

## EXECUTIVE SUMMARY

This WTO Trade Monitoring Report covers new trade and trade-related measures implemented by WTO Members between 16 October 2018 and 15 October 2019.<sup>2</sup> During the review period, new trade restrictions and increasing trade tensions added to the uncertainty surrounding international trade and the world economy.

World trade growth stalled during the first half of 2019, with year-on-year growth in the volume of merchandise trade dropping to 0.6% from 2.4% in the second half of 2018 as trade tensions continued to escalate. In response to the slower-than-expected pace of expansion, on 1 October 2019, the WTO Secretariat downgraded its forecasts for world trade growth in 2019 and 2020 to 1.2% and 2.7%, respectively (down from the estimates from last April of 2.6% and 3.0%, respectively). Economic growth also slowed in major economies in the first half of the year, partly due to persistent trade tensions and partly as a result of cyclical and structural factors. World real GDP at market exchange rates is projected to increase by 2.3% in both 2019 and 2020. If these estimates are realized, trade volumes will only grow half as fast as world GDP in 2019.

The slowdown coincided with increasingly negative forward-looking indicators for world trade and output, including export orders derived from purchasing managers' indices, and economic policy uncertainty based on the frequency of keywords in press accounts. Risks to the forecast are predominantly on the downside and include a further ratcheting-up of trade-restrictive measures and a sharper slowing of GDP growth in one or more major economies.

More specifically, this Report shows that WTO Members implemented 102 new trade-restrictive measures during the review period, including tariff increases, quantitative restrictions, stricter customs procedures, and imposition of import taxes and export duties. The main sectors targeted by the new import restrictions were mineral and fuels oils (HS 27) 17.7%, machinery and mechanical appliances (HS 84) 13%, electrical machinery and parts thereof (HS 85) 11.7%, and precious metals (HS 71) 6%.

The trade coverage for the new import-restrictive measures implemented by WTO Members was estimated at USD 746.9 billion. This is the highest recorded since October 2012 and represents an increase of 27% compared to the figure in the previous annual overview (USD 588.3 billion). The trade coverage of import-restrictive measures recorded in the last two annual overviews has soared.

WTO Secretariat estimates of the stockpile of import restrictions implemented since 2009, and still in force, suggest that 7.5% of world imports are affected by import restrictions. At the end of 2018, USD 1.5 trillion out of a total USD 19.5 trillion of world imports were estimated to be affected by import restrictions put in place by WTO Members over the last decade. The trade coverage of import-restrictive measures implemented since 2009 and still in force by mid-October 2019 is estimated at USD 1.7 trillion, suggesting that the stockpile of import restrictions has continued to grow.

WTO Members also implemented 120 new measures aimed at facilitating trade, during the review period, including reducing or eliminating tariffs, export duties and import taxes. The trade coverage of the import-facilitating measures implemented during the review period was estimated at USD 544.7 billion (excluding ITA-related measures). This is the second highest trade coverage reported for this type of measures since October 2012. The main sectors targeted by the new import-facilitating measures were machinery and mechanical appliances (HS 84) 13.4%, electrical machines and equipment (HS 85) 12.1%, copper and articles thereof (HS 74) 7.6%, and motor vehicles (HS 87) 7.4%.

In addition, liberalization associated with 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 the import-facilitating measures implemented during the review period associated with the ITA Expansion Agreement amounted to USD 705 billion, according to preliminary WTO Secretariat estimates.

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<sup>2</sup> Unless otherwise indicated in the relevant Section.

The monthly average of initiations of trade remedy actions by WTO Members remained stable compared to 2018. However, the second half of the review period saw this figure accelerate, in particular as a result of new anti-dumping investigations. Initiations of anti-dumping investigations continue to be the most frequent trade remedy action, accounting for around four fifths of all initiations during the review period. In the area of safeguards, the review period saw a significant increase in activity. Trade remedy measures continue to be a very important trade policy tool for WTO Members, and account for about 68% of all trade measures captured in this Report. The main sectors targeted by trade remedy initiations during the review period were on furniture (HS 94) 24.7%, iron and steel (HS 72) 14%, articles of iron and steel (HS 73) 12.1%, and machinery and mechanical appliances (HS 84) 4.9%. The trade coverage of these initiations was estimated at USD 46.2 billion, and that of terminations at USD 24.8 billion. Both figures are significantly higher than the trade coverage recorded for these measures in the previous annual overview.

With respect to general economic support measures, the Secretariat received information from only eight WTO Members in response to the Director-General's request for information. As a result, the Secretariat has been unable to justify the inclusion of a separate annex on these measures in the Report. From the limited information received from the WTO Members, and from the research undertaken by the Secretariat, the current review period confirms that Members continue to implement such measures as part of their overall trade policy. Discussions at the informal TPRB meeting in July 2019 reinforced the need for further guidance as to how the Secretariat should cover these measures in the Trade Monitoring Reports. The selective commitment to transparency which has characterized general economic support measures in the context of the trade monitoring exercise should be of concern to all Members.

A range of other subjects are also covered by this Report. WTO Members have continued notifying their sanitary and phytosanitary (SPS) measures and technical barriers to trade (TBT) measures, 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. Most TBT measures indicated the protection of human health or safety as their main objective. In both the SPS and TBT Committees, WTO Members have dedicated considerable time in 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. Since 1995, 43% of all STCs raised at the SPS Committee have been reported as resolved or partially resolved.

The Report provides evidence of the continuous increase of trade issues and concerns raised in a wider range of WTO bodies during the review period. About 230 trade concerns were raised in some 28 formal meetings of WTO bodies other than the SPS and TBT Committees, showing an increase of 8% per meeting compared to the previous annual report. A significant number of trade concerns were raised in successive meetings of the same Committee/Council, and often in multiple WTO bodies, confirming that many concerns involve what appear to be technically complex and persistent problems. WTO Members are increasingly using multiple platforms within the WTO committee structure to address various aspects of their trade concerns and for exploring solutions to trade frictions non-litigiously. At the same time, the reasons behind the repetition and non-resolution of the same trade concerns and issues in various WTO bodies may warrant further study.

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 under the Agreement on Agriculture (AoA). WTO Members continued asking questions on individual notifications and under Article 18.6 of the AoA, with the majority (70%) of those directed to domestic support notifications. The average number of questions raised under Article 18.6 per meeting has been increasing since 2011, reaching an average of 51 questions per meeting in 2019. Among the new issues raised during the review period, more than half related to Members' domestic support policies, and around 30% related to measures that restrict, or had the potential to restrict, trade of agricultural products.

The level of the WTO dispute settlement system activity remained high during the review period, despite the impasse over the appointment of new Appellate Body members. The Report shows that, over the last 12 months, 29 panels were composed and commenced work, and appeals were filed in 8 disputes, resulting in 55 panel, arbitration and appeal proceedings ongoing during each month on average.

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 efforts by some delegations to bring 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, as 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.

Work on the implementation of the WTO's Trade Facilitation Agreement advanced. Many Members concluded their domestic ratification processes, raising the total number of acceptances to about 89% of the entire WTO membership.

Many new measures affecting trade in services were introduced by WTO Members and Observers during the review period. While most of these were trade-facilitating, a significant number appeared to be trade-restrictive, in particular measures affecting communication and network-enabled services, as well as policies pertaining to the review of foreign investment in certain areas considered strategic or linked to national security.

The Report also draws attention to developments in Trade-Related Aspects of Intellectual Property Rights (TRIPS), including the strengthening link between intellectual property (IP) and trade, and the development and diversification of national policies to streamline IP into the economy. 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.

Following MC11, work continued throughout 2019 to advance negotiations, particularly on fisheries subsidies, building on the decision taken by Members in Buenos Aires. Groups of Members also continued to pursue their discussions on other issues, including electronic commerce, investment facilitation, women's economic empowerment, domestic regulation in services, and micro, small and medium-sized enterprises (MSMEs).