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Bogetoft Pedersen, Peter; Diakantoni, Antonia; Pérez del Castillo, Carlos; Mkhitarian, Amaliia

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WTO trade monitoring ten years on: Lessons learned and challenges ahead

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World Trade Organization

Economic Research and Statistics Division

WTO Trade Monitoring Ten Years on

Lessons Learned and Challenges Ahead

Peter Pedersen, Antonia Diakantoni, Carlos Perez del Castillo, Amaliia Mkhitarian[1]

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[1] The authors are WTO Secretariat staff members in the Trade Monitoring Section of the Trade Policies Review Division. Any views expressed here are those of the authors and should not be attributed to Members of the WTO or to the WTO Secretariat. The authors are grateful to Willy Alfaro, Arne Klau, Mark Koulen and Alvaro Rivero for their valuable input and comments and to Anna Treadwell and Jean-Marie McAdams for editorial assistance.

WTO Trade Monitoring Ten Years on – Lessons Learned and Challenges Ahead

Peter Pedersen, Antonia Diakantoni, Carlos Perez del Castillo, Amaliia Mkhitarian[1]

Abstract:

A decade has passed since the onset of the global financial crisis in 2008. Less than a month after the collapse of the investment bank Lehman Brothers, an internal Secretariat Task Force was established by the WTO Director-General to monitor the trade related developments associated with the global financial crisis. When G20 Leaders met in London in early 2009 they mandated the WTO, together with other international bodies, to monitor and report publicly on the G20 adherence to resisting protectionism and promoting global trade and investment. Ten years of trade monitoring later, and notwithstanding widespread anti-trade rhetoric, a protectionist backlash has not materialized. Although there have been worrying increases in the application of certain trade restrictive policy measures, the overall reality has been less alarmist. The paper will provide an introduction to the WTO trade monitoring exercise. It will show how the idea and the principles behind the current trade monitoring effort have origins that go back considerably further than the financial crisis. The paper will also provide an overview of selected trends and developments identified by the monitoring exercise since 2009. Finally, the paper will address some of the challenges facing the WTO monitoring exercise as it enters its tenth year.

Key words: trade monitoring; protectionism; trade restrictions; trade facilitation

JEL Classification: F13; F14; F61

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1. Introduction

In October 2008, less than a month after the collapse of the investment bank Lehman Brothers on 15 September, an internal Secretariat Task Force was established by the WTO Director-General to monitor the trade-related developments associated with the global financial crisis. In late January 2009, the first Trade Monitoring Report was circulated to WTO Members. In early April, the G20 Leaders meeting in London called on the WTO, together with other international bodies, to monitor and report publicly on the G20 adherence to resisting protectionism and promoting global trade and investment.

Since 2009, the WTO trade monitoring exercise has continued to provide WTO Members and the G20 with regular updates on the latest trends in the implementation of trade measures as well as important developments in trade policy-making. Over this period, the exercise has reported on multiple variables analyzed over short as well as longer periods of time providing a useful overview of the trade and trade-related measures implemented by WTO Members.

This paper aims to provide the reader with an introduction to, and understanding of, the WTO trade monitoring exercise. It will show how the transparency and peer-review principles behind the current trade monitoring effort have origins that go back considerably further than the financial crisis. The paper will also provide an overview of selected trends and developments identified by the monitoring exercise since 2009. Finally, it will address some of the challenges facing the WTO monitoring exercise as it enters its tenth year.

2. Historical Background of Trade Surveillance under the GATT

The internal trade monitoring Task Force established by the Director-General (DG) in October 2008[2] was not the first time that the Secretariat had responded to a specific trade surveillance challenge. In order to better understand the Secretariat's response in 2008, including with respect to the systemic mandate, it is useful to look at the origins of the surveillance mandate of the GATT.

The prolonged economic crisis of the 1970s and early 1980s, including volatile commodity prices and strongly fluctuating falls in import volumes, saw many countries turn their backs on trade liberalization and instead embrace a range of trade-restrictive measures.[3] In this uncertain and negative global economic environment, the GATT Contracting Parties discussed the need to seek enhanced adherence to existing trade rules. In November 1979, as part of the Tokyo Round of trade negotiations, these talks resulted in the adoption of the Understanding Regarding Notification, Consultation, Dispute Settlement and Surveillance.[4] As a part of this Understanding, the Contracting Parties reaffirmed their commitment to existing obligations under the GATT regarding publication and notification and agreed to notify their trade measures "to the maximum extent possible". In addition, they decided "to conduct a regular and systematic review of developments in the trading system" which formally marked the beginning of periodic reviews of trade policy changes. In 1980, a proposal by the DG called for the introduction of two yearly special sessions of the GATT Council which would be facilitated by factual notes prepared by the Secretariat.[5]

Initially, these special meetings of the GATT Council were exclusively linked to the 1979 Understanding, i.e. to review developments covered by paragraphs 2 and 3 on the notification of trade measures, and by paragraph 24, regarding surveillance of developments in the trading system. The first note, circulated in October 1980[6], covered developments in trade policies and related matters over a six-month period and reviewed compliance by Contracting Parties with notification obligations. It soon became clear, however, that merely listing submissions of notifications neither provided much insight into actual compliance, nor covered a large range of trade restrictions such as Voluntary Export Restraints (VERs) or various marketing arrangements which fell outside the GATT purview. To compensate for this, the Secretariat's notes from 1983 also included information which was not based on notifications. Although the list of measures was

[2] https://www.wto.org/english/news_e/news08_e/tnc_chair_report_oct08_e.htm
[3] GATT/Newsletter Focus No33, January-March 1985, p.2
[4] Further – Understanding, BISD 26S/210
[5] Proposal by the DG, C/111; BISD 27S/20
[6] C/W/349, 31 October 1980

not exhaustive or complete, the inclusion of non-notified measures contributed to a general understanding of compliance with the notification obligation and brought more clarity to trade policy-making.[7] Importantly, and similarly to present-day monitoring reports, the Secretariat notes deliberately refrained from suggesting whether particular actions conformed to GATT obligations, reserving those judgements for the GATT Contracting Parties.[8]

In July 1983, the GATT Council agreed to extend the scope of its special meetings to include monitoring of paragraph 7(i) of the Ministerial Declaration[9] adopted in November 1982, which contained commitments "to refrain from taking or maintaining any measures inconsistent with GATT... to make determined efforts to avoid measures which would limit or distort trade".[10] Originally suggested by the Consultative Group (CG) of Eighteen[11], the monitoring of these undertakings was adopted by the Council.[12] The immediate upshot of this Council decision was that as of May 1984 the notes by the Secretariat were openly based on notifications made to the GATT, official sources and independent economic media and, as such, provided more nuanced and comprehensive overviews of the global economic environment and new trade policy measures. In addition, the notes provided specific reference to countries that had introduced or were planning to introduce both trade-restrictive and trade-liberalizing measures.

Discussions among the Contracting Parties on further improvements to the functioning of the GATT continued throughout this period and the issues of enhanced surveillance, more publicity and peer reviews gained traction as necessary tools to contribute to better adherence to the rules. In 1985 the Leutwiler Report "Trade Policies for a Better Future: Proposal for Action"[13] presented a series of recommendations, including on institutional and structural changes. A central proposal by the Leutwiler Group to work towards greater transparency of trade policies related to the idea that all Contracting Parties should be subject to regular review. This notion of enhanced surveillance was subsequently brought into the GATT framework by the creation of the negotiating Group on the Functioning of the GATT System (FOGS) at the launch of the Uruguay Round in 1986.[14]

Governed by section F of Part I of the Punta del Este Ministerial Declaration, the FOGS Group was specifically tasked with developing proposals on institutional and systemic matters. A relevant part of the Group's threefold mandate[15] read "to enhance surveillance in GATT to enable regular monitoring of trade policies and practices of Contracting Parties and their impact on the functioning of the multilateral trading system".[16] Amongst the FOGS Group' significant outcomes was the emergence of the Trade Policy Review Mechanism (TPRM). Provisionally introduced in 1989, the TPRM was subsequently confirmed by Annex 3 of the Marrakesh Agreement Establishing the WTO. It incorporated an annual overview of recent trade policy developments by the DG and replaced the Secretariat notes under paragraph 24 of the 1979 Understanding. In addition to setting out major GATT activities and highlighting significant policy issues affecting the trading system, these annual reports by the DG included a general overview of global economic activity with focus on world merchandise trade and elaborated on specific aspects of the global economic environment, e.g. on trade-liberalizing measures and discriminatory export restraint-type arrangements. Interestingly, the reports also covered major political events with potential impacts

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[7] See also C/W/420 (27 June 1983)

[8] C/M/169, 10 August 1983

[9] BISD 29S/11

[10] C/M/169, 10 August 1983

[11] Established by the GATT Council on 11 July 1975 (Decision C/M/107) to discuss existing and emerging trade policy issues, the CG18's membership was on a rotational basis. In addition to eighteen full members, there were nine alternate members. The Group reported periodically to the Council and operated in full until 1987. 'The task of the Group was to help the CPs to carry out their responsibilities, including " - following international trade developments with a view to the pursuit and maintenance of trade policies consistent with the objectives and principles of the GATT; - the forestalling, whenever possible, sudden disturbances that could represent a threat to the multilateral trading system and to international trade relations generally; and action to deal with such disturbances if they in fact occur; and - the international adjustment process and the co-ordination, in this context, between the GATT and the IMF.''

[12] C/M/169, 10 August 1983

[13] Trade Policies for a Better Future: The Leutwiler Report, GATT, and the Uruguay Round, 1 Jan. 1987. The Report was prepared by ''a group of seven eminent and independent persons''. In 1983 GATT DG Arthur Dunkel appointed the group to identify and address the challenges affecting the international trading system. The group was chaired by Mr Fritz Leutwiler, a chairman of the Swiss National Bank and President of the Bank for international settlements. Members of the group were public and private professionals in financial sector and trade.

[14] Pedersen (2011)

[15] The other mandates of the FOGS Group were: "to improve the overall effectiveness and decision-making of the GATT as an institution, including, inter alia, through involvement of Ministers;" and "to increase the contribution of the GATT to achieving greater coherence in global economic policy-making through strengthening its relationship with other international organizations responsible for monetary and financial matters."

[16] Section E, Part I of the Ministerial Declaration 1986, MIN.DEC (20 September 1986)

on international trade. This fairly broad coverage in large part reflected the absence of any specificity with respect to the format and content of the report, thus giving the Secretariat considerable room for manoeuvre. Nevertheless, it was generally accepted that the reports should be descriptive rather than analytical.

It was clear that the creation of the WTO in 1995 was bound to have important ramifications in terms of coverage of the new disciplines which now fell under WTO rules. Between 1995 and 2005 the Overviews of Developments in the International Trading System by the DG were typically divided into a first part, covering general trends in world output and trade and a second part, which dealt specifically with WTO activities. Some reports also took a forward-looking approach and provided information on issues which were emerging on the horizon for the multilateral trading system. At the same time, these reports did not systematically list actual trade measures implemented during the review period and, as a result, did not draw conclusions on key trends in trade policy-making. Eventually, a substantial overlap of information with other WTO reports, in particular the annual World Trade Report, led to the non-circulation of the Director-General's Overview of Developments in the International Trading System between 2006 and 2009.

3. The Global Financial Crisis and Trade Monitoring in the WTO

The onset of the global financial crisis in September 2008 triggered the search for a trade monitoring mechanism within the multilateral trading system. In October, DG Pascal Lamy established a Task Force in the Secretariat to advise him on the trade implications of the financial crisis and on the trade measures that were implemented in this context. The work of the Task Force was initially meant to be purely internal, but at a meeting of the Heads-of-Delegation on 12 November a number of delegations encouraged DG Lamy to report in writing to the membership on the work of the Secretariat Task Force. A further exchange on this matter took place at the General Council on 18 December 2008.

The first WTO Trade Monitoring Report was circulated to WTO Members as a 14-page restricted document in January 2009 and contained the first stock-take with respect to trade-related developments since the outbreak of the financial crisis.[17] It was followed by a second and more comprehensive report at the end of March which included three annexes on trade and trade-related measures, stimulus packages and national bailout measures/plans and guarantee schemes for financial institutions.[18] Introducing these reports in the Trade Policies Review Body (TPRB), DG Lamy stressed that the initiative was "homegrown" and did not originate "in Davos, nor in the G20".[19] In addition, he emphasized the mandate of the TPRM and the existing country-specific Trade Policy Reviews as the framework within which the monitoring initiative should be interpreted. In response to those delegations which voiced procedural concerns regarding the initiative, DG Lamy reiterated the need for it to be Member-driven and "…carried out by, and for the benefit of the whole membership".[20] At the core of this reference was the participation of delegations both in providing information to the Secretariat and in the verification of measures found through other sources.

The Director-General's Annual Report which assists WTO Members in conducting an Overview of Developments in the International Trading Environment by WTO Members became the logical choice as a vehicle for the Trade Monitoring Reports. The trade monitoring exercise itself derives its mandate from the TPRM as outlined in Annex 3 of the Agreement establishing the WTO. Paragraph G of Annex 3 specifically details how the DG's annual overview of developments in the international trading system shall form the basis of a discussion in the TPRB.

Yet, despite the many similarities with the first monitoring efforts by the GATT Secretariat, the current monitoring effort is of a very different character. The following sections will take a closer look at a number of features and developments – practical as well as political - which have combined to shape the WTO monitoring exercise since 2009, including some background on the joint monitoring reports on G20 trade and investment measures published by the WTO, OECD and UNCTAD.

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[17] JOB (09)/2. This document was not derestricted.

[18] This document was subsequently circulated as WT/TPR/OV/W/1 on 20 April 2009.

[19] The first report by the WTO, OECD and UNCTAD on G20 trade and investment measures was circulated in September 2009.

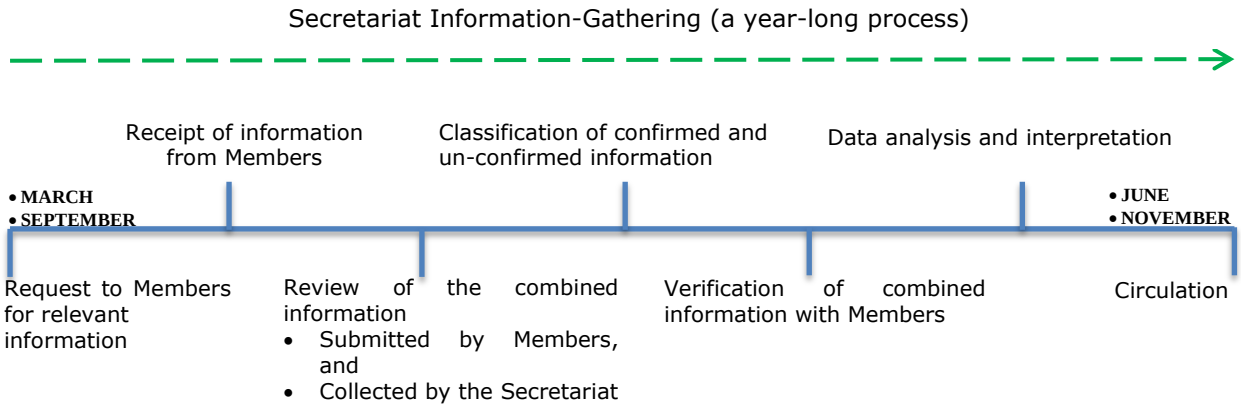
[20] https://www.wto.org/english/news_e/news09_e/tpr_09feb09_e.htm

Preparation of the Trade Monitoring Reports

The WTO Secretariat prepares four Trade Monitoring Reports every year, two for the full WTO membership and two for the G20 economies. The former are normally circulated to WTO Members in early July and mid-November and cover approximately six and 12 months, respectively.[21] The report on G20 trade measures is circulated together with a report on G20 investment measures prepared by the OECD and UNCTAD. These reports are generally circulated a couple of weeks before the WTO-wide version and cover approximately six months. The data collection and analysis for the WTO-wide reports constitute the basis for the G20 Trade Monitoring Reports and methodologically the reports are now almost identical.[22]

Figure 1 below provides an overview of the process of collecting and analyzing information on trade measures for the trade monitoring exercise. There are two major approaches to collecting information, i.e.by requesting twice-a-year information directly from WTO Members and Observers and through a continuous Secretariat research process. These approaches are complementary and are characterized by a close collaboration between the Secretariat and WTO Members.

Figure 1: Timeline Overview of the WTO trade monitoring exercise



Source: Authors' elaboration.

In March and in September, the DG sends a formal request to all Members and Observers requesting information on measures that have been implemented and which have an impact on the international trading environment. The request specifies the precise period and the types of measures covered by the upcoming monitoring report. It also provides an illustrative list of measures affecting trade in goods, services, intellectual property and general economic support[23], and the deadlines for the expected submissions. In addition, following the recommendations of the Sixth TPRM Appraisal in 2016, the request also provides a suggested template for submitting inputs on trade measures. Members are given around one month to reply.

In parallel, an ongoing process of data collection is conducted by the Trade Policy Monitoring Section of the Trade Policies Review Division. The Secretariat screens a range of public sources for information, including national laws, agreements, resolutions, decrees, amendments, executive

[21] Early on the Trade Monitoring Reports were circulated on a quarterly basis.

[22] In London in April 2009 G20 Leaders called on the WTO, together with other international bodies, within their respective mandates, to monitor and report publicly on the G20 adherence to resisting protectionism and promoting global trade and investment. This call by G20 Leaders became the mandate under which the WTO, UNCTAD and OECD have submitted regular reports to the G20 ever since.

[23] Trade in goods: import- and export-related measures, trade remedies (anti-dumping, countervailing, safeguard), other measures including those related to Trade Facilitation Agreement, government procurement, pre-shipment inspection, state trading enterprises, trade-related investment measures, subsidies.

Trade in services: audio-visual services, construction services, cultural and recreational services, distribution (retail and wholesale), education services, financial services, health care services, maritime services, postal and courier services, professional services, telecommunications; commercial presence of foreign services suppliers (mode 3); temporary movement of natural persons supplying services (mode 4).

General economic support: stimulus packages, state aid; dedicated financial aid/support to specific sectors or nay sector-specific incentives; other loans, loan guarantees, transfers, preferential credit lines; investment insurance, export credit/ insurance; tax reductions/ rebates.

Intellectual property: new developments or changes to existing policies in the area of trade related aspects of IPRs.

orders published on Government websites such as ministries, customs offices, Central Banks, regional secretariats, or through other international organizations' websites or reports. Customs notices, press websites or press reports and releases are also screened for relevant information, together with notifications to the WTO. In addition, some Members provide information through counter-notifications on measures implemented by other economies. Recorded data are duly processed with regard to content, the Members involved, possible trade effects, implementation dates, and HS codes (where relevant) for the products covered and, importantly, the source of information.

Information and measures obtained are then returned to individual Members for verification. Members are given approximately two weeks to verify these. This period is also characterized by bilateral discussions between delegations and the Secretariat on the substance of specific measures. The Secretariat subsequently collates a final list of measures for further analysis and interpretation. The data on trade measures in goods are divided and analyzed in three categories: (i) measures facilitating trade, (ii) trade remedy actions and (iii) other trade and trade-related measures with possible trade-restrictive effect. The number of newly-implemented measures and their coverage are then compared to previous periods and to the annual trends. Services measures are categorized according to sector and mode of supply in a separate annex and analyzed in-depth in the report. Measures that have not been verified by the respective Member are included in the reports as "recorded, but non-confirmed information". The IP section of the report is relatively new and has so far focused on analysis of the principal trends affecting trade in intellectual property as identified by the TRIPS Council and in various Trade Policy Reviews.

The Trade Monitoring Reports are published in June and November, respectively, and are discussed by delegations at dedicated TPRB meetings. The current procedure establishes an annual formal meeting in December and an informal mid-year meeting in July. The reports as well as the meetings attract considerable attention from Members, Observers and the media. The G20 reports are generally circulated ahead of important G20 member meetings, e.g. trade ministers' meetings or Leaders' Summits.

Member consultations on the monitoring mechanism

Trade monitoring has featured in several consultative processes since 2009, including as part of the regular TPRM Appraisals. For the first time, the trade monitoring exercise featured in the fourth TPRM Appraisal in 2011. During this Appraisal, there was broad agreement among WTO Members for the continuation and strengthening of the trade monitoring exercise. At the Eighth Ministerial Conference in December 2011 Ministers provided an unambiguous endorsement of the trade monitoring mechanism.[24]

In 2012, a series of informal consultations by the Chairman of the TPRB took place to follow up on the 2011 Ministerial Decision on monitoring "to continue discussing the strengthening of the monitoring exercise of trade and trade-related measures on the basis of Members' inputs". The 20 delegations invited to the informal consultations were generally considered to be the most active participants on trade monitoring, but the consultations were essentially open-ended.

The discussions initially covered issues such as the TPRB monitoring meetings, and in particular the possibility of inviting a discussant and having the Chairperson deliver concluding remarks; the process, procedures and coverage of the exercise, including how to improve the provision of information and data by Members; as well as covering the actual monitoring reports, including the classification of measures. It quickly became apparent that despite the overall support for the monitoring exercise, delegations were not looking to further expand its coverage or analysis but were rather seeking to place some limits on a Secretariat-driven initiative. This approach can be explained partly historically and partly institutionally. First, as DG Lamy told the informal TPRB on 9 February 2009[25], the trade monitoring initiative was undertaken without consulting the membership at large. From the Secretariat point of view, the TPRM mandate provided the appropriate tool for the WTO Secretariat to respond quickly and constructively as the global crisis gained momentum. Consultations to seek and define a new institutional mandate to monitor developments in international trade would likely have lasted several months and with an unknown outcome. Second, WTO meetings at the highest level in December 2008 had shown that in the

[24] WT/L/848, 19 December 2011

[25] https://www.wto.org/english/news_e/news09_e/tpr_09feb09_e.htm. In fact, DG Lamy had already made a statement on this issue at the TNC on 17 December 2008.

midst of a huge financial crisis only a relatively limited number of delegations had the inclination to question this Secretariat initiative. By 2012, the immediate pressure of the crisis had lifted somewhat and several delegations seized the opportunity to engage more substantively on the nature and coverage of the WTO trade monitoring exercise.

While the consultations never questioned the importance of the monitoring initiative from a transparency point of view, delegations clearly believed that the exercise could be improved and that they should take the lead in that endeavour. Methodologically working their way through various proposals, delegations initially focused on how to improve the Secretariat's request for information which initiates the preparation of each monitoring report. In this regard, it was agreed that the DG's request to delegations required more specificity and should include an illustrative list of measures. The agreement on the inclusion of such a "positive list" approach to the request for information was essentially a way for Members to ensure that the coverage of the monitoring exercise did not expand.

The coverage of SPS and TBT measures in the monitoring reports also received specific attention during the consultations as delegations sought to make sure that these measures originated from Members' notifications only and were not included in any calculations, estimates or analysis of new restrictive trade measures. Non-tariff measures increasingly had been raised by many delegations and by a significant number of business associations as among the most problematic area of trade restrictions implemented in the wake of the crisis and delegations clearly wanted to ensure that the right of Members to take such measures, regardless of whether or not they restrict trade, was not questioned.

The categorization of initiations of trade remedy measures as trade-restrictive in the Trade Monitoring Reports attracted criticism by some delegations that saw this as misleading. Although some delegations acknowledged the potential "chilling effect" of, for example, the initiation of an anti-dumping investigation, they argued that trade remedy measures were taken to address a market distortion resulting from trade practices of entities in another trading partner. Specifically, these delegations stressed that the WTO Antidumping and Subsidies Agreements permit WTO Members to impose anti-dumping or countervailing duties to offset what is perceived to be injurious dumping or subsidization of products exported from one Member to another. The outcome was the creation of a new annex to the monitoring reports which included trade remedies only and which would be analyzed separately, i.e. they would not be considered trade-facilitating in the case of terminations of trade remedy actions or trade-restrictive in the case of initiations of investigations. This methodology change was applied to the G20 report in 2017 following similar consultations among that group of economies.

The option of including a list of Members not participating in the monitoring exercise was also discussed. However, delegations felt that there was little to be gained from this, in what is essentially a voluntary peer review and not a legal undertaking. Instead, it was decided to simply include those countries that had participated in the preparation of the reports. Almost inevitably, sensitivities surrounding agriculture support schemes were raised during the consultations with most delegations insisting that a dedicated section on agriculture would have to be based exclusively on Members' notifications. In other words, and despite considerable evidence of new subsidy programmes, delegations did not wish the Secretariat to identify and report on agricultural support programmes other than those already notified.

Towards the end of the Chair's consultative process, delegations agreed to a number of minor adjustments to the monitoring exercise, such as the inclusion of a specific calculation of the trade coverage of trade-facilitating measures in the reports and inviting the Chair to provide his concluding remarks on his own responsibility, i.e. not attempting to conclude on discussions, at the end of each TPRB meeting on the Trade Monitoring Reports. More significantly, several issues relating to the substantive coverage of the monitoring exercise effectively fell by the wayside, including a trade-impact analysis, a specific section on trade and investment measures, the identification of measures that fall outside WTO obligations, the use of a discussant at monitoring meetings, deeper analysis of subsidies to different sectors and the inclusion of tariff peaks. However, several of these issues re-emerged at the 2016 TPRM Appraisal.

The sixth Appraisal of the TPRM in 2016 represented the most comprehensive formal review of the trade monitoring exercise so far undertaken by WTO Members. Throughout this review it was emphasized that for the Secretariat to produce precise and substantive reports it needed

delegations to provide accurate information and collaborate on the verification of recorded measures. Agreement eventually emerged on a number of incremental changes and improvements, including the inclusion of a regular item on the agenda of monitoring meetings where Members could provide brief reports or updates on significant changes in their trade policies between reviews and a further elaboration of the illustrative list of measures sought by the Secretariat. It was also agreed that the Secretariat should provide specific guidance to Members on the format in which measures could be communicated.

Although the support of the membership for the monitoring exercise has been consistent and positive, it is the reluctance amongst delegations to allow the Secretariat additional scope for developing the effort which stands out in the consultations from 2012. Moreover, since the first monitoring report was circulated in January 2009 there has been no push from Members to expand or deepen the substantive analysis of trade measures or to look at new areas which might conceivably be covered. While the Secretariat has tried to push for specific improvements to the exercise, including many which arguably would have fallen squarely within the existing mandate, such efforts have been pushed back by some Members. This is problematic, but also reflects the reality within which the monitoring mandate exists. As DG Lamy said back in February 2009, the quality of the exercise depended on the input and participation of delegations. The stakeholder relationship between the Secretariat and Members is the ultimate example of this and we shall revisit this below.

4. WTO Trade Monitoring – Trends and Developments

The WTO trade monitoring exercise is first and foremost a transparency exercise which aims to shed light on the latest trends in the implementation of a broad range of policy measures that both facilitate and restrict the flow of trade. Although the exercise covers both aspects, the focus of this section is on new trade restrictions implemented between 2009 and 2016.

The implementation of trade-facilitating measures is a crucial variable in determining the direction and health of world trade and it is a significant conclusion that countries have consistently implemented more facilitating than trade-restrictive measures over the past ten years. Recent years have seen important trade liberalization on many levels, including through the expansion of the Information Technology Agreement and with the implementation of the Trade Facilitation Agreement. However, the focus here will be the trends and developments in the implementation of trade-restrictive measures because these variables may indicate if countries are turning inward and towards measures that discriminate against foreign exporters. Adding factual information will enhance our understanding of the magnitude of trade restrictions, the sectors covered and the economies involved, allowing greater accuracy in and perspective of today's trade debate.

Since the beginning of the monitoring exercise, limited variation has been observed in the introduction of new restrictions. Further, it appears that there have been no major and fundamental trade policy reversals since 2009, including in those countries most directly affected by the financial crisis. Arguably, and especially early on in the financial crisis, several important policies to support domestic economic entities saw the light of day and there has been some subsequent tinkering with various import and export related policies. However, overall there has been no indication of an imminent descent into protectionism. So far an notwithstanding a number of recent trade measures taken in the name of national security, the WTO and its multilateral trade rules have provided a strong defence, and a unique insurance policy, against that happening. Although unambiguously positive, it is equally clear that the tone of current trade debate with its increasingly protectionist rhetoric continue to fear that the global economy could yet plunge into a protectionist spiral. The following section deals with trade restrictions, trade remedies and general economic support measures.

Trade Restrictions, trade remedies and general economic support measures since 2009[26]

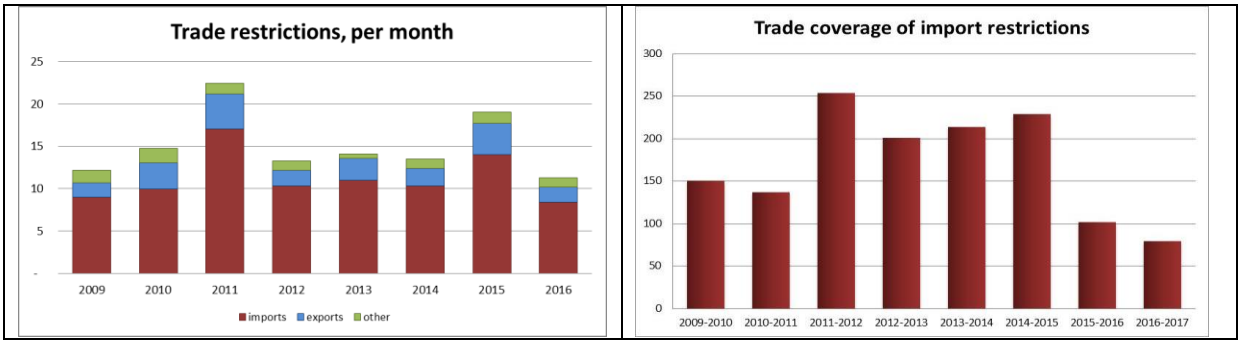
The methodology followed in analyzing the trends in trade restrictions has been based on the numerical counting of the measures collected through the trade monitoring exercise, as well as on

[26] SPS and TBT measures, services measures, IP and Government procurement measures are not included in this section, but are addressed separately.

the trade covered[27] by those measures. Although the numerical counting has shown a limited variation of new trade-restrictive measures introduced per month by WTO Members, the corresponding trade covered by those measures[28] shows a significant decrease since 2015. Similarly, the number of initiations of trade remedy investigations during that same period appeared to be rather stable. In contrast, the trade covered by trade remedy initiations reveals a significant increase as from 2015, perhaps suggesting a strategic shift in the type of trade measures applied by WTO Members.

WTO Members have implemented a range of new trade restrictions every year since the beginning of the monitoring exercise. From 2009 to 2016, 15 new trade-restrictive measures have been applied on average per month with two peaks recorded in 2011 (19 measures) and 2015 (22 measures) as shown in Chart 1.[29] Approximately 75% of these trade restrictions applied to imports. Import measures include primarily tariff increases, but also customs procedures, quantitative restrictions and import taxes. With respect to measures restricting exports, the majority of such measures were quantitative restrictions and export duties. Other measures include, in particular, local content regulations.

Chart 1: New trade-restrictive measures and trade covered, WTO members
(average number per month, US$ billion)



Note: The trade coverage includes only import-restrictive measures. Estimates were calculated for the annual Trade Monitoring Reports and therefore cover a 12-month period from October to October. This has been used as a proxy for the calendar year estimate.

Source: Authors' calculations.

The estimated trade covered by import-restrictive measures accounted for more than US$200 billion of merchandise trade, every year between 2011 and 2015. At 1.2 - 1.4% of world merchandise imports this is roughly equivalent to Australia's annual merchandise imports. Since 2015 a significant decrease has been recorded in the trade covered by those restrictions.

The sectoral analysis shows that the top five sectors most targeted by import-restrictive measures were iron and steel ranking in the top-5 every year since 2013, followed by machinery and mechanical appliances, electrical machinery, vehicles and parts and vegetable fats and oils.

Looking in parallel at the activity in initiations of trade remedy investigations will add some on the trade policy options available to economies. Trade remedy investigations represent numerically a very large share of the measures recorded by the trade monitoring exercise, even if their share in terms of trade covered remains moderate. Typically, WTO Members have initiated more trade remedy investigations than they have terminated.

[27] The trade coverage of a measure is calculated to be the value of annual imports of the specific product concerned from countries affected by the measure. Highly traded goods may significantly influence the estimation of the trade coverage.

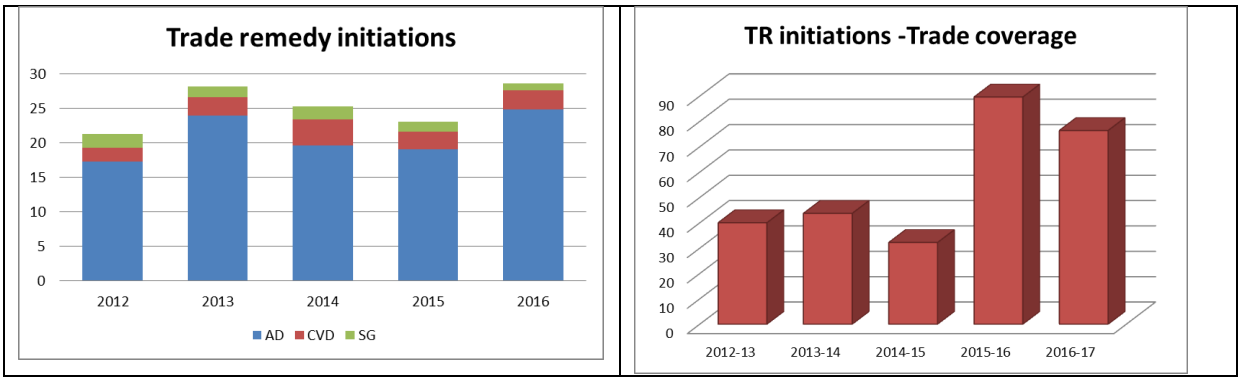
[28] The trade coverage includes import measures only.

[29] It is important to recognize that the numerical counting of measures, while an indication of overall activity, presents only a partial picture. The inclusion of trade coverage calculations provides some additional perspective to this picture. A trade impact analysis was undertaken for the June 2013 G20 report, but despite the comprehensive and resource intensive nature of this exercise, its findings did not substantially change the overall conclusions of the report. Arguably, a focus on the discriminatory intent, of specific trade measures would provide interesting information on protectionist tendencies, but such an approach would be controversial in the context of the WTO monitoring exercise.

The following focuses on the initiation of trade remedies and provides some statistics on their use. However, referring to trade remedy initiations here does not categorize them as restrictive or protectionist, but rather provides factual information on their use.

The inclusion and categorization of trade remedy actions in the G20 and WTO-wide Trade Monitoring Reports has been the source of some controversy since the beginning of the monitoring exercise. The November 2012 Report included a dedicated box on the evidence of the chilling effect of trade remedy initiations.[30] Between 2009 and 2013, in the case of the WTO-wide monitoring report, and between 2009 and 2017, in the case of the G20 report, initiations of trade remedy investigations were categorized as restrictive and terminations of trade remedy actions were considered as liberalizing. This methodology was, however, considered problematic by some WTO Members who firmly believe that these measures are taken to address a market distortion resulting from trade practices of entities in another trading partner. The firmness of the opposition to this categorization to a large extent depended on whether a particular country was initiating relatively more trade remedy investigations or whether it was the target of such actions. Both sets of Monitoring Reports now categorize and provide numbers of trade remedy actions separately from other measures in the report. Additionally, trade remedy measures are included in a separate annex in both reports. The reports have shown that there was no discernible change in the number of initiations of trade remedies coinciding with the financial crisis.

Chart 2: Trade remedy initiations and trade covered, WTO Members
(average number per month, US$ billion)



Note: Trade coverage estimates were calculated for the annual Trade Monitoring Reports and therefore cover a 12-month period from October to October. This has been used as a proxy for the calendar year estimate.

Source: WTO Secretariat.

Although the number of trade remedies introduced between 2012 and 2016 shows moderate variation (Chart 2), the trade covered by those measures has increased significantly since 2015. Metal products, and in particular steel, is the sector targeted by the majority of all initiations of trade remedy investigations. The next most-investigated sectors through a trade remedy initiation were chemical products, plastics and foodstuffs. It is important, nevertheless, to note that although the majority of trade remedy initiations lead to the imposition of measures, some do not.[31]

In terms of countries affected by new investigations, China remained, by far, the most frequent target of investigations, followed by the Republic of Korea, India and Turkey. Anti-dumping measures make up more than 80% of all trade remedy initiations.
Further focusing on the world's major traders, the G20 economies[32], will add an additional angle to analyzing trade restrictions. G20 economies represent around 95% of world trade, which implies that any measure taken by a G20 member may have global implications. G20 economies have been very active in implementing trade-restrictive measures, accounting for almost half of all

[30] WT/TPR/OV/15, 29 November 2012

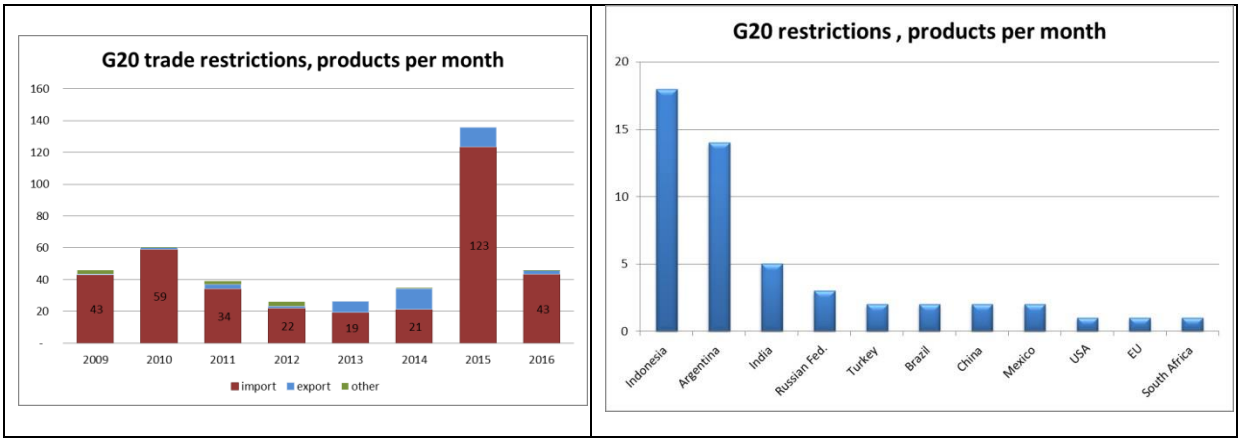
[31] The trade monitoring exercise records only the initiation of a trade remedy investigation and does not subsequently count the imposition of temporary or other duties so as to avoid double counting. Termination of a trade remedy measure is recorded when temporary or other duties are ended.

[32] Argentina; Australia; Brazil; Canada; China; European Union; France; Germany; India; Indonesia; Italy; Japan; Korea, Republic of; Mexico; the Russian Federation; the Kingdom of Saudi Arabia; South Africa; Turkey; the United Kingdom; and the United States.

measures implemented by WTO Members in terms of numbers and more than 80% of the estimated trade coverage. The overwhelming majority of G20 trade-restrictive measures (approximately 95%) recorded between 2009 and 2016 by the trade monitoring exercise were most favoured nation (MFN)[33] measures, while the remaining measures applied to specific trading partners.

Looking at the G20 MFN trade restrictions and in particular at the number of products targeted at the Harmonized System (HS) 4-digit level[34], the highest levels of activity were recorded in 2010 and 2015, with some 720 and 1,600 products targeted respectively. This new approach to quantifying trade restrictions by the number of products affected, adds an additional perspective to the counting of measures traditionally provided in the Trade Monitoring Reports.

Chart 3: New trade-restrictive measures, G20 economies, 2009-2016
(average number of HS 4-digit products per month)



Source: Authors' calculation.

There has been considerable variation between G20 economies when it comes to the implementation of restrictions to trade. During the period 2009-2016, Indonesia and Argentina were among the top users of restrictive measures. Indonesia has targeted on average 18 products per month, followed by Argentina (14) and India (5). Indonesia was particularly active in 2015 and is the primary reason for the 2015 peak in recorded restrictions. Indonesia was also very active in 2011 and 2012. Indonesian measures primarily covered minerals and metals, followed by non-electrical machinery, textiles, manufactures and chemicals. Argentina's activity was particularly intense in the immediate aftermath of the onset of the global financial crisis and again in 2016. Argentinian measures targeted mainly non-electrical machinery, followed by textiles, chemicals, minerals and metals and manufactures.

Considerable variation has been observed in terms of the sectors targeted by each G20 economy. For instance, Mexico's restrictions applied mainly to textiles, followed by minerals and metals and clothing. Turkey's focus was on minerals and metals, followed by clothing and textiles. U.S. restrictions mainly targeted oilseeds, fats and oils, followed by cereals and preparations, whereas the EU's measures targeted minerals and metals. China targeted in particular minerals and metals followed by chemicals, while the focus of measures by the Russian Federation was primarily on non-electrical machinery followed by minerals and metals and chemicals. Trade-restrictive measures by the Kingdom of Saudi Arabia, Canada, Australia and the Republic of Korea have rarely been recorded by the trade monitoring exercise between 2009 and 2016 and no restrictive measure has been recorded for Japan.

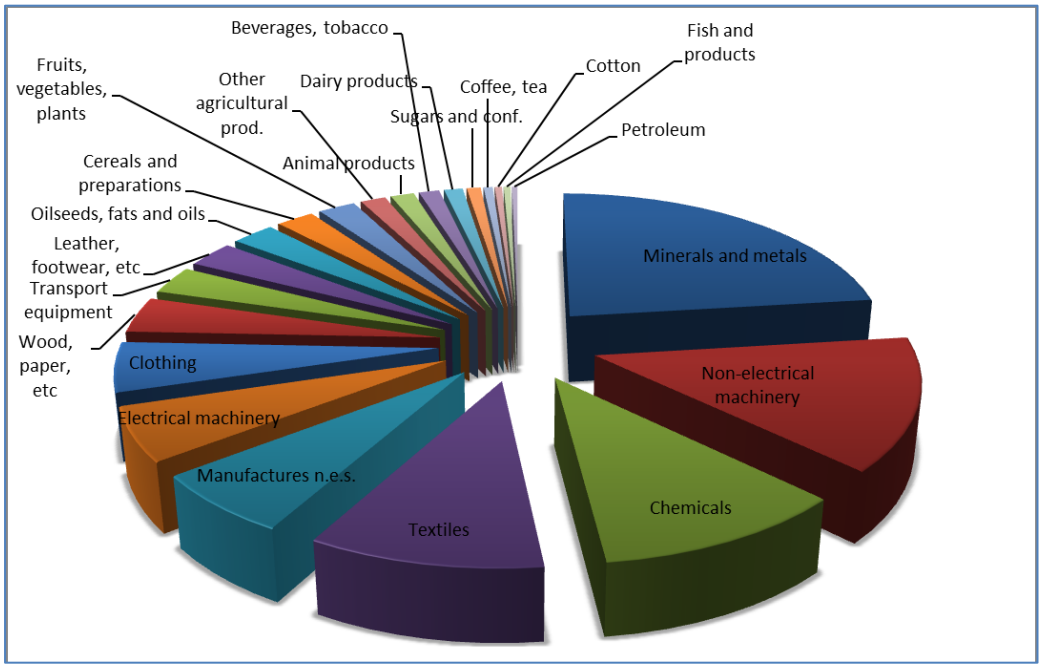
Overall, between 2009 and 2016, G20 economies implemented MFN restrictions targeting minerals and metals in line with the findings for the entire WTO membership. Metals, and in particular steel, were especially targeted by trade remedies' investigations, revealing the importance of the sector for many economies. The second sector targeted by G20 restrictions was non-electrical machinery,

[33] MFN measures are applied to all WTO members.
[34] Only measures containing HS codes were included in the analysis and the product codes were cut/expand to 4-digits of the HS nomenclature. Customs Unions measures were also included.

followed by chemicals and textiles (Chart 4). G20 trade restrictions that have been applied on a non-MFN[35] have targeted mainly textiles, followed by minerals and metals, fruits, vegetables, plants, manufactures and animal products.

WTO Members have also been applying general economic support measures to provide assistance to or promote specific sectors of their economies. These measures cover stimulus packages, state aid, dedicated financial support to specific sectors or any sector-specific incentives, loans, loan guarantees, transfers, preferential credit lines, investment insurances, export credit/insurance or tax reductions/rebates. General economic support measures and public subsidies may affect trade or distort competition as certain economic sectors or activities are treated more favourably than others. Many of these would have a negative impact on trade, but for some the trade impact is rather difficult to evaluate. Since the beginning of the monitoring exercise, it has proved very difficult to obtain information on general economic support measures from WTO Members. Since 2015 in particular, the number of Members that have volunteered information on such measures has been disappointingly low. This does not necessarily indicate a decline in the number of these policies but may suggest that countries are less transparent about them. WTO Members may, instead, have increased spending on general economic support measures.

Chart 4: Product groups targeted by G20 trade-restrictive measures, 2009-2016
(share of HS 4-digit products)



Source: Authors' calculation.

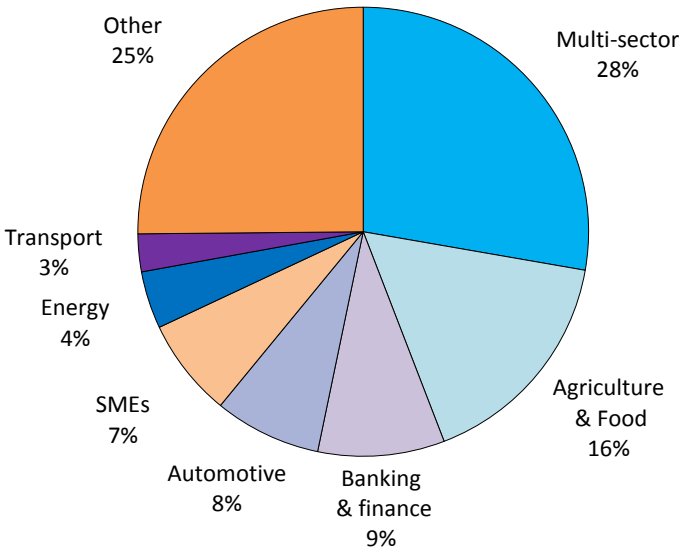
The analysis of the general economic support measures captured by the monitoring exercise during the period October 2008 - October 2016 showed that a quarter of these measures were introduced in direct response to the financial crisis. Overall, multi-sector[36] or economy-wide stimulus packages constitute the bulk of general economic support measures introduced by WTO Members since October 2008 (Chart 5). These measures, together with measures for the banking and financial sectors which received a very significant share of the general economic support in 2008-2009, were extensively used during the first three years following the financial crisis. The rise in the number of state subsidy schemes at the beginning of the crisis was one the reasons for creating the monitoring exercise, since there was a need to monitor their use and developments.

[35] Non-MFN measures are applying to one particular or more trading partners.
[36] Multi-sector measures have been traditionally very broad and can cover, simultaneously or under one programme, a diverse range of sectors from agriculture and forestry to medical and shipbuilding.

The second largest recipient of general economic support measures has been the agriculture and food sectors. A variety of objectives were covered by these measures, including long-term improvements in productivity, incentive packages through tax breaks and preferential credit lines.

WTO Members have also provided regular support to the automotive sector since the beginning of the monitoring exercise. SMEs have been the beneficiaries of a variety of economic support measures, with aid schemes, credit guarantee programmes, incentive packages and improved access to investment and capital, representing the more frequent assistance provided. Other sectors which have received generous subsidies include the energy and transport sectors. The remaining areas of support cover, amongst others, manufacturing (other than SMEs), infrastructure, construction, export credits, telecommunications and investment.

Chart 5: Sectors covered by general economic support measures, October 2008-October 2016
(% share of total number of measures)



Source: WTO Secretariat.

It is important to note that numerical counting of the general economic support measures does not provide any indication of the extent of these measures, nor their potential impact. Looking at the measures implemented by governments between 2009 and 2016, substantial amounts were spent by governments in financial outlays, other expenditures or subsidies. In the various stimulus packages recorded by the trade monitoring exercise, from direct grants to a specific manufacturer to the development or the restructuring of particular industrial sectors, governmental expenditures ranged from less than a million to hundreds of billions of U.S. dollars. In particular, the banking and financial sectors received a very significant share of the general economic support, especially in 2008-2009. A number of studies indicate that between September 2008 and June 2009 the financial resources provided by governments to support the banking system amounted to €5 trillion (more than US$6 trillion)[37] in 11 countries.[38]

From the information gathered on general economic support measures, it appears that these have been mostly temporary in character. This is especially the case for those general economic support measures that were introduced between 2008 and 2010 in response to the financial crisis. Nevertheless, despite the initial indication of termination dates it seems that several support measures have been extended, sometimes indefinitely, without official notification thereof. Based on available information, the general economic support measures that have been reduced or eliminated, aside from the financial and credit sectors are mostly found in the energy, food and agriculture sectors. A noteworthy example is the reduction between 2015 and 2016 by several countries of various fuel price support schemes, likely in response to the fall in the price of oil.

[37] Panetta and others (2009)
[38] Australia, Canada, France, Germany, Italy, Japan, Netherlands, Spain, Switzerland, United Kingdom and United States

As mentioned previously, since 2015 information provided on general economic support measures for the trade monitoring exercise has been incomplete. Moreover, several measures and programmes identified by the Secretariat have been vigorously contested by the country in question and have had to be omitted from the reports. This underlines the challenge faced by the Secretariat in collecting and verifying information on general economic support measures and in reporting on trends in this area. At the same time, it is clear that although the large economy-wide subsidies and high-profile bail-outs of the early years of the financial crisis are now rarer, there has been little evidence that Members have turned their back on subsidization as a policy tool, particularly in certain strategic sectors.[39]

Major trends in services, intellectual property, NTMs, trade concerns and notifications

The section above dealt exclusively with trends on trade-restrictive measures, trade remedies and general economic support measures. These issues were selected because they constitute a large share of the substantive analysis in the Trade Monitoring Reports and because they attract considerable attention in the media and during discussions in the TPRB meetings. However, other issues have generated significant interest in the media, among delegations and with private business. These include trade-in-services' measures, intellectual property measures, non-tariff measures, trade concerns and compliance with notification obligations. The Trade Monitoring Reports cover these issues extensively and the following section will briefly address the principal trends in each area.

The coverage of measures in trade in services has grown in importance in the Trade Monitoring Reports over the years. Although services measures are also verified with Members, they are treated separately and are not included in the headline numbers on restrictive or facilitating measures. Several new trade-in-services measures - some horizontal in nature and some affecting a variety of services' sectors - have been introduced by WTO Members since the beginning of the trade monitoring exercise. The majority of these measures provided for additional liberalization or aimed at strengthening or clarifying regulatory frameworks. At the same time, however, a number of services measures implemented appeared to be trade restrictive.[40] Several sectors were covered by the implementation of new services measures, such as air transport, construction, distribution, finance, postal, maritime transport and the telecommunications' sector, as well as in the supply of services through the movement of natural persons.

Developments in the area of Trade-Related Aspects of Intellectual Property Rights show that the relation between intellectual property (IP) and trade has further strengthened and this was the reason for including this area in the Trade Monitoring Reports from 2016. The entry into force of the Protocol Amending the TRIPS Agreement on 23 January 2017 was an important milestone addressing public health needs of developing and least-developed country Members. Technological innovation and the need to protect and enforce intellectual property rights in the digital economy are consolidating the importance of IP for trade and economic development and diversification.

Non-tariff measures (NTMs) remain an increasingly important concern in international trade. In particular, business has been drawing attention to such behind-the-border measures as causing real and often unjustified obstacles to trade. For example, the B20 in 2017 published a survey of which showed that differences in regulatory standards, TBT measures and IP rights were identified by individual businesses as the most distortive trade measures.[41]

WTO Members have the right to apply SPS or TBT measures as provided under these agreements. More than 3,000 SPS and TBT notifications are received by the WTO on an annual basis and although an increasing number of such notifications does not automatically imply a greater use of protectionist measures, but rather enhanced transparency, many generate intensive discussions in the SPS and TBT Committees. SPS and TBT measures are described and analyzed in great detail in separate sections of the monitoring reports, but the reports make no judgement on whether or not these measures conform to WTO rules.

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[39] Evenett and others (2017) have shown that state subsidies remain prevalent.

[40] For example, Indonesia's insurances schemes or Tanzania's electronic and postal communications measures, introduced both in 2016.

[41] Viewed at: https://www.b20germany.org/priorities/trade-investment/ti-dossier/trade-investment-article/news/rolling-back-protectionism/

The increasing concern regarding what some perceive as the use of discriminatory behind-the-border measures is also reflected in the growing number of Specific Trade Concerns (STCs)[42] which are raised in both the SPS and TBT Committees. Historically, the majority of STCs have been raised at one or two Committee meetings. Since the creation of the WTO in 1995, around 12 STCs have been raised more than five times in the SPS Committee, and some 30 in the TBT Committee, indicating more serious and persistent concerns. STCs have increased over the years with this trend showing a marked correlation with the number of notifications. While STCs can sometimes simply relate to requests for additional information for clarification or to questions on the consistency of measures with the respective agreements, they may also reflect growing trade friction. On the other hand, the fact that the number of STCs has been growing may suggest that WTO Members see the SPS and TBT Committees as the right fora in which trade concerns may be resolved non-litigiously.

In recent years, a growing number of trade concerns, other than those within SPS and TBT, have been raised in various WTO bodies. These trade concerns have neither the status nor the procedural framework of the STCs raised in the SPS and TBT Committees, but they provide an interesting snapshot of the sort of trade issues which are discussed at the WTO. Several such concerns were raised simultaneously in multiple WTO bodies which may suggest that they increasingly involve highly complex and cross-cutting issues. It may also provide an indication that WTO Members are soliciting multiple platforms within the WTO committee structure to address various aspects of such trade concerns. From a systemic point of view, this is significant because of the increased transparency it brings, but also because it demonstrates that Members are actively using the WTO committees to constructively engage trading partners on potential areas of trade discord. Over the past several years the issue of national security has emerged on a number of occasions in the WTO. For example, trade concerns raised recently in various WTO bodies have referred to measures taken under the security exceptions mentioned in Article XXI of the GATT.

Transparency in trade and trade policy-making is fundamental to allow economic agents to make informed decisions. This, in turn, permits markets to operate more efficiently. Notifications are the primary instrument for ensuring transparency in the multilateral trading system. Historically, the compliance and timeliness of Members' notifications to the WTO has been problematic and has clearly illustrated that, with a few exceptions, compliance with notification requirements of the various WTO Agreements leaves much to be desired. The lack of compliance with notification obligations across WTO bodies is challenging for several reasons. One such reason is that undermines individual agreements and more generally the operation of the multilateral trading system. There are different reasons for the low compliance with many notification requirements, an important one of which relates to the lack of capacity of many WTO Members. The monitoring exercise attempts to provide an overall view of the state-of-play with respect to notifications across all areas covered.

5. WTO Trade Monitoring – Challenges

The WTO monitoring exercise faces a number of challenges as it transitions from its emergency post-financial crisis status to become another tool in the transparency toolbox of the multilateral trading system. At the heart of most, if not all, of these challenges is the extent to which WTO Members are willing to actively promote and contribute to the transparency of their own trade policies and not just request transparency from others.

Ensuring and maintaining significant participation in the monitoring exercise is an important challenge. Approximately 50% of Members, representing in excess of 95% of world imports, have regularly participated in the exercise. However, although the G20 economies always participate and contribute, the participation of many smaller countries is low.[43] For example, very few countries from the African continent take part in the exercise. Over the past three years the Secretariat's Trade Monitoring Outreach Programme has met with various country groups to explain the exercise, but many Members still do not fully understand that it is not a legal exercise. Of course, participation is often related to national capacity, difficulty in coordinating with the different actors involved in the capital, lack of clear understanding of the subject matter and fear of consequences of sharing information. As the only horizontal and regular transparency exercise

[42] A Specific Trade Concern is a specific trade issue raised by Members in the SPS or TBT Committees in relation to an SPS or a TBT measures maintained by another Member.

[43] Since November 2014, the Trade Monitoring Reports include an appendix listing the Members that have submitted information to the Secretariat for the Trade Monitoring Reports and those that have participated in the verification process.

within the multilateral trading system which provides the membership with a credible platform for exchanging views on the very latest trade policy trends, including the threat of protectionism, ensuring high participation is a fundamental challenge. This was true in 2009 and remains equally true in 2018.

The stakeholder relationship between the Secretariat and the membership is fundamental for the credibility and sustainability of the trade monitoring exercise. However, as consultations on the exercise have demonstrated, it also represents a very real constraint. There is no denying that reports and academic initiatives on protectionism outside the institutional and political constraints of the multilateral trading system often have resources and a degree of analytical freedom which is not available to the WTO Secretariat. Nevertheless, academic papers have concluded that the WTO monitoring exercise's factual and sober assessments of developments in global trade policy-making continue to enjoy a high level of credibility compared to "blanket denunciations of rampant protectionism".[44] Be that as it may, in a Member-driven institution such as the WTO it remains a significant and continuous challenge for the Secretariat to push for the ability to report independently and within its mandate, on the one hand, and, on the other, maintain a productive stakeholder relationship with the membership. Both are crucial from a credibility point of view.

The substantive coverage of measures in the monitoring exercise in general, and in the reports in particular, has remained broadly consistent since 2009. However, the Secretariat has recently introduced a number of new sections which take into account, for example, the growing number of trade-related measures introduced in the area of intellectual property and the proliferation of trade concerns raised by Members across a range of WTO Committees. In addition, topical inputs in the form of "boxes" continue to be a feature allowing for the inclusion of a variety of issues which provide perspective to the international trade debate. Such boxes have included discussions on competition policy, government procurement, electronic commerce/digital trade, global value chains, agricultural subsidies and gender and trade. Broadening the coverage of the trade monitoring exercise represents a big challenge as the trade agenda of the 21st century moves forward. As a transparency exercise it will be important for the monitoring exercise to cover the very wide range of issues – multilateral as well as plurilateral – that make up the international trading environment. Similarly, deepening and crystalizing the analysis provided in the monitoring exercise, which currently remains mostly at a global and aggregated level, would likely provide interesting information on the impact of specific measures on particular countries, regions and sectors.

Remaining relevant to the outside world, in particular business, is a key challenge and one the WTO should embrace. Although the monitoring exercise and its regular reports have traditionally been geared towards trade policy-makers, from a transparency and predictability point of view, business remains a natural constituency. The frequency of the reports mean that they are uniquely placed to offer the latest information on trends and developments in the implementation of trade policy measures and as such the objective should be to provide a tool which is also of use to traders. It will be important for the WTO monitoring exercise to continue to explore ways to improve transparency that would benefit those doing business in the global economy. Similarly, exploring ways in which business could contribute to the trade monitoring exercise could open up an additional source of up-to-date information.

The above represent some of the more significant challenges facing the trade monitoring exercise in 2018.

6. Conclusions

The creation of the WTO Secretariat Task Force on the trade implications of the crisis less than one month after the collapse of Lehman Brothers in September 2008 and the circulation of the first Trade Monitoring Report to WTO Members in early January 2009 were important systemic events within the multilateral trading system. Above all, they underscored the recognition in the WTO Secretariat of the potential of the crisis to negatively impact global trade flows and highlighted that the Secretariat was ideally placed to provide the platform for ongoing, up-to-date and transparent monitoring. It was also clear that such a platform had to be firmly based on existing mandates to avoid drawn-out negotiations which would almost inevitably have resulted in a slower response to the crisis and lost credibility for the multilateral trading system.

[44] Wolfe (2012)

Regular trade monitoring by the Secretariat was already a feature under the GATT and subsequently became solidly anchored in the WTO's TPR Mechanism. Under both regimes it was fundamental that the transparency provided by the Trade Monitoring Reports depended on the direct and active participation of countries as well as on the ability of the Secretariat to independently search for and report on relevant trade developments. This stakeholder relationship between Members and the WTO Secretariat remains fundamental for the credibility of the trade monitoring exercise as an additional tool in the WTO's transparency toolbox. But it is also a considerable constraint when Members selectively interpret their commitment to transparency. This tension has been evident since the beginning of the current monitoring effort and in particular as the emergency of the financial crisis has faded.

Since 2009, the monitoring exercise has seen only limited evidence of countries turning towards protectionism. There has been slippage and discrimination, but overall, trade-restrictive measures have been taken largely within the rules of the multilateral trading system and within the commitments of individual Members. The numerical counting of new trade restrictions and of trade remedy initiations has shown moderate variation since 2009. However, since 2015, the trade covered by new trade restrictions has decreased significantly. During the same period the trade coverage of trade remedy initiations has increased substantially. This may suggest a more strategic application of certain types of trade measures and one which, despite being legal, may be more confrontational. Unsurprisingly, metal products, and in particular steel, are the sectors primarily targeted by new trade-restrictions and by the overwhelming majority of trade remedy initiations. However, it is broadly recognized that the WTO and its rules have provided a strong defence and a solid insurance policy against protectionist policies gaining the upper hand.

Nevertheless, there are many reasons why vigilance and caution are required. Behind-the-border non-tariff measures, many of which are perfectly legal under the WTO, are increasingly placed in the spotlight for creating real discrimination in the market place. The financial and fiscal stimulus packages that were introduced early in the crisis clearly favoured the restoration of trade growth globally and were important. The general economic support measures seen today may be less striking and comprehensive, but they often contain elements that favour domestic goods and services at the expense of imports. There is no evidence that countries have backed away from the use of such measures, but the past couple of years have shown that countries are both less transparent about these and often unwilling to allow the Trade Monitoring Reports to cover them.

One factor helping to contain protectionist pressures has been greater public scrutiny of trade policies and there is little doubt that the drive for greater transparency in trade policy-making is irreversible. Protectionist rhetoric is one thing; actual implementation of beggar-thy-neighbour policies is another. Over the past couple of years the WTO trade monitoring exercise has reported on a significant escalation of trade rhetoric and on the resort to national security as justification for specific trade actions. This is of systemic concern. Although it is clear that the incremental accumulation of trade restrictions and their negative impact on the effectiveness of policies to boost aggregate demand is highly problematic, the recent shift to a more adversarial approach to international trade relations poses perhaps the more significant risk to the multilateral trading system. The risk that governments will cede ground to protectionist pressures remains very real in 2018.

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