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World Trade Organization

Economic Research and Statistics Division

**LESSONS LEARNED AND CHALLENGES AHEAD
FOR THE WTO TRADE MONITORING EXERCISE***

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Lessons Learned and Challenges Ahead for the WTO Trade Monitoring Exercise

Peter Pedersen, Antonia Diakantoni¹

Abstract

A little over a decade has passed since the onset of the global financial crisis in 2008. Shortly after the collapse of the Lehman Brothers investment bank, an internal Secretariat Task Force was established by the WTO Director-General to monitor the trade-related developments associated with the crisis. Meeting in London in early 2009, the G20 Leaders mandated the WTO, together with other international bodies, to monitor and report publicly on G20 adherence to resisting protectionism and promoting global trade and investment. Since then, 22 G20 reports and 24 WTO-wide reports have been published.

The paper will introduce the WTO Trade Monitoring exercise. It will show how the idea and the principles behind the current Trade Monitoring effort have much earlier origins than the financial crisis. It will also provide an overview of selected trends and developments identified by the monitoring exercise since 2009 and will focus on recent developments in the global trading environment, including the effects of the increasingly protectionist rhetoric which has characterized much of the debate on trade over the past couple of years. Finally, the paper will address the challenges facing the WTO monitoring exercise, and the way forward after ten years of existence.

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

JEL Classification: F13; F14; F61;

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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 Carlos Perez del Castillo and Verena Hess-Bays for their valuable inputs and to Jean-Marie McAdams for editorial assistance.

1. Introduction

In October 2008, in the immediate aftermath of the outbreak of the global financial crisis and amidst widespread fears of a protectionist spiral akin to the Great Depression of the 1930s, the Director-General of the WTO established a Secretariat Task Force to monitor the trade-related developments associated with the crisis. Although trade was not at the root of the crisis, the significance of this rapid institutional response by the multilateral trading system was evident, as two Trade Monitoring Reports in early 2009 confirmed that international trade had fallen dramatically.

In early April 2009, G20 Leaders meeting in London called on the WTO, together with other international bodies, to monitor and report publicly on G20 adherence to resisting protectionism and promoting global trade and investment. This call followed up on an earlier commitment by the G20 to reject protectionism, and refrain from raising new barriers to trade and investment or implement measures inconsistent with the WTO rules.

Since then, the WTO Trade Monitoring exercise has continued to provide G20 economies, the WTO Members and the public in general with regular updates on the latest trends in the implementation of trade measures, as well as important developments in trade policy-making more broadly. On some levels, the news has not been good. Annual growth of international trade since 2008 has been subdued and has been underlined by a weakening in the relationship between trade and GDP growth. While trade has typically grown at 1.5 times faster than GDP in recent decades, in the aftermath of the global financial crisis, the ratio slipped towards 1:1. The year 2016 marked the first time since 2001 when this ratio dropped below 1, to 0.6, and the most recent WTO Secretariat forecast from October 2019, which adjusted trade growth in 2019 downwards to 1.2%, may foreshadow that this ratio will continue to weaken².

The protectionist backlash, even if limited to a few important trade powers, that failed to materialize even during the most difficult years of the crisis has edged ever closer to reality over the past two years. The increasingly negative tone in the trade debate, with hostile protectionist rhetoric, has resulted in the strategic application of massive trade policy measures and announcements that have dominated the headlines since 2017. The past two years have witnessed escalating trade tensions between major trading partners, resulting in increasing uncertainty for international trade and investment and an erosion of the confidence which underpins a healthy global economy. In this environment, the WTO Trade Monitoring exercise recorded historically high levels of import-restrictive measures from mid-October 2017 and up to and including the latest review period in October 2019.

This paper aims to present the reader with an introduction to the WTO Trade Monitoring exercise and to the origins of the transparency platform upon which it rests. It will also seek to 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 exercise as an institutional platform for transparency and accountability.

2. Background and Methodology

At the heart of the WTO Trade Monitoring exercise and the Trade Policies Review (TPR) Mechanism mandate to which it is anchored, lies the notion of transparency, and the idea that an international intergovernmental organization can provide a constructive and inclusive platform for a multilateral peer review of trade issues in general, and trade policies in particular. In providing the WTO, and prior to that the GATT, with the mandate to create a peer review platform, Members implicitly acknowledged the usefulness of such an exercise to ensure their accountability with respect to WTO rules. The G20 Declarations at the end of 2008 and in early 2009 were explicit expressions of this. Wolfe (2012), Wolfe (2013) and Najam and Halle (2010) provide important perspectives and examples of the accountability issues facing international organizations. In a Member-driven organization such as the WTO, holding the membership accountable represents a set of challenges, especially in the context of a Secretariat-led exercise such as the regular Trade Monitoring. Wolfe (2010) points to the sensitivity among Members surrounding an activist Secretariat at the very beginning of the monitoring exercise. Interestingly, although this sensitivity did not initially result in

² WTO, *WTO lowers trade forecast as tensions unsettle global economy*. Viewed at: https://www.wto.org/english/news_e/pres19_e/pr840_e.htm.

the imposition of constraints on the Secretariat, since 2011, the pendulum has swung in the direction of greater Member scrutiny of the Trade Monitoring exercise. Such swings between Members and the WTO Secretariat are not uncommon and have happened on several occasions and in several areas over the past two decades, including on issues such as the relationship with non-governmental organizations and on institutional coherence and cooperation with other inter-governmental organizations.

The benefits of market openness and the cost of protectionism have been widely studied, and there is general agreement that going from a situation of trade to no trade reduces welfare overall. Irwin (2011) provides an interesting perspective on the import drop and income loss in the United States as a result of the 1930 Smoot-Hawley Law. In the context of the 2008 global financial crisis, most commentators referenced the Great Depression and the beggar-thy-neighbour policies which sent the world economy tumbling. At the outset of the crisis, therefore, many considered that there was a real possibility that countries would resort to protectionist policies as a result of domestic pressures. However, although the WTO Trade Monitoring exercise has not detected such a turn of events when it comes to the implementation of trade-restrictive policies, other observers of the global trading system have. For example, Evenett and Fritz (2015) reported significant increases in protectionist trade policies, in 2009 and again since 2012. The variations in the numbers and conclusions of various monitoring exercises are generally a result of different methodologies and coverage of issues and policies. Wolfe (2010) and the Swedish National Board of Trade (2016) both provide important insights into the use and merits of different methodologies in trade surveillance.

Between 2009 and 2017, the monitoring exercise saw limited evidence of countries jumping on a protectionist bandwagon. Some slippage by individual countries or regions was observed, but it was not widespread or systematic. However, over the past couple of years, trade tensions and trade conflicts between major trading partners have resulted in the implementation of trade-related measures at historically high levels. The latest world merchandise trade volume forecast for 2019, published by the WTO Secretariat on 1 October 2019, was downgraded from 2.6% to 1.2%. This is partly due to the rising trade tensions but is also a result of other factors, such as country-specific cyclical and structural factors, shifting monetary policies in developed countries, fiscal policies that could destabilize volatile financial markets, and uncertainty in the European Union related to Brexit. A slowing global economy and a darkening outlook for trade intensifies the uncertainty and decreases trust, leading to delays in productivity-enhancing investments that are essential for raising living standards and creating jobs. In its latest World Economic Outlook, the IMF warned that the effects of trade conflicts not only increased tariffs but more importantly also caused a general loss of confidence that could shave USD 700 billion, or about 0.8%, off global GDP, by 2020.

Box 1 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 6 and 12 months, respectively.³ 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.⁴

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

In March and in September, the Director-General sends a formal request to all Members and Observers for information on measures that have been implemented and which have an impact

³ Early on, the Trade Monitoring Reports were circulated on a quarterly basis.

⁴ 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 G20 adherence to resisting protectionism and promoting global trade and investment. This call became the mandate under which the WTO, UNCTAD and the OECD have submitted regular reports to the G20 ever since.

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, and executive 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, and press reports and releases are also consulted 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 available) for the products covered and, importantly, the source of information.

The diagram illustrates a year-long process for gathering information from Members. It features a horizontal timeline with a green dashed arrow pointing right at the top. The process is divided into five main stages, each with a corresponding event below it and a date marker above it.

- Stage 1:** Request to Members for relevant information. This stage begins in **MARCH** and **SEPTEMBER**.
- Stage 2:** Receipt of information from Members' delegations.
- Stage 3:** Review of the combined information, which is submitted by Members and collected by the Secretariat.
- Stage 4:** Classification of confirmed and unconfirmed information.
- Stage 5:** Verification of combined information by Members.
- Stage 6:** Data analysis and interpretation.
- Stage 7:** Circulation. This final stage occurs in **JUNE** and **NOVEMBER**.

Information and measures obtained and checked by the Secretariat 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 to clarify 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 analysed and divided into 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 are analysed 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 intellectual property 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. Introduced by the Director-General, these reports 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 and the meetings attract considerable attention from Members, Observers and the media. The G20 reports are generally circulated ahead of important G20 meetings, e.g. trade ministers' meetings or Leaders' Summits.

The methodology behind the Trade Monitoring mechanism in general, and the Trade Monitoring Reports in particular, reflects not only the Secretariat mandate to collect and present information.

but also the close involvement of WTO Members in the exercise. The WTO Secretariat prepares four Trade Monitoring Reports per year, i.e. two for the full WTO membership and two for the G20 economies (Box 1). The report on G20 trade measures is circulated together with a report on G20 investment measures prepared by the OECD and UNCTAD. The data collection and analysis for the WTO-wide reports constitute the basis for the G20 Reports and, methodologically, both reports are now almost identical.

Box 2 Methodology used in the Trade Monitoring Reports

The Director-General's Request for Information

Each cycle of Trade Monitoring Reports is initiated by a communication from the Director-General to all WTO Members and Observers. The communication contains an illustrative list of measures, and suggested templates for reporting such measures. The illustrative list has evolved considerably over the past decade, as a result of discussions among delegations and to take into account the diversity and multitude of trade and trade-related measures being implemented. However, the list does not reflect all of the issues covered in the Trade Monitoring Reports. For example, the Reports cover SPS and TBT measures in great substantive detail, even if such measures are not categorized and included in the Reports' headline numbers.

Mixed approach to data collection and analysis

The Reports are based on a mixed approach to data collection and analysis. For example, information contained in the annexes, as well as the section on services, is collected by the Secretariat and/or received from Members/Observers and verified by them. Information contained in the main text of the Reports is a combination of official notifications and Secretariat analysis. Finally, the monitoring exercise also includes information gathered from various non-official sources. The unique verification process which lies at the heart of the exercise and the preparation of the Reports ensures that all information collected by the Secretariat or received from delegations is systematically returned to the concerned Member for verification.

Measures covered by the Reports

Each Report provides an overview of new trade-related measures implemented during the specific period under review, as listed below:

Trade in goods: import- and export-related measures, trade remedies (anti-dumping, countervailing, and safeguard), other measures including those related to the Trade Facilitation Agreement, government procurement, pre-shipment inspection, state trading enterprises, trade-related investment measures, and 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), and temporary movement of natural persons supplying services (mode 4).

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

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

Annex 1 of the Reports contains measures that are clearly facilitating trade, e.g. tariff reductions or elimination of customs procedures. Annex 2 contains all trade remedy measures initiated or eliminated during the review period. Early Monitoring Reports categorized the initiation of a trade remedy investigation as restrictive, and the elimination of a trade remedy action as facilitating. However, this proved controversial, and it was highlighted in discussions among WTO Members that such measures are taken to address what is perceived by some as market distortion resulting from trade practices of entities in another trading partner. The WTO Anti-dumping 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. Similarly, the Agreement on Safeguards permits WTO Members to impose emergency measures in response to increased imports of goods from all sources when such imports are perceived to cause, or threaten to cause, serious injury to the importing Member's domestic industry. Although the Reports have never categorized the use of trade remedies as protectionist,

or WTO-inconsistent, or criticized governments for utilizing them, a decision was taken to maintain the reporting of these measures but without categorizing them as either liberalizing or restrictive. Annex 3 contains what is described as Other trade-related measures (Annex 3) for the specific review period. It contains measures which are generally believed to restrict trade, e.g. tariff increases and certain import bans. The terminology used in Annex 3 reflects discussions among WTO Members. Annex 4 on Services provides an overview of all trade in services measures taken during the review period. Originally, a separate annex on general economic support was also included in the Reports. However, since 2017, poor reporting on such measures, combined with increasingly frequent requests to delete measures identified by the Secretariat, has made it impossible for the Secretariat to produce a balanced picture of implemented measures and policies in this area.

Measures contained in Annexes 1-3 account for the headline numbers provided in each Report. Calculations of trade coverage are conducted on the basis of the HS Codes at the 6-digit level that are provided by Members on measures in Annex 1-3. Historically, the trade coverage has been estimated exclusively for import measures and provides the value of annual imports of the specific products concerned from countries affected by a specific measure.

Other trade and trade-related policy issues covered by the Reports

The Reports also provide a detailed account of developments that took place during the specific period under review. These include sections on recent economic and trade developments, sanitary and phytosanitary (SPS) measures, technical barriers to trade (TBT) measures, trade concerns, policy developments in agriculture, services, intellectual property, selected trade policy issues, and transparency of trade policies (notifications).

Measures outlined in individual sections on services, agriculture, intellectual property, SPS and TBT are not included in the total count of measures. SPS and TBT measures covered in the Report are neither classified nor counted as trade-restrictive or trade-facilitating. The increasing trend with respect to the number of notifications of such measures recorded by the Reports relates to the transparency provisions of the Agreements, and provides enhanced predictability regarding these measures, allowing Members to take measures in the pursuit of several legitimate policy objectives.

Finally, the Reports include various topical and analytical boxes which provide perspective on relevant trade issues.

Verification of measures

The verification process, a central piece of the WTO monitoring exercise, allows Members and Observers to verify and confirm (or not), their respective measures. Confirmed and non-confirmed measures are included in the Annexes of the reports and in the total count of measures, as well as in the estimated trade coverage. The non-confirmed measures have traditionally made up between 5% and 8% of the total number of measures in the Reports.

Source: WTO Secretariat.

3. Trade surveillance in the GATT

The internal Trade Monitoring Task Force, established by the Director-General in October 2008⁵, was not the first time that the Secretariat had responded to a specific trade surveillance challenge. For example, in the uncertain global economic environment in the late 1970s and early 1980s, 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.⁶ Included in this document was a decision "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. It was subsequently agreed that a Secretariat background note would facilitate such discussions. In 1980, a proposal by the Director-General called for the introduction of two-yearly special sessions of the GATT Council to be facilitated by factual notes prepared by the Secretariat.⁷

⁵ Viewed at: https://www.wto.org/english/news_e/news08_e/tnc_chair_report_oct08_e.htm.

⁶ BISD 26S/210.

⁷ Proposal by the DG, C/111; BISD 27S/20.

The first Secretariat note, circulated in October 1980⁸, covered developments in trade policies and related matters over a six-month period, and reviewed compliance by Contracting Parties with notification obligations. However, merely listing submissions of notifications neither provided much insight into actual compliance nor covered a large range of trade restrictions or various marketing arrangements which fell outside the GATT purview.

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 Declaration⁹ 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 Eighteen¹¹, the monitoring of these undertakings was adopted by the Council.¹² The immediate upshot of this Council decision was that the notes by the Secretariat included information based on notifications made to the GATT, as well as other information obtained from official sources and independent economic media. As a result, the Secretariat's notes provided a more nuanced and comprehensive overview of the global economic environment and new trade policy measures. The notes deliberately refrained from suggesting whether particular actions conformed to GATT obligations, reserving those judgements for the GATT Contracting Parties. 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 for greater transparency of trade policies related to the idea that all Contracting Parties should be subject to regular reviews. 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 mandate¹⁵ read "to enhance surveillance in the 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's significant outcomes was the emergence of the 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 Director-General, which would subsequently become the vehicle for the WTO Trade Monitoring Reports from 2009 onwards, and which 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

⁸ C/W/349, 31 October 1980.

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 18 full members, there were 9 alternate members. The Group reported periodically to the Council and operated in full until 1987. The task of the Group was to help the Contracting Parties 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 January 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, the chairman of the Swiss National Bank and President of the Bank for International Settlements. Members of the group were public and private professionals in the 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).

reports by the Director-General included a general overview of global economic activity with a 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 on international trade. This broad coverage in large part reflected the absence of any specificity with respect to the format and content of the report, thus allowing the Secretariat considerable scope of coverage. Nevertheless, it was generally accepted that the reports should be descriptive rather than analytical.

4. 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. Less than one month later, in October, Director-General Pascal Lamy established a Secretariat Task Force 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 a number of delegations encouraged the Director-General to report in writing to the membership.

The first WTO Monitoring Reports were circulated to WTO Members in January and April of 2009, and contained the first accounts of trade-related developments since the outbreak of the financial crisis.¹⁷ Introducing the Reports and responding to concerns regarding the initiative, the Director-General reiterated the need for it to be Member-driven and "carried out by, and for the benefit of the whole membership".¹⁸ At the core of this reference was the participation of delegations, both in providing information to the Secretariat and in verifying the measures found through other sources.

The Trade Monitoring exercise has featured in several consultative processes since 2009, including as part of the regular TPRM Appraisals, and there has been consistent support for its strengthening. At the Eighth Ministerial Conference in December 2011, Ministers provided an unambiguous endorsement of the Trade Monitoring mechanism.¹⁹

In 2012, a series of informal consultations by the Chairman of the TPRB took place to follow up on the 2011 Ministerial Decision on Trade Monitoring "to continue discussing the strengthening of the monitoring exercise of trade and trade-related measures on the basis of Members' inputs". During these consultations, it became clear that, while no Member questioned the importance of the monitoring initiative from a transparency point of view, there was a general view that the exercise could be further improved, and that Members were best placed to take the lead in that endeavour. These informal consultations, as well as the sixth TPRM Appraisal in 2016, demonstrated that Members were reluctant, or at least not in agreement, to provide the Secretariat with additional flexibility on Trade Monitoring and were, on the contrary, seeking to rein in the exercise. While the Secretariat has tried to push for specific improvements to the exercise, many of which arguably would have fallen squarely within the existing Secretariat mandate, such efforts have been pushed back by Members.

5. Trends and Developments captured by the WTO Trade Monitoring since 2009²⁰

The WTO Trade Monitoring mechanism is, first and foremost, a non-legal transparency exercise which aims to shed light on the latest trends in the implementation of a broad range of policy measures that facilitate or restrict the flow of trade. This section will focus on the trends of both new trade-facilitating and trade-restricting measures implemented by WTO Members since 2009.

The empirical analysis of the trends provided below is based on the numerical counting of the measures collected through the Trade Monitoring exercise and on the trade covered by those measures. Both provide complementary perspectives of the evolution of trade measures' trends. While the numerical counting of the trade measures provides an indicator of the overall activity, it represents only a partial picture. This is due to the way a measure is recorded in the context of the WTO Trade Monitoring exercise. In fact, a trade or trade-related measure as recorded by the exercise, might target one trading partner, several trading partners or all partners (i.e. an MFN measure) and cover one specific product or a multitude of products. Therefore, the numerical

¹⁷ WTO documents JOB (09)/2 and WT/TPR/OV/W/1.

¹⁸ Viewed at: https://www.wto.org/english/news_e/news09_e/tpr_09feb09_e.htm.

¹⁹ WTO document WT/L/848, 19 December 2011.

²⁰ Trade remedies, SPS and TBT measures, and general economic support, services and intellectual property measures are not included in this sub-section but are addressed separately.

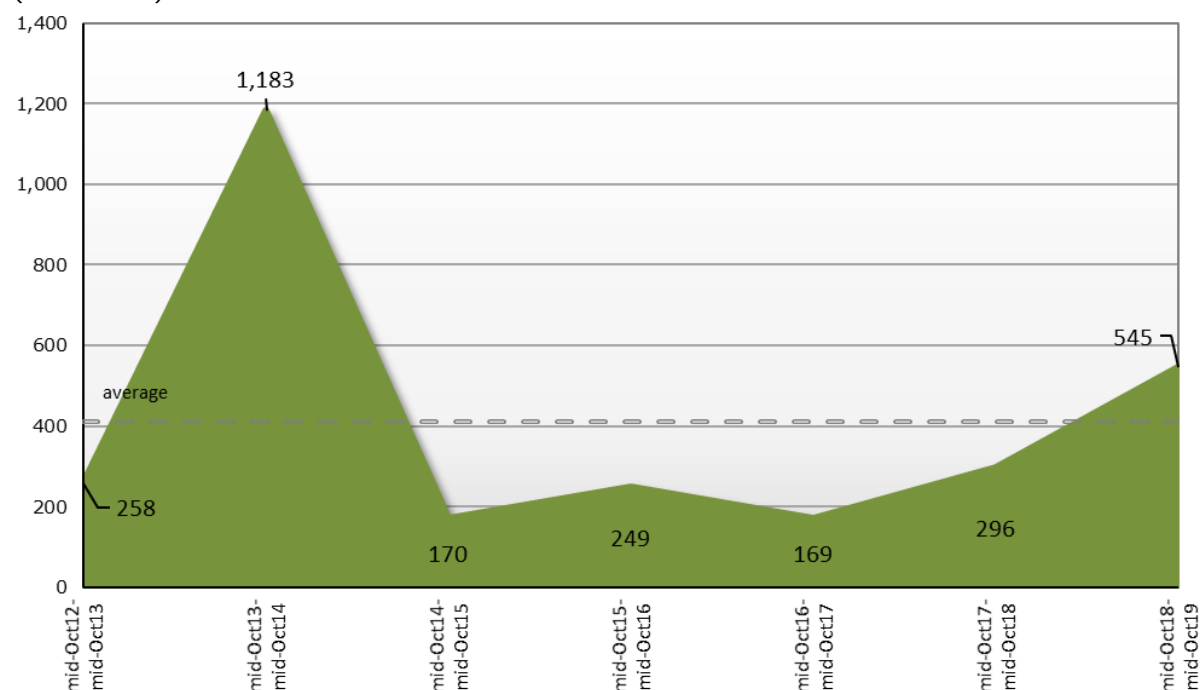
counting of measures implemented during a period must be seen together with the trade coverage of these measures (Box 3).

The section also will take a closer look at the trends in the application of trade remedies, general economic support measures, services and intellectual property measures, trade concerns raised across WTO committees, and trends in WTO Members' notifications.

Consistent application of trade-facilitating measures

Since the creation of the WTO, and as a continuation of the GATT, Members have steadily implemented policies that facilitate trade, in particular through the reduction of tariffs. This has been accentuated by the expansion of global value chains and the growing interconnection of economies. Regional trade agreements also have had an important impact. The Trade Monitoring exercise has shown that, from 2009 to 2017, countries have consistently implemented more trade-facilitating than trade-restrictive measures, in terms of number of measures and trade covered. However, the most recent review periods have provided proof of a trend reversal, as shown in Charts 1 and 2 below.

Chart 1: Trade coverage of new import-facilitating measures implemented by WTO Members in each period – not cumulative
(USD 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.

The implementation of trade-facilitating measures is an important indicator of the direction and health of world trade. Mostly applied to imports, these trade-facilitating measures have been estimated to cover, on average, about USD 410 billion annually since mid-October 2012.

Chart 1 shows the trade covered²¹ by trade-facilitating measures since October 2012, when these calculations were made for the first time. Important variations of the trade coverage have been recorded over the last seven reporting periods, varying from USD 170 billion up to more than USD 1.18 trillion. These figures include the liberalizing measures associated with the implementation of the TFA.

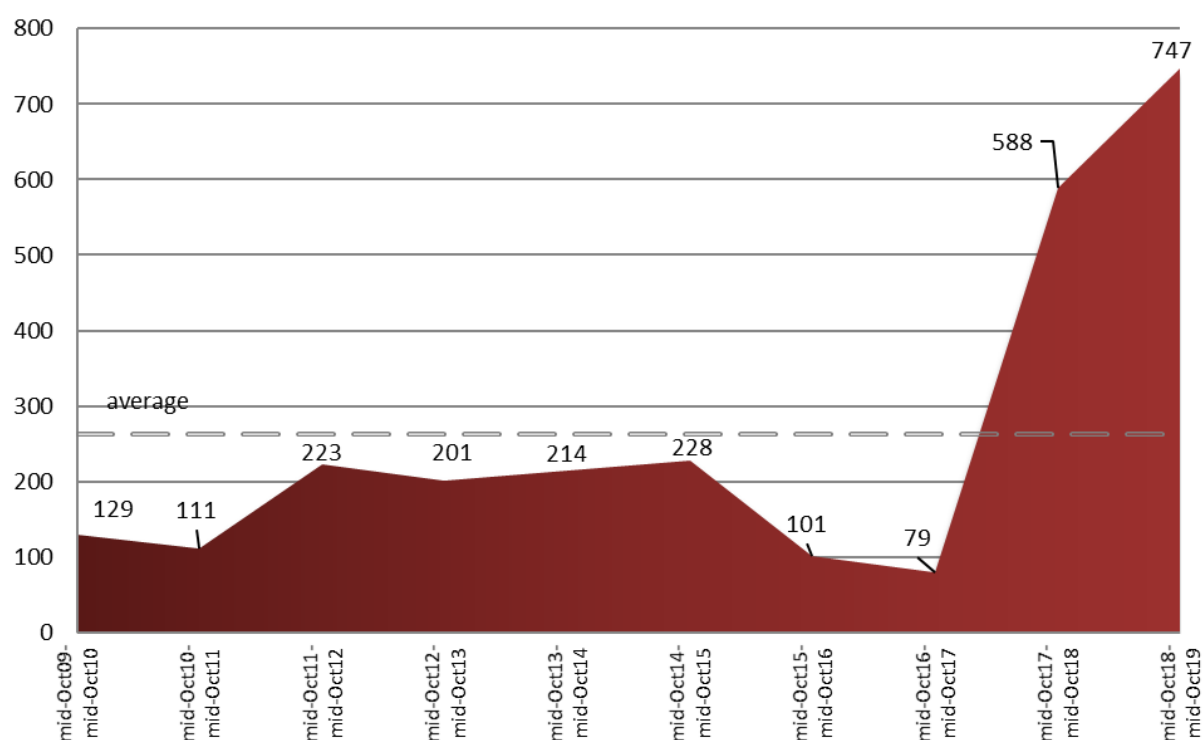
²¹ The trade coverage of a measure is calculated to be the value of annual imports of the specific product concerned from countries affected by the measure. Highly-traded goods may significantly influence the estimation of the trade coverage. The trade coverage includes import measures only.

In addition to these amounts, major trade liberalization was achieved in the WTO through the ITA Expansion. The trade coverage of liberalization specifically associated with that agreement amounted to USD 416 billion over the period mid-October 2015 to mid-October 2016, some USD 385 billion (mid-October 2016 mid-October 2017), USD 573 billion (mid-October 2017 to mid-October 2018), and USD 705 billion (mid-October 2018 to mid-October 2019) according to Secretariat estimates.

Proliferation of trade restrictions since 2017 – a temporary reversal of the historical trend?

Trade restrictions remain a key variable in analysing trends in global trade. Although memories of the devastation of the protectionist and Beggar-thy-Neighbour policies of the 1930s remain, the WTO Trade Monitoring exercise has observed limited variation in the introduction of new trade restrictions since 2009. On average, since 2009, WTO Members have implemented 14 new trade restrictions per month. About 80% of them applied to imports, with tariff increases representing the most commonly-utilized tool.

Chart 2: Trade coverage of new import-restrictive measures implemented by WTO Members in each period – not cumulative
(USD 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.

The trade covered annually by import-restricting measures since 2009, has, on average, been estimated at USD 262 billion. At around 1% of world merchandise imports, this is roughly equivalent to Switzerland's annual merchandise imports or Australia's annual merchandise exports. As shown in Chart 2, between 2015 and 2017, a significant decrease was recorded in the trade covered by import restrictions implemented by WTO Members. This was followed by very significant consecutive coverages estimated at USD 588 billion (mid-October 2017 and mid-October 2018) and at USD 747 billion (mid-October 2018 and mid-October 2019).

The reversal of the trend, and the significant increase in the trade coverage of new trade restrictions observed, over the last two periods is primarily a result of trade tensions between the United States

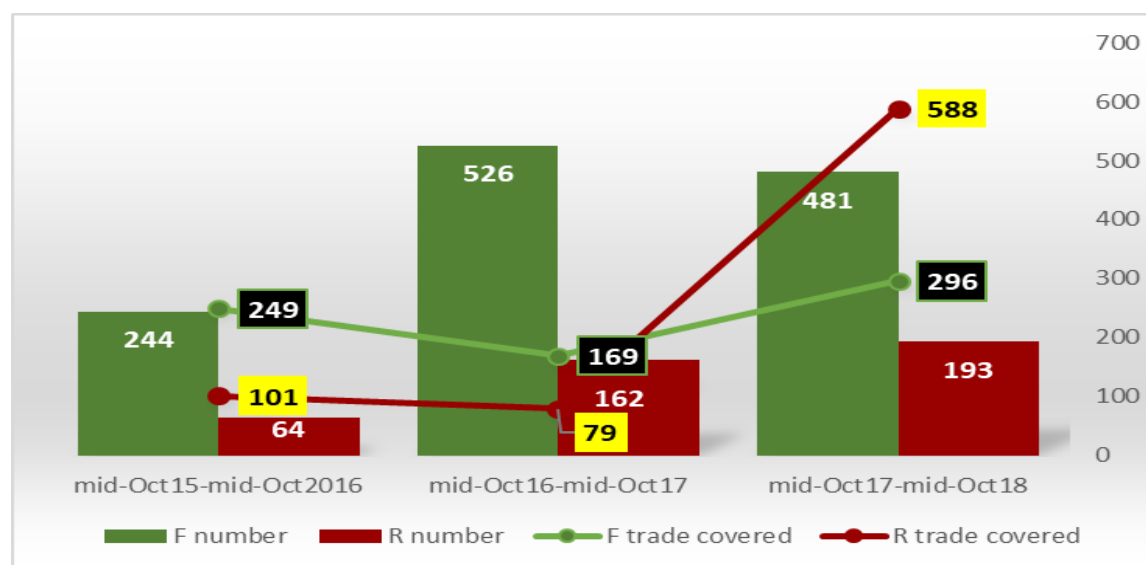
and China. The large majority of other WTO Members have shown considerable restraint in the implementation of new trade restrictions. There is, however, no guarantees that such restraint will continue, and some slippage on behalf of individual countries has appeared recently. It is too early to say if this is the beginning of a more widespread temptation to pursue policies which have a restrictive effect on trade. What is certain, however, is that these are the sort of developments which loom large in recent economic forecasts where downside risks stand out.

Box 3 Counting versus trade coverage

The following example illustrates the complementarity of the numerical counting of measures and the trade coverage estimates. The authors compared the number of products covered by the measures implemented by WTO Members over three review periods, i.e. mid-October 2015 to mid-October 2016; mid-October 2016 to mid-October 2017; and mid-October 2017 to mid-October 2018, with the trade covered by those measures.

During the three review periods, the new trade-facilitating measures implemented covered 244, 526 and 481 products, respectively, per month at the HS 4-digit level. The corresponding trade coverage was estimated at USD 249 billion, USD 169 billion and USD 296 billion, respectively (Figure 2). During the same periods, the new trade-restrictive measures implemented by WTO Members covered 64, 162 and 193 products, respectively, per month at the HS 4-digit level. The corresponding trade coverage was estimated at USD 101 billion, USD 79 billion and USD 588 billion, respectively.

Figure 2: Number of products at the HS 4-digit level, per month, targeted by trade-facilitating and trade-restrictive measures and corresponding trade coverage
(number of HS 4-digit products per month and USD billion)



Note: F number= number of HS4-digit products covered by new trade-facilitating measures per month; R number= number of HS4-digit products covered by new trade-restrictive measures per month; F trade covered = trade covered by new trade-facilitating measures in USD billion; R trade covered = trade covered by new trade-restrictive measures in USD billion.

Source: Authors' calculations.

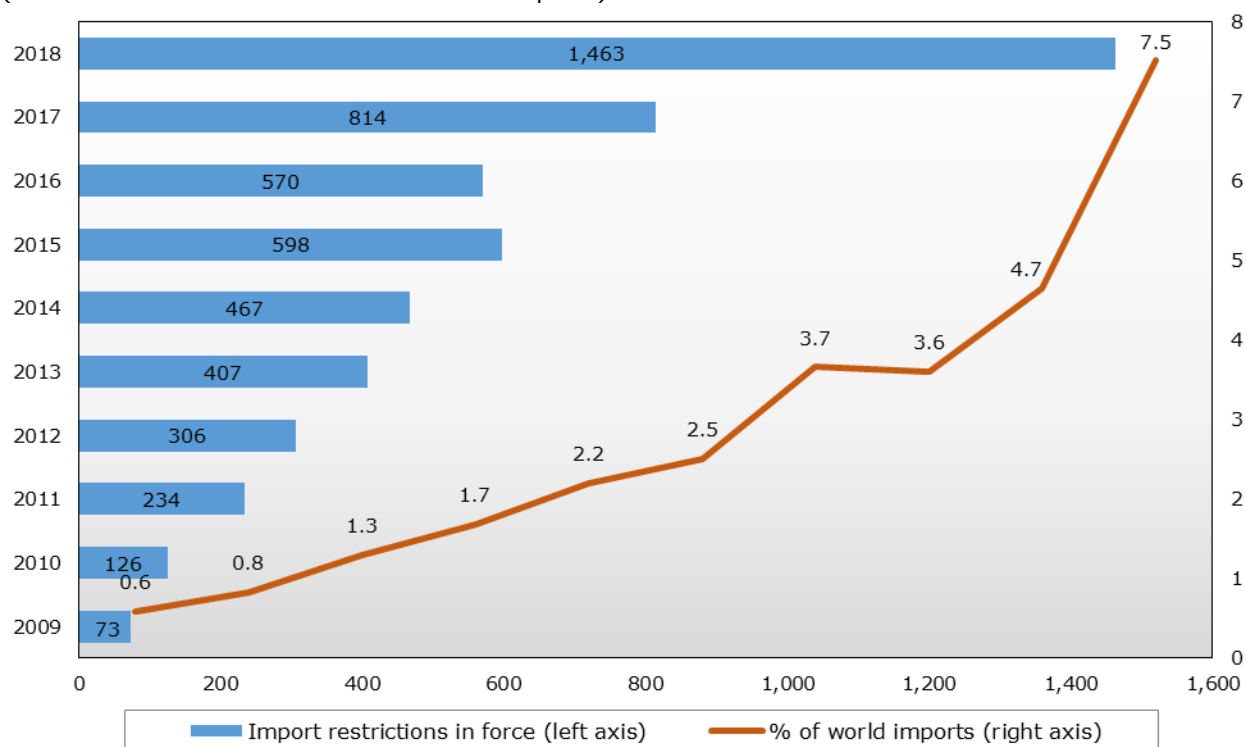
This example shows the importance of considering both indicators, as they provide a more nuanced understanding of the trends. For instance, restrictions implemented during the period between mid-October 2017 and mid-October 2018 targeted fewer products (193 products at the HS 4-digit level) compared to those targeted by trade-facilitating measures (481 products) during the same period. However, the trade coverage of import restrictions was estimated to be almost double that of import-facilitating measures.

Source: WTO Secretariat.

Accumulating import restrictions - The Stockpile

After a decade of Trade Monitoring, the Secretariat has attempted to quantify the cumulative figures for the trade coverage of import-restrictive measures implemented since 2009 and still in place (the stockpile).²² Calculating and providing accurate figures on the trade coverage of the stockpile depend on the availability of up-to-date information on when individual measures have been modified or terminated. Although WTO Members are periodically invited to update their measures recorded in the Trade Monitoring Database (TMDB), so as to properly reflect the status of those restrictions which are no longer in force, very few have voluntarily updated their records.

Chart 3 - Cumulative trade coverage of import-restrictive measures in force, since 2009
(USD billion and % of world merchandise imports)



Note: The cumulative trade coverage estimated by the Secretariat is based on information available in the TMDB on import measures recorded since 2009 and considered to have a trade-restrictive effect. The estimates include import measures for which HS codes were available. The figures do not include trade remedy measures. The import values were sourced by the UNSD Comtrade database.

Source: WTO Secretariat.

In addition, accurately estimating the roll-back of import-restrictive measures, and eventually the overall stockpile, is further complicated because many so-called temporary measures remain in place far beyond the envisaged expiry date. With these caveats in mind, the Secretariat estimated the trade coverage of the stockpile of import restrictions based on the information recorded in the TMDB since 2009. These estimates are also conditioned by the availability of termination dates of the import-restrictive measures and of the HS codes of products covered.²³

Chart 3 shows that the stockpile of import restrictions by WTO Members in force has been growing steadily since 2009 – in value terms and as a percentage of world imports – and that a significant increase in both took place from 2017 to 2018. This jump is largely explained by measures introduced on steel and aluminium, and by tariff increases introduced as part of recent bilateral trade tensions (but excluding those that have been terminated). It is estimated that, at the end of 2018, some 7.5% of world imports were affected by import restrictions implemented by WTO Members since 2009 and still in force. In US dollars, this is the equivalent of more than

²² Highly-traded goods may significantly influence the trade coverage estimates.

²³ Only import measures where HS codes were available are included in the calculation.

USD 1.5 trillion out of a total USD 19.5 trillion of world total imports. The trade coverage of import-restrictive measures implemented since 2009 and still in force by mid October 2019 was estimated at USD 1.7 trillion, suggesting that the stockpile of import restrictions has continued to grow. In addition, Secretariat estimates show that the annual trade coverage of terminations of import restrictions has remained marginal. In 2018, it represented just 0.03% of total imports, clearly indicating that a roll-back of such measures is minimal.

Trade remedies – a policy option frequently used by governments

The trends in trade remedy actions provide some further perspective on the trade policy options available to governments.²⁴ Since its creation, the WTO Trade Monitoring exercise keeps track of the initiations²⁵ of trade remedy investigations and the terminations of trade remedy actions, by providing a factual account of their use. Within this context, trade remedies are not categorized as restrictive, protectionist or facilitating trade.

The inclusion and categorization of trade remedy actions in earlier G20 and WTO-wide Trade Monitoring Reports was a 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 caused by the initiation of trade remedy investigations.²⁶ From 2009 to 2013, in the case of the WTO-wide Monitoring Reports, and from 2009 to 2017, in the case of G20 Reports, initiations of trade remedy investigations were categorized as restrictive, and terminations of trade remedy actions were considered liberalizing. This methodology was, however, considered problematic by some Members, who firmly believe that these measures are taken to address a market distortion resulting from trade practices of entities in another trading partner (Box 2). The strength of the opposition to this categorization, to a large extent, depended on whether a country was initiating relatively more trade remedy investigations or whether it was the target of such actions. Both sets of Monitoring Reports now provide numbers on trade remedy actions separately from other measures and list these measures in a separate annex. The Reports have shown that there was no discernible change in the number of initiations of trade remedies coinciding with the financial crisis compared to before 2009.

Numerically, trade remedy actions have represented a very important share of the measures recorded by the Trade Monitoring exercise, often accounting for at least half of all trade measures recorded in any given review period. On average, between 2012 and 2018, WTO Members initiated 25 new trade remedy investigations and terminated 16 trade remedy actions per month. Among trade remedy actions, anti-dumping initiations and terminations remain the most used actions by WTO Members, accounting for more than 80% of all initiations and terminations.

While trade remedy actions have been numerous, their trade coverage has remained relatively small. Trade remedy actions initiated by WTO Members since mid-October 2012 covered, on average, USD 60 billion of trade per year, while terminations covered USD 22 billion. The Trade Monitoring exercise recorded a significant increase in the trade coverage of initiations of trade remedy investigations between mid-October 2015 and mid-October 2018, followed by a decrease in the period up to October 2019 (Chart 4).

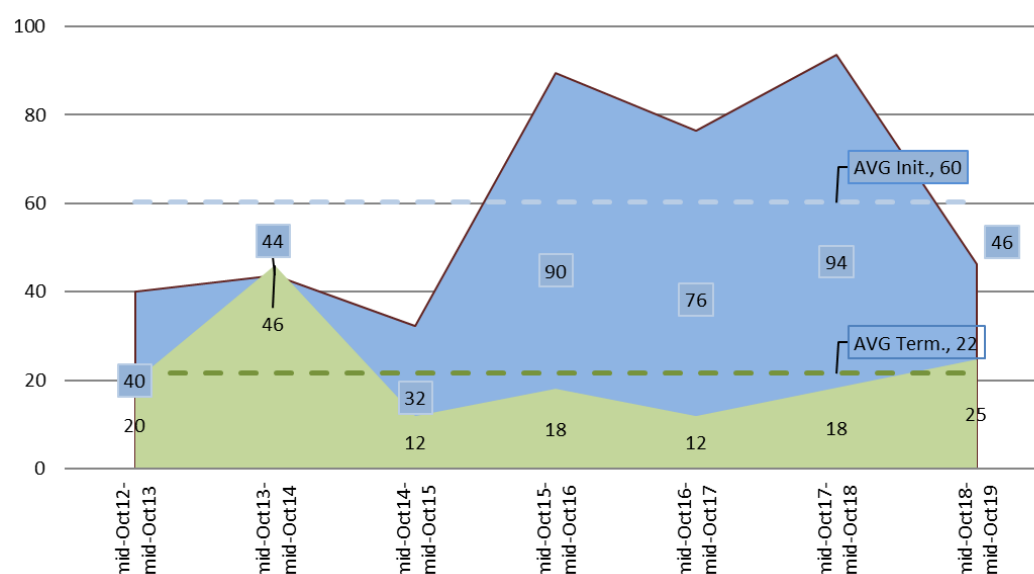
Metal products, and in particular steel, have been targeted by the majority of trade remedy investigations. The second most-investigated sector was chemical products, followed by plastics and foodstuffs. In terms of countries affected by new investigations, China was the most frequent target, followed by the Republic of Korea, India and Turkey.

²⁴ The Trade Monitoring exercise records only the initiation of a trade remedy action and does not subsequently count the imposition of temporary or other duties to avoid double counting. Termination of a trade remedy measure is recorded when temporary or other duties are ended. The inclusion of, and reference to, trade remedy initiations here does not imply a categorization of them as restrictive or protectionist. The objective is to provide a factual account of their use.

²⁵ It is important to note that, although the majority of trade remedy initiations lead to the imposition of measures, some do not.

²⁶ WTO document WT/TPR/OV/15, 29 November 2012.

Chart 4: Trade coverage of initiations of trade remedy investigations and of terminations of trade remedy actions, WTO Members
(USD billion)



Note: Trade remedy initiations include anti-dumping, countervailing and safeguard initiations of investigations. 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.

General economic support measures

WTO Members have also used 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 insurance, export credit insurance, and tax reductions/rebates.²⁷

General economic support measures and subsidy programmes may affect trade or distort competition, as certain economic sectors or activities are treated more favourably than others. Many of these could have a negative impact on trade, but for some the trade impact is hard to evaluate. Since the beginning of the monitoring exercise, it has proved very difficult to obtain information on these measures from Members. Since 2015, the number of WTO Members that volunteered information on such measures has been disappointingly low. This, however, does not necessarily indicate a decline in these policies but may simply suggest that countries are less transparent about them.

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-sector²⁸ or economy-wide stimulus packages constitute the bulk of these measures introduced by WTO Members since October 2008. These measures, together with the banking and financial sectors which received a significant share of the general economic support in 2008-09, were extensively used during the three years following the onset of the financial crisis. The rise in the number of state subsidy schemes at the beginning of the crisis constituted one of the main reasons for the initiation of the monitoring exercise. The second-largest recipients of general economic support measures have been the agriculture and food sectors, covering a variety of objectives, including long-term improvements in productivity, incentive

²⁷ The Trade Monitoring exercise does not make any judgement as to the compatibility of such measures with the WTO rules. Although it is possible that general economic support measures may affect trade in some way, it is not straightforward to conclude that they restrict or facilitate trade, or that they distort competition.

²⁸ Multi-sector measures, the first recipient of general economic support measures, have traditionally been very broad and can cover, simultaneously and under one programme, a diverse range of sectors, from agriculture and forestry to medical and shipbuilding.

packages through tax breaks, and preferential credit lines. WTO Members have provided regular support to the automotive sector since the beginning of the monitoring exercise. SMEs have also been the beneficiaries of economic support measures, with aid schemes, credit guarantee programmes, incentive packages, and improved access to investment and capital representing the more prevalent assistance provided. Other sectors which have received general economic support include the energy and the transport sectors.

In the various stimulus packages recorded by the Trade Monitoring exercise - from direct grants to a specific manufacturer to the development or restructuring of industrial sectors - governmental expenditures ranged from less than a million to hundreds of billions of US dollars. In particular, the banking and financial sectors received a very significant share of the general economic support, especially in 2008-09. Panetta *et al* (2009) indicated that, between September 2008 and June 2009, the financial resources provided by governments to support the banking system amounted to EUR 5 trillion in 11 countries.²⁹ From the information gathered on general economic support measures, it appears that these were mostly temporary in character. This is especially the case for those that were introduced in 2008-10 in response to the financial crisis. However, despite the initial indication of termination dates, it seems that several support measures have been extended, sometimes indefinitely, without official notification thereof.

Since July 2017, the WTO Trade Monitoring exercise has been unable to justify the inclusion of a general economic support annex to the Reports. In addition to the incomplete information provided by WTO Members, several measures and programmes identified by the Secretariat have been vigorously contested by the Member in question. This underlines the challenges faced by the Secretariat in collecting and verifying information, and in reporting on trends in this area. At the same time, although the large economy-wide subsidies and high-profile bail-outs of the early years of the financial crisis are now rarer, other studies have shown that state subsidies remain prevalent.³⁰

In 2018, the Secretariat attempted to extend the research of policies and programmes which could be characterized as general economic support or subsidies, with the objective of introducing additional transparency with respect to such measures. This involved extending the monitoring of measures to also include policies and programmes implemented by export-import (EXIM) banks and export credit agencies (ECAs). General economic support and subsidy programmes have evolved significantly over the past decade, including in the way that governments participate in, and assist with, the promotion of domestic economic entities. An important part of this changing picture is seen in export credits, and this was further confirmed by the measures identified by the Secretariat. For example, an unambiguous strategic shift can be observed in the increasingly proactive behaviour and strategic activities of ECAs and EXIM banks since, and perhaps in response to, the global financial crisis. This may be partly in response to those ECAs operating outside the OECD Arrangement on Officially Supported Export Credits, and therefore not being subject to the export credit disciplines contained therein.

The strategic application of trade policy measures is not a new phenomenon. However, the manner and frequency with which governments now appear to seek to gain a strategic edge in international politics through trade policy are issues which seem to have changed since the global financial crisis. This notion of using trade as a tool to achieve strategic influence has also been referred to as the "weaponization" of trade.³¹ Discussions among Members over the past couple of years have reinforced the concern that some delegations appear reluctant to enhance transparency in this area, and that the number and size of general economic support measures is much greater than that which the monitoring exercise has managed to capture to date. This should be of concern for those who bankroll such measures and for those who have to compete against them.

Services, Intellectual Property, Trade Concerns and Notifications

Although the bulk of the interest generated by the Trade Monitoring Reports has focused on trends surrounding the implementation of trade-restrictive measures, other issues have gained profile in the Reports due to their importance in the global economy. These include trade-in-services measures, intellectual property (IP) measures, non-tariff measures, trade concerns and compliance

²⁹ Australia, Canada, France, Germany, Italy, Japan, Netherlands, Spain, Switzerland, United Kingdom and United States.

³⁰ Evenett *et al.* (2017).

³¹ *The Weaponization of Trade: The Great Unbalancing of Politics and Economics, Perspectives*, Harding, R. and Harding, J. 2017.

with notification obligations. This Section will briefly address the principal trends in each of these areas.

Trade in services has grown in importance in the Trade Monitoring Reports over the years. Although services measures are 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 were aimed at strengthening or clarifying regulatory frameworks. However, several services measures implemented also appeared to be trade restrictive.³² Several sectors were covered by the implementation of new services measures, such as the air transport, construction, distribution, finance, postal, maritime transport and telecommunications sectors, as well as 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 IP and trade has further strengthened. 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 IP 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. Business, in particular, has been drawing attention to such behind-the-border measures as causing real and often unjustified obstacles to trade. For example, in 2017, the B20 published a survey which showed that differences in regulatory standards, TBT measures and IP rights were identified by individual businesses as the most distortive trade measures.³³

At the outset, it is important to emphasize that WTO Members have the right to apply SPS or TBT measures as provided under these agreements. In excess of 3,000 SPS and TBT notifications are received annually by the WTO. Although an increased 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 analysed in great detail in separate sections in the Monitoring Reports, but the Reports do not make a judgement on whether or not these measures conform to WTO rules. The increasing concern regarding the use of discriminatory behind-the-border measures is also reflected in the growing number of specific trade concerns (STCs)³⁴ raised in both the SPS and TBT Committees. While the majority of STCs have been raised at one or two Committee meetings, around a dozen have been raised more than five times in the SPS Committee and some 30 in the TBT Committee since the creation of the WTO in 1995, indicating more serious and persistent concerns. STCs have increased over the years, and their trend shows a marked correlation with the number of notifications. While STCs may involve simple requests for additional information for clarification to questions on the consistency of measures with the respective agreements, they may also suggest increasing and more complex trade frictions. However, the fact that the number of STCs has been growing may also suggest that WTO Members see the SPS and TBT Committees as useful forums in which trade concerns may be resolved non-litigiously.

In recent years, an increasing number of trade concerns, other than those within SPS and TBT, have been raised across 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 at the forefront of multilateral discussions at the WTO. Moreover, 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

³² For example, Indonesia's insurances schemes or Tanzania's electronic and postal communications measures, both introduced in 2016.

³³ Viewed at: <https://www.b20germany.org/priorities/trade-investment/ti-dossier/trade-investment-article/news/rolling-back-protectionism/>.

³⁴ An STC is a specific trade complaint raised by Members in the SPS or TBT Committees in relation to SPS or a TBT measures maintained by another Member.

demonstrates that Members are actively using the WTO committees to constructively engage trading partners on potential areas of trade friction. Over the past few years, several trade concerns raised in various WTO bodies have specifically referred to measures taken under the security exceptions mentioned in Article XXI of the GATT.

Transparency in trade and in trade policy-making is fundamental for allowing 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, and the end-of-year WTO-wide Trade Monitoring Report includes a general stock-take on notifications across the WTO. 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 problematic for several reasons. One is that it 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 being the lack of capacity of many WTO Members. Improving the notification record across the WTO will continue to be a significant collective challenge for the WTO membership in the immediate future, and it is an issue which sits close to the centre of current discussions on WTO reform.

6. WTO Trade Monitoring – challenges ahead

The WTO monitoring exercise faces several significant challenges as it transitions from its emergency post-financial crisis status to becoming the latest tool in the transparency toolbox of the multilateral trading system. What is common to all these challenges is the extent of the willingness of WTO Members to actively promote and contribute to transparency.

Ensuring and maintaining significant participation in the Trade Monitoring exercise is a challenge. Approximately 50% of WTO Members, representing more than 95% of world imports, have regularly participated – either by voluntarily submitting inputs or by responding to a request for verification. As the only horizontal and regular transparency exercise within the multilateral trading system, ensuring high participation will continue to require significant efforts on the part of both the Secretariat and Members.

The stakeholder relationship between the Secretariat and Members is fundamental to the credibility and sustainability of the Trade Monitoring exercise. However, as consultations on the exercise have demonstrated, it also represents a very real constraint. 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 within its established mandate, on the one hand, and, on the other, maintain a productive stakeholder relationship with the membership.

The substantive coverage of measures by the monitoring exercise in general, and in the Reports in particular, has evolved since 2009. Continuing to broaden the coverage of the Trade Monitoring exercise represents a big challenge as the trade agenda of the 21st century moves forward. 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 for countries, regions and sectors. Expanding the coverage of the monitoring exercise is closely linked to the nature and evolution of the stakeholder relationship with the membership, and the extent to which Members' commitment to transparency will allow the exercise to stay at the forefront of the developments and issues of the international trade agenda.

Remaining relevant to the outside world is another significant challenge. It will be important to continue to explore ways to improve transparency and predictability which would benefit those doing business in the global economy. Similarly, exploring ways in which business could contribute more directly to, or even participate in, the Trade Monitoring exercise could potentially open an additional and valuable source of information.

7. TPRM@30 Conference – Panel on Trade Monitoring³⁵

In 2019, WTO's TPRM celebrated its 30th anniversary with a high-level Conference on 27 November 2019. The Trade Monitoring exercise, which falls under the TPRM mandate, was celebrating its tenth anniversary. Session 4 of the Conference saw five experts exchange views on the achievements of the exercise over the past 10 years and the challenges ahead. Overall, the speakers commended the contribution of the Trade Monitoring Reports in bringing greater transparency to international trade and trade policy. There was agreement that the pursuit of and adherence to transparency were fundamental preconditions for a functioning multilateral trading system.

On the challenges ahead the Trade Monitoring exercise, the panellists addressed several issues. First, the stakeholder relationship between Members and the Secretariat was underlined by Peter Pedersen³⁶, moderator of the Session, as a tightrope challenge between maintaining the trust of and credibility with Members on the one hand, and of achieving independent reporting on the other.

According to Richard Eglin³⁷, Members concerns about the Secretariat exercising an independent function were dissipated as the Trade Monitoring reports were not in the business of pronouncing themselves on the legality of trade policy measures under WTO rules or about Members' legal commitments. The exercise had gained the confidence and approval of WTO Members and the G20 as an important and objective surveillance tool in the context of the financial crisis and the diverse efforts to contain it. The reports had been used by G20 Leaders at a very high political level and this, in turn, had kept trade and the multilateral system on the agenda at the G20 ever since.

The contribution of the Trade Monitoring reports in achieving greater transparency was highlighted by Pamela Coke-Hamilton³⁸ as fundamental to increasing trade cooperation, to facilitate a better understanding of policy concerns and aspirations and to foster mutual trust. However, participation to the exercise was essential for reporting accurate, qualitative and complete information on Members trade policies changes. The rigid adherence to a verification of measures with Members (Richard Eglin) had contributed to the accuracy and quality of the exercise. For developing Members' facing difficulties in participating in the exercise, it was suggested (Pamela Coke-Hamilton) that exploring cooperation with relevant agencies could help addressing the lack of national capacity.

On the scope and coverage of the exercise, covering new and emerging areas, such as digital trade, competition policy, gender issues and the environment and trade nexus, would be necessary with the evolving 21st century international trade agenda and could be achieved through closer cooperation with relevant agencies (Pamela Coke-Hamilton). Areas where further strengthening, broader coverage and analysis were suggested by the panellists included the trade-in-services area (Richard Eglin and Robert Wolfe³⁹), the Members notifications' compliance (Robert Wolfe); the trade concerns raised in other than SPS, TBT and Agriculture Committees (Robert Wolfe) and the general economic support measures and subsidies (Robert Wolfe, Amrita Narlikar⁴⁰).

The impact, relevance and credibility of the exercise, to its immediate stakeholders as well as to the outside world in general, was highlighted by some panellists. In addition to the above ideas it was suggested that the discussions of the reports could be made more interesting and interactive with the use of a working party with experts or holding panel discussions with outside experts to discuss the implications of the reports were mentioned (Robert Wolfe). Widening the overall narrative of the reports would help provide more contextual messages on specific issues and why these matter. Additionally, some attention to the use of loopholes in the system for not only economic, but also geo-economics gains, might be necessary (Amrita Narlikar).

³⁵ Viewed at:
https://www.wto.org/english/res_e/webcas_e/webcas_video_e.htm?webcast_id=126&subject_code=TPR.

³⁶ Head of the Trade Monitoring Section, TPRD-WTO.

³⁷ Senior Trade Policy Advisor at White and Case PLC and former Director of TPRD-WTO.

³⁸ Director, Division on International Trade and Commodities, UNCTAD.

³⁹ Professor Emeritus in the School of Policy Studies of Queen's University in Kingston, Ontario.

⁴⁰ President of the GIGA German Institute of Global and Area Studies and Professor of International Relations, University of Hamburg.

8. 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 that the crisis could have a significant negative impact on global trade flows, and that the WTO was ideally placed to provide the platform for an ongoing, up-to-date and transparent monitoring of trade-related measures. It was also clear that such a platform had to be firmly based on existing mandates and that drawn-out procedural negotiations on its format had to be avoided. In this sense, the speed with which the WTO Trade Monitoring effort was established in 2009 was important for the credibility of the exercise and demonstrated leadership by the multilateral trading system in the face of the worst financial crisis since the 1930s.

Regular Trade Monitoring by the Secretariat had already been 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 rested on the direct and active participation of countries, as well as on the ability of the Secretariat to independently search for, and report objectively on, relevant trade developments. Today's stakeholder relationship between WTO Members and the Secretariat is crucial to the credibility of the exercise as an additional tool in the WTO's transparency toolbox. But it may also become a constraint when Members interpret their commitment to transparency selectively or attempt to limit the ability of the Secretariat to report on clear-cut trade measures. This tension was evident at the beginning of the current monitoring effort and it continues to constitute a significant challenge today.

Between 2009 and 2017, the WTO Trade Monitoring Reports showed limited evidence of countries turning inwards or opting for protectionism. The reduction of tariffs, the expansion of global value chains and the growing interconnection of economies were in plain view during this period, as countries consistently implemented more trade-facilitating than trade-restrictive measures, both in terms of numbers of measures and trade covered. However, since mid-October 2017, this trend has experienced a sharp reversal, with the trade coverage of new import restrictions at historically high levels. Early protectionist rhetoric has turned into actual trade restrictions and, although the current trade tensions are limited to a few major trading partners, the negative impact on global trade flows and the overall sense of uncertainty now dominate every economic forecast. The latest world merchandise trade volume forecast for 2019 published by the WTO Secretariat was downgraded from 2.6% to 1.2%, the lowest such figure since the beginning of the financial crisis. Other forecasts provide similarly discouraging outlooks for the global economy, and there is a consensus that, while increased tariffs are central to the current economic malaise, the more fundamental threat to the global economy comes from the loss of business and investor confidence and the inevitable negative knock-on effect on global GDP.

The November 2019 WTO Monitoring Report provided evidence that the stockpile of import restrictions by WTO Members in force has been growing steadily since 2009 – in value terms and as a percentage of world imports. Unsurprisingly, a significant increase in both took place from 2017 to 2018. Although this jump is largely explained by a limited number of measures introduced by the United States and China, one cannot ignore the potential systemic risk of slippage by other Members. Similarly, the trade coverage of terminations of import restrictions implemented by Members shows that a roll-back of such measures is minimal.

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 mostly favoured the restoration of trade growth globally. The general economic support measures seen today may be less eye-popping and comprehensive, but they often contain elements – such as state aid, other subsidies and "buy/lend/invest/hire local" conditions – 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, with the past couple of years showing that countries are both less transparent in this regard 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 negative turn in the tone of the trade debate. In addition, the use of national security as a justification for specific trade actions and the application of very specific and targeted "smart" sanctions – on imports as well as on exports - are also very much part of recent trade developments. While the incremental accumulation of trade restrictions and their negative impact on the effectiveness of policies to boost demand remain of serious concern, the recent shift to a more adversarial approach to international trade relations poses, perhaps, the more significant risk to the multilateral trading system because it appears to hit investor confidence. This, in turn, has ramifications far beyond the realm of trade, as recent economic forecasts have pointed out.

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