

Trade policy developments

Trade monitoring	90
The 11th WTO Ministerial Conference	93
Trade facilitation	94
Aid for Trade	98
Trade finance	99

136

The WTO's Trade Facilitation Agreement (TFA) has been ratified by 136 WTO members. The TFA entered into force in February 2017 after the required two-thirds of WTO members had ratified it.

11

At the WTO's 11th Ministerial Conference, ministers took a number of decisions, including one on fisheries subsidies. Groups of members launched discussions on e-commerce, investment facilitation, MSMEs and women's economic empowerment.

US\$ 1.5 trillion

The global trade finance gap is estimated to be US\$ 1.5 trillion per annum.

429

The total number of new trade measures implemented by WTO members and observers between October 2017 and May 2018 was 429.

Trade monitoring

Trends in trade policy making

The WTO's latest trade monitoring report, published on 10 July 2018, reveals that WTO members and observers implemented 429 trade measures between mid-October 2017 and mid-May 2018. These include 89 trade facilitating measures, 265 trade remedy measures (173 initiations and 92 terminations) and 75 trade-restrictive measures (see Chart 6.1). Trade-restrictive measures have therefore increased during the current review period, compared to the previous review period.

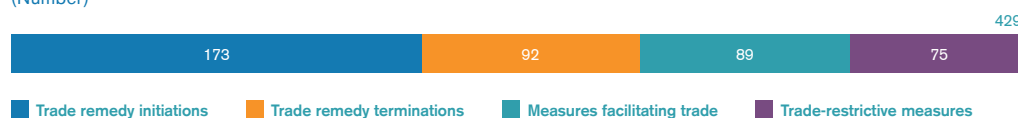
The WTO's trade monitoring exercise was initiated immediately after the onset of the financial crisis at the end of 2008. It is a transparency exercise rather than a legal exercise, and is intended to be purely factual without prejudice to the rights and obligations of WTO members. The trade monitoring reports provide WTO members with regular updates on the latest trends in the implementation of trade measures and on important developments in trade policy-making within the context of the global economic and trading environment. Members' participation in the trade monitoring exercise and in maintaining a platform for peer review of trade policies are fundamental for enhancing transparency and predictability in trade policy-making.

Information on trade measures included in the reports is either submitted by WTO members and observers or collected from other official and public sources. The trade information and measures assembled are verified by the members concerned. In the latest report, information was submitted by 71 members (counting the European Union and its member states separately), representing 43 per cent of the WTO membership. Two observers also provided information.

Chart 6.1

Overview of trade measures, mid-October 2017 to mid-May 2018

(Number)



Source: WTO Secretariat.

¹ Overview of developments in the International Trading Environment, Annual Report by the Director-General on mid-October 2016 to mid-October 2017, WTO document WT/TPR/OV/20, 16 November 2017.

Increase in the implementation of trade-restrictive measures

The report shows that WTO members applied 75 new trade-restrictive measures from mid-October 2017 to mid-May 2018. This equates to an average of almost 11 new measures per month compared with an average of nine measures recorded in the previous report¹ (see Chart 6.2).

Trade-restrictive measures include new import or export tariffs, increases in existing import or export tariffs, the introduction of import bans or quantitative restrictions, the establishment of more complex or stricter customs regulations or procedures and local content requirements. The duration of these measures can be temporary or permanent.

Increase in the implementation of trade-facilitating measures

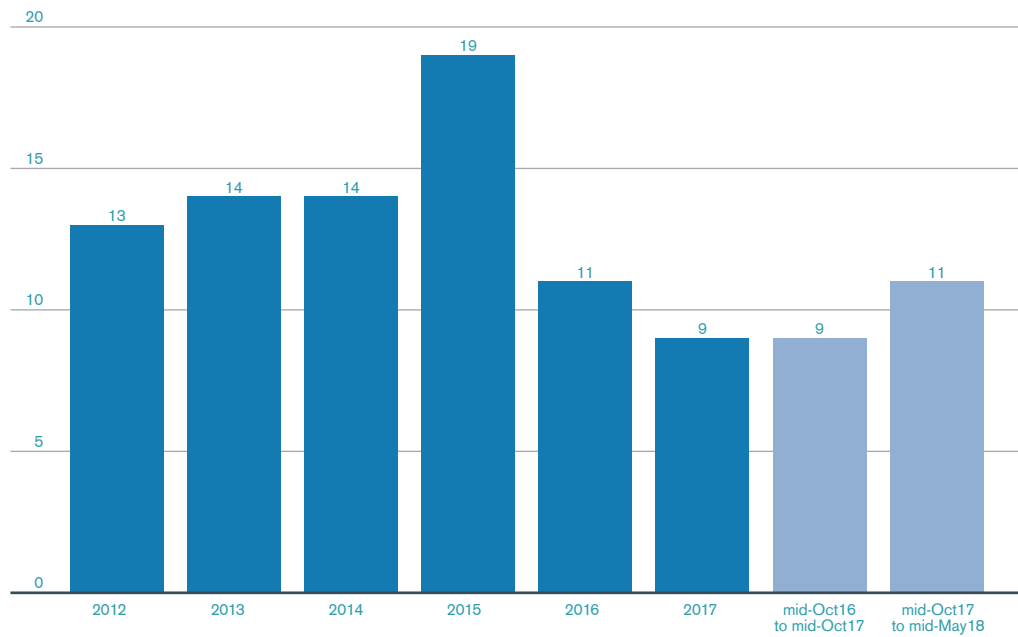
WTO members implemented 89 measures aimed at facilitating trade from mid-October 2017 to mid-May 2018. Averaging 13 trade-facilitating measures per month, this is an increase compared with the average of 11 measures recorded in the previous report (see Chart 6.3).

Examples of trade-facilitating measures include the elimination or reduction of import or export tariffs, the simplification of customs regulations or procedures, the temporary or permanent elimination of import or export taxes and the elimination of quantitative restrictions on imports or exports.

Chart 6.2:

Trade-restrictive measures

(Average number per month)



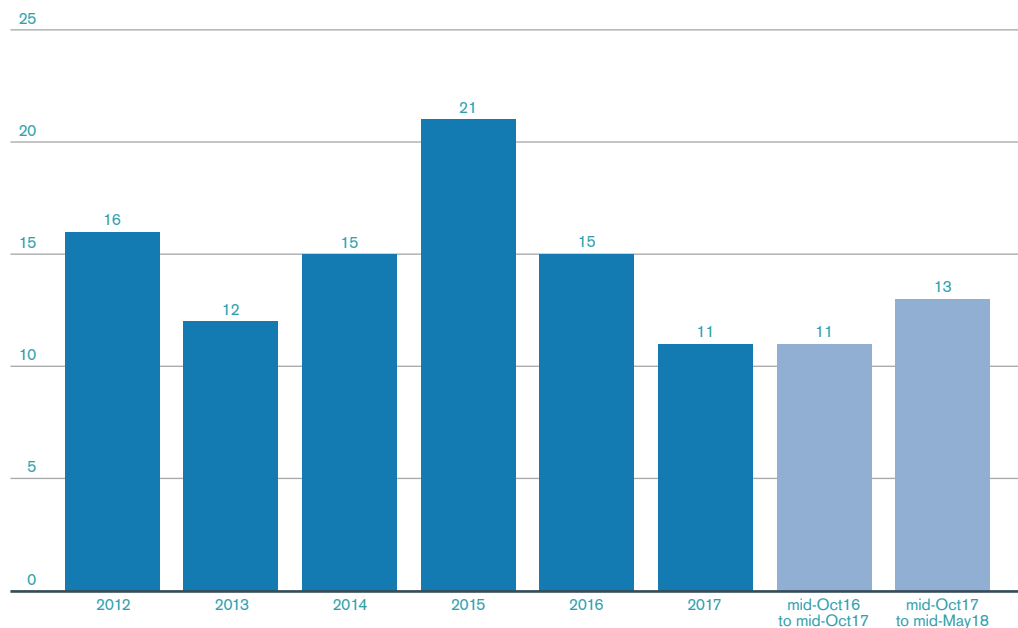
Note: Values are rounded. Changes to averages of previous years reflect continuing updates in the Trade Monitoring Database (<http://tmdb.wto.org/>).

Source: WTO Secretariat.

Chart 6.3:

Trade-facilitating measures

(Average number per month)



Note: Values are rounded. Changes to averages of previous years reflect continuing updates of the Trade Monitoring Database (<http://tmdb.wto.org/>).

Source: WTO Secretariat.

11

WTO members applied an average of almost 11 trade-restrictive measures per month from mid-October 2017 to mid-May 2018, an increase on the average of 9 recorded in the previous period.

13

WTO members implemented an average of 13 trade facilitating measures per month from mid-October 2017 to mid-May 2018, an increase compared with the average of 11 recorded in the previous period.

Initiations of trade remedy investigations remain at same level

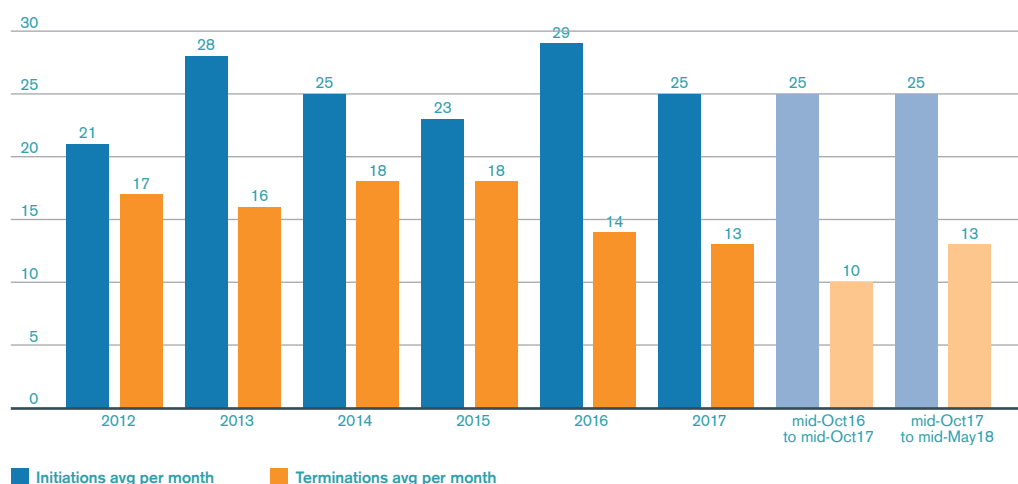
Initiations by WTO members of trade remedy investigations between mid-October 2017 and mid-May 2018 remained at about the same level as the previous reporting period. However, there was an increase in terminations of trade remedy actions (see Chart 6.4). Initiations of trade remedy investigations represented 40 per cent of all trade measures taken by WTO members during the review period. Initiations of anti-dumping investigations accounted for almost 80 per cent of trade remedy investigations. The main sectors affected by trade remedy initiations during the review period were iron and steel, plastics and articles thereof, vehicles, parts and accessories thereof, articles of iron and steel and electrical machinery and parts thereof.

The value of trade covered by trade remedy initiations recorded in the latest report is estimated at US\$ 52.7 billion, almost double the trade coverage of these measures during the same period in 2016-17. The coverage of trade remedy terminations recorded in the review period is estimated at US\$ 6.8 billion.

Coverage ratio of import-facilitating over import-restrictive measures declines significantly

The trade coverage of import-facilitating measures (US\$ 107.3 billion) is larger than the coverage of import-restrictive measures (US\$ 84.5 billion) (see Chart 6.5). This is a very positive sign for global trade. However, the ratio between the coverage of import-facilitating measures and import-restrictive measures has declined significantly from the two to-one ratio in the previous report. This is a source of considerable concern and an area where continued monitoring is required.

Chart 6.4
Trade remedy trends – initiations and terminations
(Average number per month)



Note: Values are rounded.
Source: WTO Secretariat.

Chart 6.5
Trade coverage of import measures, mid-October 2017 to mid-May 2018
(US\$ billion)



Note: The trade coverage estimates are calculated as the value of imports of the specific product concerned from countries affected by an import measure, by using the UNSD Comtrade database at the six-digit tariff line level. These trade coverage estimates should be treated with caution, as they may be influenced by highly traded goods, exchange rates effects and availability of import statistics or detailed HS codes.
Source: WTO Secretariat.

25
Initiations of trade remedy investigations by WTO members between mid-October 2017 and mid-May 2018 remained stable at about 25 per month.

The 11th WTO Ministerial Conference

The 11th Ministerial Conference (MC11) of the WTO in Buenos Aires in 2017 ended with ministerial decisions on fisheries subsidies, e-commerce, small economies and intellectual property and established a working party on the accession of South Sudan. At the closing session, the MC11 Chair, Minister Susana Malcorra of Argentina, noted that WTO members agreed to advance negotiations on all remaining issues.

Under the ministerial decision on fisheries subsidies, ministers agreed on a work programme aiming towards adopting by the next Ministerial Conference "an agreement on comprehensive and effective disciplines that prohibit certain forms of fisheries subsidies that contribute to overcapacity and overfishing, and eliminate subsidies that contribute to Illegal, Unreported and Unregulated fishing." The decision also recognized that "appropriate and effective special and differential treatment for developing country Members and least developed country Members should be an integral part of these negotiations."

During MC11, four joint statements were signed by like-minded groups of members on advancing discussions on e-commerce, investment facilitation for development, micro, small and medium-sized enterprises (MSMEs), and trade and women's economic empowerment. These members encouraged all WTO members to join them.

Seventy-one members agreed to initiate exploratory work together towards future negotiations on trade-related aspects of e-commerce. Participation would be open to all WTO members and would be without prejudice to participants' positions on future negotiations.

Recognizing the links between investment, trade and development, 70 WTO members agreed to pursue structured discussions aimed at developing a multilateral framework on investment facilitation.

Eighty-seven WTO members declared their intention to create an Informal Working Group on Micro, Small & Medium Enterprises (MSMEs) at the WTO that is open to all members. They agreed to continue striving for a multilateral outcome aimed at establishing a formal work programme for MSMEs at the next Ministerial Conference. The discussions will address the obstacles MSMEs face in participating in international trade.

A total of 118 WTO members and observers supported the Buenos Aires Declaration on Trade and Women's Economic Empowerment aimed at increasing the participation of women in trade and ensuring that the WTO works towards more inclusive trade. The aims of the declaration include:

- working together in the WTO to remove barriers for women's economic empowerment and increase their participation in trade
- exploring ways to tackle barriers to women in trade and in public procurement markets, exchanging information about best practices and collecting relevant economic data
- using on a voluntary basis Trade Policy Reviews to emphasize policy developments that contribute to gender equality
- ensuring that Aid for Trade supports efforts to analyse, design and implement more gender-responsive trade policies
- maintaining dialogue through dedicated events and ongoing discussions on these issues.

In addition, a group of 60 WTO members issued a joint statement at MC11 reaffirming their commitment to advancing the ongoing talks on domestic regulation in services and calling on all members to intensify work, with the aim of concluding the negotiations before the next Ministerial Conference.



Trade facilitation

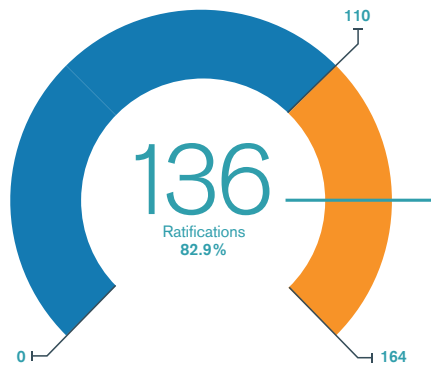
More than 80% of WTO members have ratified the Trade Facilitation Agreement

Good progress has been made in implementing the WTO's Trade Facilitation Agreement (TFA). As of April 2018, a total of 136 members had completed their domestic ratification processes and submitted their acceptance of the Agreement to the WTO (see Chart 6.6). This represents 82 per cent of the WTO membership – a significant increase on the two-thirds threshold reached in February 2017, which allowed the TFA to enter into force.

Chart 6.7 shows a steady increase in ratifications of the TFA since its entry into force on 22 February 2017.

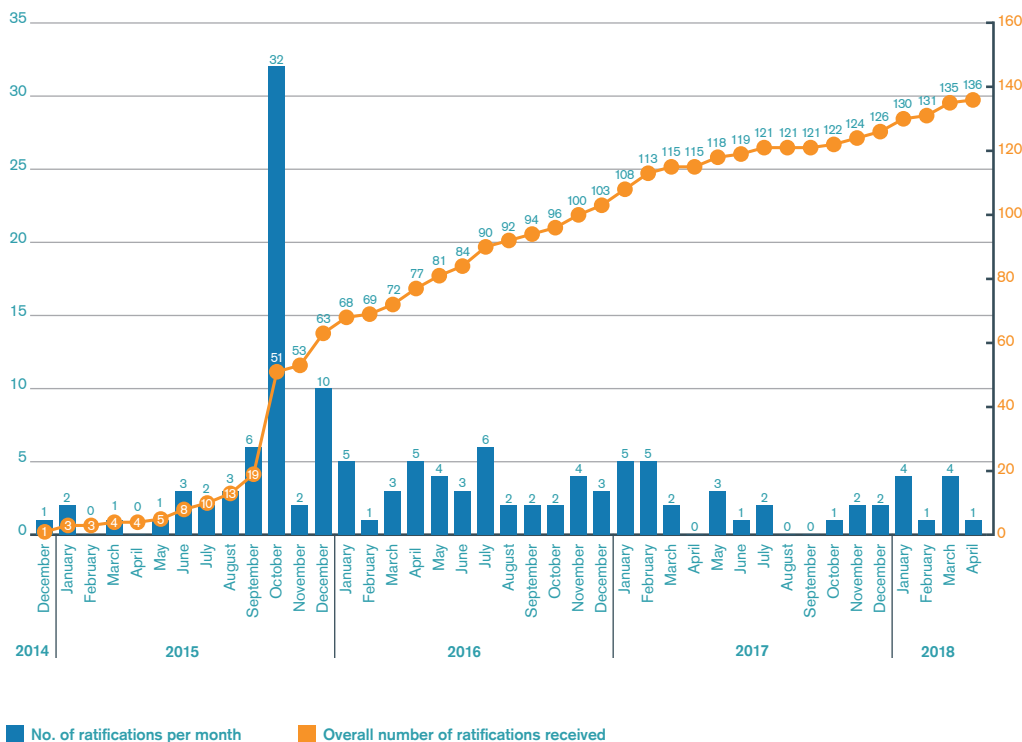
WTO members who have submitted their ratification of the TFA are spread across a variety of regions and levels of development (see Chart 6.8). As of April 2018, Europe had the highest number of ratifications (36), followed by Asia and the Pacific, and Africa with 28 each.

Chart 6.6
Ratifications of the Trade Facilitation Agreement



Source: Trade Facilitation Agreement Database (TFAD).

Chart 6.7
TFA ratification timeline

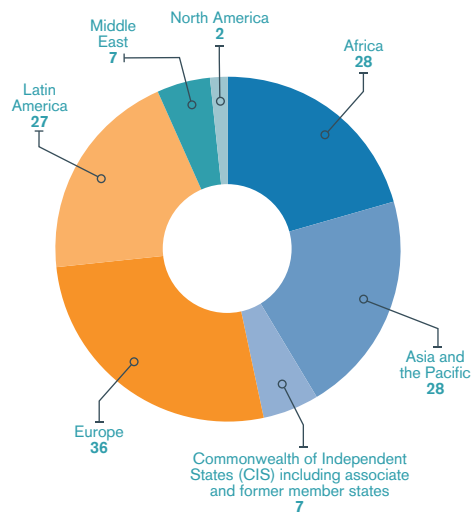


28
28 WTO members submitted their ratifications of the Trade Facilitation Agreement from February 2017 to April 2018.

Chart 6.8

Regional breakdown of TFA ratifications

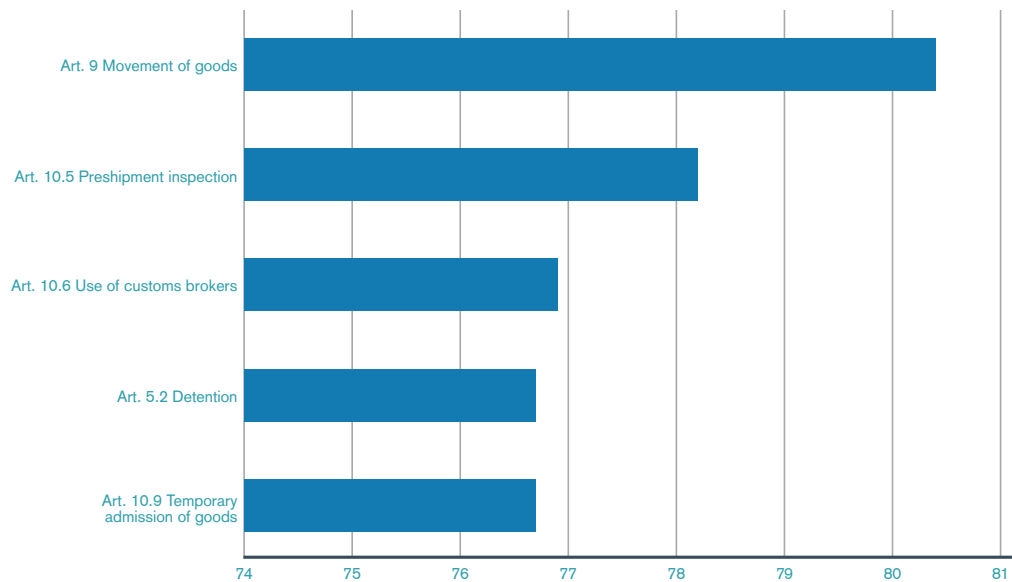
(Number of ratifications)



Progress has also been made on notifications submitted by WTO members, indicating when developing and least-developed countries intend to implement various provisions of the TFA and the capacity-building support they will need to do so. These notifications form a roadmap of when the Trade Facilitation Agreement could be fully implemented.

By mid-April 2018, 112 members had submitted “category A commitments”, indicating which provisions could be implemented immediately. The measures most frequently referenced under this category relate to Article 9 of the TFA (movement of goods under customs control), Article 10:5 (pre-shipment inspection), Article 10:6 (customs brokers), Article 5:2 (detention) and Article 10:9 (temporary admission of goods – see Chart 6.9).

Chart 6.9

Measures most frequently notified as TFA “Category A” commitments¹

Source: Trade Facilitation Agreement Database (TFAD).

¹ For the purpose of the analysis, the Agreement's 12 notifiable articles were broken down into 36 measures and 238 notifiable article items.

A total of 61 WTO members presented “category B” commitments, indicating the TFA provisions requiring additional implementation time. Likewise, 51 WTO members presented “category C” commitments, indicating the provisions requiring more time for implementation and the need for capacity-building support.

Europe has the highest share of submissions, followed by the Middle East and Latin America and the Caribbean (see Chart 6.10).

Most notifications have been submitted by developing economies, followed by landlocked developing economies and least-developed countries (LDCs – see Chart 6.11).

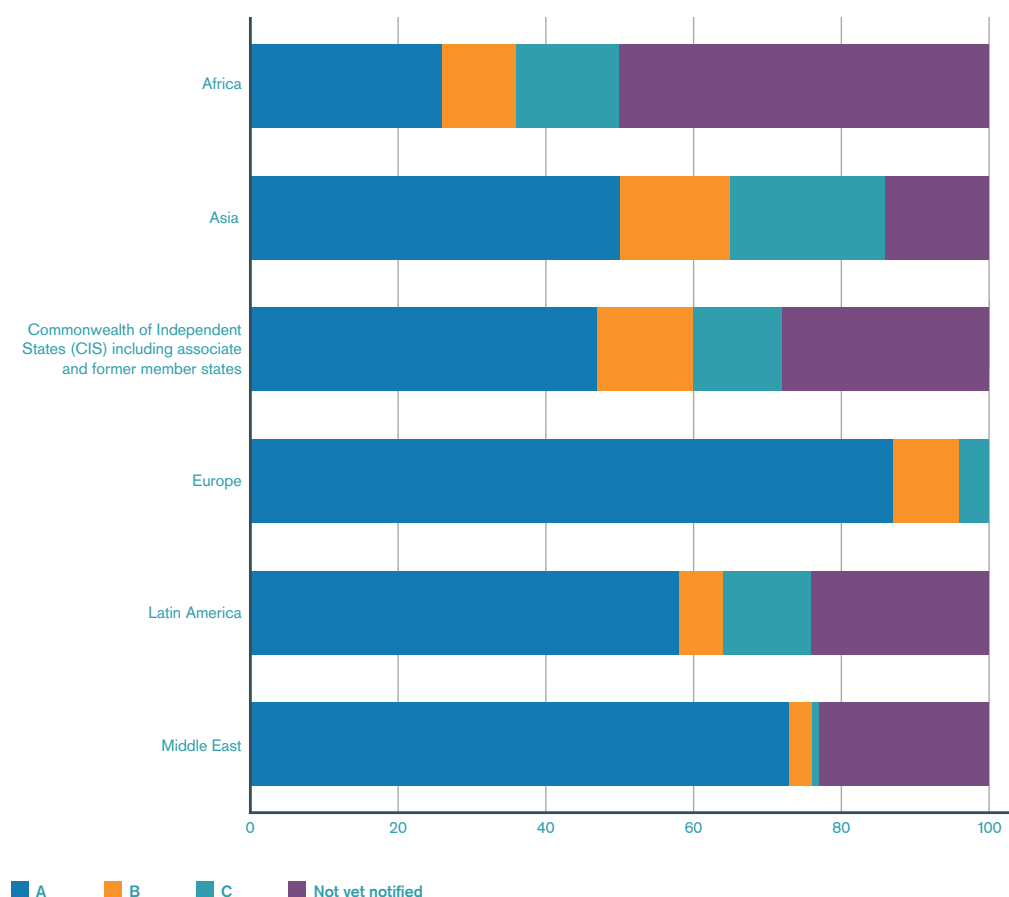
Developed economies had to implement all provisions of the TFA as soon as it entered into force.

Chart 6.10

Category A, B and C notifications by region

(Calculated as a percentage of all notifiable article items)

(Percentage share)



87
Europe has the highest share of Category A notifications (87%), with 9% of Category B and 4% of Category C.

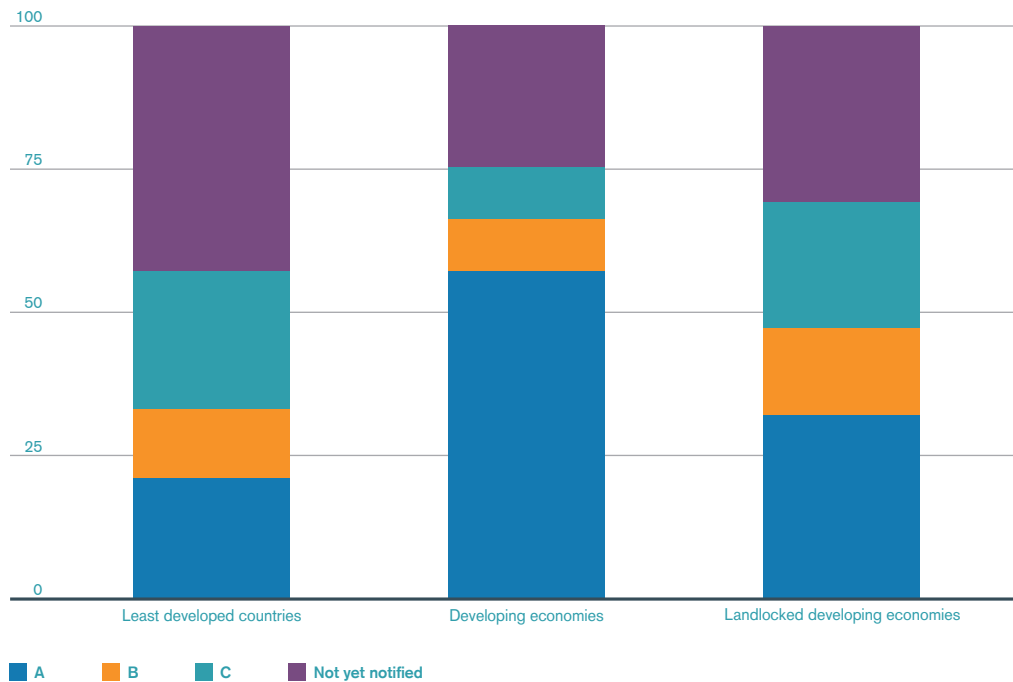
Note: Latin America is comprised of South and Central America and the Caribbean and Mexico. To allow for a comparative analysis that reflects the fact that some WTO members have separated the TFA's provisions into small sub-segments when making their category designations, the Agreement has been broken down into 238 items.

Source: Trade Facilitation Agreement Database (TFAD).

Chart 6.11

Category A, B and C notifications by economic grouping

(Percentage of all notifiable article items)



Note: To allow for a comparative analysis that reflects the fact that some WTO members have separated the TFA's provisions into small sub-segments when making their category designations, the Agreement has been broken down into 238 items.

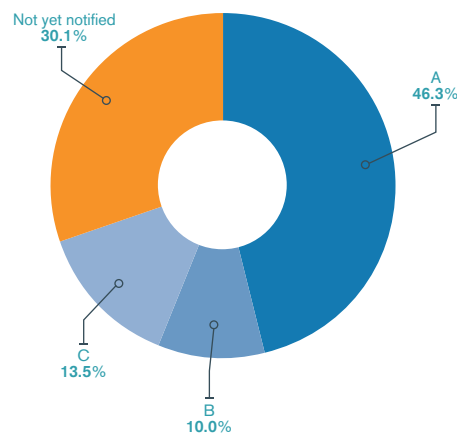
Almost half of all relevant TFA provisions have been designated by WTO members as "category A" commitments (see Chart 6.12). About 10 per cent have been classified as category B commitments and more than 13 per cent as category C commitments.

Taking into account the fact that developed economies were obliged to implement the entire Agreement from the moment it took effect, the overall share of TFA provisions with implementation commitments stood at 60 per cent by mid-April 2018. This figure comprises automatic commitments by all developed economies plus Category A commitments as well as category B and C notifications where the date for implementation has already been reached.

Chart 6.12

TFA provisions classified as Category A, B and C commitments

(Percentage share)

**113**

113 developing economies have submitted Category A notifications, 68 Category B and 57 Category C.

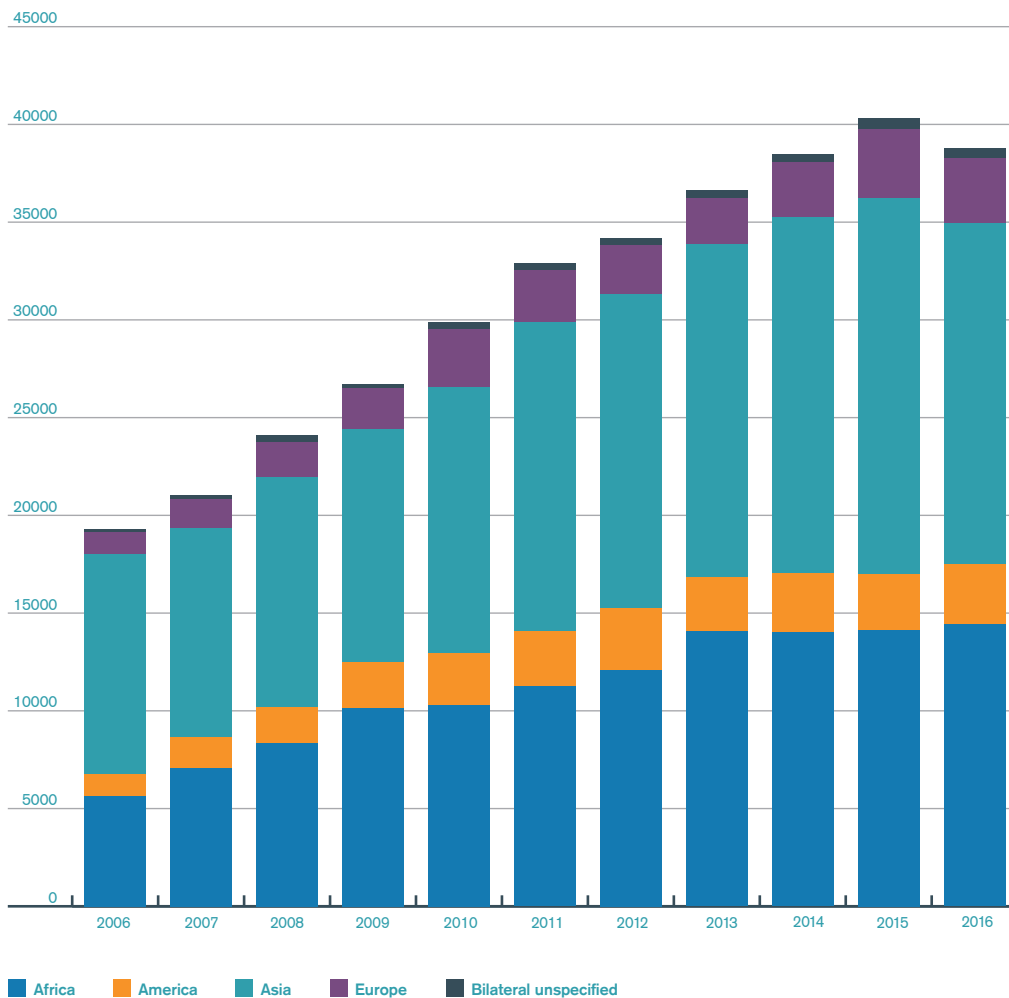
Aid for Trade

Aid for Trade disbursements totalled US\$ 38.7 billion in 2016 (the latest year for which data are available), with commitments totalling US\$ 51.0 billion. This brings the overall total of disbursements since 2006 to US\$ 342.3 billion.

Chart 6.13 shows the regional distribution of Aid-for-Trade commitments from bilateral and multilateral donors. Asia and Africa remain the main recipients of funding.

The Aid for Trade initiative aims to help developing economies use trade as a means of achieving economic growth and alleviating poverty. The initiative supports the integration of developing economies – and particularly least-developed countries – into the multilateral trading system by mobilizing international resources to address the constraints experienced by these countries. One of the key aims of the initiative is to enhance the capacity of developing economies to trade and to take advantage of market access opportunities.

Chart 6.13
Aid for Trade disbursements by region, 2006-2016
 (US\$ million, constant 2016 prices)



US\$ 31.8 billion

Aid for Trade disbursements to Asia and Africa combined totalled US\$ 31.8 billion in 2016, almost twice as much as the amount disbursed in 2006.

Source: OECD database.

Trade finance

WTO and partners make significant progress in increasing access to trade finance

It is widely acknowledged by WTO members that access to trade finance is one of the most important conditions for creating trading opportunities.

Up to 80% of international trade is based on some form of credit or guarantee. This is because of the time lag between when the exporter expects to be paid (at the latest, upon shipment of the goods) and when the importer wants to pay (at the earliest, when the merchandise reaches the importer). This time lag leads to the need for credit facilities of 90 to 120 days, constituting a market of over US\$ 10 trillion annually, according to the Bank for International Settlements.

Since the global financial crisis of 2008, international banks have been reducing the size of their networks, leading to negative consequences for the smallest traders and poorest countries, who find it hardest to access trade finance.

The global trade finance gap is estimated to be US\$ 1.5 trillion per annum, with 60% of trade finance requests from small businesses refused by banks. This significantly hampers the opportunities for small businesses to trade.

WTO Director-General Roberto Azevêdo, advised by a group of “high-level” experts from the trade finance industry and supported by the WTO’s Working Group on Trade, Debt and Finance, has proposed that work focus on four areas:

1. **enhancing existing trade finance facilitation programmes of multilateral development banks** to reduce the financing gap by US\$ 50 billion annually
2. **reducing the knowledge gap in local banking sectors** for handling trade finance instruments by training at least 5,000 professionals over the next five years
3. **maintaining an open dialogue with trade finance regulators** to ensure that trade and development considerations are fully reflected in the implementation of regulations
4. **improving monitoring of trade finance provision** to identify and respond to gaps, particularly relating to any future crises.

The WTO works with multilateral development banks and other stakeholders to conduct these activities. The WTO Secretariat reports to WTO members on the steps taken and responds to members’ suggestions for future action.

At a meeting of the WTO Working Group on Trade, Debt and Finance in June 2018, DG Azevêdo highlighted the significant progress made in improving access to trade finance in a number of areas. This includes working with partners to enhance existing trade finance facilitation programmes. In 2018, these programmes are set to support around US\$ 35 billion in trade transactions compared with around US\$ 22 billion in 2016, an increase of more than 50 per cent in just two years. He also pointed to the “strong coalition” which has been built on this work, bringing a wide range of partners to the table, including the International Finance Corporation, the Financial Stability Board and the regional development banks.