

# Director-General's report on trade-related developments

(Mid-October 2011 to mid-May 2012)

## Summary

### New trade restrictions continue to be implemented, measures are accumulating

There has been no slowdown in the imposition of new trade restrictions over the past seven months. Since mid-October 2011, 182 new measures that restrict or can potentially restrict or distort trade have been recorded, affecting around 0.9 per cent of world imports. The main measures are trade remedy actions, tariff increases, import licences and customs controls. Over this period, fewer new export restrictions were introduced (see Table 1).

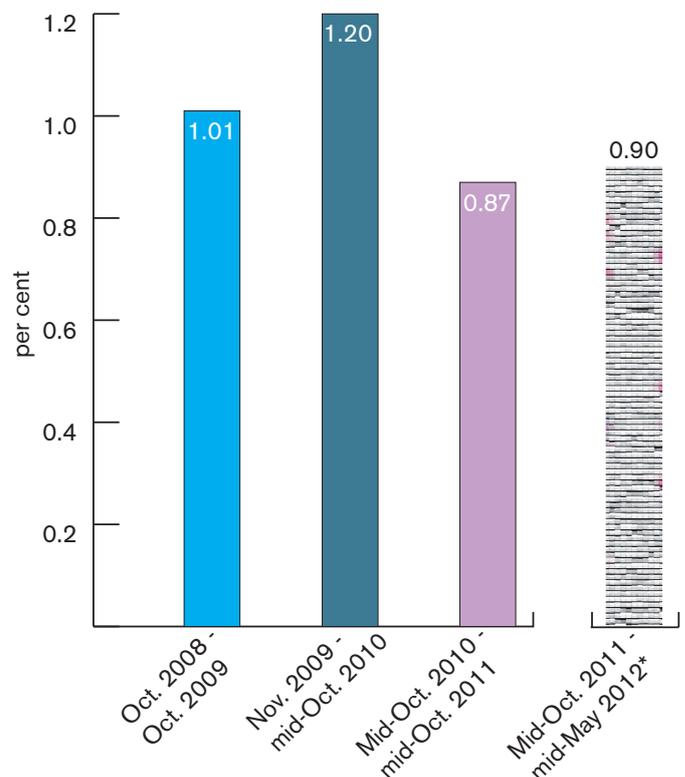
Type of restriction	Mid-October 2010 to April 2011	May 2011 to mid-October 2011	Mid-October 2011 to mid-May 2012
<b>Trade remedy</b>	66	63	78
<b>Border</b>	78	48	72
<b>Export</b>	30	34	19
<b>Other</b>	10	10	13
<b>Total</b>	<b>184</b>	<b>155</b>	<b>182</b>

The new measures restricting or potentially restricting trade that were implemented over the past seven months are adding to the trade restrictions put in place in previous periods. The accumulation of trade restrictions is becoming a matter of concern. Moreover, this has to be considered in a broader perspective where the stock of trade restrictions and distortions that existed before the global crisis struck, such as in agriculture, is still in place.

The most recent report on G20 trade measures highlighted that the trade coverage of G20 restrictive

measures put in place since October 2008, excluding those that were terminated until now, is estimated to be around 3 per cent of world merchandise trade, and almost 4 per cent of G20 trade (see Charts 1 (a) and (b)). This is equivalent to some US\$ 450 billion, or close to the annual value of merchandise trade in Africa. Only 18 per cent of the cumulated G20 restrictive measures have been removed so far.

Chart 1(a): Share of trade covered by import-restrictive measures – all WTO members and observers (per cent)



\*The data for this report cover a seven-month rather than a one-year period.

## Temporary measures vs. longer-term policies

The more recent wave of trade restrictions seems no longer to be aimed at combatting the temporary effects of the global crisis, but rather at trying to stimulate recovery through national industrial planning, which is an altogether longer-term affair. In addition to trade restrictions, many of these plans envisage the granting of tax concessions and the use of government subsidies, as well as domestic preferences in government procurement and local content requirements.

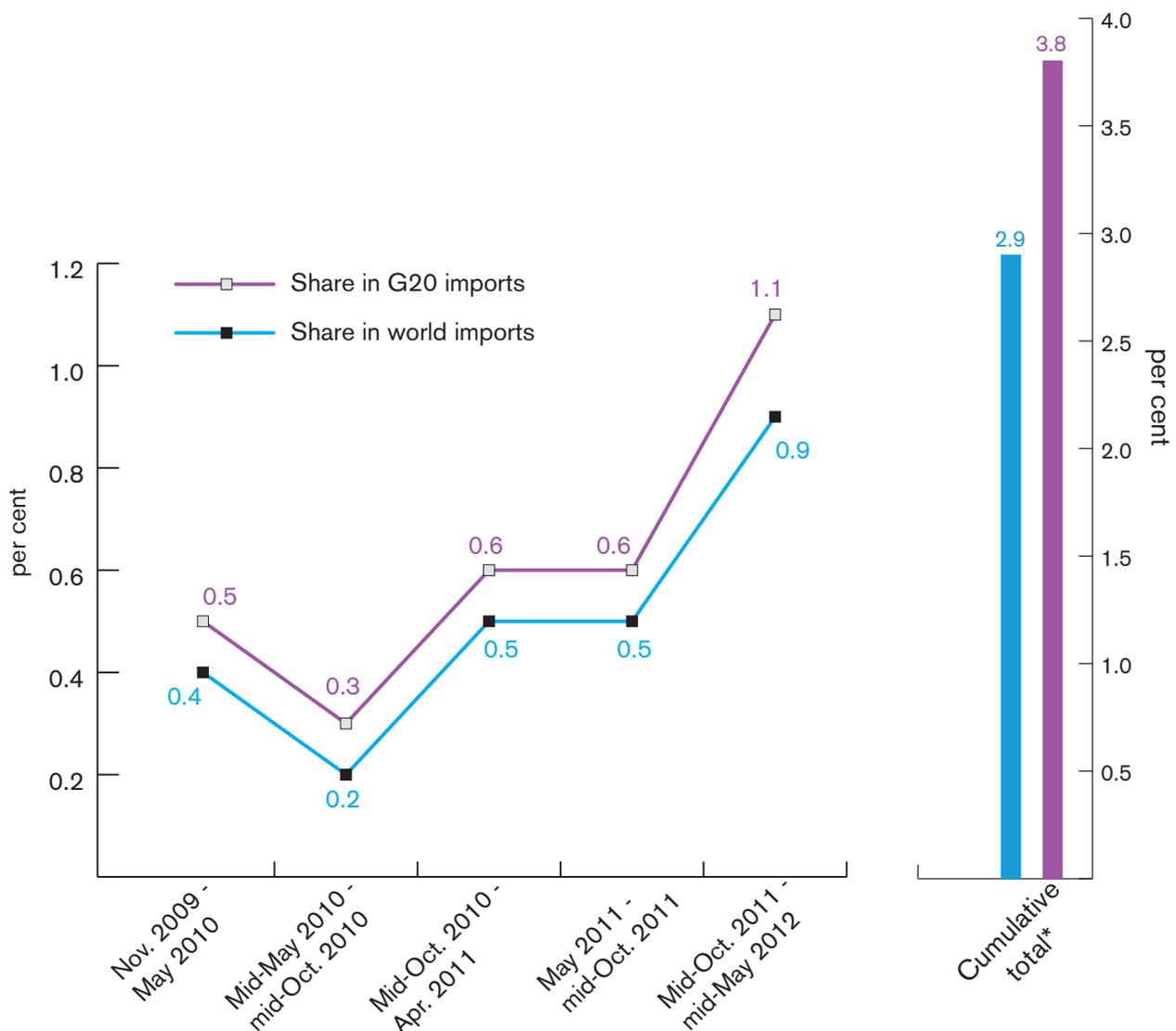
Governments need to redouble their efforts to resist protectionist pressures and take active steps to keep markets open and advance trade opening. Some governments are facing particularly difficult economic conditions domestically; they must resist

the temptation to move towards more nationalistic and inward-looking policies. This kind of policy will not solve their problems and they risk generating tit-for-tat reactions by their trading partners.

## The repercussions of the global crisis are still being felt

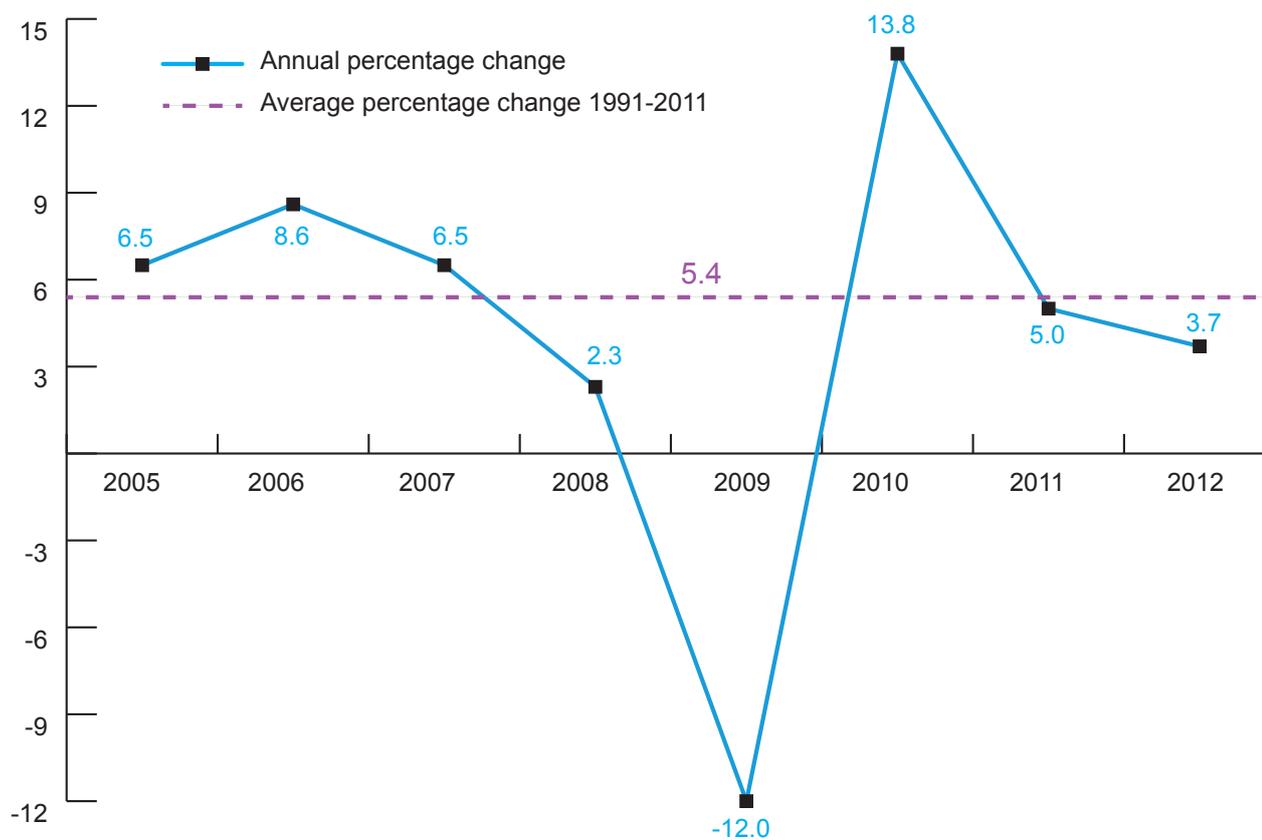
An uncertain global context is still prevailing, and economic conditions may get even worse. The recovery of the global economy remains weak and unemployment levels are high. World trade growth decelerated significantly last year, due mainly to the economic slowdown in major world economies. Merchandise trade volume grew by only 5.0 per cent in 2011, a sharp fall from 13.8 per cent in 2010. As the global economy continues to lose momentum, trade growth is projected to slow further to 3.7 per cent

Chart 1(b): **Share of trade covered by import-restrictive measures of G20 economies** (per cent)



\*This covers measures taken since October 2008.

**Chart 2: Growth in volume of world merchandise trade**  
(annual percentage change)



in 2012, well below the long-term annual average of 5.4 per cent for the last 20 years (see Chart 2). Exports of developed economies are projected to grow by 2 per cent this year, and developing countries' exports by 5.6 per cent. With tight government budgets, high unemployment, slower growth, and the prospects of further imminent multilateral market opening seemingly reduced, the threat of protectionist pressures looms even larger.

### There is a revival of protectionist rhetoric in some countries

The politics of trade in some countries seem to be turning inward-looking. Of particular concern are statements by some leaders in favour of import substitution policies as the pillar of economic growth in their countries. This is generating regional and global trade tensions which have largely been absent since the coordinated policy responses to the global financial crisis were launched.

Some governments are reportedly considering raising import barriers, and in some cases have already done so, to protect their domestic industries from what they may consider to be unfair competition. In certain cases, the barriers seem to take the form of procedural

or administrative actions to slow down the clearing of goods at borders rather than new laws or regulations. This can render trade conditions even more difficult since lack of transparency about conditions of entry into a market increases uncertainty for traders and raises the risks and costs of doing business.

There has also been a reported increase in restrictions placed on government procurement activities in some countries. More open trade in government procurement allows governments to purchase goods and services based on who offers taxpayers the best deal, ultimately saving money. The optimal action would be to convince trading partners to further open their public procurement markets rather than closing domestic markets. In this sense, the conclusion of the renegotiation of the WTO Agreement on Government Procurement highlights the parties' continuing commitment to the maintenance and expansion of open markets, and to ensuring fair and transparent competition in public procurement.

### Government support to selected sectors is more difficult to monitor

Some members have expressed concern about the granting of subsidies and other government support

programmes to assist specific sectors and have called for a broader coverage, in the monitoring reports, of all forms of government support programmes, in particular support given to the agriculture sector. Based on OECD estimates, a specific section of this report shows that for the OECD as a whole, the trend in the level of support relative to total farm receipts has been declining since about 1999, although the Producer Support Estimate remains high at around 18 per cent of farm receipts or US\$ 227 billion. In this context, it is important that on-going reforms of the EU's Common Agricultural Policy and the US Farm Bill take into account the importance of moving towards less trade-distorting policies.

It is harder to monitor government support measures as there is little detailed information on this type of action, although efforts have been made to include some country-specific measures and programmes in this report. Only eight delegations volunteered information on government support programmes for the preparation of this report.

Overall, it seems that the number of support measures has remained stable over the past seven months. It would appear that in some countries, government support is aimed at increasing local content and promoting domestic activity of specific sectors. As was mentioned in previous monitoring reports, behind-the-border measures and sector-specific support in the form of financial support and assistance have the potential to distort conditions of competition on markets and affect trade. Given the concerns expressed and the lack of common understanding of the types of measures to notify, it would be appropriate that relevant WTO committees examine this issue and try to evaluate the trade impact of government subsidies and other forms of government support.

## Improvements needed in WTO transparency and peer review

A complete and timely notification of all trade and trade-related measures will help strengthen WTO's trade monitoring. One specific area where efforts need to be heightened is in the field related to government support measures where the monitoring of developments is more complex and the relevant information publicly available is scarcer. Enhanced multilateral peer review should help members abide by their commitments.

The Secretariat is also expanding and updating the collection and dissemination of trade information throughout the WTO, which should contribute to the WTO bodies' work on enhanced transparency and peer review. This could assist in moving the discussion from a purely quantitative assessment to one in which the qualitative aspects are also considered.

## The primacy of the multilateral trading system needs to be preserved

Further trade-opening constitutes a potentially important source of confidence-building in the multilateral trading system. Moreover, increasing trade is critical to stimulating global recovery and to supporting fiscally sustainable growth. Stronger global cooperation is needed to rebuild a robust architecture for trade in the 21<sup>st</sup> century. Greater international cooperation is also needed to make the case for open trade, escape the current economic crisis, and advance the multilateral trade agenda.

### Note

This is intended to be a purely factual report and is issued under the sole responsibility of the WTO Director-General. It has no legal effect on the rights and obligations of WTO members, nor does it have any legal implication with respect to the conformity of any measure noted in the report with any WTO Agreement or any provision thereof. This report is without prejudice to members' negotiating positions in the Doha Round. It is a preparatory contribution to the report by the Director-General that is called for in Paragraph G of the Trade Policy Review Mechanism mandate and that aims to assist the Trade Policy Review Body to undertake an annual overview of developments in the international trading environment which are having an impact on the multilateral trading system.

The full report is available on the WTO website at [www.wto.org](http://www.wto.org).