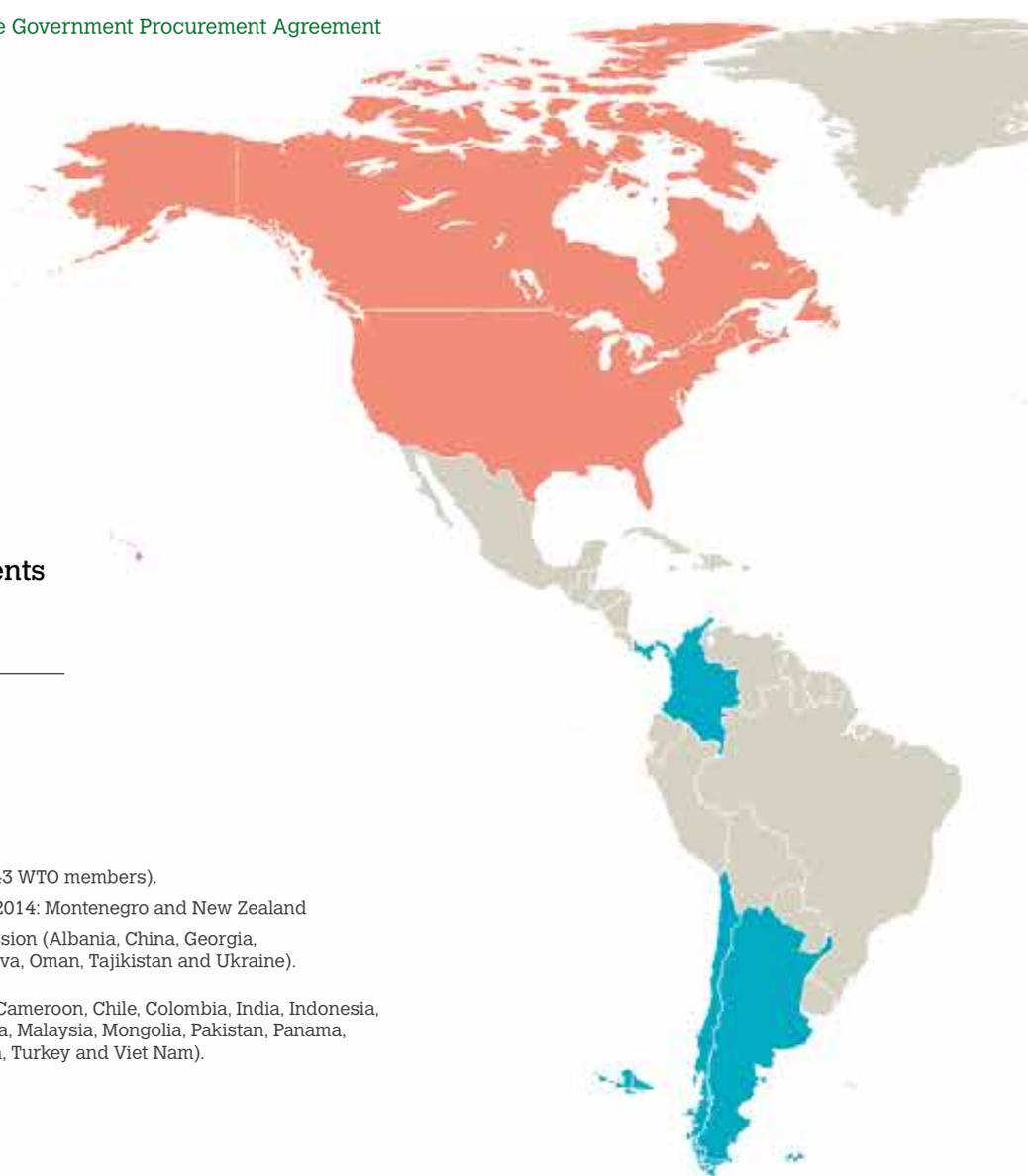
The WTO Secretariat carries out an intensive programme of technical assistance relating to the GPA, including the organization and presentation of both regional workshops and tailored national seminars on request by WTO members wishing to learn more about the GPA. A large number of such events took place during the year,

Figure 14: Members and observers of the Government Procurement Agreement

✓
1.7 trillion

Total market access commitments under the GPA: an estimated US\$ 1.7 trillion (as of 2014)

- Parties to the GPA (15 parties, comprising 43 WTO members).
- Negotiations to join the GPA concluded in 2014: Montenegro and New Zealand
- WTO members in the process of GPA accession (Albania, China, Georgia, Jordan, Kyrgyz Republic, Republic of Moldova, Oman, Tajikistan and Ukraine).
- Other observer countries (Argentina, Australia, Kingdom of Bahrain, Cameroon, Chile, Colombia, India, Indonesia, the Former Yugoslav Republic of Macedonia, Malaysia, Mongolia, Pakistan, Panama, Russia, Kingdom of Saudi Arabia, Sri Lanka, Turkey and Viet Nam).



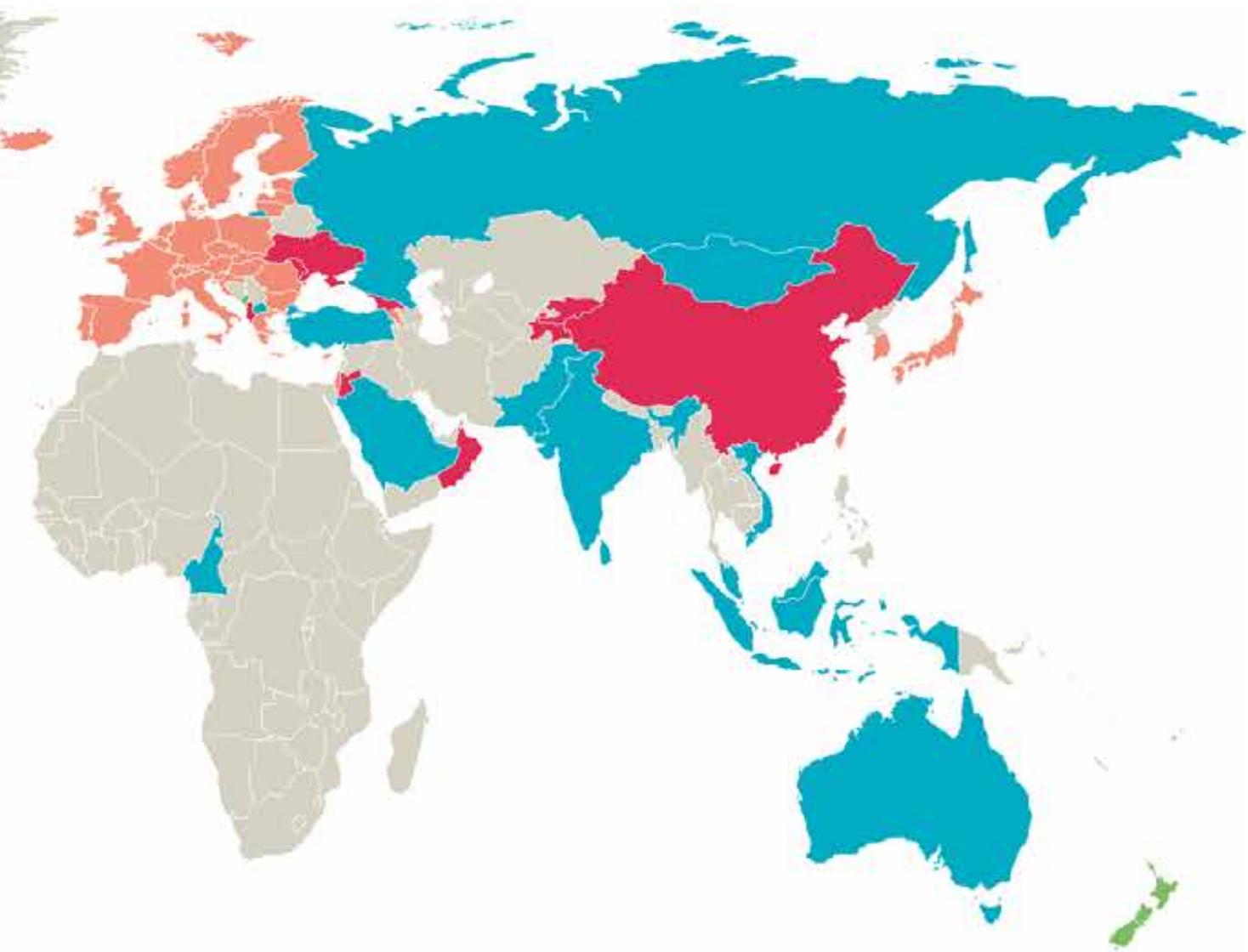
reflecting not only heightened interest in the revised GPA but also the close relationship between it and many regional initiatives in this area. These events included regional workshops organized for Latin American countries in cooperation with the Inter-American Development Bank, and for the Arab and Middle East countries in cooperation with the Arab Monetary Fund.

National seminars were organized for four WTO members in 2014 – namely, Armenia, Gabon, the Kyrgyz Republic and Tajikistan. The latter three activities were organized in cooperation with the European Bank for Reconstruction and Development (EBRD) and, in the case of Armenia, also with the Commercial Law Development Program of the US Department of Commerce.

In 2014, the WTO Secretariat and the EBRD implemented a new informal cooperation arrangement for the purpose of facilitating the joint delivery of technical assistance in this area. This arrangement has effectively leveraged the Secretariat's scarce resources for

technical assistance activities and facilitated the organization and presentation of a large number of activities in the region of central and eastern Europe and Central Asia.

The WTO Secretariat also collaborated with other international organizations, notably the United Nations Commission on International Trade Law (UNCITRAL), in the delivery of other technical assistance activities, and pursued on-going background discussions aimed at fostering greater cooperation on government procurement issues with the World Bank. The Committee on Government Procurement, which is briefed regularly on relevant developments, has expressed its strong support for the Secretariat's technical assistance programme and its cooperation with other relevant organizations.



Implementation and monitoring