
EXECUTIVE SUMMARY

This WTO Trade Monitoring Report covers new trade and trade-related measures implemented by WTO Members between 16 October 2017 and 15 October 2018.² The review period saw a continuation of the sharp escalation of protectionist rhetoric and trade tensions reported in the July 2018 Report.

World trade growth slowed during the review period as trade tensions multiplied and global financial conditions tightened. The volume of merchandise trade was up 3.4% in the first half of 2018 after rising 5.4% in the second half of 2017. Slower trade growth coincided with the introduction of new trade measures targeting a variety of exports from large economies. Direct impacts of the new measures have been modest through mid-October but rising trade policy uncertainty and falling export orders could weigh on trade and output.

Trade should continue to expand in the remainder of 2018 and in 2019, but at a more moderate pace than previously forecast. The WTO trade forecast of 27 September 2018 anticipated world merchandise trade volume growth of 3.9% in 2018, slowing to 3.7% in 2019. Risks to the forecast are tilted to the downside, due to the possibility of a further rise in trade tensions and increased financial volatility as developed economies tighten monetary policy.

More specifically, this Report shows that WTO Members applied 137 new trade-restrictive measures during the review period, including tariff increases, quantitative restrictions, imposition of import taxes and export duties, amounting to a monthly average of 11 new measures per month. This represents an increase compared to the average of nine measures recorded in the previous annual overview. The main sectors targeted by the new restrictions were electrical machinery and parts thereof (HS 85) 20.5%; machinery and mechanical appliances (HS 84) 14%; mineral fuels and oils (HS 27) 8.7%; and vehicles, parts and accessories thereof (HS 87) 7.4%.

The trade coverage of the import-restrictive measures implemented during the review period is estimated at USD 588.3 billion. This is more than seven times larger than the figure for the previous annual overview and the largest coverage of such measures recorded by the trade monitoring exercise.

WTO Members also implemented 162 measures aimed at facilitating trade during the review period, including reducing or eliminating tariffs and simplified customs procedures for imports and exports. At almost 14 trade-facilitating measures per month, this is an increase compared to the average of 11 measures recorded for the previous annual overview. The main sectors where trade facilitating measures were taken include vehicles, parts and accessories thereof (HS 87) 31.0%; machinery and mechanical appliances (HS 84) 11.7%; electrical machinery and parts thereof (HS 85) 9.7%; and pharmaceutical products (HS 30) 7.5%.

The trade coverage of the import-facilitating measures is estimated at USD 295.6 billion. This is 1.8 times higher than that recorded in the previous annual overview, but half that of trade-restrictive measures reported for the current review period.

With these data, this Report provides a first factual insight into the trade-restrictive measures imposed in the context of current trade tensions. Figures show that these measures affect hundreds of billions of dollars of imports. The proliferation of trade-restrictive actions and the uncertainty created by such actions could place economic recovery in jeopardy. Further escalation would carry potentially large risks for global trade, with knock-on effects for economic growth, jobs and consumer prices around the world. WTO Members must use all means at their disposal to de-escalate the situation. The WTO will do all it can to support its Members to this end.

On trade remedy measures, the period under review witnessed a similar trend in the monthly average of initiations of investigations and a sharp increase in terminations compared to the previous annual overview. Initiations of AD investigations continue to be the most frequent trade remedy action. This share is slightly lower than in previous years whereas the share of CVD investigations has increased. Trade remedy measures continue to be a very important trade policy tool for WTO Members and account for about 63% of all trade measures captured in this Report. The main sectors

² Unless otherwise indicated in the relevant Section.

targeted by trade remedy initiations during the review period were iron and steel (HS 72) and articles of iron and steel (HS 73) which combined represented just over 50%; electrical machinery and parts thereof (HS 85) 8.7%; and furniture, bedding, mattresses, lamps (HS 94) 8.4%. The trade coverage of trade remedy initiations introduced during the review period by WTO Members was USD 93.6 billion and that of trade remedy terminations USD 18.3 billion, both significantly larger than the trade coverage recorded for these measures in the previous annual overview.

With respect to general economic support measures, a more comprehensive approach has been attempted by the Secretariat to further enhance transparency. However, it was again not possible to establish a balanced and comprehensive annex, mainly because of the low participation and response rate of WTO Members to the request for and verification of such information. The information gathered by the Secretariat clearly suggests that the nature of general economic support measures has evolved considerably over the past decade to include a more strategic application of subsidies. WTO Members may wish to continue their discussion on how transparency on such measures and programmes may be increased as well as how information gathering in this area may be improved.

A range of other subjects are also covered by this Report. WTO Members' notifications of Sanitary and Phytosanitary (SPS) measures and of Technical Barriers to Trade (TBT) measures have increased during the review period, with most new notifications submitted by developing Members. The SPS and TBT notification obligations are meant to promote enhanced predictability and transparency regarding measures taken to address legitimate policy objectives. As in previous Reports, the majority of regular SPS notifications related to food safety, whereas the bulk of emergency SPS measures related to animal health. The majority of TBT measures indicated the protection of human health or safety as their main objective. Since 2008, the number of notified TBT measures mentioning national security as an objective has increased. In both the SPS and TBT Committees, WTO Members have dedicated considerable time to discussing Specific Trade Concerns (STCs), suggesting an increasing use of the Committees by WTO Members as forums in which trade concerns may be resolved non-litigiously.

The Report provides evidence of the continuous increase of trade concerns raised in a wider range of WTO bodies during the review period. A large number of trade concerns were raised in nearly all Committees and Councils, and several trade concerns were raised in successive meetings of the same WTO body, suggesting that these concerns address more persistent problems. As observed in recent Trade Monitoring Reports, several trade concerns were raised in more than one WTO body, indicating that they involve technically complex and cross-cutting issues. WTO Members continue to use a large cross-section of WTO Committees to engage trading partners on real or potential areas of trade friction.

In the area of agriculture, WTO Members continued to make use of the Committee on Agriculture (CoA) as a forum to discuss agricultural policies and issues related to the implementation of commitments. WTO Members continued asking questions on individual notifications and under Article 18.6 of the Agreement on Agriculture (AoA). Many of these questions addressed domestic support notifications or the implementation of domestic support commitments. The average number of questions raised under Article 18.6 per meeting has been increasing since 2011 reaching an all-time high in 2018. Among the new issues raised during the review period, more than 45% related to Members' domestic support policies and about 30% sought clarifications on policies that potentially subsidized exports.

Although the dispute settlement system remains under pressure, including the ongoing impasse over the appointment of Appellate Body members, this Report shows that Members continue to resort to it as a means of resolving their trade disputes. During the review period, the level of dispute settlement activity remained high, and the number of WTO Members requesting consultations in new disputes increased compared to the previous annual overview.

The Report also illustrates that, with a few exceptions, the compliance with notification requirements of the various WTO Agreements remains very uneven. Although there have been significant and sustained efforts by some delegations to bring the overall record of their notifications further up to date, the general sense is that progress remains slow. The lack of compliance with notification obligations across WTO bodies is problematic because it undermines individual agreements and more generally the operation of the multilateral trading system. There are several reasons for this low compliance and an important one relates to the lack of capacity of many WTO Members to fulfil their

notification obligations, despite the continued efforts by the WTO Secretariat and the Committees. This lack of capacity, as well as other reasons behind the poor compliance must be addressed collectively by the WTO membership.

The 2015 expansion of the WTO's Information Technology Agreement (ITA) continues to feature as an important contributor to trade facilitation. The trade coverage of liberalization specifically associated with measures implemented in the context of the ITA Expansion amounted to around USD 573.2 billion, according to Secretariat estimates.

Progress continues to be seen on the implementation of the WTO's Trade Facilitation Agreement. Many Members concluded their domestic ratification processes during the review period, raising the total number of acceptances to about 84% of the entire WTO membership.

On trade in services, several new measures were introduced by WTO Members and Observers. Most of these measures are horizontal in nature, affecting different modes of supply across various sectors. Among sector-specific measures, most relate to telecommunication, ICT and audio-visual services, financial services and transport services. In comparison with previous Reports, this review period has seen a greater number of measures adopted on national security grounds, including in relation to the supply through commercial presence, as well as policies affecting Internet and other network-enabled services. Even though most of the new measures are trade-facilitating, several appear to be trade-restrictive.

The Report also draws attention to developments in the area of Trade-Related Aspects of Intellectual Property Rights (TRIPS), including the ever-stronger link between intellectual property (IP) and trade. WTO Members continued to develop and diversify their own national strategies to streamline IP into the economy and to modernize and fine-tune their IP legislation and administration.

Building on the decision taken by Members at MC11 in Buenos Aires work continued to advance negotiations on fisheries subsidies. Groups of Members also continued to pursue their discussions on issues including electronic commerce, investment facilitation, micro, small and medium enterprises (MSMEs), and women's economic empowerment.