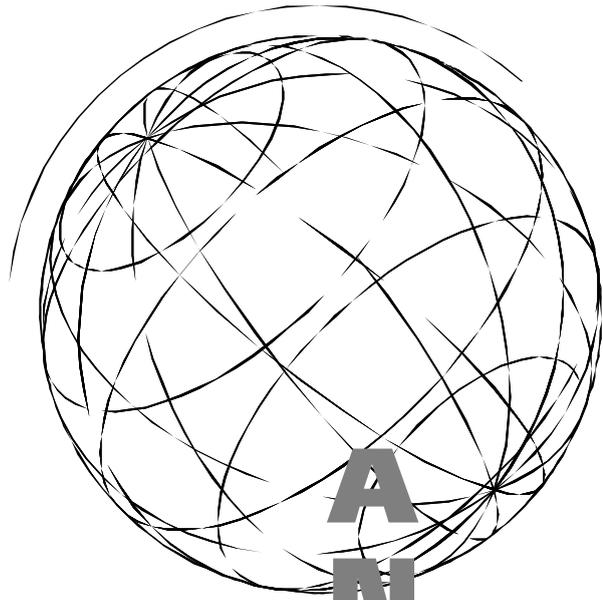




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(As of 31 December 2000)

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Angola	Georgia	Nicaragua
Antigua and Barbuda	Germany	Niger
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Bahrain	Guatemala	Pakistan
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Belgium	Guyana	Paraguay
Belize	Haiti	Peru
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Bolivia	Hong Kong, China	Poland
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Chapter One

OVERVIEW

Overview

Introduction

The year 2000 and the first part of 2001 was a busy and productive period for the WTO, with most activities falling into one of four categories: first, the launching of new negotiations on trade in agricultural products and trade in services; second, a broad range of ongoing activities that constitute the WTO's day-to-day work, such as accessions and the settlement of disputes between the member countries; third, the adoption of new measures to assist the WTO's least developed Members; and fourth, progress in dealing with issues arising out of the December 1999 Seattle Ministerial meeting, including renewed efforts to launch a comprehensive round of multilateral trade negotiations.

Negotiations on agriculture and services

New negotiations on trade in the areas of agriculture and services, mandated by the Members when they signed the Uruguay Round agreements in Marrakesh in 1994, were launched in early 2000. As is evident both from the one-year stocktaking and from the agreement on work plans for the second year (completed in March 2001), the negotiations are progressing on schedule. Altogether 125 WTO Members have submitted 44 proposals in the **agricultural** negotiations. These proposals will be the focus of the second phase, which will be a more challenging process since the list of issues to be considered is long and reflects a wide range of interests and complexity. The negotiations on trade in services will also consider a large number of proposals. The guidelines adopted restate the fundamental principles of the GATS: governments' right to regulate and to introduce new regulations on the supply of services in pursuit of national policy objectives; their right to specify which services they wish to open to foreign suppliers and under what conditions; and the granting of additional flexibility for developing and least-developed countries.

While there certainly is room for legitimate differences of opinion regarding what countries' policies should be in these sensitive areas, it is also true that the growing public awareness of the significance of these negotiations has been accompanied by a number of instances of ill-informed comments and misinformation. This has prompted efforts by the Secretariat and some governments to increase the public's awareness of the facts of the situation, and to emphasize the importance of conducting public debates on trade policy – essential in any democratic process – on the basis of an accurate understanding of the policies being considered by the negotiators.

The WTO's day-to-day activities

The many ongoing activities involved in the regular operation of the WTO – including the various councils, committees and trade policy reviews – are detailed in Chapter Four. Three of the more active areas last year were:

Accessions to the WTO, all involving developing or transition economies, continued at a steady pace. Bringing the total membership to 140, five countries became new Members in 2000 – Jordan, Georgia, Albania, Oman and Croatia. The accessions of Lithuania and Moldova are expected to be finalized in the first half of 2001, the accessions of China, Chinese Taipei and Vanuatu are close, and that of the Russian Federation is showing encouraging progress. Another 25 governments have also requested accession, including the Federal Republic of Yugoslavia, which submitted its formal request in January 2001. Clearly, full participation in the multilateral trading system remains a vital element in countries' development strategies.

Dispute settlement, one of the WTO's core functions, has become increasingly active. Between January 1995 and March 2001, there were 228 complaints, with about one quarter of the notifications coming from developing countries. More recently, nearly one half of the 46 complaints received during the 15 months from January 2000 through March 2001 were notified by developing countries. An active dispute settlement system can be a sign of growing trade frictions. But, as the increased use of the dispute settlement procedures by

developing countries indicates, it can also reflect a greater willingness of WTO Members to use the procedures to protect their WTO rights. The existence of this rules-based option for resolving trade disputes is particularly important for medium and smaller size WTO Members.

Electronic commerce is an example of one of the WTO's more specialized activities. A comprehensive work programme, involving an examination of all trade-related issues arising from electronic commerce, was launched in 1998. At its July 2000 meeting, the General Council reiterated the importance of the WTO's work in this area.

Assisting least-developed countries

In the ongoing work programme, particular emphasis has been given to measures intended to advance the interests of the of least-developed countries (LDCs). In response to an appeal by the Director-General, a number of Members have recently announced improvements to market-access opportunities for products from LDCs. The Director-General is also continuing efforts to improve the Integrated Framework for LDCs – an initiative with other international agencies to coordinate the provision of technical assistance and capacity building. Following an independent review of the Integrated Framework, the six agencies (ITC, IMF, UNCTAD, UNDP, World Bank and WTO) met in July 2000 and agreed on a series of new arrangements aimed at ensuring that countries' needs in the areas of trade policy, trade-related technical assistance, and capacity-building would be articulated in a broad development context.

Improving the planning and funding of the WTO's technical cooperation activities has also been a major focus. Technical cooperation activities with middle and lower income countries – both Members and those in the process of acceding to the WTO – are aimed at improving Members' understanding of the WTO agreements and facilitating their capacity both to implement their WTO obligations and defend their WTO rights. At the same time, emphasis is increasingly being placed on enhancing the capacity of countries to integrate into the world economy and to realize the benefits of the market-access opportunities available to them as a result of WTO Membership.

Within the Secretariat, the Director-General has taken steps to refocus the delivery of technical cooperation activities. This effort included the establishment of an audit function, with the aim of ensuring that technical cooperation and training efforts are producing the kinds of skills and knowledge in beneficiary countries that these Members and accession candidates need to be effective participants in the WTO system.

Issues arising out of the Seattle Ministerial

The member countries are well aware that a number of factors were behind the lack of success of the Seattle Ministerial meeting. Chief among these were a concern on the part of many Members regarding opportunities for all WTO Members to participate in the deliberations and decision making on important issues, the perceived difficulties many developing and least developed countries are still having in implementing the new obligations agreed to in the Uruguay Round, and important disagreements regarding what should be on a new negotiating agenda. Intensive discussions and negotiations this past year have produced progress in all three areas (especially in the first two), improving the prospect that the Fourth Session of the WTO Ministerial Conference – to be held in Doha, Qatar, from 9-13 November 2001 – will be successful.

Fuller participation of all Members

The 2000 work programme included a series of discussions aimed at finding ways to ensure the fuller participation of all Members in the work of the WTO and to improve consultative procedures. From these discussions it became clear that a majority of Members saw no need for radical reform of the WTO, firmly supported the practice of reaching decisions by consensus, and indicated they believe informal consultations would continue to be a useful tool, provided that certain improvements regarding inclusiveness and transparency were introduced. By the end of the year most Members had expressed satisfaction with the way in which the consultative processes were being carried out.

From the outset of the debate on internal transparency the Director-General also instructed the WTO Secretariat to find immediate practical ways to improve and speed up the flow of information to Members, including Members without representatives resident in Geneva. A number of innovations have been made in this area, including improved use of electronic communications, an annual week-long seminar for non-resident delegations ("Geneva Week") and the installation of an increasing number of WTO Reference Centres in developing and least-developed countries.

This is a convenient point to note that progress has also been made in the related area of **external transparency and public outreach**. Although there is no consensus among WTO Members in favour of involving NGOs directly in the work of the WTO, the existing guidelines on relations with NGOs were designed by Members to give the Secretariat an appropriate degree of flexibility in dealing with these organizations. Within these guidelines, an increasing number of symposia have been held. Other initiatives designed to increase the dialogue between the WTO and the public include a new and more user-friendly website which now averages around 250,000 visitors each month (349,000 in March 2001). The Chairman of the General Council also held an informal consultation on external transparency in November, where there was broad agreement among Members that the WTO should continue to improve its outreach activities, including organizing and hosting symposia

Implementation of existing obligations

Another key aspect of the 2000 work programme which continues into 2001 is the General Council's work on implementation-related issues following its decision in May 2000 to establish an "implementation review mechanism". This process covers a wide range of issues raised by Members in the context of the implementation of existing agreements and decisions, and is due to be completed by the time of the Ministerial Conference in November 2001. In addition, a formal Decision was adopted by the General Council in December 2000, in which action was taken on a number of implementation-related issues. This decision was seen as being modest but important, since it was a clear indication of the collective will of the Members to take decisions on implementation-related issues and concerns, and also to continue to work to find solutions in this area. Many Members have warned that no new round can begin, or more importantly conclude, without progress on these matters.

Launching a new round

Although it is not certain that the political will needed to launch a new round of multilateral trade negotiations will manifest itself this year, the prospects have been improved by a number of developments. These include the progress on the issues of **participation of developing countries in the WTO system and implementation of Uruguay Round commitments**. There is also the progress to date in the negotiations on **agriculture and services**, where many participants argue that significant liberalization in these two sensitive areas will require a broader agenda in order to increase the opportunities for countries to make important trade-offs. Many Members feel that they should not enter into new commitments when they have not been able to implement existing ones.

Interest in the advantages of launching a new round sooner rather than later has also been stimulated by the **slowdown in global economic activity**, including the slower expansion of world trade, noted in Chapter Two. It is true that 2000 was an outstanding year for global growth in trade and output that benefited all regions. By the year's end, however, a marked slowdown was apparent, and this tendency has continued into early 2001. The outlook remains uncertain, and it seems likely that global trade will expand in 2001 at little more than half last year's rate.

As we have seen in past downturns, such as the Asian financial crisis, the WTO's rules and disciplines help restrain protectionist pressures and keep markets open, which in turn

reduces the severity of the downturn and brings an earlier recovery. This is especially true when a formal round of multilateral trade negotiations is underway. Confidence-building actions – such as an agreement among 140 countries to launch a major new trade liberalizing round – can also be especially valuable as global economic conditions worsen and governments search for ways to promote economic recovery. Moreover, in the medium term the negotiations open the possibility of an inflation-free economic stimulus from the resulting multilateral liberalization – a stimulus which would be widely shared across economies at all levels of development.

The spreading interest in regionalism interacts with the prospects for a new round in two ways. One of the factors influencing governments to give a higher priority to regional or bilateral trade agreements in the post-Seattle period has undoubtedly been a feeling that assembling the necessary consensus for launching a new WTO Round has become difficult.

If the alternative to launching a new round was either maintenance of the status quo or a descent into the economic chaos that characterized the 1930s, there would be much less to fear because countries will never again allow the latter to occur. The problem with regional liberalization – from the perspective of the multilateral trading system and against the background of the failure thus far to launch a new round – is that while it is a less desirable alternative to multilateral liberalization, it is an alternative. In other words, when the multilateral trading system is functioning well it serves to keep regional integration focused on outward oriented integration and provides opportunities for regional integration to complement global integration. But when the multilateral system is seen as not delivering what its Members want from it, they will look at other options.

It is not just the risk that in the present climate regional integration agreements are more likely to become “inward looking” and to leave aside the liberalization of difficult areas (such as agriculture). Additionally, as preferential agreements begin to encompass “regulatory issues”, the risk of regional divergence in approaches to the rules arises, which not only complicates and distorts the situation facing firms and investors, but also increases the difficulty of agreeing – down the road – on multilateral rules. These and other downside risks associated with regionalism at the present time are important considerations for WTO Members to keep in mind as they prepare for the Doha meeting in November. The essential challenge is to ensure that multilateral liberalization takes place in parallel with any regional initiatives – the multilateral focus must not be neglected. When regionalism is seen as a substitute for multilateralism, it can be a danger to the more vulnerable economies

Another consideration which is heightening interest in a new Round is shared, to varying degrees, across governments and critics of globalization. This is the growing perception of the importance of a global framework of multilaterally agreed, enforceable, non-discriminatory rules and disciplines to guide trade relations in an open and equitable way. While the Uruguay Round was a remarkable achievement in many ways, many member governments and WTO critics agree that certain adjustments to the rules are needed if the trading system is to better reflect the social, economic and political conditions of a rapidly changing world. Agreement remains elusive on how existing rules should be changed or whether new rules need to be agreed. But even the sternest critics of globalization today point out the dangers of a completely “hands off” approach to commercial relations in an increasingly integrated and interdependent world and warn that the alternative to multilateral rules is reliance on the law of the jungle. The political debate clearly is moving in a constructive direction.

Of course opinions vary widely as to how the rules-based system should evolve. Resolving such differences is, in fact, the objective of such negotiations. But resolving all the differences should not be a prerequisite for launching negotiations. Indeed, the recent past has shown that imposing overly burdensome detail on Ministers and officials as they draft negotiating guidelines can seriously inhibit the launch of a new round. The focus should be on launching a process broad and inclusive enough to enable all WTO Members to feel part of and become fully engaged in the negotiations.

The WTO functions on the basis of consensus. Along with being essential for the acceptance and enforcement of its rules, it also gives negotiating agendas a solid basis in democratic legitimacy and accountability. It makes the evolution of an agenda a complex process, calling for flexibility and realism on all sides. Launching a new round or a wider set of negotiations is among the most difficult subjects for consensus-building, second only to concluding negotiations. As informal discussions among Members on a possible agenda intensified in early 2001, it appeared that these points were well understood. No-one can yet predict whether the factors favouring the launch of a major new round at Doha will prove strong enough to outweigh the difficulties, though – as noted above – the odds in favour are improving.