

EXECUTIVE SUMMARY

1.1 Trade growth in 2013 reflected the slow and uneven growth that we saw in the global economy. The volume of merchandise trade expanded by less than 2.5% last year. It is projected to grow by between 4.0% and 4.5% in 2014 but that is still below the historical average since 1990 of 5.5%.

1.2 The Bali Package adopted at the 9th Ministerial Conference in December was a considerable achievement for WTO Members and represents a significant boost for trade, growth and development. For many years previously the WTO had not delivered negotiated outcomes and, as a consequence, the multilateral trading system was being questioned. Bali changed all that.

1.3 In the Bali Declaration Ministers reaffirmed their "commitment to the WTO as the pre-eminent global forum for trade, including negotiating and implementing trade rules, settling disputes and supporting development through the integration of developing countries into the global trading system". There is a clear commitment to build on the momentum generated by the success of Bali to conclude the Doha Development Agenda. As we prepare to seize this opportunity in 2014, it is timely to look back on the challenges which emerged in the international trading environment in 2013 and to consider how policymakers might respond.

The continued accumulation of trade restrictions in 2013 that are detailed in this Report falls far short of an outbreak of protectionism, but it must be a priority for policymakers to stop and reverse this trend.

1.4 Between October 2012 and November 2013, 407 new trade restrictions and initiations of trade remedy actions were reported, compared with 308 in the same period a year earlier. These new measures affect about 1.3% of world merchandise imports (valued at US\$240 billion) and they add to the existing stock of restrictions and other impediments to the flow of international trade.

1.5 A total of 355 trade remedy actions were reported in 2013, the vast majority anti-dumping actions and safeguard measures. As was the case in 2012, more actions were initiated than were terminated. There were 217 initiations of trade-remedy investigations covering around 0.2% of world imports, and 138 terminations of either investigations or of existing duties covering around 0.1% of world imports. Trade remedy activity is clearly on the rise, and Members should reflect on what the causes of that might be.

1.6 The number of new trade-facilitating measures reported by Members fell to 107 in 2013, well down from 162 a year earlier. These, plus the number of terminations of trade remedy actions, represent little more than one-third of the total measures covered in this Report, and it paints an unflattering picture of the ratio of trade restriction to facilitation that exists at the multilateral level outside the regional trading areas.

1.7 Individual Trade Policy Reviews undertaken in 2013 have shown that WTO Members are making efforts to resist domestic pressures to erect trade barriers. Some slippage is perhaps inevitable. However, it must be borne in mind that these new measures continue to swell the stock of trade restrictions and distortions that are in place globally and that are holding back the potential for trade to raise incomes, create jobs and advance economic development. Members must attend to the risk posed by the cumulative effect of new and existing trade restrictions. The G-20 members have a particular responsibility to set an example for the rest of the WTO membership in this regard, and to create the confidence that is needed for further multilateral initiatives to liberalize trade under the WTO to succeed.

The positive outcome of MC9 creates an opportunity to take steps to reinvigorate the multilateral trading system.

1.8 One of the factors that contributed to the success of MC9 was the importance that Members attach to the multilateral trading system. Prior to Bali, the ability of the WTO to manage and move forward the multilateral trade agenda through negotiations was open to doubt. Building on the reaffirmation by Ministers in Bali of their commitment to multilateralism, WTO Members need to consider how to mobilize at the domestic level more understanding of, and support for, the benefits of multilateral trade cooperation. Being able to build on support at home will strengthen

Members' ability to approach the design and implementation of the post-Bali work programme in a bolder and less constrained manner than they appear to have been able to adopt when tackling the challenges of the DDA over the past several years.

1.9 There is no single rationale that uniformly explains the value of the multilateral trading system for all countries. Its benefits are not viewed in the same way by the large trading powers as they are by smaller countries, nor by developed countries in the same way as they are by developing countries, nor by exporters of primary products in the same way as they are by exporters of manufactured goods or of services. All Members have to be prepared to make trade-offs if the WTO's negotiating function is to work, and each Member's political mandate for negotiations needs to factor in the collective benefit to the system that results from a successful negotiation alongside the straightforward commercial gains that each Member sets out to achieve. This is especially challenging at a time of significant global economic change. WTO Members, including the largest trading nations both developed and developing, need a well-functioning, rules-based, multilateral trading system to manage their trade relations with each other. There is also a real need to focus on the development component of the WTO's work, and how the system can benefit smaller, less-developed Members, whose options for managing their own trade relations are more constrained. The multilateral trading system has a central role to play in preventing fragmentation and polarization of the international economy.

1.10 It is sometimes argued that the WTO has become less relevant as it has not sufficiently adapted to address challenges arising from developments in patterns of trade, production, technology and the internationalization of supply chains – what is needed is a "21st century trade agenda" for the WTO. Trade multilateralism does need to renew itself to take into account recent developments in the global economy. However, that task must not obscure the continuing need to address the many remaining traditional trade barriers and distortions that continue to be at the centre of the trade policy agenda for the large majority of WTO Members.

Regional trade negotiations and agreements have significant ramifications for the evolution of the multilateral trading system.

1.11 During the period covered by this Report, Members notified 23 new regional trade agreements (RTAs) to the WTO, bringing the total number in force today to 250. Negotiations are continuing or were launched in 2013 on new RTAs, in some cases between parties that collectively account for very substantial shares of world trade and GDP. As WTO Members pursue the work on the decisions taken at MC9, it is natural to ask how these new RTAs will affect the multilateral trading system.

1.12 What is distinctive about the RTA agenda today is the number of large regional agreements currently being negotiated. The implications of such agreements for the multilateral trading system are likely to be far greater than more traditional RTAs by virtue of their anticipated scope, the sheer economic weight of the parties involved, and the implications of this for the setting of global standards.

1.13 This underscores the need for continuing work by Members on the relationship of RTAs to the multilateral trading system. Such work can help ensure that these new preferential agreements are consistent with and supportive of the multilateral trading system. Members have already advanced well in the DDA negotiations on Rules by establishing the RTA Transparency Mechanism on a provisional basis; and there is a strong case for completing that exercise by making the Mechanism permanent. It would also seem appropriate to look at ways to reinvigorate work in the CRTA on the systemic implications of regionalism, using the studies produced by the Secretariat to review and reflect on what best practice might be in the design and negotiation of RTAs to ensure they operate harmoniously with the multilateral trading system and that the interests of third parties are properly taken into account.

Transparency is a core principle of the multilateral trading system. There is considerable scope to improve its application by WTO Members.

1.14 The regular work of the WTO could benefit from more attention to the operation of the many obligatory transparency mechanisms that exist and that underpin the effectiveness of WTO rules generally. Compliance with those mechanisms has not always been as ideal as envisaged in the WTO agreements.

1.15 The number of Members that respond to the request to provide information on their new trade measures for the trade monitoring exercise is small and, in fact, declined from 38 in 2012 to 35 in 2013. While the exercise appears to be picking up the majority of the border trade measures introduced in each period, that is not the case with behind-the-border measures such as subsidies and state aids, general economic support measures, public procurement and domestic regulations that affect trade in goods and services. In addition, as Section 4 of this Report shows, the record of Members' compliance with their formal notification requirements is patchy and far from satisfactory.

1.16 Better transparency of trade and trade-related measures is a key factor affecting all aspects of the WTO's core functions. Sharing information among Members is essential for the proper implementation of WTO agreements, it is a condition for successful negotiations, it can help considerably to avoid trade disputes arising unnecessarily, and it is the essence of the WTO's surveillance activities through the TPRM and the trade monitoring exercise. Improving this aspect of the functioning of the WTO requires no new mandate, it is simply a matter of applying the existing rules.