Chapter VII

Trade policy developments

This chapter looks into recent developments in governments' trade policies. It draws on notifications provided by WTO members, the WTO's trade monitoring reports, an overview of trends in new trade policy measures implemented by WTO members and on their commitments under the Trade Facilitation Agreement, which entered into force in February 2017.

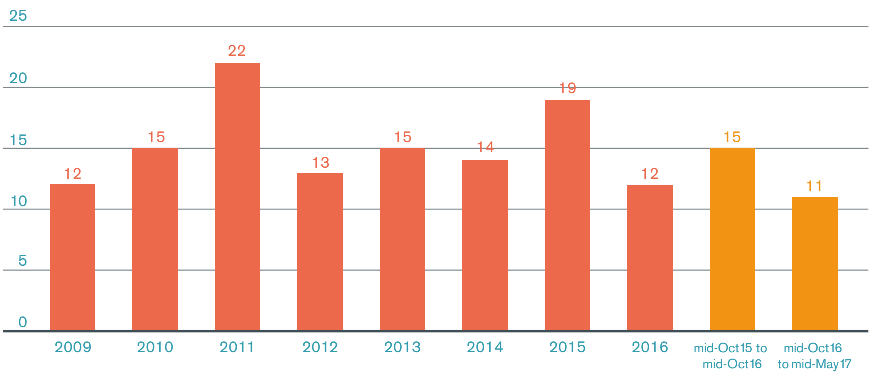
Trends in trade policy making

The WTO regularly monitors trade policy developments and has published trade monitoring reports since 2009. These reports aim to enhance the transparency of trade policy developments and to provide WTO members and observers with an up-to-date picture of overall trends in international trade policy-making as well as the implementation of trade-restrictive and trade-facilitating measures. The monitoring exercise was initiated immediately after the onset of the financial crisis at the end of 2008 and has evolved considerably since then.

The latest monitoring report shows that from mid-October 2016 to mid-May 2017 WTO members implemented 74 new trade-restrictive measures, amounting to an average of almost 11 new measures per month. This represents a significant decrease on the previous annual report, which recorded an average of 15 measures per month, and marks the lowest monthly average since 2008 (see Chart 7.1).

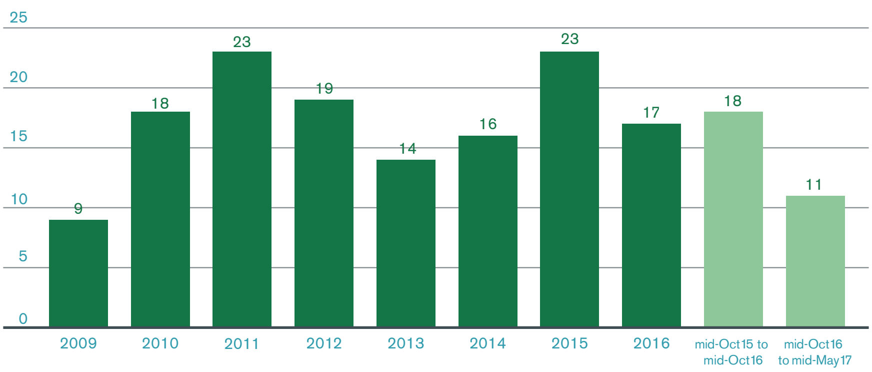
Trade-restrictive measures include the introduction of new import or export tariffs, increases in existing import or export tariffs, the introduction of import bans or quantitative restrictions, the establishment of more complex customs regulations or procedures and local content requirements. The duration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

Chart 7.1:
Trade-restrictive measures (average per month)



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

Chart 7.2:
Trade-facilitating measures (average 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.

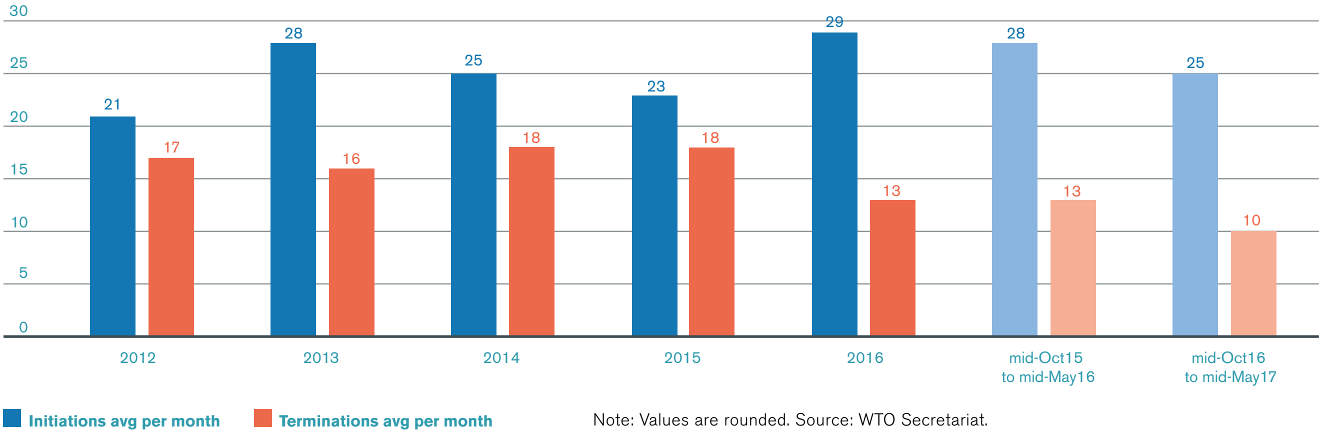
During the same period, WTO members introduced 80 measures aimed at facilitating trade, amounting to just over 11 new measures per month. This is the second lowest monthly average since trade monitoring began in 2008 (see Chart 7.2). The trade coverage of the import-facilitating measures (US$ 183 billion) is more than three times the estimated trade coverage of the import-restrictive measures (US$ 49 billion) and more than six times higher than those estimated for trade remedy initiations (US$ 27 billion). Examples of trade-facilitating measures include the elimination or reduction of import or export tariffs, the simplification of customs procedures, the temporary or permanent elimination of import or export taxes and the elimination of quantitative restrictions on imports or exports.

In addition, the trade coverage of import facilitating initiatives during the review period associated with the 2015 expansion of the WTO's Information Technology Agreement (ITA) is estimated at US$ 99 billion.

The information on trade measures highlighted in the monitoring reports is submitted by WTO members and observers or gathered from other official and public sources. In the latest report, information was submitted by 68 members (counting the European Union and its member states separately), representing more than 40 per cent of

[1] Overview of developments in the International Trading Environment, Annual Report by the Director-General on mid-October 2015 to mid-October 2016, WTO document WT/TPR/OV/19, 21 November 2016. [2] For detailed information on notifications of non-tariff measures submitted by WTO Members see also the Integrated Trade Intelligence Portal (I-TIP): http://i-tip.wto.org/goods

Chart 7.3:
Trade remedy trends – initiations and terminations (average per month)



Note: Values are rounded. Source: WTO Secretariat.

the WTO membership and covering over 87 per cent of total world imports. One observer also replied to the request for information.

Initiations of trade remedy investigations in the review period represented 44 per cent of all trade measures taken, with initiations of anti-dumping investigations accounting for around 85 per cent of trade remedy initiations of investigations. WTO members have consistently initiated a significantly higher number of new trade remedy investigations compared with terminations of trade remedy actions. The monthly average of initiations recorded remained high during the review period, although slightly lower than the peak recorded in 2016. The monthly average of terminations has also fallen during the review period and is at its lowest since 2012 (see Chart 7.3).

The main sectors affected by trade remedy initiations during the review period were: wood and articles of wood; vehicles; and furniture, bedding material, lamps. The main sectors where trade remedy duties were terminated were: articles of iron and steel; machinery and mechanical appliances; and aluminium and articles thereof. The trade covered by trade remedy initiations and terminations recorded in the report is estimated at US$ 27 billion and US$ 6 billion, respectively (see Charts 7.4 and 7.5)

Chart 7.4:
Overview of trade measures, mid-October 2016 to mid-May 2017 (by number)

Source: WTO Secretariat.

Chart 7.5:
Trade coverage of import measures, mid-October 2016 to mid-May 2017 (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.

Trade facilitation

The WTO's Trade Facilitation Agreement (TFA) entered into force in February 2017. Ministers had concluded negotiations on trade facilitation at the 2013 Bali Ministerial Conference, when it was decided that the Agreement would take effect once two-thirds of the WTO's members had completed their domestic ratification process and notified the WTO accordingly. This milestone was reached on 22 February, when the threshold of 110 acceptances was surpassed.

The aim of the TFA is to streamline, simplify and standardise customs procedures and to ease the flow of goods across borders. Full implementation of the Agreement is expected to slash WTO members' trade costs by an average of 14.3 per cent.

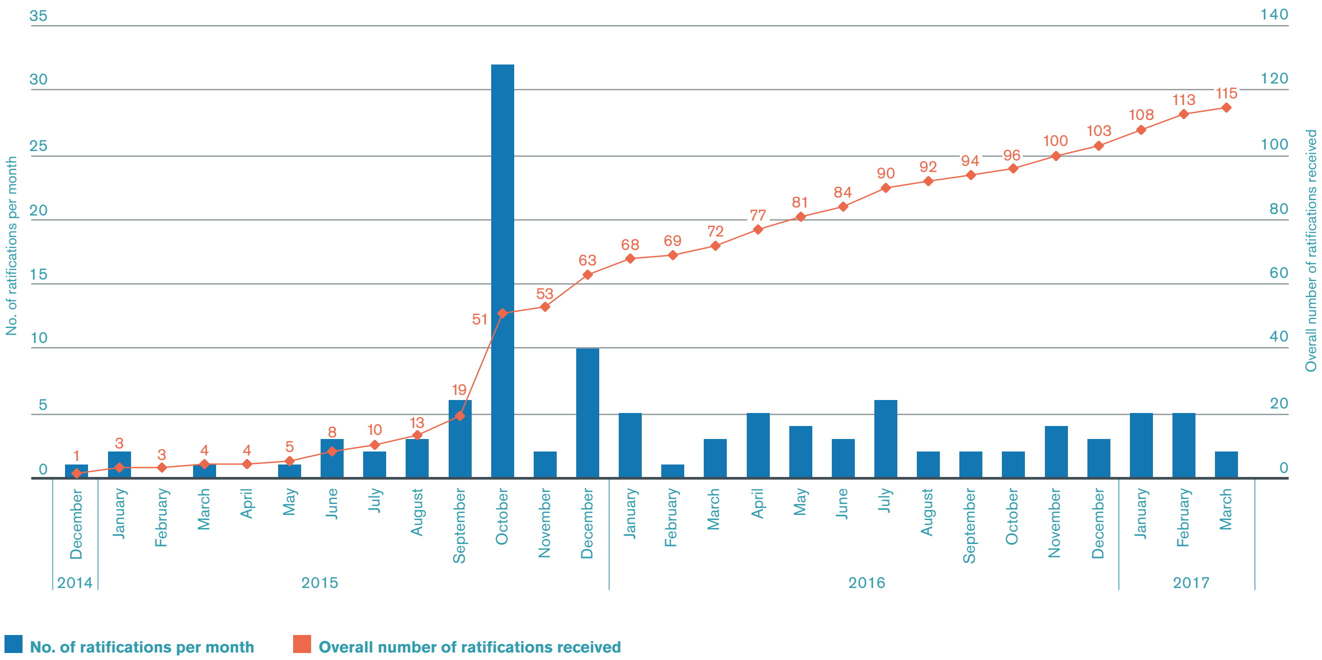
Chart 7.6 illustrates the timeline for WTO members' ratification of the Agreement. It shows a steady increase in acceptances up to September 2015. A first spike occurred in October 2015, when the European Union deposited its instrument of acceptance for the Union as a whole and its member states. A second steep rise was recorded in the run-up to the Nairobi Ministerial Conference in December 2015.

Ratifications of the TFA are widely distributed across regions and across levels of development. As of 7 April 2017, Europe tops the list (with 36 ratifications), followed by Asia (with 25), South and Central America and the Caribbean (with 20), Africa (with 19), the Commonwealth of Independent States including associate and former member states (with seven), the Middle East (with five) and North America (with three).

The TFA is unique in that it allows developing economies to set their own timetable for implementation depending on their capacity to do so. These economies are also able to indicate what kind of capacity-building assistance they require to implement the Agreement. A Trade Facilitation Agreement Facility has been established by the WTO to help developing economies assess their specific needs and to identify potential development partners.

Developing economies are required to indicate the provisions of the Agreement they can implement immediately ("Category A" commitments), the provisions where they will require more time ("Category B" commitments) and the provisions where they require capacity-building support ("Category C" commitments).

Chart 7.6:
TFA ratification by WTO members: A timeline

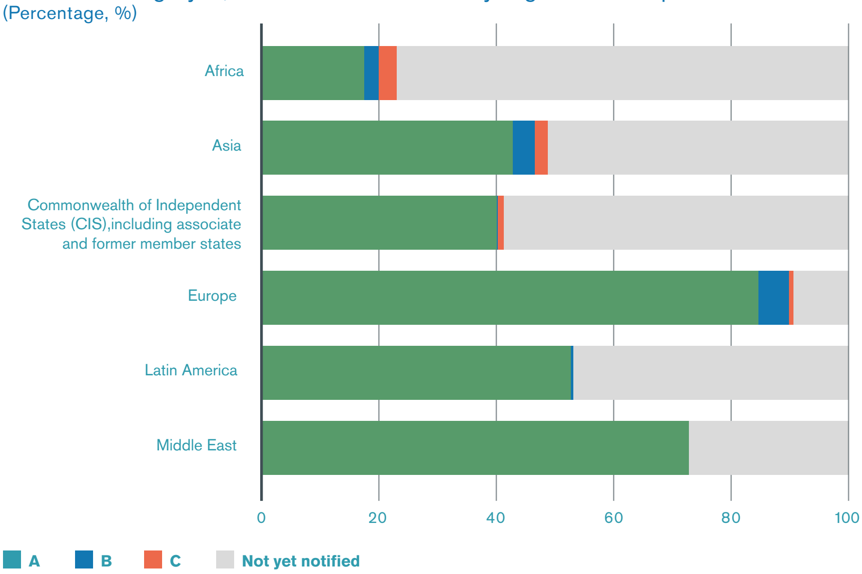


Collectively, these commitments provide a roadmap of when the Trade Facilitation Agreement can be expected to be fully implemented by the entire membership.

WTO members had submitted over 100 TFA notifications, especially with respect to Category A, as of end April 2017. Over half of the notifications categorized the majority of the TFA's provisions (almost 80 per cent) as Category A commitments. Notifications regarding categories B and C remain more limited for the time being. As of 7 April 2017, 12 notifications had designated Category B commitments, and eight had specified commitments for Category C. In addition, some developing economies have pledged not to put anything under Category C. Some have also ruled out Category B designations, thereby committing to implement the Agreement in the same way as developed economies.

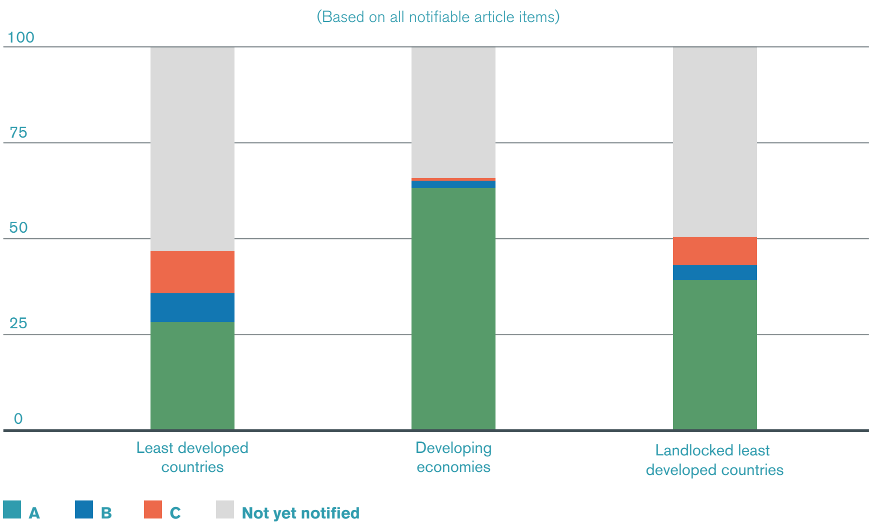
An analysis of category notifications by region shows that Europe has the highest share of submissions, followed by the Middle East and Latin America (see Chart 7.7). Most notifications were submitted by developing economies, followed by landlocked developing economies and least-developed countries (see Chart 7.8).

Chart 7.7:
Share of Category A, B and C notifications by region (as of April 2017)
(Percentage, %)



Note: Latin America comprises South and Central America and the Caribbean, plus Mexico.
Source: TFAD (Trade Facilitation Agreement Database) www.tfadatabase.org

Chart 7.8:
Share of Category A, B and C notifications by economic grouping (as of April 2017) (Percentage, %)



Source: TFAD (Trade Facilitation Agreement Database) www.tfadatabase.org

[3] Developed economies are obliged to implement the entire Agreement from the moment it entered into force (i.e. as of 22 February 2017).
[4] As of 7 April 2017, 94 WTO members had notified their Category A commitments. Given that these notifications do not apply to developed economies and that LDCs have an additional year to submit their notifications, this indicates that the vast majority of developing economies have already submitted their Category A notifications. Also, some LDCs have already submitted these notifications.
[5] WTO members are allowed to separate the Agreement's articles into as many sub-sections as they wish when making their notifications. While many members have limited their specifications to full articles of the Agreement or to its sub-sections, some have opted for a greater degree of segmentation.