

# Implementation and monitoring

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**Various WTO councils and committees seek to ensure that WTO agreements are being properly implemented. All WTO members undergo periodic scrutiny of their trade policies and practices.**



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# General Council

- **WTO members increasingly raised issues related to WTO reform, the negotiating function of the WTO, strengthening the role of WTO committees and dispute settlement.**
- **The General Council appointed Ambassador David Walker (New Zealand) as a facilitator to help WTO members find a solution on improving the functioning of the Appellate Body. However, there was no consensus on the resulting set of proposals, and in December DG Azevêdo announced he would launch high-level consultations to find a way forward.**
- **The General Council agreed to reinvigorate the Work Programme on Electronic Commerce. Members agreed to renew the moratorium on e-commerce customs duties until the 12<sup>th</sup> Ministerial Conference.**

## Background on the General Council

The General Council is entrusted with carrying out the functions of the WTO and taking actions necessary to this effect between ministerial conferences in addition to carrying out the specific tasks assigned to it by the Agreement establishing the WTO. As part of its overall oversight function, the General Council conducts a year-end review of WTO activities on the basis of annual reports from its subsidiary bodies.

## Current trade debates and WTO reform

During 2019, WTO members brought up a range of issues in the General Council, including on matters related to WTO reform. Substantive discussions took place on issues such as the negotiating function of the WTO, special and differential treatment for developing countries, dispute settlement, transparency, and the committee work of the WTO. This included discussions on strengthening the role of committees in terms of their monitoring function and the airing of specific trade concerns.

Several proposals, submissions and communications were presented by members in each of the areas under discussion. Non-market policies and practices and transparency in dispute settlement were also raised.

In December, 60 members presented a “statement in support of the rules-based multilateral trading system”, stressing the central role of the WTO. Members also used the General Council as a forum to raise concerns about a number of specific measures taken by other members.

## Informal process on matters related to the Appellate Body

An “informal process of solution-focused discussions on matters related to the functioning of the Appellate Body” was launched in January 2019 under the auspices of the General Council to try to unblock the appointment process of Appellate Body members (see page 119). A facilitator – Ambassador David Walker (New Zealand) – was appointed to lead this process.





**The General Council was chaired by Sunanta Kangvalkulkij in 2019.**

A series of intense, informal consultations followed throughout the year. Discussions focused, in particular, on concerns raised about the functioning of the Appellate Body and its adherence to WTO rules. Twelve proposals were put forward by members to address the concerns.

Six informal meetings open to all WTO members were convened, and five formal stock-taking meetings took place. Ambassador Walker delivered five formal reports to the General Council, culminating in a draft General Council decision, put forward at the facilitator's own responsibility. The draft contained areas and issues where the facilitator detected convergence. Many members thanked the facilitator for his efforts but there was no consensus to approve the draft decision.

DG Azevêdo told a meeting of the Council in December that he would launch more intensive, high-level consultations on how to resolve the longstanding impasse. He said that the consultations, to take place at Heads of Delegation level, would focus on whether members are discussing all the elements that need to be addressed in finding a solution and what basic concepts members need to agree on so as to make progress.

## Implementation of Bali, Nairobi and Buenos Aires outcomes

The General Council regularly reviewed progress in the implementation of decisions taken by ministers at the 9<sup>th</sup> (Bali), 10<sup>th</sup> (Nairobi) and 11<sup>th</sup> (Buenos Aires) ministerial conferences and approved the Committee on Agriculture's recommendations under the Bali Decision on Tariff Rate Quota (TRQ) Administration, covering the "underfill" of TRQs (see page 66).

## Work Programme on Electronic Commerce

Members continued discussions on the Work Programme on Electronic Commerce, with a particular focus on the issue of not imposing customs duties on electronic transmissions – the e-commerce moratorium – which was due to expire in December 2019. A workshop in April addressed the history of the moratorium, possible revenue implications, technical challenges of imposing customs duties on electronic transmissions and the development dimension of the moratorium.

According to a paper circulated by India and South Africa, developing countries would bear the brunt of the potential tariff revenue loss due to the moratorium. At a meeting in June, members' views continued to differ regarding the moratorium and its scope. As instructed by ministers in Buenos Aires in 2017, the General Council reviewed progress of the Work Programme on Electronic Commerce in July 2019, based on reports submitted by the councils for services, goods, and trade-related aspects of intellectual property rights and the Committee on Trade and Development.

In October, the Chair held an informal session open to all members to hear their views on the moratorium. Delegations reiterated their positions. Some members expressed support for making the moratorium permanent or, at a minimum, extended. Others noted the need for further analysis on the impact of the moratorium. The Chair began consultations with members to determine the way forward.

On 10 December, the General Council adopted a Decision on the E-Commerce Work Programme. In that decision, WTO members agreed to reinvigorate the work and to have structured discussions in early 2020 based on all topics of interest brought forward by members, including least-developed countries. Topics to be discussed would include the scope and impact of the moratorium on customs duties on electronic transmissions. Members also agreed to renew the moratorium until the 12<sup>th</sup> Ministerial Conference (MC12).

### Moratorium on TRIPS non violation and situation complaints, other TRIPS matters

In December, the General Council adopted a decision extending the Moratorium on TRIPS Non-Violation and Situation Complaints until MC12 (see page 96). It also considered the TRIPS Council's report on the annual review of the special compulsory licensing system and agreed to extend the period to accept the Protocol amending the TRIPS Agreement until 31 December 2021 for those WTO members who have yet to do so (see page 94).

### Requests for accession and for observer status

The Council considered a request from the African Union for observer status. This was the first time for several years that a specific request for observer status from an intergovernmental organization had been received. The Council also took up the WTO accession request of Curaçao as a separate customs territory.

### Other reports

The General Council in 2019 considered the regular reports on the work programme on small economies (see page 131) and the report on the development assistance aspects of cotton (see page 37).

### Waivers under Article IX of the WTO Agreement

In 2019, the General Council considered and granted six waivers from obligations under the WTO Agreement, as set out in Table 1.

It also reviewed the following multi-year waivers:

- LDC members – Obligations under Article 70.8 and Article 70.9 of the TRIPS Agreement with respect to Pharmaceutical Products, granted on 30 November 2015 until 1 January 2033
- Preferential Treatment in favour of Services and Service Suppliers of LDCs, granted on 17 December 2011 until 31 December 2030

- Kimberly Process Certification Scheme for Rough Diamonds, granted on 26 July 2018 to 31 December 2024
- Canada – CARIBCAN, granted on 28 July 2015 until 31 December 2023
- United States – Caribbean Basin Economic Recovery Act, granted on 5 May 2015 until 31 December 2019
- Cuba – Article XV:6 – Extension of waiver, granted on 7 December 2016 until 31 December 2021
- European Union – Application of Autonomous Preferential Treatment to the Western Balkans, granted on 7 December 2016 until 31 December 2021
- United States – African Growth and Opportunity Act, granted on 30 November 2015 until 30 September 2025
- United States – Former Trust Territory of the Pacific Islands, granted on 7 December 2016 until 31 December 2026
- United States – Trade Preferences granted to Nepal, granted on 7 December 2016 until 31 December 2025

### Other issues

As part of its overall oversight function, the General Council conducted a year-end review of WTO activities on the basis of annual reports from its subsidiary bodies. The Council also conducted its review of the exemption provided under Paragraph 3 of the General Agreement on Tariffs and Trade 1994 granted to the US legislation – the Jones Act – which prohibits the use, sale or lease of foreign-built or foreign-reconstructed ships in US national waters. In addition, the General Council approved the WTO budget for 2020 and considered a report from the Joint Advisory Group of the International Trade Centre.

**Table 1: Waivers under Article IX (decision-making) of the WTO Agreement**

In 2019, the General Council granted the following waivers from obligations under the WTO agreements.

Member	Type	Decision	Date of adoption	Expiry date
China	Introduction of Harmonized System 2002 Changes into WTO Schedules of Tariff Concessions	WT/L/1082	10 December 2019	31 December 2020
Argentina; Brazil; China; Dominican Republic; European Union; Malaysia; Philippines; and Thailand	Introduction of Harmonized System 2007 Changes into WTO Schedules of Tariff Concessions	WT/L/1083	10 December 2019	31 December 2020
Argentina; Australia; Brazil; Canada; China; Colombia; Costa Rica; Dominican Republic; El Salvador; European Union; Guatemala; Hong Kong, China; India; Kazakhstan; Republic of Korea; Malaysia; Mexico; New Zealand; Norway; Philippines; Russian Federation; Singapore; Switzerland; Thailand; and United States	Introduction of Harmonized System 2012 Changes into WTO Schedules of Tariff Concessions	WT/L/1084	10 December 2019	31 December 2020
Argentina; Australia; Brazil; Canada; China; Colombia; Costa Rica; Dominican Republic; El Salvador; European Union; Guatemala; Honduras; Hong Kong, China; India; Israel; Kazakhstan; Republic of Korea; Macao, China; Montenegro; New Zealand; Norway; Pakistan; Paraguay; Philippines; Russian Federation; Switzerland; Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu; Thailand; United States; and Uruguay	Introduction of Harmonized System 2017 Changes into WTO Schedules of Tariff Concessions	WT/L/1085	10 December 2019	31 December 2020
Developing country members	Preferential Tariff Treatment for Least-Developed Countries – Decision on Extension of Waiver	WT/L/1069	16 October 2019	30 June 2029
United States	Caribbean Basin Economic Recovery Act	WT/L/1070	16 October 2019	30 September 2025

## Spotlight:

# International Forum on Food Safety and Trade

In April 2019, the WTO welcomed to its headquarters in Geneva over 600 representatives from the private and public sectors and civil society for a two-day International Forum on Food Safety and Trade.

**The Forum looked into increasing cooperation to pursue the shared goal of access to safe food.**

The Forum built on the International Food Safety Conference – organized by the UN Food and Agriculture Organization (FAO), the World Health Organization (WHO) and the African Union (AU) in Addis Ababa in February – by bringing a trade angle to the exchanges launched there about the current state and future of food safety and public health. It explored how existing cooperation can be further leveraged to pursue the shared goal of access to safe food. One example of this cooperation is the joint FAO/WHO work in setting Codex food safety standards that are recognised in the Agreement on Sanitary and Phytosanitary Measures as the benchmarks for national food safety measures.

The opening session was attended by WTO Director-General Roberto Azevêdo and his counterparts at the FAO, José Graziano da Silva,

the WHO, Tedros Adhanom Ghebreyesus, and the World Organisation for Animal Health (OIE), Monique Eloit, together with AU Commissioner Josefa Leonel Correia Sacko.

### Harnessing digital technologies

Digital technologies were seen as having a clear role to play in food safety management – for example, in electronic certification or blockchain-supported traceability systems. But the digital revolution must be well governed and inclusive. “There is huge potential in digitalization. New technologies help to gather and analyse data to manage food safety risks. However, this discussion must also be about ensuring that everybody can take part, especially developing countries, as well as the smallest and most vulnerable ones,” DG Azevêdo told the conference.



The opening session was attended by DG Azevêdo and the heads of the FAO (José Graziano da Silva), the WHO (Tedros Adhanom Ghebreyesus) and the World Organisation for Animal Health (Monique Eloit).



### Tackling food safety risks

The Forum also looked at opportunities and challenges in food safety management from the angle of trade facilitation, following the entry into force in 2017 of the WTO's newest multilateral pact, the Trade Facilitation Agreement. The synergies between trade facilitation and food safety management are clear and greater efforts must be made to ensure that they complement each other rather than compete. Streamlined and transparent border inspections and controls that help goods move more smoothly make all the difference for perishable food and agricultural products while effectively ensuring that traded food complies with safety requirements.

Solid and harmonized regulatory frameworks must underpin any coordinated response to existing and emerging food safety risks. The discussions looked at how food safety regulatory systems can adapt to new challenges in a harmonized, transparent and timely manner, without losing sight of keeping science as the basis of all work.

### Joint initiatives

Joint initiatives, such as the Standards and Trade Development Facility (see page 138), where the WTO, FAO, OIE, the World Bank, WHO and other stakeholders come together to promote solutions to persistent sanitary and phytosanitary trade challenges, can play a crucial part in building capacity and facilitating market access, the conference heard.

### A shared responsibility

Food safety is, as it was stressed repeatedly at the Forum, a shared responsibility that cuts across different sectors and requires coordinated policy action and effective partnerships. The Forum made a significant contribution in this respect, emphasizing the importance of broad international engagement.

"Food safety is a shared responsibility ... and building strong partnerships ... across the public and private sectors is essential," WTO Deputy Director-General Alan Wolff said in a closing speech to the Forum.



# Trade in goods

- **Twelve new trade concerns were brought by WTO members to the Council for Trade in Goods, down from 21 in 2018.**
- **The Goods Council continued to discuss enhancing transparency and complying with notification requirements. Members agree on the importance of transparency for the trading system but differ on how to improve it.**
- **The Council discussed ideas to improve its functioning and the functioning of its subsidiary bodies.**

## Background on trade in goods

The Council for Trade in Goods is responsible for the workings of WTO agreements on trade in goods. It consists of the full WTO membership and reports to the WTO General Council. The Goods Council has 12 subsidiary committees dealing with specific subjects, such as agriculture, market access, subsidies, technical barriers to trade, sanitary and phytosanitary measures, import licensing, customs valuation, and the Committee on Trade Facilitation. These committees also comprise all WTO members. Working parties on state trading enterprises and the Information Technology Agreement also report to the Goods Council.

WTO members raised 12 new trade concerns in 2019, down from 21 the previous year (see Table 2).

Among new issues brought before the Council, 34 members raised concerns regarding the European Union prohibiting a number of agro-chemical substances. The measure hurt trade in products such as cereals, nuts and bananas, and disproportionately affected developing countries and least-developed countries (LDCs), the members said.

China expressed concerns over the US Government banning US companies from buying or using telecommunications equipment provided by enterprises considered to pose a potential national security threat.

Russia, echoed by Australia, Canada, Mexico, the Philippines and the United States, expressed concern over a proposed update to EU regulations on products containing titanium dioxide and cobalt for the potential trade impact on products such as paints, toys, cosmetics, plastics, prostheses and other medical devices.

The United States, supported by Canada and Korea, expressed concern over new EU regulations restricting patients' access to life-saving and life-improving medical technologies. Korea expressed concerns over Japan's export-control measures on materials used in semi-conductors and smartphones and on which the Korean industry depended. The EU, supported by China, expressed concern over Tunisia's import authorization regime, in place since November 2018, which affected various products, including agricultural and agri-food products.

**Table 2: New trade concerns raised in the Council for Trade in Goods in 2019**

EU – Safeguard measures on Indica rice from Cambodia
EU – Regulation concerning the update of the classification, labelling and packaging (CLP) of chemical substance mixtures (Russian Federation)
Jamaica – Regulations banning single-use plastic products (Dominican Republic)
Trinidad and Tobago – Ban on the marketing and importation of polystyrene plastics (Dominican Republic)
EU – Implementation of non-tariff barriers on agricultural products
United States – Measures regarding market access prohibition for ICT products (China)
United States – Export control measures for ICT products (China)
European Union – Medical device regulation and in vitro diagnostic medical devices regulation (United States)
Tunisia – Import restriction measures (EU)
Angola – Import restricting practices (US)
Japan – Export control measures on materials essential for semiconductors and displays (raised by Korea under other business).
The new EU anti dumping procedures in Regulation (EU) 2017/2321 and Regulation (EU) 2018/825 (Russian Federation)



WTO members raised again the issue of the EU's renegotiation of tariff rate quota commitments in response to the United Kingdom's decision to leave the EU (see page 66). Other previously raised concerns included: Indonesia's import and export-restricting policies and practices; India's customs duties on information and communications technology products; the European Union's quality schemes for agricultural products; China's measures restricting the import of scrap materials; US measures on aviation security equipment; and trade-restricting practices of Russia.

### Transparency

The Council discussed a revised transparency proposal regarding notification requirements submitted by Argentina, Australia, Canada, Costa Rica, the European Union, Japan, New Zealand and the United States, incorporating additional comments made by WTO members. Criticisms were made again regarding the administrative sanctions of the transparency proposal and the issue of counter-notifications. The constraints faced by developing countries and LDCs in the collection and processing of the information necessary to notify were raised. Members also discussed the extension of transparency to other areas of the WTO and not only goods.

The Council debated a new communication submitted by the African Group, Cuba, India and Oman outlining an inclusive approach to transparency and notification requirements.

The 31 members that intervened recognized the importance of transparency for the trading system, particularly through compliance with notification obligations, but continued to diverge on how to improve it.

### E-commerce

The Council continued discussing e-commerce in response to the call from the 11<sup>th</sup> Ministerial Conference in 2017 to reinvigorate the WTO's work in this area.

### Waiver requests

The Council approved two requests to extend preferential tariff treatment for LDCs by developing countries and US trade preferences in favour of the Caribbean countries. It also approved four collective waiver requests to extend deadlines for updating WTO goods schedules to take account of harmonized system changes (2002, 2007, 2012 and 2017).

After almost four years of discussion, Jordan announced the termination of its export subsidy programme and requested to withdraw its request for a waiver.

### Better functioning of the Council

A thorough discussion on how to improve the work of the Council and its subsidiary bodies took place based on a suggestion submitted by Hong Kong, China, to use annotated agendas and tentative calendars of meetings. Informal discussions will continue.

**Customs duties on information and communication technology products were among the trade concerns raised by WTO members.**



# Market access

- **The Committee discussed 18 trade concerns, two more than in 2018. These included the establishment of a draft goods schedule for the United Kingdom following its decision to leave the European Union and the manner in which tariff quotas will be renegotiated.**
- **The Committee adopted a revised Decision on the Integrated Database, the WTO's main source of tariff and import data, to streamline notification procedures for WTO members.**
- **Fourteen members submitted notifications on quantitative restrictions, down from 22 in 2018. Three were first-time notifications.**

## Background on market access

The Committee on Market Access supervises the implementation of tariff and non-tariff measures not covered by any other WTO body. In addition, it seeks to ensure that WTO members' schedules of concessions are up to date, including changes required to reflect amendments to the Harmonized System (HS). The HS allows countries to classify traded goods on a common basis. Without this technical work at the Committee, it would be difficult to compare members' tariff obligations with the tariffs they apply in practice.

## Trade concerns

WTO members raised 18 trade concerns about issues such as internal taxation, applied tariffs that are allegedly in excess of WTO commitments, procedures to modify schedules of concessions and, in particular, prohibitions and restrictions on imports and exports. Many concerns had already been raised, but a number of new issues were aired.

Russia, supported by other members, returned to a concern over the methodology used for the renegotiation of tariff rate quotas (TRQs) following the United Kingdom's decision to leave the European Union. The UK presented its draft schedule of concessions in July 2018 setting out its WTO market access commitments for goods. Members called for a solution which does not leave them worse off following the UK's exit from the EU. The United Kingdom communicated to the WTO on 1 February 2020 that the goods schedule of the European Union will continue to apply to the UK during the transition period afforded under its Withdrawal Agreement with the EU.

China questioned what it considered discriminatory market access prohibitions on 5G equipment by Australia and certain export control measures and market access prohibitions for Chinese information and communication technology products by the United States.

Russia called for enhancing transparency in applied tariffs. It considers that the existing provisions have created a gap between the

national and WTO levels. While WTO members are obliged to publish each change to their tariffs at the national level, there is no obligation to notify those changes to the WTO beyond the annual notification of all duty rates.

## Databases

In 2019, the Committee agreed to update the 20-year old Integrated Database, the main source of tariff and import data at the WTO. The decision streamlines notification procedures and better explains who must do what and when, including the interaction with other existing notification requirements. It broadened the database to include all taxes, duties and charges levied at the border, and made most of the data publicly available.

Another innovation allows for the automatic transmission of data by permitting the connection of members' domestic systems to the WTO. The WTO Secretariat was also asked to maintain a list of members' official websites with tariff information and import statistics.

## Harmonized System

The Committee works to ensure that WTO members' schedules of concessions reflect the latest amendments to the World Customs Organization's Harmonized System (HS) nomenclature, the system used to classify traded goods on a common basis. This technical work at the WTO seeks to ensure that WTO schedules are up to date, thereby facilitating the comparison of a member's applied tariff regime with its WTO obligations.



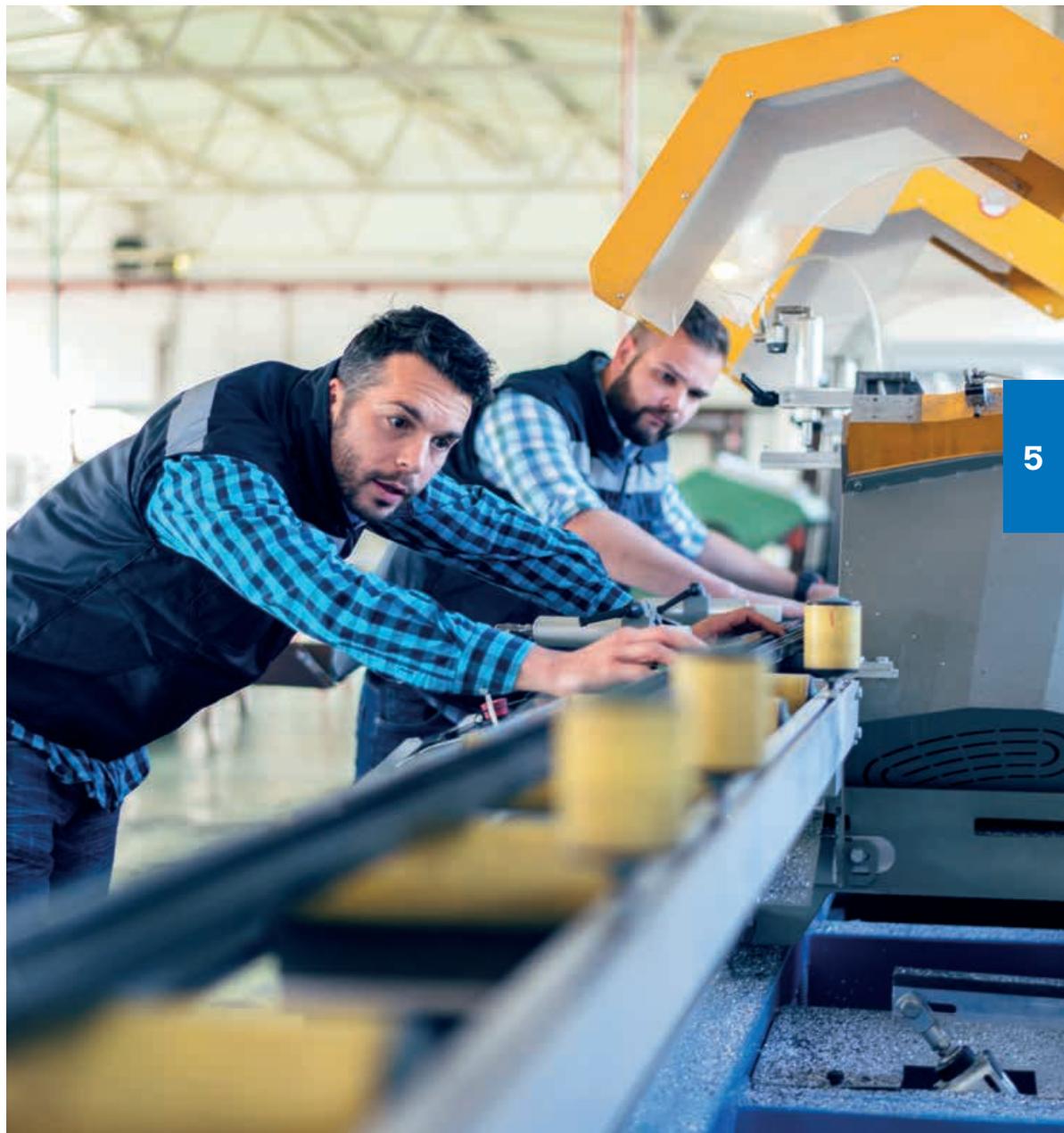
The HS96, HS2002 and HS2007 “transposition exercises” – the amendments are typically referred to by the year in which they enter into force – have been nearly concluded for all members. The Committee continued making good progress on the HS2012 transposition, where the schedules of 97 WTO members have now been updated. Work on HS2017 will be launched in 2020. The Committee was informed that a new amendment to the HS will enter into force on 1 January 2022.

The WTO Secretariat announced that a “Goods Schedules e-library” will be launched in 2020 to facilitate access to the legal instruments that comprise these schedules.

## Quantitative restrictions

The Committee received notifications on quantitative restrictions from 14 members, down from 22 in 2018. Three were from members notifying for the first time. These notifications include information on prohibitions and other restrictions that do not take the form of a tariff, tax, fee or charge, and are allowed by the WTO in some circumstances. WTO members are obliged to provide detailed information every two years. The Secretariat announced that a revised version of the quantitative restrictions database will be launched in 2020.

**WTO members raised 18 trade concerns about issues such as prohibitions and restrictions on imports and exports.**



5



# Agriculture

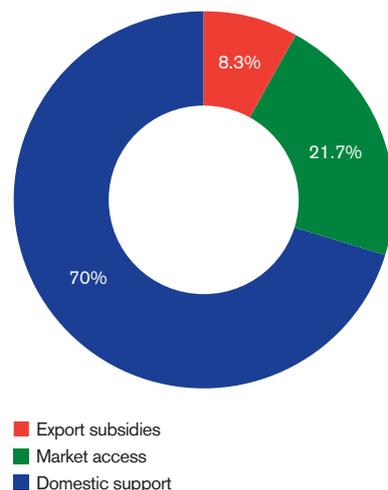
- The Committee on Agriculture received 439 notifications from WTO members in 2019, the highest number since 1995 and a sign of increased transparency.
- Members raised 241 questions on 161 notifications that were reviewed in 2019.
- By end-2019, 11 out of 16 members required to eliminate export subsidies as per the Nairobi ministerial decision had modified their schedules of commitments.
- Members concluded a review of the Bali decision on tariff rate quotas and agreed on recommendations to enhance transparency and improve notifications.
- The WTO Secretariat launched an online agriculture notification system.

## Background on agriculture

The Agreement on Agriculture aims to reform trade and make WTO members' policies more market-oriented. The rules and commitments apply to market access, domestic support and export competition, as well as export restrictions and prohibitions. The Committee on Agriculture oversees the implementation of the Agreement. The Committee also monitors follow-up to the Marrakesh ministerial decision regarding the least-developed and net food-importing developing countries, which sets out objectives and mechanisms on the provision of food aid and other assistance.

The Committee on Agriculture reviewed 161 notifications from WTO members, significantly more than the 104 notifications reviewed in 2018, during which members posed 241 questions on agricultural policy measures. Around 70 per cent of the questions concerned domestic support (subsidy) notifications, including by China, the European Union, India and Israel. Figure 1 gives a snapshot of the questions on notifications by subject area.

**Figure 1: Questions on notifications raised in the Committee on Agriculture in 2019, by subject area**



Two counter-notifications were submitted under a rule allowing WTO members to raise any measure that in their view ought to have been notified by other members. Australia, Canada and the United States questioned India's reporting of market price support for various pulses while Indonesia contested the trigger price of instant coffee and coffee extracts used by the Philippines for invoking special safeguards.

The review of WTO members' progress in implementing their subsidy and market access commitments was largely based on notified information. In addition, Article 18.6 of the Agreement on Agriculture allows members to raise questions on any matters relevant to implementation of commitments. In 2019, 12 members raised 78 such matters and posed 163 questions.

Out of the 404 questions raised in 2019 (including questions on individual notifications and under Article 18.6), just three were directed to least-developed countries, 120 to developing countries and 281 to developed countries (see Figure 2). Developed countries posed some 80 per cent of all questions raised.

Compliance with annual notification obligations, particularly for domestic support and export subsidies, was subject to specific scrutiny in the Committee. Twenty-one questions were raised concerning pending notifications from China, Egypt, Ghana, India, Indonesia, Kazakhstan, Kenya, the Republic of Korea, Morocco, Pakistan, Tunisia, Turkey, Ukraine and Viet Nam.



**Figure 2: Questions addressed to developed and developing countries, 2005-19**



Thirty-four per cent of domestic support notifications (811) and 31 per cent of export subsidy notifications (859) remained outstanding as of 17 October 2019. Nevertheless, Figure 3 shows a rising trend in the number of annual notifications, with the total reaching 439 in 2019, the highest in any year since 1995.

### Export competition

The Committee held its annual dedicated discussion on export competition in June 2019. Export competition covers export subsidies, export credits, export credit guarantees or insurance programmes, international food aid and agricultural exporting state trading enterprises.

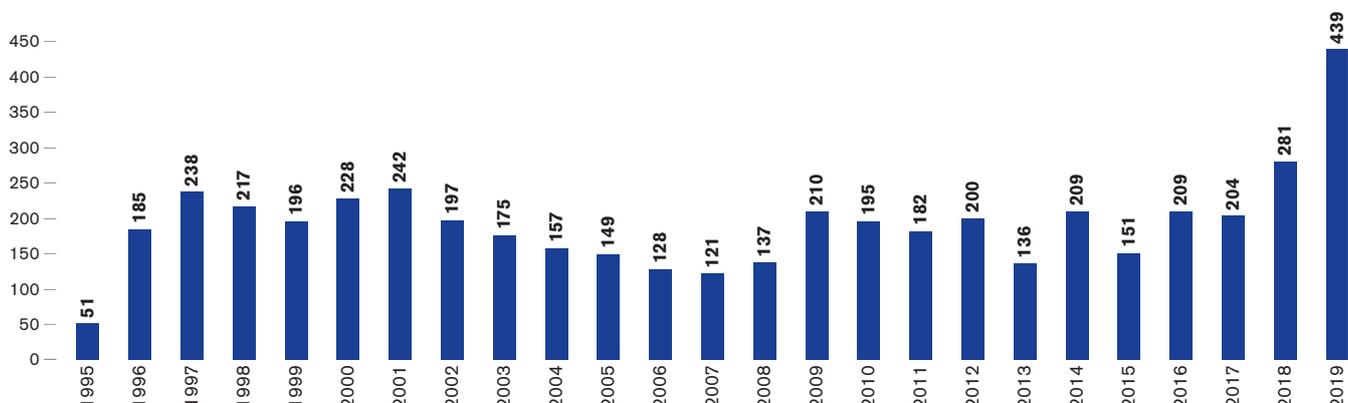
By the end of 2019, three more members – Iceland, Mexico and Turkey – had their revised export subsidy schedules certified. This means that 11 of the 16 WTO members that had export subsidy reduction commitments at the time of the decision in 2015 have modified their schedules in line with the decision.

In addition, Canada and the European Union have circulated draft revised schedules and certification is expected in due course. Under the decision, developed countries had to immediately eliminate their export subsidies, while developing countries had until the end of 2018, with some transitional exceptions.

### Other ministerial decisions

At a meeting on 30-31 October 2019, the Committee adopted a report on the operation of the 2013 Bali Ministerial Decision on Tariff Rate Quotas (TRQs), which it had been reviewing for two years. It adopted recommendations on improving the use of TRQs, including measures and processes aimed at enhancing transparency and improving notifications.

**Figure 3: Number of agriculture notifications submitted by WTO members, 1995 to 2019**





But members could not agree on recommendations in respect of the TRQ underfill mechanism. Instead, they extended the deadline for a decision for two years. Duties are usually lower within TRQs and unfilled quotas mean exporters missing out on the favourable rates of duty. The General Council approved the Committee's recommendations at its meeting on 9-10 December 2019.

### Notification workshop

The annual Geneva-based agriculture notification workshop provided training to 30 capital-based officials from developing countries. It covered practical exercises on notification requirements and the Committee's review process. Participants were also introduced to a new online notifications system (see below).

### Transparency tools

The WTO Secretariat launched the new online system for submission of agriculture notifications in October 2019. It will facilitate members' preparation and submission of notifications and make notified information publicly accessible.

The WTO Secretariat organized an information session to familiarize members with the new digital resources and enhancements, including planned new features for the Agriculture Information Management System. This system provides public access to agriculture-related information notified by WTO members and to questions and responses in the Committee's review process. New features to be introduced in 2020 include tracking of pending responses and of issues that arise in multiple committee meetings.

### Information exchange

The WTO Secretariat organized in June 2019 a two-day symposium on the role of trade in the global agri-food system, involving experts from academia, international organizations and think tanks. Participants exchanged ideas and identified opportunities and challenges for public sector intervention to create a more resilient and sustainable agri-food system.

The Secretariat, in collaboration with other international organizations, organized in June an information session on disciplines, monitoring and data collection for international food aid and food assistance.

# Sanitary and phytosanitary measures

- **The Committee continued work on the fifth review of the Agreement on Sanitary and Phytosanitary (SPS) Measures and began work on concrete recommendations to be delivered in a report in 2020.**
- **A co-publication of the WTO and the Organisation for Economic Co-operation and Development, launched in 2019, highlights how the SPS Agreement and the Technical Barriers to Trade Agreement contribute to easing trade tensions.**
- **Food safety represented over 40 per cent of new trade concerns raised in the Committee and over 50 per cent of previously raised ones.**
- **WTO members' notifications of new or changed SPS regulations rose to 1,757 in 2019, up from 1,631 the previous year.**

## Background on sanitary and phytosanitary measures

The Agreement on the Application of Sanitary and Phytosanitary (SPS) Measures establishes the rights and obligations of WTO members regarding measures taken to ensure food safety, protect human health from plant or animal-spread diseases, protect plant and animal health from pests and diseases, or prevent other damage from pests. Governments must ensure that their SPS measures are necessary for health protection and based on scientific principles.

## Fifth Review of the SPS Agreement

The SPS Committee worked actively on the fifth review of the operation and implementation of the SPS Agreement, launched in March 2018. WTO members engaged in in-depth discussions on topics such as equivalence, which encourages members to accept other members' SPS measures that provide the same level of health protection for food, animals and plants. They also discussed the role of the SPS Agreement in enabling access to safe and effective tools and technologies to cope with pests, such as the fall armyworm pest, a crop-damaging insect native to tropical and sub-tropical regions of the Americas. Other topics discussed by the Committee included transparency and SPS coordination mechanisms.

Members began working on concrete recommendations for the review's report, with the aim of achieving a successful conclusion in 2020. Draft recommendations address transparency and call for intensified exchanges on subjects of interest. The latter includes the trade effects of pesticide maximum residue limits (MRLs) and the role of the relevant standard-setting bodies – Codex, the International Plant Protection Convention and the World Organisation for Animal Health – in Committee discussions on specific trade concerns.

## WTO/OECD publication on regulatory cooperation

The WTO and the OECD jointly launched a publication – “Facilitating Trade through Regulatory Cooperation: The Case of the WTO's TBT/SPS Agreements and Committees”. It outlines how disciplines of the SPS Agreement and the Technical Barriers to Trade (TBT) Agreement, and practices of their related committees,

provide a unique framework for international regulatory cooperation and contribute to easing trade friction.

## Discussions on specific trade concerns

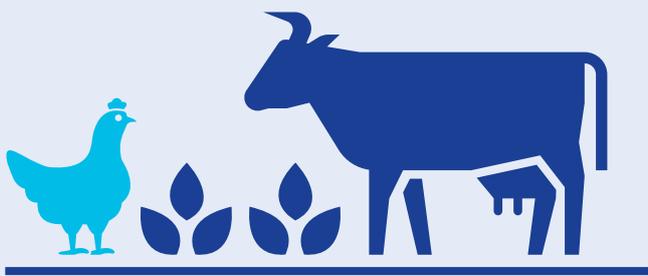
The SPS Committee considered a wide range of specific trade concerns – 17 new ones and 23 that had been previously discussed. Food safety represented over 40 per cent of new concerns and over 50 per cent of previously raised ones. Discussions took place on maximum limits for pesticides (including questions related to substances that may interfere with the body's endocrine system) and testing and approval procedures in general and of biotech products in particular.

Animal health-related concerns raised in the Committee saw recurrent references to commonplace diseases such as avian influenza and foot-and-mouth disease and increased focus on the rapidly spreading African swine fever. Fruit flies were a frequent subject of concerns related to plant health, together with wider procedural issues, including those related to phytosanitary certificates.

In 2019, developing countries were more active than developed countries in raising concerns, accounting for approximately 65 per cent (either independently or in conjunction with developed countries). Close to 60 per cent of the concerns raised also concerned developing country measures.

The European Union, Senegal and Chinese Taipei provided information on trade concerns that had been resolved, bringing the total number of fully or partially resolved concerns to 202 (over 40 per cent of the 469 concerns raised since 1995).

SPS measures ensure that a country's consumers are supplied with food that is safe to eat – but they also make sure that health and safety regulations are not used as an excuse for imposing unjustified obstacles to trade.



Food safety represented over 40% of new trade concerns raised in the SPS Committee.



In 2019, WTO members submitted 1,757 notifications of planned, new or changed SPS regulations.

The SPS Agreement sets out the rights and obligations of WTO members regarding measures to ensure food safety, and to protect human, animal and plant health.

The WTO Secretariat initiated in 2019 a project titled “eAgenda”, a platform through which WTO members can submit specific trade concerns and other agenda items for inclusion in Committee meetings. It will increase transparency and provide early notice of concerns to be discussed.

### Notifications

Transparency is particularly important since compliance with SPS measures is normally a mandatory precondition for market access. The SPS Agreement requires notification of draft regulations that are not “substantially the same” as an international standard, with an opportunity for other members to submit comments on the notified regulation.

Members' notifications of planned new or changed SPS regulations rose to 1,757 in 2019, up from 1,631 the previous year. Of these, 1,118 were regular notifications (down from 1,203 in 2018) and 119 were emergency notifications (almost at a par with the 121 submitted in 2018), the rest being made up by addenda and corrigenda.

In line with previous years, developing countries accounted for a large share of notifications, submitting 67 per cent and 80 per cent of the regular and emergency notifications, respectively.

Approximately 75 per cent of the notifications in 2019 came through the online SPS notification submission system, which has so far been used by close to 50 members.



## Food safety

“WTO rules on food safety are crucial for enabling governments to protect their citizens while ensuring trade can play its critical part in maintaining timely supplies of safe and affordable food,” said DG Azevêdo in opening the International Forum on Food Safety and Trade, which took place at the WTO in April 2019 (see page 62).

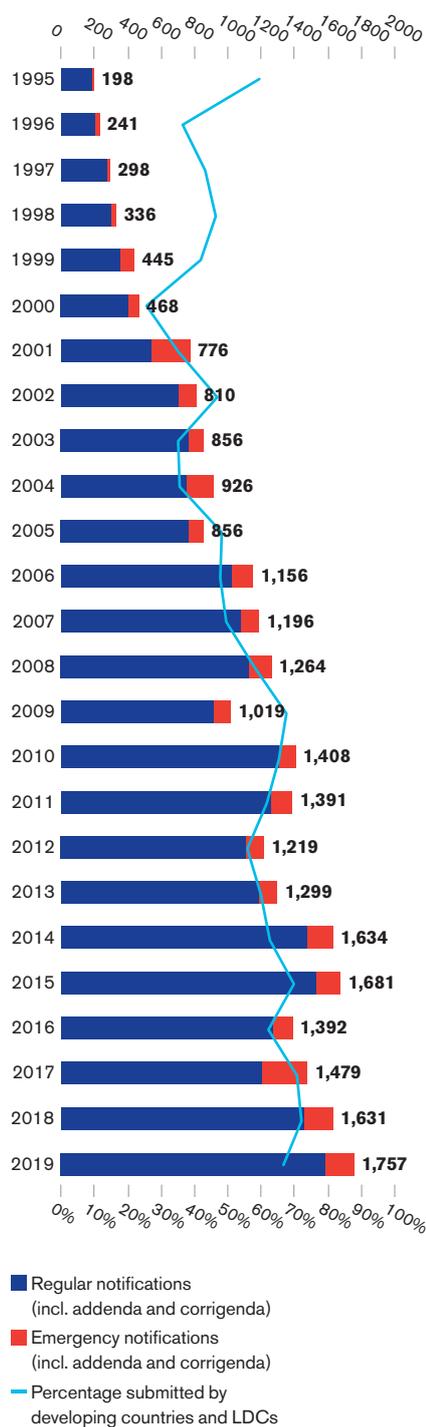
## Capacity-building

SPS was a top priority in questionnaires for the preparation of the WTO's technical assistance plan for 2020-21, and demand for SPS-related capacity building continued to be high. The WTO Secretariat held 13 SPS technical assistance activities in 2019, often in cooperation with other divisions of the WTO and regional and international partners, such as the Inter-American Institute for Cooperation on Agriculture. Transparency figured increasingly among the subjects flagged in training requests.

**Food safety represented over 40 per cent of new trade concerns raised in 2019.**



**Figure 4: Total number of SPS notifications and percentage of notifications submitted by developing countries and LDCs, 1995-2019**



# Technical barriers to trade

- The Technical Barriers to Trade (TBT) Committee began implementing the 2019-21 work programme, which includes recommendations in areas from transparency to improving implementation of the TBT Agreement.
- The Committee held a number of thematic sessions on topics ranging from good regulatory practices to conformity assessment and transparency.
- The Committee agreed an improved notification procedure to facilitate access to measures adopted by members and other information.
- Members' notifications to the WTO rose again – to over 3,300 – the highest figure since the launch of the WTO in 1995 and an indication of increasing transparency.

## Background on technical barriers to trade

The Technical Barriers to Trade (TBT) Agreement aims to ensure that regulations, standards, testing and certification procedures followed by WTO members do not create unnecessary obstacles to trade. The number of regulations adopted by WTO members has continued to grow in response to consumers' demands for safe, high-quality products, the protection of health and the need to curb pollution and environmental degradation.

## Progress on several fronts

The TBT Committee began implementing its 2019-21 work plan, adopted in November 2018, and held several thematic sessions on important TBT issues, including transparency, conformity assessment and good regulatory practices, alongside its regular sessions.

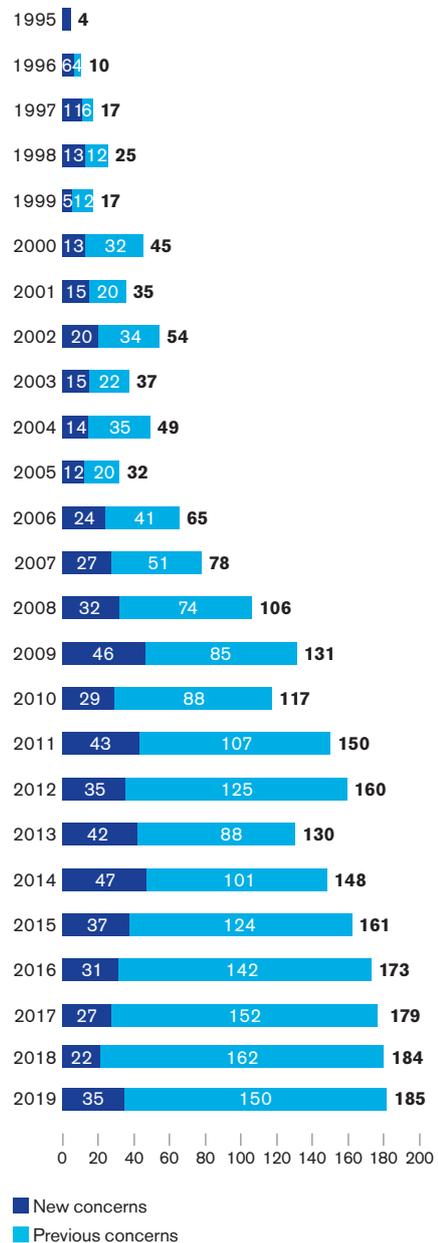
Work also started on its mandate to develop guidelines on the choice and design of appropriate and proportionate conformity assessment procedures. These aim to make sure that measures, such as health and safety requirements, are not unnecessarily restrictive or discriminatory. There is significant interest and momentum on the issue, with submissions on draft guidelines by the European Union, the United States, Australia, Japan and Canada.

A thematic session on transparency in June discussed, among other issues, the functioning of enquiry points, which members must establish to answer questions on their implementation of the TBT Agreement. It also looked at tracking and reacting to members' notifications, including the role of ePing, an alert system for tracking sanitary and phytosanitary and TBT notifications.

By the end of 2019, ePing had 8,820 registered users from 179 countries/territories, around half of them from governments and the rest from private bodies, non-governmental organizations, academia, regional and international organizations, etc. Members underlined the key role that the TBT transparency framework can play in reducing trade tensions.

In November, the Committee agreed to improve notification procedures with a revised addendum format which facilitates access to the final texts of adopted measures and other information, such as the date of entry into force and where to access the texts on national websites.

Figure 5: Specific trade concerns raised in the TBT Committee, 1995 to 2019



The TBT Agreement aims to ensure that regulations, standards, testing and certification procedures followed by WTO members do not create unnecessary obstacles to trade. It also recognises WTO members' right to implement measures to achieve legitimate policy objectives, such as the protection of human health or the environment.



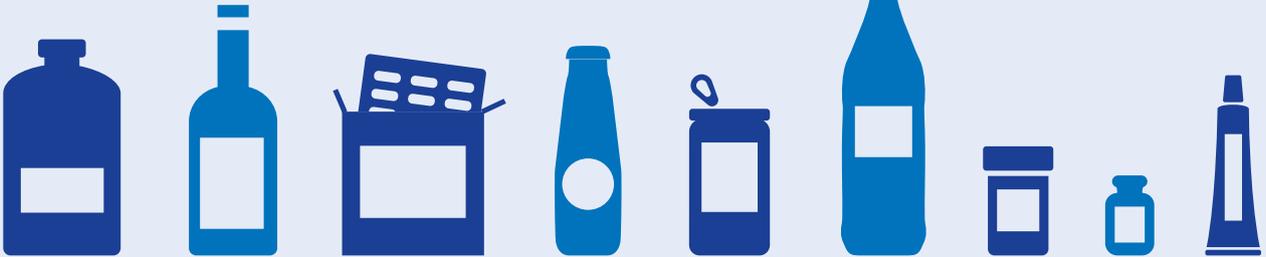
In the TBT Committee, members discussed 185 specific trade concerns dealing with matters such as cybersecurity, labelling and environmental protection.



Manufacturers and exporters need to know what the latest standards are, so WTO member governments are required to keep each other informed by notifying the WTO about new measures.



In 2019, WTO members submitted 3,337 TBT notifications, the highest-ever number and a positive sign of increased transparency.



**New trade concerns on product regulations included those dealing with environmental protection and labelling.**

### Specific trade concerns

In 2019, delegations discussed 185 specific trade concerns (STCs) regarding draft or adopted TBT measures, one more than in 2018 and a new WTO record (see Figure 5). New concerns (35) grew by more than 50 per cent while there were slightly fewer previously raised concerns (150).

The new concerns covered a wide range of product regulations, including those dealing with cybersecurity, environmental protection (for example, on solid waste, plastics, eco-design requirements, energy conservation) and the description and labelling of various products. Of the new concerns, 22 were raised by developing countries (13 independently and nine in conjunction with developed countries – see Figure 6).

Members also began implementing a new procedure, agreed in 2018, for raising specific trade concerns which allows more time for members to engage with each other and domestic stakeholders in advance of Committee meetings.

### Notifications

In a boost for transparency, notifications continued to increase. Members submitted a record 3,337 notifications of new (or changed) draft measures (see Figure 7), compared with 3,061 in 2018.

The number of notifying members also rose, with 93 members submitting at least one notification. Africa and South America were particularly active. Uganda submitted the most notifications among WTO members, while Ecuador, Brazil, Kenya, Tanzania and Argentina were among the top ten.

Most notifications (88 per cent) were submitted through the WTO's online portal, which enables the WTO Secretariat to publish notifications within two days of receipt. The portal also allows members to easily track the status of submitted notifications and facilitates the preparation of notifications via templates.

### Capacity-building

Demand for TBT-related technical assistance has increased steadily. It has consistently been among the top topics requested in recent years. In 2019, 37 TBT-related training activities were organized by the WTO Secretariat, some in cooperation with other organizations.

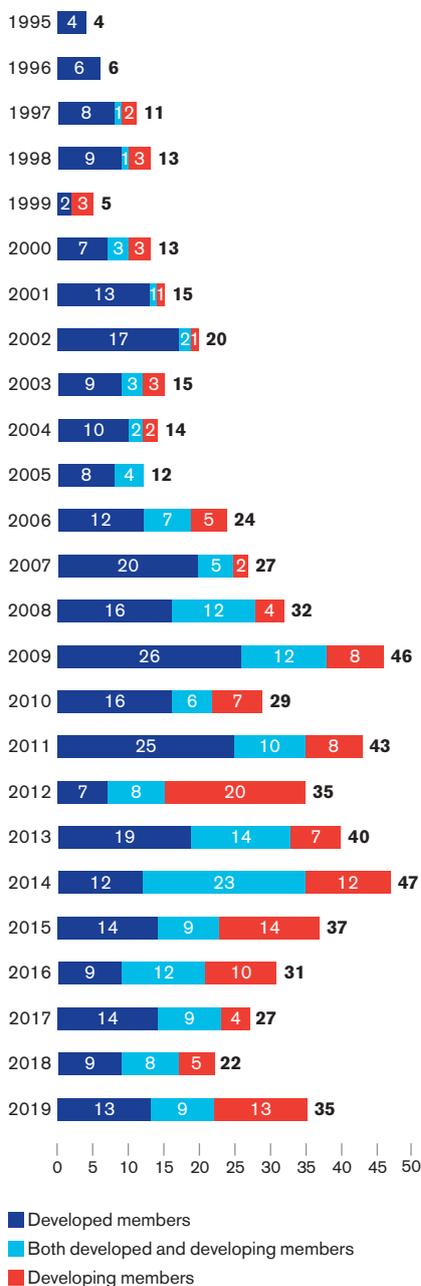
Activities included two Geneva-based advanced courses, six regional workshops and 13 national workshops. They were designed to help participants expand their understanding of the TBT Agreement, discuss challenges in

implementing it and learn more about the work of the TBT Committee. As in previous years, there was strong demand for training on TBT transparency in general and ePing in particular.

### Report

In July, a WTO/Organisation for Economic Co-operation and Development (OECD) joint report highlighted the unique contribution of the TBT Agreement and the Sanitary and Phytosanitary Agreement to regulatory cooperation (see page 159).

**Figure 6: New specific trade concerns raised by WTO members, 1995 to 2019**



**Figure 7: TBT notifications, 1995 to 2019**



# Subsidies and countervailing measures

- **Chairs alerted WTO members to chronic low compliance with notification obligations on subsidies. Only 69 members met the end-June deadline for 2019 notifications.**
- **The Committee returned to the issue of whether subsidies contribute to overcapacity in some sectors.**

## Background on subsidies and countervailing measures

The Subsidies and Countervailing Measures (SCM) Agreement regulates WTO members' use of subsidies and countervailing measures on subsidized imports of a product found to be injuring domestic producers of that product. The SCM Committee reviews WTO members' notifications of specific subsidies, notifications of countervailing duty legislation, semi-annual reports of countervailing actions and ad hoc notifications of preliminary and final countervailing measures taken. It serves as a forum for members to discuss the implementation of the SCM Agreement and any matters arising from this.

In 2019, the Subsidies and Countervailing Measures (SCM) Committee considered new and full notifications from WTO members and continued reviewing previous ones.

Committee chairs – Luis Fernandez (Costa Rica), then Michèle Legault Dooley (Canada) – drew members' attention to the chronic low compliance with the fundamental transparency obligation to notify subsidies, noting that this constitutes a serious problem for the proper functioning of the SCM Agreement.

Only 69 of the WTO's 164 members had submitted their 2019 notifications by the end-June deadline. In addition, 72 members had not submitted their 2017 notifications. The Committee continued to discuss ways to improve the timeliness and completeness of notifications and other information flows on trade measures.

At the Committee's November meeting, several WTO members welcomed what they said was an improvement in the notification of fisheries subsidies. Many members said that these notifications are critical for the ongoing WTO negotiations on fisheries subsidies (see page 44), where information on existing programmes is essential for moving talks forward.

The Committee considered a revised proposal by the United States on procedures for questions and answers for subsidy programmes not included in members' notifications.

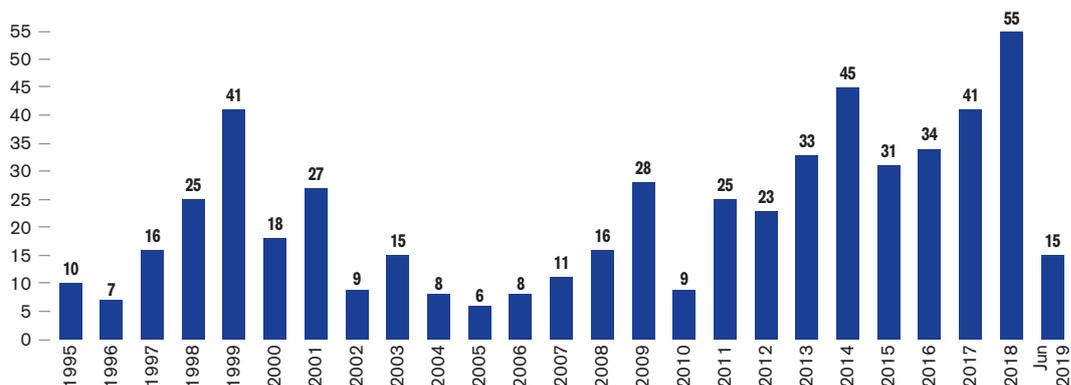
One more developing country notified the Committee of the elimination of its export subsidy programme. Four notifications remain outstanding from the 19 developing countries that had received extensions, to end-2015, for eliminating export subsidies, with final notifications of removal due by end-June 2016. The Committee agreed to continue to discuss this issue in 2020. Least-developed and developing countries are still exempted from the prohibition on per capita income grounds.

The Committee reviewed notifications of countervailing actions taken (see Figure 8). As of 30 June 2019, there were 178 notified measures (definitive duties and undertakings) in force, up from 173 the year before.

The Committee had discussions on the implementation of the Ministerial Decision on Fisheries Subsidies (concerning notification of subsidies), under an agenda item co-sponsored by Argentina, Australia, Canada, Costa Rica, the European Union, Iceland, Japan, the Republic of Korea, New Zealand, Norway, Chinese Taipei and the United States. The Committee also considered requests for information from the European Union and the United States to China regarding potential steel subsidies.

The Committee returned to the issue, raised by Canada, the European Union, Japan and the United States, of whether subsidies contribute to overcapacity in certain sectors. China reiterated that the Committee is not the proper forum to discuss the issue of overcapacity.

**Figure 8: Countervailing initiations by WTO members, 1 January 1995 to end-June 2019\***



\* Figure 8 covers initiations up to the end of June 2019. Data for the second half of 2019 are not yet available.

# Anti-dumping practices

- **WTO members initiated 100 new anti-dumping investigations from January to June 2019, down from 122 in the same period in 2018.**
- **India and the United States were the leading initiators, accounting for 39 per cent of the total.**
- **Investigations involving steel products continued to dominate discussions in the Committee on Anti-Dumping Practices.**

## Background on antidumping practices

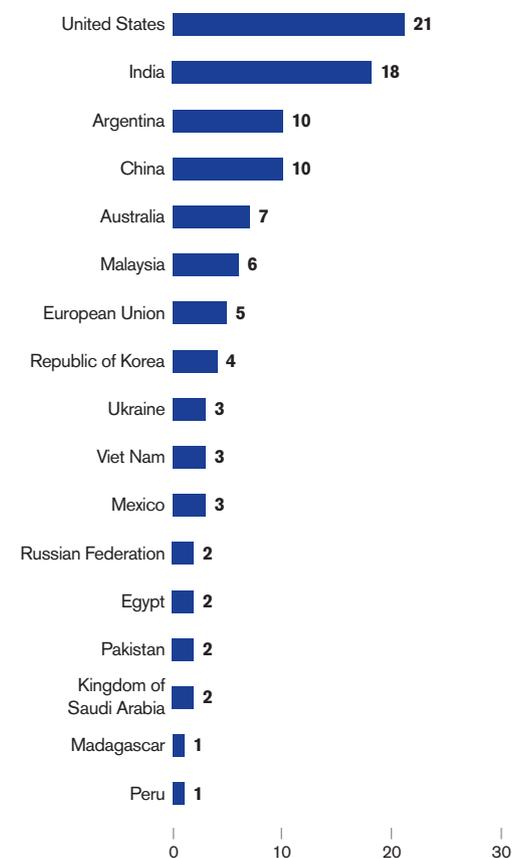
WTO members can apply anti-dumping measures on imports of a product where the exporting company exports the product at a price lower than the price it normally charges in its home market and the dumped imports cause or threaten to cause injury to the domestic industry. The Committee on Anti-Dumping Practices provides WTO members with the opportunity to discuss any matters relating to the Anti-Dumping Agreement.

In the first six months of 2019, the United States initiated 21 new anti-dumping investigations and India 18, down from 22 and 28, respectively, in the same period of the previous year.

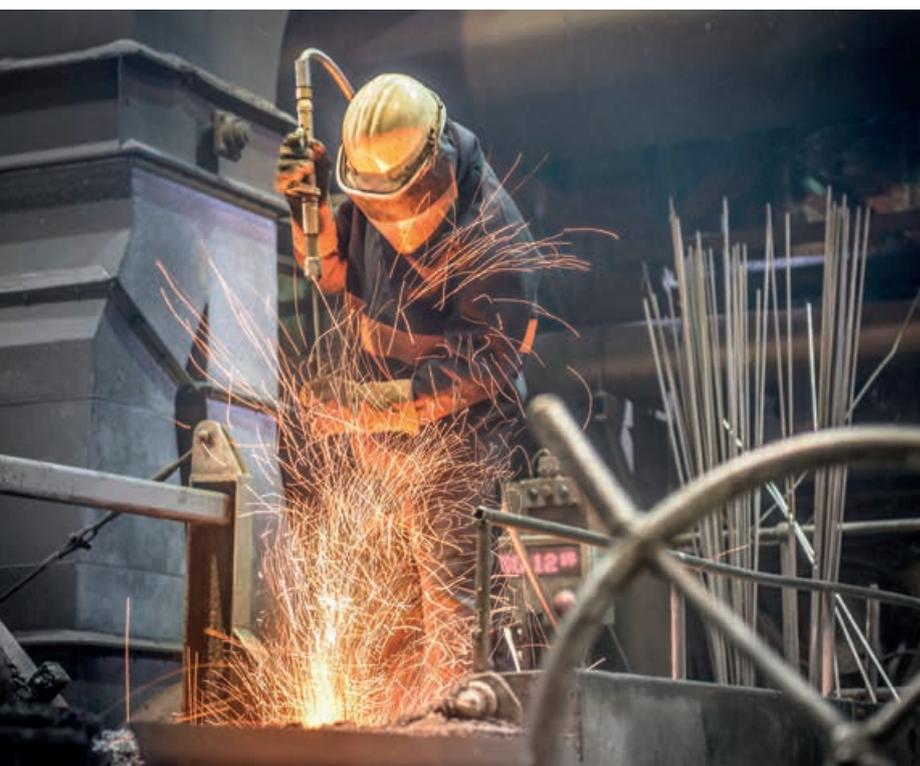
Other frequent users of anti-dumping investigations, including Argentina, Australia and Russia, initiated fewer investigations while Brazil, Canada, Chinese Taipei and Turkey did not initiate any. However, China, Egypt, the European Union, Madagascar, Malaysia, Mexico, Pakistan, Peru, the Republic of Korea, Saudi Arabia, Ukraine and Viet Nam initiated more investigations.

Investigations involving steel products continued to dominate discussions in the Committee on Anti-Dumping Practices. As in 2018, these products accounted for more than a quarter of all new investigations.

**Figure 9: Anti-dumping investigation initiations by reporting member, 1 January 2019 to end-June 2019\***



\* Figure 9 covers initiations up to the end of June 2019. Data for the second half of 2019 are not yet available.



**Steel products accounted for more than a quarter of new investigations in 2019.**



At its spring and autumn meetings, the Committee reviewed semi-annual reports for the second half of 2018 submitted by 43 WTO members and semi-annual reports for the first half of 2019 submitted by 44 members. Committee Chair Lenka Sustrava (Czech Republic) noted that a number of WTO members had failed to submit semi-annual reports for the first half of 2019.

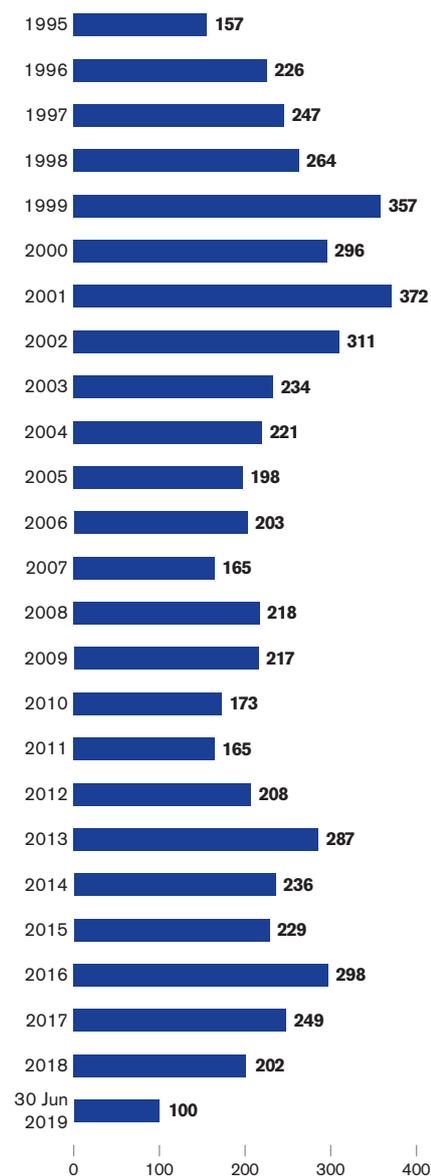
At its spring and autumn meetings, the Committee also reviewed ad hoc notifications of preliminary and final actions taken by WTO members. As of 30 June 2019, 47 members had notified the WTO of 1,919 anti-dumping measures (definitive duties and undertakings) in force, up from 1,854 the previous year.

The Committee reviewed new notifications of legislation submitted by Brazil, Canada, Ecuador, Japan, Kenya, Lesotho, Madagascar, Mauritius, United Arab Emirates and Viet Nam and continued the review of previously reviewed notifications of Ecuador, El Salvador and Viet Nam.

The Working Group on Implementation, which serves as a forum for the exchange of information on WTO members' practices, discussed gathering and examination of evidence for the determination of a causal relationship between the dumped imports and the injury to the domestic industry; assessment of domestic industry's economic indicators in threat of injury analysis; and verification procedures. Also discussed were the treatment of financial expenses and financial income in dumping margin calculations/sales below cost test; and determination of the base price for the below-cost test. Some WTO members made presentations describing their practices while others contributed to the discussions with questions or comments.

In addition, two meetings of the Informal Group on Anti-Circumvention were held in 2019. During those meetings, Australia and the United States presented their anti-circumvention proceedings and responded to questions posed and comments made by other WTO members.

**Figure 10: Anti-dumping investigation initiations by year, 1 January 1995 to end-June 2019\***



\* Figure 10 covers initiations up to the end of June 2019. Data for the second half of 2019 are not yet available.

# Customs valuation

- **The Committee received six first-time notifications of national legislation.**
- **Two specific trade concerns were raised.**
- **The Committee held an experience-sharing workshop to help least-developed countries address challenges in implementing the Customs Valuation Agreement.**

## Background on customs valuation

The WTO's Agreement on Customs Valuation seeks to establish a fair, uniform and neutral system for the valuation of goods for customs purposes, precluding the use of arbitrary or fictitious values. The Committee on Customs Valuation reviews implementation and administration of the agreement as well as the Agreement on Pre-shipment Inspection.

The Committee on Customs Valuation received six first-time notifications of national legislation, bringing to 104 the number of WTO members that have notified and boosting the compliance rate to 76 per cent. It had received no notifications in 2018. The Committee also received three first-time notifications of the checklist of issues related to their legislation, bringing to 68 the number of members that have submitted this notification and giving a compliance rate of 50 per cent.

Uruguay's long-standing proposal to amend the Committee's 30-year-old "Decision on the Valuation of Carrier Media Bearing Software for Data Processing Equipment" to take account of software on newer types of media carriers, such as USB keys, remained on the agenda, without reaching consensus.

Two specific trade concerns were raised in 2019 – Pakistan's determination of customs value of paper and Tajikistan's alleged use of reference pricing in customs valuation.

The Committee held an information-sharing workshop in February 2019 to help least-developed countries (LDCs) address challenges in implementing the Customs Valuation Agreement. The Committee continued its discussions regarding ways of supporting LDCs in implementing the Agreement in full.

## Pre-shipment inspection

The key issues continued to be the status of notifications of pre-shipment measures and the concern of some WTO members that not all measures are being notified. In 2019, the Committee received three notifications regarding the Pre-shipment Inspection Agreement.

**A customs control point in Malaba at the Kenya/Uganda border.**



# Rules of origin

- The WTO Secretariat presented the “Rules of Origin Facilitator”, a free online database making it easier for firms to claim reduced or zero duties.
- The Committee on Rules of Origin continued to examine a proposal to enhance transparency in non-preferential rules of origin.
- The Committee examined issues surrounding the under-utilization of tariff preferences. A Secretariat note showed that 82 per cent of all imports of fruits, vegetables and plants from least-developed countries (LDCs) did not receive any tariff preferences in 2016 despite being eligible.

## Background on rules of origin

Rules of origin are the criteria used to determine the country in which a product is made. They are used in the implementation of many trade measures, including trade preferences, customs duties, labelling of country of origin and the application of anti-dumping measures. The main objective of the Agreement on Rules of Origin is to harmonize the rules that all WTO members use to determine origin in their non-preferential trade. This work is conducted by the Committee on Rules of Origin. The Committee also reviews the implementation of the 2013 and 2015 ministerial decisions on preferential rules of origin for LDCs.

In 2019, the WTO Secretariat officially presented the online “Rules of Origin Facilitator”, which provides firms with free access to a unique, publicly searchable database on duty savings in trade agreements and the corresponding rules of origin. It makes it easier for firms to claim reduced or zero duty rates under free and preferential trade arrangements by accessing the information through an easy-to-navigate system.

The facilitator was developed in collaboration with the International Trade Centre and the World Customs Organization. “The facilitator fills a real gap. We believe this tool will prove especially useful for smaller companies in developing and least-developed countries,” DG Azevêdo said.

## Non-preferential rules of origin

Switzerland again presented a joint proposal, now on behalf of 14 WTO members, for enhancing transparency in non-preferential rules of origin. The idea is to set out a template that WTO members can use to notify their rules of origin in the application of most-favoured-nation (MFN) treatment and other non-preferential commercial policy instruments and practices.

Non-preferential rules of origin are those which apply when trade is conducted on a MFN basis. Some trade policy measures, such as quotas, anti-dumping or “made in” labels, require the identification of the country of origin and the application of non-preferential origin requirements.



The work programme on harmonization of non-preferential rules of origin, mandated by the Agreement on Rules of Origin, has been stalled since 2007. Members have been undertaking a “transparency and educational exercise” on how existing non-preferential rules of origin affect businesses and international trade.

### Preferential rules of origin

WTO ministers have laid down guidelines for making it easier for LDCs to qualify for preferential treatment and better utilize market access opportunities. Sustainable Development Goal 17 calls for preferential rules of origin applied to LDC exports to be “transparent and simple”.

**SDG 17 calls for preferential rules of origin for LDC exports to be “transparent and simple”.**



Members discussed transparency in preferential rules of origin. The Committee has gathered wide-ranging information about preferential rules and origin requirements for LDCs. Import statistics under such preferences are more available although data is still missing from several members.

The Committee also continued examining the change of tariff classification criterion in drafting “substantial transformation” rules of origin. A product can count as “made in” an LDC when it undergoes substantial transformation there but LDCs have argued the rules can be overly strict. A separate session was organized on the “REX System”, a new regime of self-certification for registered exporters being implemented by the European Union, Norway, Switzerland and Turkey.

The Committee also examined utilization of preferences by LDCs. The Secretariat prepared notes examining the utilization of agricultural preferences. For example, 82 per cent of all imports of fruits, vegetables and plants from LDCs did not receive any tariff preference in 2016, despite being eligible. The same was true for over 50 per cent of imports from landlocked LDCs.

# Import licensing

- **The Committee reviewed 43 notifications from WTO members under the Agreement on Import Licensing Procedures, down from 77 in 2018.**
- **WTO members advanced work on a new import licensing website and shared experiences on using a new template to streamline notifications.**
- **The Committee heard specific trade concerns about import licensing rules and procedures.**

## Background on import licensing

The Agreement on Import Licensing Procedures establishes disciplines on import licensing systems, with the objective of ensuring that the procedures applied for granting import licenses do not in themselves restrict trade. It aims to simplify the administrative requirements necessary to obtain licenses and to ensure fair and transparent administration of the procedures.

The Committee on Import Licensing reviewed two notifications from WTO members regarding publications and/or legislation on import licensing procedures and 18 notifications from nine members on new import licensing procedures or changes in these procedures. It also reviewed 23 notifications from 19 members regarding responses to a questionnaire on import licensing procedures.

In 2019, Myanmar submitted its first notification to the Committee and provided a comprehensive list of import licensing laws and regulations. The Chair of the Committee, Carol Tsang (Hong Kong, China), welcomed this move and encouraged others to improve their notification compliance.

As of October 2019, 14 WTO members had not submitted any notification, down from 15 the previous year. In addition, 24 members had never submitted responses to the annual questionnaire on licensing procedures. WTO trade monitoring reports have identified import licensing as one of the main trade-restricting measures introduced by governments.

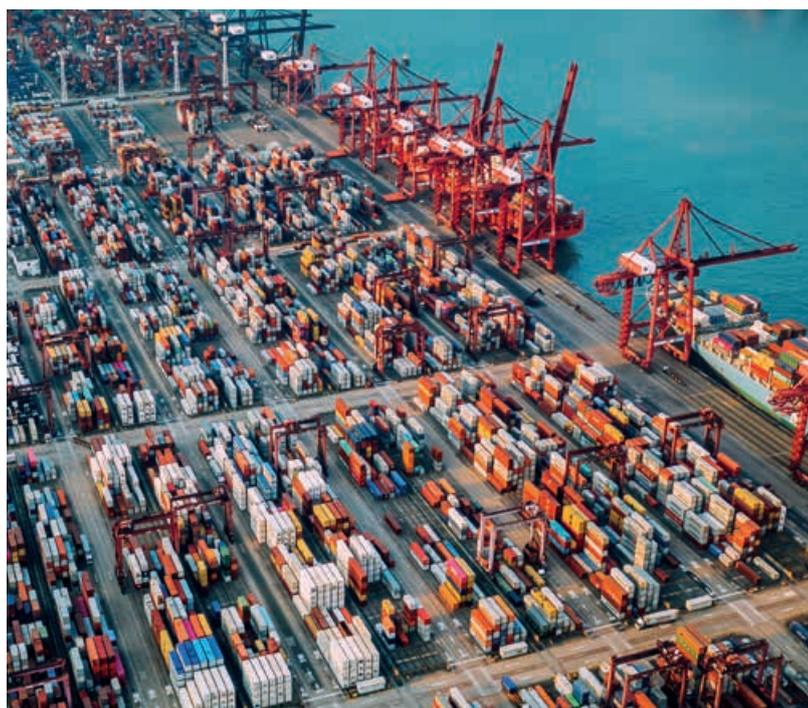
WTO members raised a number of new specific trade concerns. The European Union and the United States questioned Tunisia's import authorization measures on a long list of products, including agriculture and agri-food products, textiles, clothing, cosmetics, leather products, shoes, toys and electrical goods. The United States also asked for clarification from the Dominican Republic on its import licensing procedures for agricultural products and from Ghana on import procedures and permits for poultry. It also voiced concerns at Myanmar's import licensing requirements on agricultural products.

At the Committee's two meetings, members discussed various previously raised issues, such as Indonesia's licensing regime for cell phones, handheld computers and tablets, Viet Nam's import licensing for cybersecurity products and Brazil's import licensing on nitrocellulose.

WTO members advanced work on a new import licensing website. The site (<https://importlicensing.wto.org>) is based on members' notifications and the work carried out in the Import Licensing Committee since 1995.

At the April 2019 meeting, WTO members shared their experiences on using a new notification form which streamlines the way new or updated import licensing laws and procedures are reported.

In October 2019, representatives from 30 developing countries took part in the third workshop on import licensing and notifications in Geneva. National workshops were held in: the Kingdom of Bahrain; Lao People's Democratic Republic; Macao, China; Myanmar; the Philippines; and Chinese Taipei.



# Safeguards

- The number of new safeguard investigations initiated by WTO members rose to the second-highest level since 1995.
- The number of new safeguard measures imposed rose to the third-highest level since 1995.
- At the November meeting of the Safeguards Committee, several members expressed concern over the rising use of safeguards. For some, the concerns focused on the steel sector.

## Background on safeguards

WTO members may take safeguard actions (impose temporary additional duties, quantitative restrictions or other measures on a product) to protect a specific domestic industry from an increase in imports of the product that is causing, or threatening to cause, serious injury to the industry. In these circumstances, WTO members have the right to apply safeguard measures on imports of the product from all sources (but not from a specific member or group of members). The Agreement on Safeguards provides rules concerning the investigation that must be conducted as well as the application of safeguard measures.

The number of new investigations initiated during 2019 rose sharply for the second consecutive year to 30, almost twice the number (16) recorded in 2018 and nearly four times the low level (eight initiations) of 2017 (see Figure 11). This is the second-largest figure since 1995. The largest was 34 in 2002.

Members initiating two or more investigations were: the Philippines and WTO members of the Eurasian Economic Union (EAEU) – Armenia, Belarus, Kazakhstan, the Kyrgyz Republic and Russia – with two; India and Ukraine with three; Madagascar four; and Indonesia five. Guatemala initiated its first-ever safeguard investigation.

WTO members imposed 13 new safeguard measures in 2019, the third-largest figure since 1995. The largest was in 2003 with 15 and the second largest in 2002 with 14.

Members that imposed measures in 2019 were: Indonesia and Madagascar (two each), and Canada, Egypt, the European Union, Morocco, the Philippines, WTO members of the EAEU, Gulf Cooperation Council members (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates), South Africa and Turkey (one each).

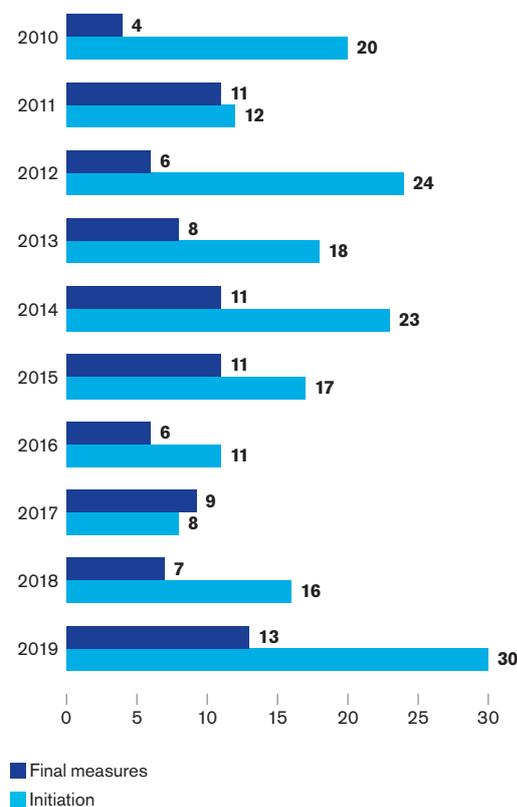
Of the 30 actions reviewed in the April 2019 meeting of the Committee on Safeguards, 11 actions – 37 per cent – were related to steel products. Of the 45 actions reviewed in the November 2019 meeting, 11 actions – 24 per cent – were related to steel products.

In the April Committee meeting, several members expressed concerns over the chain-reaction effect of safeguard measures, warning that the situation may be deteriorating and that members are beginning to react to others' trade-restrictive measures with their own.

In the November meeting, Australia, China, Japan, Korea, Switzerland and the United States voiced general concerns over the rising use of safeguard measures. For Japan, Korea and Switzerland, their concerns focused on the steel sector. Some members asked the European Union to clarify what would happen to its steel safeguard measure once the United Kingdom left the EU.

At both the April and November meetings, members discussed how to improve transparency of notifications by exploring best practices regarding the process of notifying a recommendation to impose a measure.

**Figure 11: Safeguard investigations by year (for all WTO members)**



# Trade-related investment measures

- **The TRIMs Committee continued to discuss concerns regarding local content requirements.**

## Background on trade-related investment measures

The Agreement on Trade-Related Investment Measures (TRIMs) recognizes that certain measures aimed at promoting foreign or domestic investments can restrict and distort trade. It states that WTO members may not apply any trade-related investment measure that discriminates against foreign products or that leads to quantitative restrictions, both of which violate basic WTO principles. An illustrative list of prohibited TRIMs, which often take the form of local content requirements, is part of the Agreement. The TRIMs Committee monitors the implementation of the Agreement and allows members to consult on any relevant matters.

In 2019, WTO members raised concerns in the Committee on Trade-related Investment Measures (TRIMs) over requirements imposed by other members which they said effectively mean that at least a part of a good or service should be locally produced, in violation of TRIMs regulations.

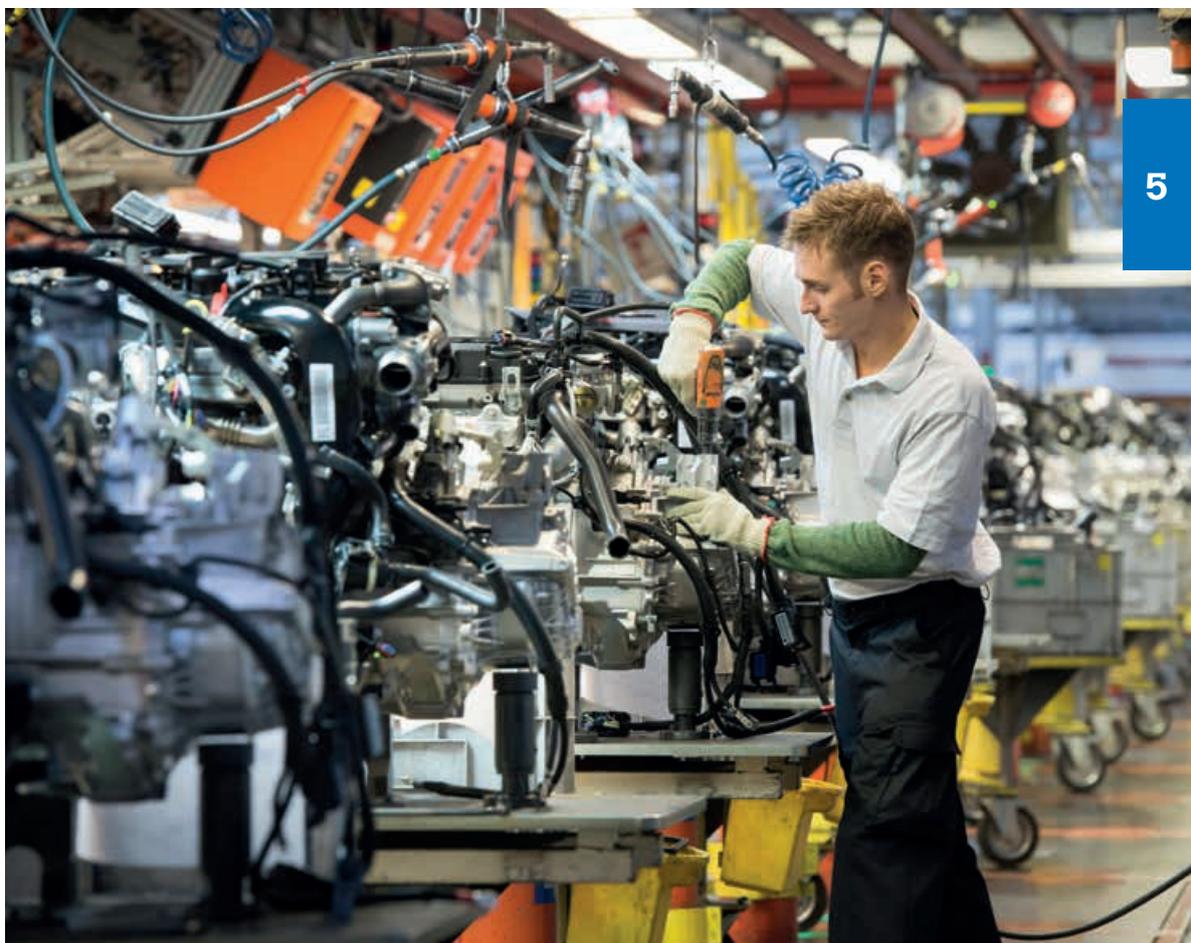
The concerns included measures adopted by Argentina in its auto parts industry and measures adopted by Russia in relation to its automotive industry, along with measures allegedly directing private companies to give priority to Russian-sourced goods, services and works.

The Committee also discussed alleged local content requirements in China's cybersecurity law. China made clear that the law contains no local content requirement. It is motivated by national security and economic, public safety and health reasons, it said.

The Committee also looked at certain Indonesian measures. These included: the alleged implementation of local content requirements for 4G LTE mobile devices and base stations; alleged investment restrictions in Indonesia's energy sector; and developments in the mining, retailing, franchising, pharmaceutical and medical device sectors.

The Committee took note of a new notification submitted by Afghanistan under Article 6.2 of the TRIMs Agreement, which requires WTO members to notify the Committee of all publications in which TRIMs may be found, including those applied by regional and local governments within their territory.

**WTO members' concerns included local content requirements applied to the car industry.**



# Information Technology Agreement

- **WTO members raised concerns about import duties on information and communication technology (ICT) products introduced by India, China and Indonesia.**
- **The Information Technology Agreement (ITA) Committee continued its discussions on non-tariff barriers and improving market access in information technology.**
- **All participants in the 2015 ITA expansion have submitted their expansion commitments.**

## Background on the Information Technology Agreement

The Information Technology Agreement (ITA) requires participants to eliminate duties on IT products on a most-favoured nation basis, meaning that all WTO members benefit, not just participants in the Agreement. The ITA covers a large number of high-technology products, including computers, telecommunications equipment, semiconductors, software and scientific instruments. The Committee of the Participants in the Expansion of Trade in Information Technology Products oversees the Agreement and reviews its implementation. The ITA has 53 participants, representing 82 WTO members.

At the May and October 2019 meetings, WTO members expressed concerns about import duties introduced by India, China and Indonesia on some ICT products and their parts, which they consider to be covered by the ITA. The ITA Committee continued its discussions on non-tariff barriers and improving market access in information technology. The industry is pressing for the harmonization of different technical and administrative regulations, which significantly increase compliance costs.

A key area of the non-tariff measures (NTMs) work programme is a survey of conformity assessment procedures for electromagnetic compatibility (EMC) and electromagnetic interference (EMI) adopted and used by ITA participants. Regarding its work on an EMC/EMI pilot project, the Committee noted that of the 53 participants in the ITA, 43 had provided survey responses, up from 39 in 2018. The Committee encouraged the remaining 10 to provide the information.

On NTMs other than EMC/EMI, the Committee continued discussions on the follow-up to a workshop held in May 2015 and to a symposium marking the 20<sup>th</sup> anniversary of the ITA, held in June 2017. The main issues raised at the workshop

were transparency, standards for recognition of test results, e-labelling and energy efficiency.

Five participants sought technical assistance from the WTO Secretariat regarding the Committee's decisions in 2013 and in 2016 to use the HS 2007 classification (see page 66) for 33 products, mainly semiconductor manufacturing equipment and automatic data-processing machines and units. On the possible HS 2007 classification for 22 "Attachment B" items of the 1996 Ministerial Declaration, for which there is no agreed tariff classification, the Secretariat has received comments from 21 WTO members.

## 2015 ITA Expansion

Members of the ITA expansion group continued to implement tariff reduction commitments with respect to the 201 IT products covered by the expansion deal, reached in 2015. The new products include integrated circuits and touch screens. All current participants in the 2015 ITA expansion have submitted their expansion commitments and modified their tariff schedules.

The expansion deal covers 90 per cent of world trade in the relevant products. It has 26 participants, representing 55 WTO members.

**Import duties on ICT products were raised as a concern by WTO members.**



# State trading enterprises

- **The Working Party reviewed new and full notifications by 15 WTO members.**
- **Compliance with notification obligations remained poor.**

## Background on state trading enterprises

State trading enterprises are defined as governmental or non-governmental enterprises, including marketing boards, which have been granted exclusive or special rights or privileges to deal with goods for export and/or import. They are required to act in a manner consistent with the WTO principle of non-discriminatory treatment. The Working Party on State Trading Enterprises reviews notifications by WTO members of their state trading activities.

At its July and November 2019 meetings, the Working Party on State Trading Enterprises (STEs) reviewed new and full notifications of 15 WTO members regarding the activities of their STEs, and members asked questions about specific aspects of notifications made at previous meetings.

Compliance with notification obligations remained low. For the most recent notification period, covering 2016 and 2017, only 40 new and full notifications were received. For the previous notification period, covering 2014 and 2015, only 58 new and full notifications were received from the 136 WTO members subject to this obligation. WTO members were encouraged to continue working with their respective capitals and the WTO Secretariat to improve their notification record.

# Trade in civil aircraft

- **North Macedonia became the 33<sup>rd</sup> signatory to the Agreement on Trade in Civil Aircraft.**

## Background on trade in civil aircraft

The Agreement on Trade in Civil Aircraft aims to achieve maximum freedom of world trade in civil aircraft, parts and related equipment – such as engines, radar, flight recorders and ground flight simulators – by eliminating tariffs on goods listed in its product annex, by promoting fair and equal competitive opportunities for civil aircraft manufacturers, and by regulating government support for civil aircraft development, production and marketing. The Committee on Trade in Civil Aircraft provides signatories with an opportunity to consult on any matters relating to the operation of the Agreement.

Chair Damaris Carnal (Switzerland) reported in November at the Committee on Trade in Civil Aircraft's only meeting in 2019 that North Macedonia had become the latest signatory to the Agreement on Trade in Civil Aircraft. With the incorporation of North Macedonia, the number of signatories to the plurilateral agreement rose to 33.

At the meeting, the Committee continued the discussion, begun in November 2016, on whether and how to undertake a further update of the tariff classifications of the list of products covered by the Agreement on Trade in Civil Aircraft. The proposal on the table is to align it with the latest version of the Harmonized System, the system used internationally for classifying goods for customs purposes.



## Spotlight: World Cotton Day 2019

On 7 October, the WTO hosted the inaugural “World Cotton Day”, established to celebrate all aspects of cotton, from its qualities as a natural fibre to the benefits people obtain from its production, transformation, trade and consumption.

The event was launched by the WTO Secretariat at the initiative of the Cotton-4 group of African cotton producers – Mali, Benin, Chad and Burkina Faso, which are seeking official recognition for 7 October as World Cotton Day by the United Nations General Assembly.

### Facing the challenges

Organized in collaboration with the United Nations Food and Agriculture Organization (FAO), the UN Conference on Trade and Development (UNCTAD), the International Trade Centre (ITC) and the International Cotton Advisory Committee (ICAC), World Cotton Day shed light on the challenges faced by the sector around the world, particularly in least-developed countries (LDCs).

**Chad's Trade Minister Achta Djibrine Sy addressing the plenary session of World Cotton Day.**

Eight ministers, senior government officials, representatives of international organizations, national cotton producers, textile industry professionals and private sector business executives attended the gathering. Events included a plenary session, thematic sessions on topics such as sustainability, technology and innovation, a partners' conference and a fashion show to display cotton fashion and the work of designers from Africa. It also offered cotton exhibitions, a cotton boutique and a photo contest.

### Addressing the challenges faced by cotton farmers

Addressing the plenary session, DG Azevêdo lauded cotton's central role in livelihoods, job creation and economic stability in several LDCs. He urged participants to heed the challenges faced by cotton farmers, including market access barriers, subsidies provided by some countries and supply-side challenges at home, which limited the competitiveness of export-oriented processing.

DG Azevêdo was joined at the plenary by WTO General Council Chair Sunanta Kangvalkij, Benin's Trade Minister Shadiya Alimatou Assouman, Burkina Faso's Trade Minister Harouna Kaboré, Chad's Trade Minister Achta Djibrine Sy and Mali's Minister of Agriculture Moulaye Ahmed Boubacar. Also present were Brazil's Minister of Agriculture Tereza Cristina Dias, India's Minister of Textiles Smriti Zubin Irani, FAO Director-General Qu Dongyu, then ITC Executive Director Arancha González, UNCTAD Deputy Secretary-General Isabelle Durant and ICAC Executive Director Kai Hughes.

### The importance of cotton

Benin's Trade Minister underlined cotton's substantial contribution to poverty reduction, education, health-care needs and economic growth. She also highlighted the huge social impact that cotton could generate along the value chain and beyond. It is often asserted that “when cotton is fine, everything is fine in the C-4 countries”, she said. Burkina Faso's Trade Minister noted that although cotton remains the country's main agricultural export and contributes more than 10 per cent of GDP, almost all production is exported without any processing.



The event included a display of cotton products and a fashion show to highlight the work of designers from Africa.



### Cotton in the WTO negotiations

In his speech, Minister Ahmed Boubacar drew attention to the issue of domestic support (subsidies) in cotton trade, which are the subject of long-standing WTO negotiations (see page 37). “African cotton is less than 10 per cent of world production. Despite its qualities, our fibre faces stiff competition, particularly from the estimated US\$ 5.9 billion in domestic support in 2017-18 some countries provided to their producers, resulting in the precariousness of our producers,” he said.

Minister Achta Djibrine Sy reaffirmed the C-4’s commitment to pursuing outcomes on cotton at the WTO. “We are committed to multilateral negotiations to find fair, balanced and sustainable solutions to this thorny issue of distorting subsidies,” she said.

### Developing cotton by-products

A partners’ conference brought together representatives from cotton-producing economies, donor governments and international development partners. It was organized to leverage resources and catalyse technical expertise for a new project on technology transfer for the development of cotton by-product value chains in eight African LDCs, namely Benin, Burkina Faso, Chad, Mali, Mozambique, Tanzania, Uganda and Zambia. Moreover, Malawi and Togo officially requested to join the new project.

### Looking ahead

At the end of a special session entitled “The Road Ahead for the Cotton Negotiations”, which was organized by the WTO, ministers and high-level representatives from the C-4, Côte d’Ivoire, Brazil, China, the European Union, India and the United States issued a joint statement on the state of play in the WTO’s cotton negotiations.

“We will intensify our discussions on factors negatively impacting cotton trade and markets. We will continue our efforts aimed at enhancing transparency and monitoring of cotton-related trade measures affecting the global cotton market ... We invite all WTO members to work with us in the Committee on Agriculture in special session so as to make progress on this issue.”



# Trade facilitation

- **The Trade Facilitation Agreement (TFA) had been ratified by 90 per cent of WTO members by the end of 2019.**
- **The Trade Facilitation Committee received 83 implementation notifications from WTO members. Ninety-five per cent of developing countries have provided their roadmap for the full implementation of the Agreement.**
- **The Trade Facilitation Agreement Facility (TFAF) delivered a new work plan; among its aims is to assist developing and least-developed countries to submit timely notifications.**

## Background on trade facilitation

The Trade Facilitation Agreement entered into force in February 2017. The Agreement aims to expedite the movement, release and clearance of goods, including goods in transit. It establishes measures for effective cooperation between customs and other appropriate authorities on trade facilitation and customs compliance issues. The Agreement also contains provisions for technical assistance and capacity-building. The Committee on Trade Facilitation oversees the Agreement and reviews its implementation.

The WTO received acceptances of the Agreement from eight members, bringing the rate of ratification to 90 per cent by the end of 2019. The Agreement entered into force on 22 February 2017 after acceptances of the required two-thirds of WTO members were received. The TFA will reduce trade costs globally by expediting the movement, release and clearance of goods across borders.

The TFA provides unique flexibilities to developing and least-developed countries regarding categorizing their commitments to implement the TFA. Members undertake to implement commitments in category A at entry into force of the TFA, to implement commitments in category B following a transitional period, and to implement commitments in category C once they have received the required technical assistance and capacity-building.

The Committee received 83 implementation notifications from WTO members during 2019. By the end of 2019, 95 per cent of developing countries had provided to the Committee their roadmap for the full implementation of the Agreement through a series of implementation notifications. Developed countries have been implementing the Agreement in full since it began.

At the October meeting, members said they now had more clarity on which areas needed further support to achieve full TFA implementation and what technical assistance was required. Technical assistance is most commonly requested for training, establishing legislative and regulatory frameworks and providing information and communication technologies.

Members also have to submit transparency notifications on various issues: publication of information; “single-window” operations, where multiple transactions can be accomplished at one contact point; use of customs brokers;

**Trade facilitation was the topic of a session organized by the WTO, the World Bank and the UK Department for International Development at the Global Review of Aid for Trade in July 2019.**





**Bureaucratic delays are burdensome for traders moving goods across borders.**



**The TFA entered into force in 2017 and has been ratified by 90% of WTO members.**



**The Trade Facilitation Agreement aims to expedite the movement, release and clearance of goods across borders.**



**95%**  
of developing countries have provided their roadmap for full implementation of the Agreement.



**The TFA is expected to reduce trade costs by 14% and boost global trade by up to US\$1 trillion per year, with the biggest gains in the poorest countries.**

and contact points for information on customs cooperation. The Committee received 123 transparency notifications from 50 members in 2019. They must also provide notifications on technical assistance and capacity-building.

Donor members must notify of their assistance activities, beneficiaries, implementing agencies, contact points in responsible agencies and the process for requesting support. The Committee received 17 notifications in 2019. Developing and least-developed countries are required to submit contact information for offices responsible for coordinating such support. The Committee received 23 notifications in 2019.

This successful rate of notifications, which can be accessed via the WTO's TFA database, was made possible through continuous engagement among members of the Committee, the WTO Secretariat and the partner organizations.

The Committee held three regular meetings in 2019 plus one dedicated session on assistance and capacity-building, which is required under the Agreement. Themes included implementation issues, such as single window operations, authorized economic operators, publication and availability of information and national trade facilitation committees.

### **TFA Facility**

The WTO Trade Facilitation Agreement Facility (TFAF), which aims to help members implement the TFA, delivered a new work plan that focused on helping developing and least-developed

countries submit timely notifications and establish and reinforce national trade facilitation committees (NTFCs) to coordinate implementation of the Agreement. The TFAF also provided support to members still ratifying the Agreement and advice to members seeking technical assistance and capacity building to implement their commitments.

In 2019, training and presentations by WTO officials were delivered to over 1,600 participants in 22 activities. The TFAF assisted members to submit a total of more than 50 notifications, more than double the number of notifications submitted with TFAF support in 2018.

The TFAF also helped 15 members and one regional organization to complete "expressions of interest", the first step in applying for assistance under the TFAF grant programme, which was launched at the end of 2018. Members that cannot identify assistance elsewhere for their TFA commitments are eligible to apply for a TFAF grant. This first step seeks to avoid duplication with the efforts of bilateral, regional and multilateral donors.

The TFAF website provides ratification and notification updates, TFA resources/case studies, news, contact points, implementation support and coordination of technical assistance efforts. In 2019, there was the addition of a TFAF grant application portal, an improved resources page, more case studies, and an interactive calendar of upcoming events. The site attracted over 74,000 users in 2019, an increase of 69 per cent on the previous year.

# Trade in services

- **WTO members held a dedicated session on the services waiver, which allows more favourable treatment for suppliers from least-developed countries.**
- **Members engaged in e-commerce discussions throughout the year.**
- **The Council discussed how notifications from members and transparency of services-related measures might be improved.**

## Background on trade in services

The General Agreement on Trade in Services (GATS) defines trade in services in terms of four types of transactions: Mode 1 – cross-border supply (a supplier in one WTO member provides services to a consumer in another member's territory); Mode 2 – consumption abroad (a consumer from one member consumes services in another member's territory); Mode 3 – commercial presence (a foreign company provides services through establishment in another member's territory); and Mode 4 – presence of natural persons (individuals move to supply services in another member's territory). The Council for Trade in Services oversees the operation of the GATS.

## LDC services waiver

The Council discussed the services waiver for least-developed countries (LDCs) in accordance with ministers' instructions "to review and promote the operationalization of the waiver". The waiver allows WTO members to grant more favourable treatment to LDC service suppliers.

Members held a dedicated session, structured as a workshop and a formal meeting, in October 2019. The session saw an exchange of information on the participation of LDCs in services trade. Improving data collection at the national, regional and international levels is essential to better capture progress made on implementing the waiver, the dedicated session heard. DG Azevêdo told participants that increasing the participation of LDCs in services trade should be "a key priority for all WTO members".

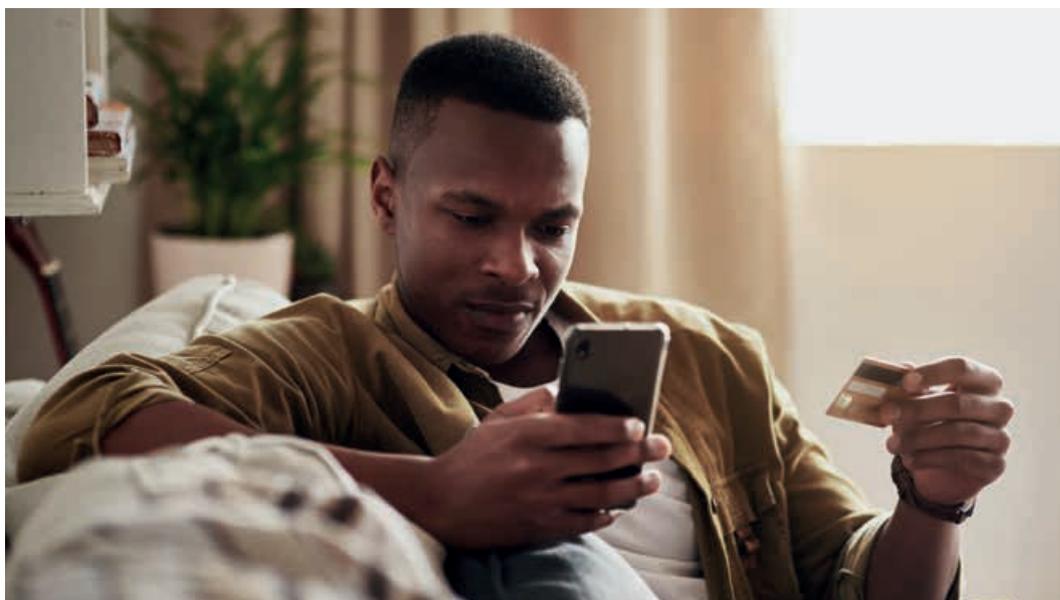
The WTO has received 24 notifications of preferential treatment in favour of LDC services and service suppliers from 51 members (counting EU members as one).

## E-commerce

WTO members engaged in e-commerce discussions throughout the year. The Council learned of members' initiatives, case studies and experiences. It considered a new paper submitted by the United States on "The Economic benefits of cross-border data flows", intended to reinvigorate work under the work programme and complement efforts in the joint statement initiative on e-commerce (see page 48).

Numerous members called for discussions under the work programme on e-commerce to focus on issues of relevance to developing countries and LDCs. Several said that it was premature to consider negotiating multilateral rules on e-commerce.

In December, the General Council agreed to reinvigorate work under the e-commerce work programme in the lead-up to the 12<sup>th</sup> Ministerial Conference (see page 59).



## Other issues addressed by the Council

Members discussed how transparency and notification of services-related measures might be improved. Some suggested focusing on issues such as sharing of best practices, involving capital-based officials and the private sector more, allowing sufficient time for delegations to analyse notifications, and establishing a central portal for notifications. Others stressed the need to consider capacity constraints.

Japan and the United States reiterated their concerns about cybersecurity measures by China and Viet Nam that, among other things, require local storage of data and/or limitations to its transfer abroad. A number of members echoed many of the concerns raised.

The Council received 37 notifications of new or revised measures that could significantly affect trade in sectors where the notifying members have commitments. Eight other notifications dealt with economic integration agreements covering services trade and another ten concerned recognition measures in services sectors.

## Financial services

There was broad support at the October 2019 meeting of the Committee on Trade in Financial Services for China's proposal to hold a thematic seminar on "FinTech: Trade, Financial Inclusion and Development" in 2020.

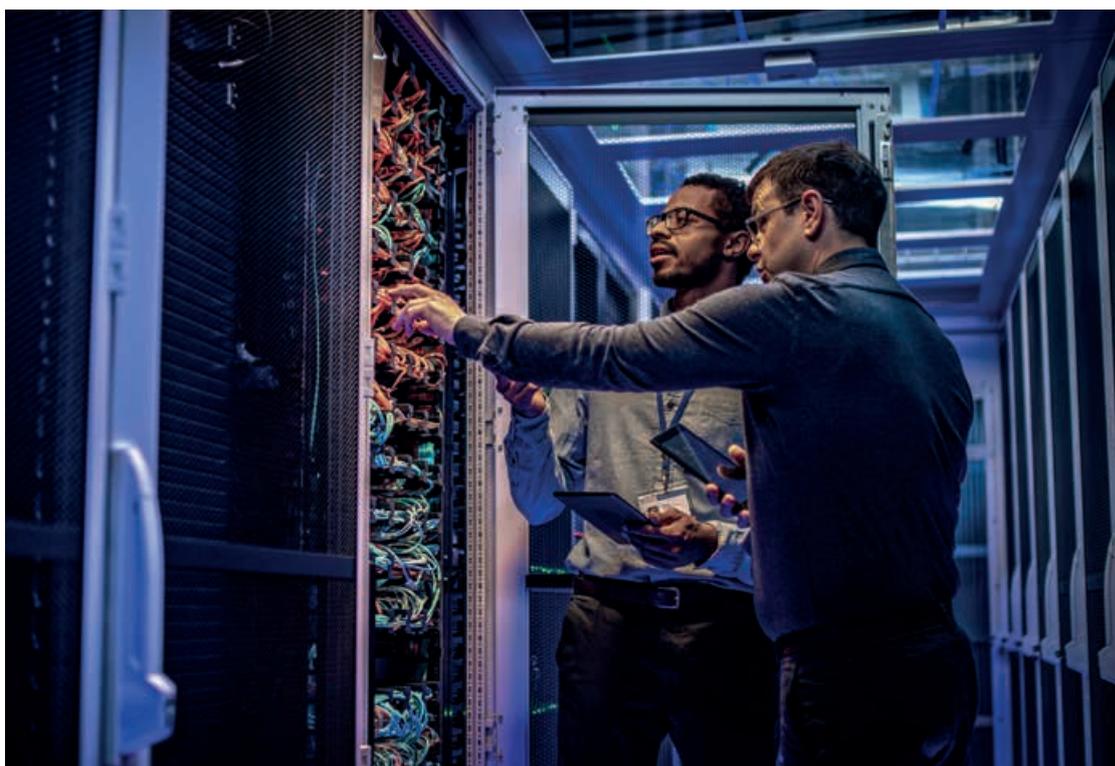
## Specific commitments

A communication from the Kyrgyz Republic in March 2019 on scheduling issues related to mode 4 – the movement of individuals across borders to supply services – led to substantive discussions in the Committee on Specific Commitments.

The Kyrgyz Republic said that many members' mode 4 entries are ambiguous and opaque, leading to legal uncertainty and thus undermining the value of specific commitments. Some problems relate to economic needs tests – a test that conditions market access upon the fulfilment of certain economic criteria, also known as "ENT". Many members that spoke – the issue was raised again in October – agreed with the need for more clarity and transparency but the Committee failed to reach agreement on how to address the issue.

The WTO Secretariat updated the Committee on recent developments in the measurement of digital trade (see page 165). The presentation focused on the conceptual framework for digital trade measurement, trade in services and related classification challenges.

**Cybersecurity measures were among the concerns raised by WTO members.**



# Trade-related aspects of intellectual property rights (TRIPS)

- **Cuba and Burundi confirmed their acceptances of the amendment to the TRIPS Agreement making it easier for developing countries to access affordable medicines.**
- **Eighteen members notified the TRIPS Council of new or revised IP legislation. To date, 137 WTO members have notified their TRIPS implementing legislation.**
- **The eTRIPS gateway and the online notification submission system were launched, providing user-friendly access to all TRIPS-related materials.**
- **The WTO Secretariat focused technical assistance on effective use of the TRIPS amendment and its domestic implementation.**

## Background on TRIPS

The intellectual property system has become central to the debate about economic development and broader public policy questions, such as innovation policy and public health. The TRIPS Agreement is the most comprehensive international treaty governing the protection, administration and enforcement of intellectual property rights. The Council for TRIPS, a body open to all WTO members and to certain observers, administers the TRIPS Agreement, provides a forum for debate on policy issues and reviews the intellectual property legislation of individual WTO members.

## Public health

Cuba and Burundi deposited their acceptances of the protocol amending the TRIPS Agreement. The amendment, which makes a special compulsory licensing system an integral part of the Agreement, provides developing countries and least-developed countries (LDCs) with an additional secure legal avenue to procure affordable medicines from third-country sources. It was the first amendment to a multilateral WTO agreement and entered into force in 2017 once it was accepted by two-thirds of members.

The amendment empowers importing developing countries and LDCs facing public health problems and lacking the capacity to produce drugs generically to seek generic versions of patented medicines from third-country producers under “compulsory licensing” arrangements (that is, without the consent of the patent owner).

To date, 128 members have accepted the protocol; the remainder continue to benefit from the 2003 waiver decision that first established the mechanism. The General Council decided in December that the remainder now have until 31 December 2021 to accept the amendment.

TRIPS and public health continued to be addressed in various technical cooperation activities organized by the WTO Secretariat as part of the trilateral cooperation of the WTO with the World Health Organization (WHO) and the World Intellectual Property Organization (WIPO) and its collaboration with other multilateral and regional partners.

In July, the WTO organized, in collaboration with the World Customs Organization, WHO, WIPO and the Commission of the West African Economic and Monetary Union, a regional workshop in Dakar, Senegal, to facilitate access to medicines and medical technologies while fostering innovation. A national seminar devoted to intellectual property and public health in Senegal was delivered back-to-back with the regional activity.

In October, a symposium held by WHO, WIPO and the WTO discussed the opportunities and challenges of cutting-edge health technologies to ensure progress towards universal health coverage and the achievement of the health-related Sustainable Development Goals (SDGs). SDG 3 calls for action to “ensure healthy lives and promote well-being for all at all ages”. DG Azevêdo said that “if we are to have the trade and intellectual property systems delivering for public health, then cooperation, coordination and a shared policy outlook is not just desirable – it is essential”.

In November, the 15<sup>th</sup> annual WTO Workshop on Trade and Public Health took place in Geneva. Attended by government officials from 29 developing countries and LDCs, the workshop covered a wide range of trade and IP issues as they relate to public health.

**SDG 3 calls for action to “ensure healthy lives and promote well-being for all at all ages”.**





**Trade and IP issues relating to public health continued to be addressed by WTO members.**

**Promoting transparency**

In 2019, 18 WTO members notified the TRIPS Council of new or updated IP legislation. To date, 137 WTO members have notified their TRIPS implementing legislation. In addition, 112 members have provided responses to a checklist notifying the essential elements of their systems for enforcement of IP rights and 145 have notified contact points for cooperating with each other on eliminating trade in IP-infringing goods.

Members' notifications to the Council provide a comprehensive body of information and constitute an important transparency mechanism. They show how WTO members have implemented the TRIPS Agreement at the domestic level.

At the Council meetings, several WTO members provided further background to their respective notified legislation. The Council was also briefed on the wide range of IP policy matters that members had raised in other members' Trade Policy Reviews and the TRIPS-related measures covered in the G20 and WTO-wide trade monitoring reports (see page 108).

The e-TRIPS gateway and an online notification submission system were launched in the WTO's three official languages, with the aim of streamlining the submission and management of notifications and other transparency materials and providing user-friendly access to all TRIPS-related materials. They have been developed with the close involvement of delegations to ensure their practical utility for members.

**Plants, animals, biodiversity and traditional knowledge**

The Council continued its discussion on the patentability of plant and animal inventions, the relationship between the TRIPS Agreement and the Convention on Biological Diversity (CBD) and the protection of traditional knowledge and folklore.

In 2019, the Council received responses from Mexico and Ukraine to the checklist of questions on Article 27.3(b), which allows governments to exclude some kinds of inventions from patenting – for example, plants, animals and “essentially” biological processes. They were the first two submissions in 15 years. At the Council's meetings, they also provided an overview of their sui generis protection of new plant varieties.

WTO members reiterated their positions on whether the TRIPS Agreement should be amended to prohibit the patentability of life forms and whether – and, if so, how – TRIPS should do more to promote the CBD objectives of authorized access and equitable sharing of the benefits from the use of genetic resources and associated traditional knowledge in other members' jurisdictions.

### Incentives for technology transfer

In February 2019, the Council concluded its 16<sup>th</sup> annual review of the reports provided by developed countries on the incentives granted to promote and encourage the transfer of technology to LDCs, as provided for by Article 66.2 of the TRIPS Agreement. A workshop aimed at exchanging views between cooperation partners and to deepen the dialogue on incentives for transfer of technology preceded the meeting. The Council started its 17<sup>th</sup> review in November.

### TRIPS non-violation and situation complaints

As mandated by the 11<sup>th</sup> Ministerial Conference in Buenos Aires, the TRIPS Council continued to consider the application of so-called non violation and situation complaints.

Discussions focused on the longstanding issue of whether members should have the right to bring disputes not only if an agreement or commitment has been violated but also if an expected benefit has been nullified, even without any specific violation, as is the case generally in WTO agreements. The TRIPS Agreement contained a moratorium on such complaints, which has been repeatedly extended. In December, members agreed to extend the moratorium until the 12<sup>th</sup> Ministerial Conference.

### Technical cooperation and capacity-building

The WTO held several training sessions for members, focused on TRIPS notification obligations, transparency mechanisms and how to use the new e-TRIPS submission system.

A two-week advanced course on intellectual property for government officials, jointly organized by the WTO and WIPO, was held in Geneva in March. The training aimed to enhance the capacity of developing countries and LDCs to develop and implement national expertise in IP matters.

The WIPO-WTO Colloquium for IP teachers took place in June. This activity forms part of a wider approach towards cooperation with the academic community.

The TRIPS Council undertook the review of technical cooperation and capacity building on the basis of reports submitted by developed countries and international organizations.

### IP and innovation

During 2019, the Council continued its dynamic information exchange on intellectual property and innovation, focusing on public-private collaborations. Members shared their experiences and domestic policies designed to foster partnerships in research and development as well as promoting the use and good management of IP rights.

### IP and the public interest

WTO members continued their discussions on the relationship between IP and the public interest, centred on the promotion of public health through competition law and policy. Members shared examples on how competition law is used to achieve public health objectives and address various anti-competitive practices that affect access to medicines and medical technologies. Under this item, members also discussed research and development costs and pricing of health technologies.



# Trade and environment

- In November, WTO members held dedicated discussions at the Committee on Trade and Environment and at side-events – in what was dubbed “Environment Week” – on plastics pollution and trade’s potential role in facilitating the “circular economy”.
- New Zealand presented a proposal for an Agreement on Climate Change, Trade and Sustainability. The initiative was launched with Norway, Iceland, Costa Rica and Fiji; negotiations will start in 2020.

## Background on trade and environment

Sustainable development and protection and preservation of the environment are fundamental goals of the WTO. The Committee on Trade and Environment is responsible for examining the relationship between trade and the environment.

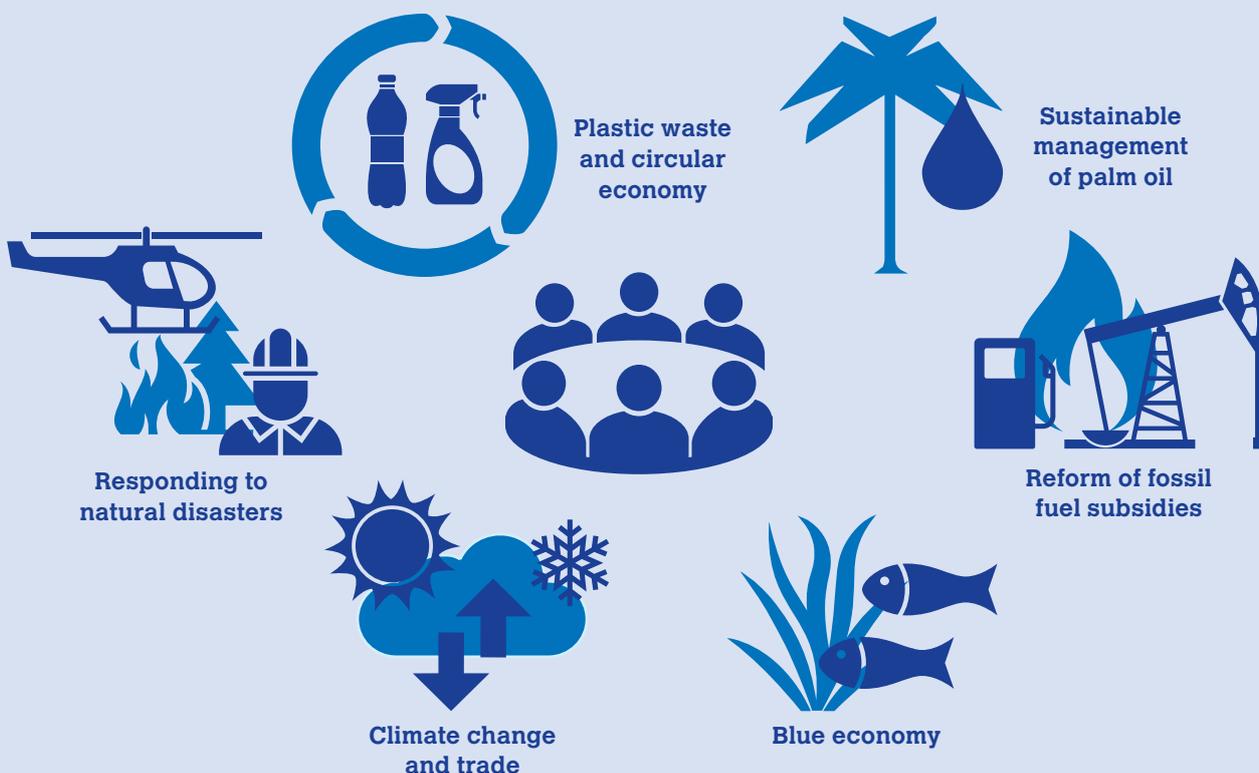
Under the chairmanship of Jean-Marie Paugam (France), the Committee on Trade and Environment held formal meetings in May and November. At these meetings, WTO members debated issues at the interface of trade and environment policies, including how a reduction in trade-restrictive measures would benefit trade, the environment and development. During the year, the Committee discussed a number of important trade and environment topics, such as fossil fuels subsidy reform, the circular economy, plastics pollution, sustainable palm oil production,

endangered species, climate change and environmental services.

## Circular economy, plastics pollution and the WTO “Environment Week”

WTO members undertook dedicated discussions on trade and plastics pollution and how trade can help promote a “circular economy”, which favours keeping materials in use and improving resource efficiency, at a meeting of the Committee on Trade and Environment and at side-events held on 25-27 November.

## Topics discussed in the Committee on Trade and Environment



### WTO members discussed a proposed Agreement on Climate Change, Trade and Sustainability.

“Many trade-related measures actively support the circular economy – for example, by requiring governments to purchase goods that meet environmental standards. But others may inadvertently work against circular trade, reflecting the fact that trade policies have traditionally been conceived with a linear, rather than a circular, economy in mind,” Deputy Director-General Alan Wolff told a November workshop on the circular economy.

Several WTO members presented their programmes related to the circular economy. Speakers noted that, while national action is essential, global cooperation and solutions are equally critical. The meetings also discussed developing countries’ expertise in the sustainable utilization and conservation of biological resources while noting their need for technical assistance and capacity-building.

There was strong participation from least-developed countries (LDCs) during the Committee meeting and the side events. Chad, speaking on behalf of the LDC Group, called for action to support efforts by LDCs to achieve sustainable development. Transition to a circular economy needed to be inclusive and address the challenges faced by LDCs, it said.

The United States put forward a paper proposing that the WTO should focus on trade facilitation for supply chains that work to channel “end of life” products towards recycling and thus serve the circular economy. Several international organizations also presented their programmes related to the circular economy.

The cluster of events and meetings was dubbed WTO “Environment Week” and several members suggested it could be replicated in the future.

### Sustainable management of palm oil

Colombia briefed delegates on a project to avoid deforestation and enhance biodiversity synergies in oil palm plantations. Malaysia updated WTO members on its efforts to help palm oil producers comply with international certification systems for sustainably produced palm oil.

Several WTO members expressed support for initiatives that strengthen the sustainability of palm oil production and trade while noting that issues such as deforestation, biodiversity loss, greenhouse gas emissions and water management are of growing consumer concern.

### Reform of fossil fuel subsidies

New Zealand updated members on recent developments related to fossil fuel subsidy reform, which seeks to rationalize and phase out subsidies that encourage wasteful consumption. It recalled the statement issued by a group of ministers at the 11<sup>th</sup> Ministerial Conference urging “ambitious and effective disciplines on inefficient fossil fuel subsidies” and said the signatories intend to broaden its support at the 12<sup>th</sup> Ministerial Conference. Some members reiterated their view that the WTO is not an appropriate venue for such matters.

### Sustainable and inclusive economic development

New Zealand presented its Trade for All initiative, highlighting positive results from a country-wide public consultation. It outlined several projects, including a zero-carbon bill, a framework for analysing trade’s impact on productivity, sustainability and inclusiveness and a joint declaration signed with Chile and Canada to support inclusive and sustainable trade. Canada, Chile and the European Union shared experiences on similar efforts to integrate inclusiveness into their trade policies.

### Climate change and trade

New Zealand briefed delegates on a proposed Agreement on Climate Change, Trade and Sustainability. The initiative was launched on 25 September with Norway, Iceland, Costa Rica and Fiji, and negotiations will start in 2020. Parties will consider the elimination of tariffs on environmental goods, new commitments on environmental services, disciplines to eliminate fossil fuel subsidies and guidelines for eco-labelling programmes.

The European Union and Canada provided a joint presentation on the implementation of the environmental chapter of the EU-Canada Comprehensive Economic and Trade Agreement, with a particular focus on the nexus between trade and climate change.



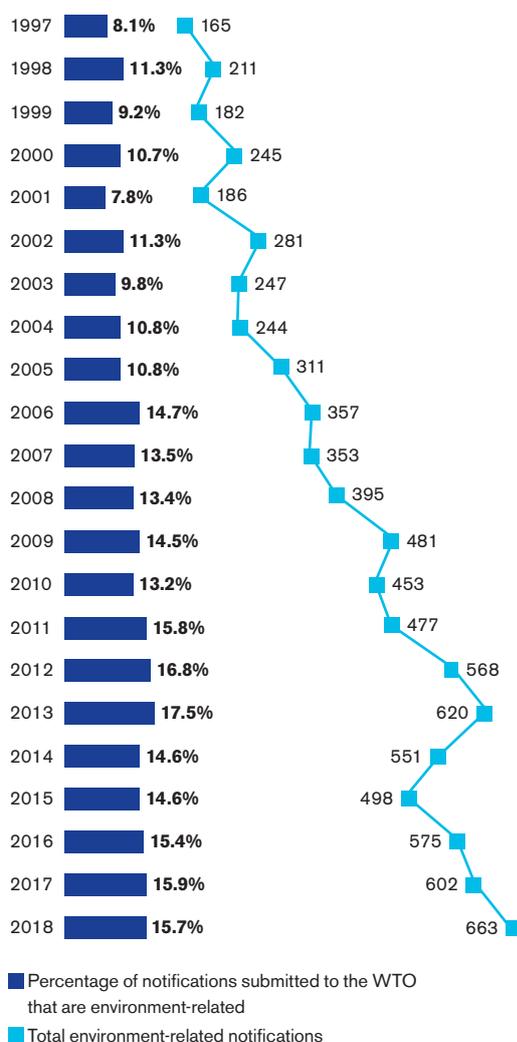
## Responding to natural disasters

A fourth Symposium on Natural Disasters and Trade, held at the WTO in November, highlighted ways of helping economies respond to and recover from natural disasters and build resilience against future events (see page 131). The Committee was briefed about this event.

## Trade in jute for environment sustainability

Bangladesh made a presentation on trade in jute, noting the environmental advantages of using jute as an alternative to plastic and fossil-based options. It enumerated a number of tariff and non-tariff barriers that could be addressed to facilitate jute trade. Several delegations welcomed the discussion. The Philippines highlighted the environmental benefits of trade in other natural fibres, such as abaca and coconut fibres.

**Figure 12: Environment-related notifications (1997-2018)**



## Other briefings on policy developments

Canada briefed members on its landmark prohibition on imports and exports of unattached shark fins. It also shared how the issue has been addressed in its recent free trade agreements.

On behalf of Australia, Mexico, New Zealand and Switzerland, Canada updated the Committee on informal discussions the group had facilitated on liberalizing trade (see page 39). New technologies have opened up possibilities to deliver environmental services across borders, it said.

Several observer institutions briefed delegates on their trade and environment work. These included the Organisation for Economic Co-operation and Development, the International Organization for Standardization, UN Environment and the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES).

## WTO environmental database

The WTO Secretariat presented the 2018 update to the environmental database ([www.wto.org/edb](http://www.wto.org/edb)), which covers all environment-related notifications (see Figure 12) and environmental measures and policies mentioned in Trade Policy Reviews.

Following requests by members for examples of how the data can be used for analytical work, the WTO Secretariat presented three different case studies: on measures notified on waste management; on measures notified on circular economy objectives; and on measures notified on the implementation of multilateral environmental agreements.

## Technical assistance and outreach

The WTO held a regional workshop on trade and environment for government officials from Caribbean WTO members.

Training was delivered during Geneva-based and regional trade policy courses. It was also made available through the e-learning platform, with translations to French and Spanish of two recently developed online courses on CITES and the WTO and an introductory course on trade and environment.

The WTO maintains an active outreach programme with MEA secretariats, other intergovernmental organizations, universities and think tanks. It hosted a joint side-event to the 18<sup>th</sup> conference of parties of CITES together with the CITES Secretariat and organized joint training activities with the UN Food and Agriculture Organization on sustainable fish trade. The WTO also took part in many events on how WTO agreements relate to environmental objectives.

# Trade and transfer of technology

- **The Working Group continued examining the relationship between trade and technology transfer.**
- **Least-developed countries (LDCs) underscored the critical role of technology in boosting productivity and diversifying economies.**

## Background on trade and transfer of technology

The Working Group on Trade and Transfer of Technology was established at the Doha Ministerial Conference in 2001 “to examine the relationship between trade and transfer of technology and to make recommendations on steps that might be taken, within the mandate of the WTO, to increase flows of technology to developing countries”.

The Working Group on Trade and Transfer of Technology continued its examination of the relationship between trade and transfer of technology and possible recommendations that might be made within the mandate of the WTO to increase flows of technology to developing countries.

Panama presented a project that uses information and communications technology to help agricultural producers monitor agroclimatic variables in greenhouses and improve production, development and crop quality. This project originated in the Centre for Innovation and Technology Transfer of the Technological University of Panama (UTP). The latter concluded in 2015 an agreement with the Latin American Development Bank, whose objective was to transform UTP into the first Latin American university to generate and manage international technological patents.

The LDC Group underscored the critical role technology plays in increasing productivity and output, and in diversifying economies so they better integrate into regional and global value chains. It requested that an evaluation be undertaken of what has been accomplished by the Working Group and what remains to be done.

The United Nations Technology Bank for Least Developed Countries explained its work towards achieving the 2030 Agenda for Sustainable Development in LDCs through building capacity in science, technology and innovation (STI) and assessing technology needs.

The focus of the Bank’s work is on strengthening STI capacity of LDCs, promoting the development and implementation of national and regional STI strategies, reinforcing partnerships in the public and private sectors and encouraging cooperation among those involved in STI, including academics. The Bank also supports LDCs as they identify, access and use technologies and facilitates the smooth transfer of technologies to LDCs.



# Regional trade agreements

- In 2019, the WTO received 15 notifications of regional trade agreements (RTAs) currently in force, compared with 12 in 2018.
- The 15 notifications concern 13 RTAs. Overall, the Americas and the Asia Pacific regions notified the highest number of RTAs.
- The number of RTAs (including accessions to existing RTAs) reviewed by WTO members under the transparency mechanism for RTAs rose to 183, involving 122 members.

## Background on RTAs

The Committee on Regional Trade Agreements (CRTA) monitors all RTAs notified to the WTO, except those notified under special provisions for agreements between developing countries (the Enabling Clause), which are considered by the Committee on Trade and Development. The CRTA considers RTAs individually and considers the systemic implications of RTAs for the multilateral trading system.

## Notifications

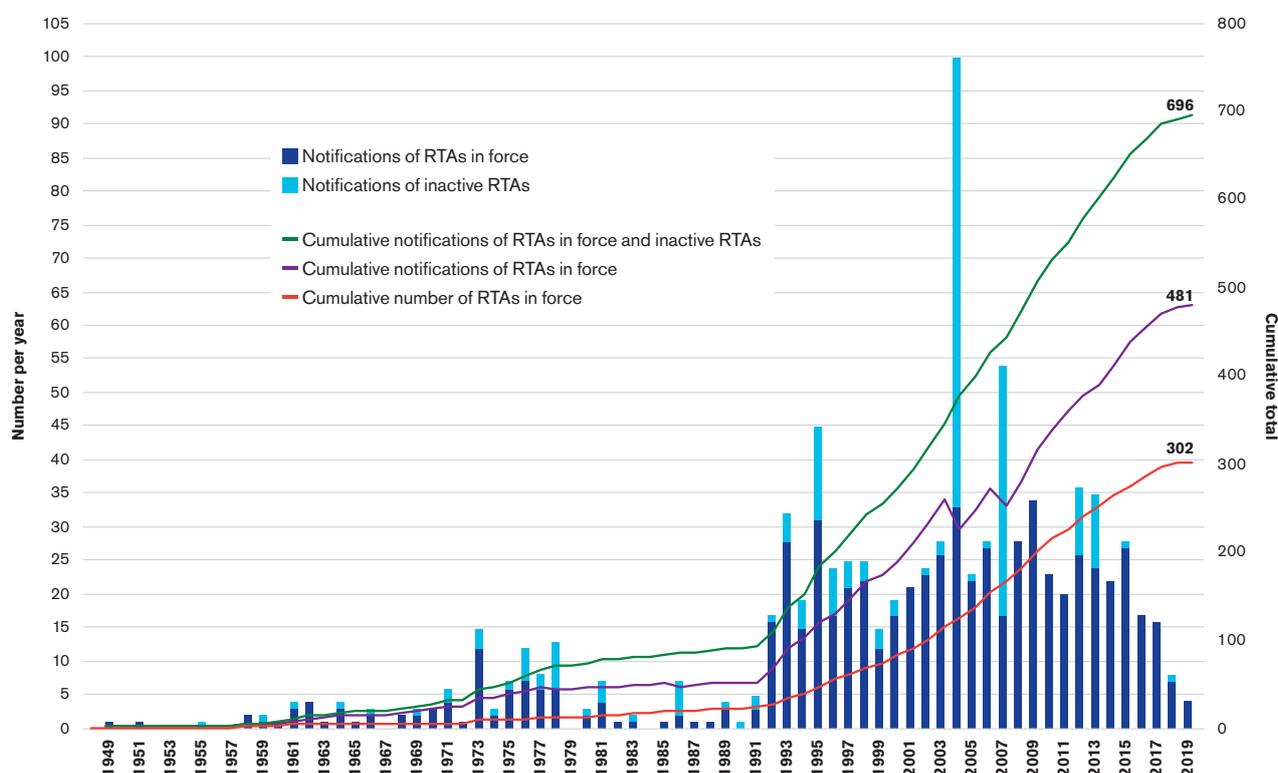
WTO members submitted 15 notifications of regional trade agreements (RTAs) in 2019, up from 12 the year before. The 15 notifications concern 13 RTAs, of which nine cover trade in goods only, three cover trade in goods and services and one trade in services only.

Ten of the RTAs are between developing partners, up from four in 2018, while two are between developed partners. One involves developing and developed partners. The Americas and the Asia Pacific regions were involved in the highest number of RTA notifications – seven and four, respectively

– followed by Europe, the Commonwealth of Independent States and the Middle East (two each) and Africa (one). Five of the agreements covered members from two different regions.

This took RTA notifications by 31 December 2019 to 696, of which 481 concerned RTAs in force (see figure 13). RTAs are reciprocal preferential trade agreements between two or more partners. The goods and services aspects of RTAs and accessions to existing RTAs are notified and counted separately. If all three elements are counted together, the notifications involved 498 individual RTAs, of which 302 were in force.

Figure 13: RTAs notified to the GATT/WTO (1948 to 2019) by year of entry into force



Note: Notifications of RTAs: goods, services and accessions to an RTA are counted separately. The cumulative lines show the number of RTAs/notifications that were in force for a given year. The notifications of RTAs in force are shown by year of entry into force and the notifications of inactive RTAs are shown by inactive year.

### Regional trade agreements have risen in number and reach over the years.

WTO members continued to discuss the issue of non-notified RTAs and urged the members concerned to notify their RTAs to the WTO in a timely manner. The number of RTAs not notified stood at 81 as of 25 October 2019, up from 79 on 12 November 2018. The WTO Secretariat issues a list of RTAs in force but not notified before each meeting of the Committee on Regional Trade Agreements. In 2019, nine RTAs on the list were subsequently notified to the WTO compared with only one in 2018.

RTAs have risen in number and reach over the years. Non-discrimination among trading partners is one of the core principles of the WTO. But RTAs constitute one of the exemptions and are authorized under the WTO, subject to a set of rules.

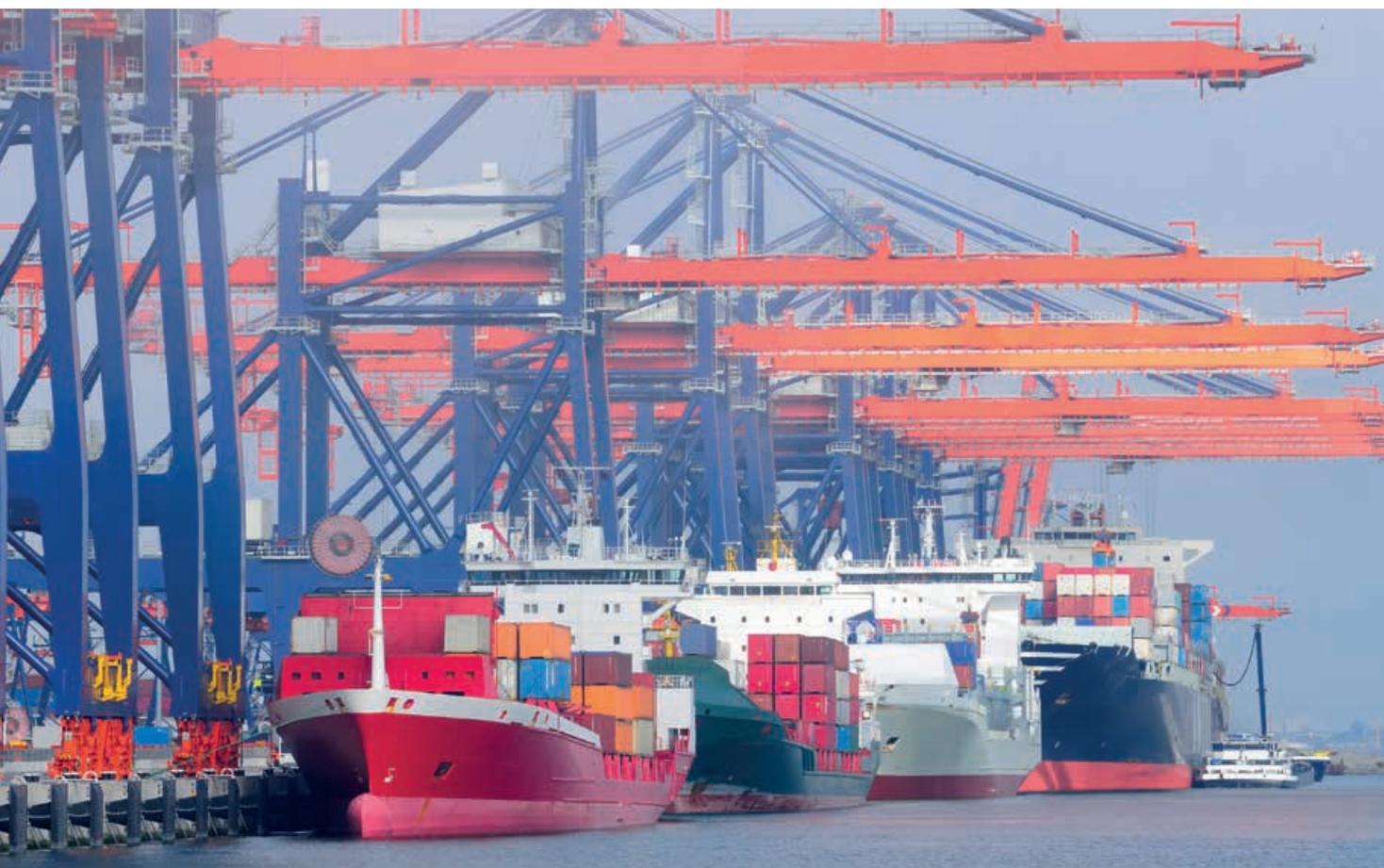
#### Monitoring RTAs

All RTAs are subject to the WTO's transparency mechanism for RTAs, regardless of whether they are notified under Article XXIV of the General Agreement on Tariffs and Trade (GATT) 1994, the Enabling Clause between developing countries (for trade in goods) or Article V of the General Agreement on Trade in Services (GATS).

The mechanism provides specific guidelines on when a new RTA should be notified to the WTO Secretariat and the related information and data to be provided. It also requires the Secretariat to prepare a factual presentation on each RTA and that each RTA be reviewed by WTO members. By the end of 2019, 183 RTAs currently in force (including accessions to RTAs), involving 122 WTO members, had been reviewed.

Agreements notified under the GATT 1994 and the GATS are considered by the Committee on Regional Trade Agreements (CRTA) while agreements notified under the Enabling Clause (see page 101) are considered by a dedicated session of the Committee on Trade and Development (CTD), based on the WTO's Secretariat's factual presentation (see Table 3).

Under the transparency mechanism, WTO members are encouraged to inform the Secretariat of any agreements being negotiated or that have been signed but have not entered into force (so-called early announcements). They are required to inform the Secretariat of any changes to a notified agreement and to provide a report once an agreement is fully implemented.



In 2019, the CRTA considered 20 notifications of RTAs, counting goods, services and accessions separately, compared with 22 in 2018 and 16 in 2017. The CTD held one dedicated session on RTAs and considered three RTAs notified under the Enabling Clause.

The transparency mechanism also required the WTO Secretariat to prepare “factual abstracts” on older RTAs that had already been examined by the Committee. By the end of 2019, 72 factual abstracts of agreements currently in force had

been prepared in consultation with the relevant RTA parties and posted in the RTA database. The Secretariat has completed all the factual abstracts required under the mechanism.

Two “early announcements” on RTAs signed by the EFTA states with Ecuador and Indonesia, respectively, were received; and one was received for an RTA under negotiation between Canada and MERCOSUR, taking to 110 the total number received as of December 2019. Seventy of these were subsequently notified to the WTO following entry into force of the agreements.

Under the transparency mechanism, the CRTA also discusses end-of-implementation reports for RTAs, which are short, written reports on how the liberalization commitments have been put into effect. They are important for understanding whether RTAs accomplish what they set out to do. The CRTA Chair, Ambassador Carlos Mario Foradori (Argentina), noted that reports had been due for 139 RTAs as of 15 March 2019, up from 134 the year before, but none was received during the year.

The General Council established the transparency mechanism on a provisional basis in 2006. Members are required to review the legal relationship between the mechanism and relevant WTO provisions on RTAs. The Negotiating Group on Rules started the review in 2011. At the 10<sup>th</sup> Ministerial Conference in Nairobi in December 2015, ministers called on WTO members to work towards making the mechanism permanent.

**Table 3: RTAs (including accessions to existing RTAs) considered in 2019**

1. Considered in the CRTA:
Hong Kong, China – Macao, China (goods and services)
Chile – Thailand (goods and services)
China – Georgia (goods and services)
European Free Trade Association – Georgia (goods and services)
Accession of Ecuador to the Trade Agreement between the European Union and Colombia and Peru (goods and services)
Accession of Panama to the Central American Common Market (goods)
Pacific Alliance – additional protocol to the Framework Agreement between Colombia, Chile, Mexico and Peru (goods and services)
Armenia – Kazakhstan (goods)
Eurasian Economic Union – Viet Nam (goods and services)
Turkey – Singapore (goods and services)
European Union – Japan (goods and services)
2. Considered in the CTD:
El Salvador – Ecuador (goods)
India – Thailand (goods)
Southern Common Market (MERCOSUR) – Egypt (goods)

Note: The table refers to 14 agreements, nine of which covered both goods and services and five covered only goods.

# Trade Policy Reviews

- In 2019, the Trade Policy Review Body reviewed 16 WTO members.
- Lao People's Democratic Republic and Samoa were reviewed for the first time.
- The 30<sup>th</sup> anniversary of the establishment of the Trade Policy Review Mechanism was marked in 2019.

## Background on Trade Policy Reviews

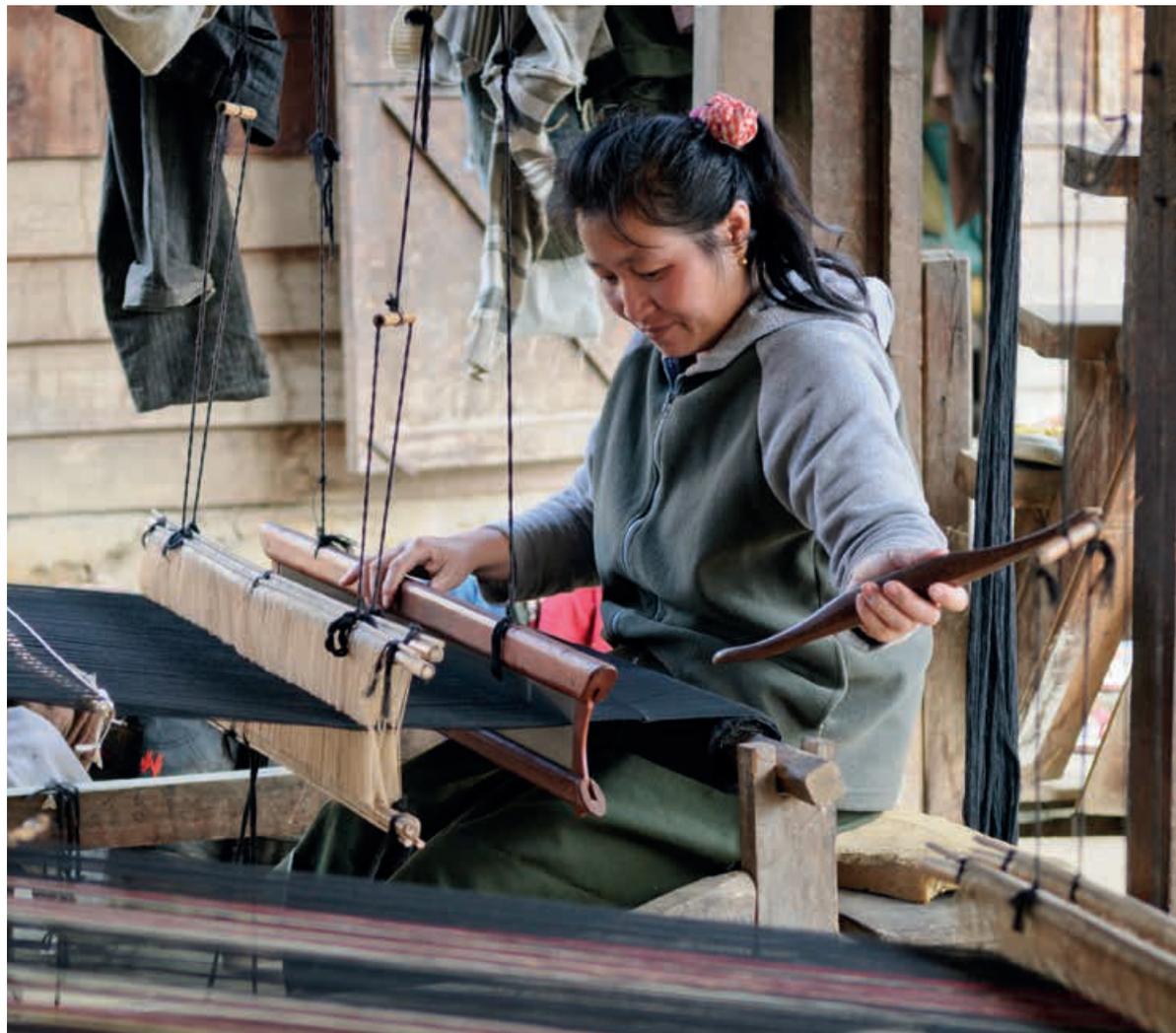
The Trade Policy Review Mechanism aims at encouraging all WTO members to adhere to WTO rules. Through its regular trade policy reviews, the mechanism enables members to collectively examine the trade policies and practices of individual members in all trade-related areas. Reviews are not intended to serve as a basis for the enforcement of obligations or for dispute settlement procedures.

In 2019, the Trade Policy Review Body (TPRB) reviewed the trade policies and practices of 16 WTO members, including Samoa and Lao People's Democratic Republic, which were reviewed for the first time. The other members reviewed were Ecuador; Burundi, Kenya, Rwanda, Tanzania and Uganda (grouped as members of the East African Community); Bangladesh; Papua New Guinea; Trinidad and Tobago; Canada; North Macedonia; Suriname; Costa Rica; and Peru. The chair's concluding remarks for each review can be found on the WTO website at: [www.wto.org/tptr](http://www.wto.org/tptr)

By the end of 2019, the TPRB had conducted 501 reviews, covering 157 of the 164 WTO members. The United States has been reviewed the most – 14 times, followed by the European Union and Japan – 13 times, and Canada – 11 times.

Under a new review cycle phased in from 2019, the four largest trading entities (the European Union, the United States, China and Japan) are to be reviewed every three years instead of every two. The next 16 largest are to be reviewed every five years, against four previously, and other members every seven years (six previously).

**Lao People's Democratic Republic was reviewed for the first time in 2019.**



**A conference was held at the WTO in November to mark 30 years of the Trade Policy Review Mechanism.**

Seven of the 16 members reviewed opted for the alternative timeline for submission of written questions and replies in 2019. Under it, members submit written questions five weeks before a meeting, with the reviewed member expected to reply one week in advance. Under the standard timeline, written questions are submitted two weeks before a meeting, with written responses provided by the start of the meeting.

Each Trade Policy Review is available as a WTO publication, which includes the report by the WTO Secretariat, the report by the reviewed member, the concluding remarks by the chair of the TPRB and a section on key trade policy facts.

### **TPR follow-up workshops**

The Secretariat organized follow-up workshops with domestic stakeholders in Cambodia, Côte d'Ivoire, Ecuador, Mexico and Vanuatu to discuss the review outcome and their technical assistance and capacity-building needs.

### **Trade Policy Review programme for 2020**

In 2020, reviews are scheduled for the European Union; Australia; Japan; Zimbabwe; Tajikistan; Macao, China; India; Nicaragua; Myanmar; Thailand; Cameroon, Congo, Gabon, Central African Republic and Chad (grouped as members of the Economic Community of Central African States); Indonesia; the Kyrgyz Republic; Argentina; and Viet Nam.

### **Thirtieth anniversary of the TPRM**

The 30<sup>th</sup> anniversary of the establishment of the Trade Policy Review Mechanism was marked in 2019. To commemorate the event, a conference was held in November, with the participation of various stakeholders (see page 106).



## Spotlight:

# Trade Policy Review Mechanism at 30

The WTO commemorated 30 years of the Trade Policy Review Mechanism (TPRM) in 2019, with DG Azevêdo calling it “a pillar of the multilateral trading system”.

A one-day conference – the TPRM@30 – highlighted the crucial role the TPRM has played in helping members to better understand each other's trade policies and measures and in providing a more predictable international trading environment.

### Five themes

The commemorative event, held at WTO headquarters on 27 November, was organized around five themes: the history of the TPRM; its evolution over the years and the present; the contribution to technical assistance and capacity building; added transparency under the trade monitoring exercise; and the future.

### Sharing experiences

WTO members, academics, negotiators of the mechanism, current and past chairs of the Trade Policy Review Body (TPRB) and WTO directors of the Trade Policy Review Division shared their experiences, reflecting on the lessons learned and looking at how this mechanism can evolve.

In his opening speech, DG Azevêdo said: “The conference marks 30 years of the TPRM. It is an opportunity to celebrate its success and reflect on the many lessons learned. It is also an occasion to look at how this mechanism can adapt and respond to a changing trading system.”

### Thirty years of increasing significance

The TPRM was launched on a provisional basis in 1989 as an “early harvest” of the Uruguay Round of trade negotiations, which led to the creation of the WTO in 1995. Australia, Morocco and the United States were the first members reviewed. The TPRM was made permanent with the establishment of the WTO. The past 30 years have seen more than 500 TPR reports and about 390 meetings of the TPRB, at which 157 WTO members have been reviewed, most of them multiple times (see page 104).



2019 marked the 30<sup>th</sup> anniversary of the first trade policy review. By the end of 2019, the Trade Policy Review Body had conducted:



**501**  
trade policy reviews



covering  
**157**  
WTO members.



**389**  
TPR meetings  
had been held



**33**  
LDC members had  
been reviewed



**24**  
WTO-wide trade  
monitoring reports



**22**  
G20 trade  
monitoring reports





Panellists noted that the TPRM is a huge source of information and has become one of the main channels WTO members use to promote accountability, predictability and transparency in the multilateral trading system. The Trade Policy Reviews shed light on members' trade policies and practices, providing an opportunity to clarify trade concerns, defuse potential frictions and promote good practice.

### Opportunities for developing countries

For many developing countries, their TPRs can be a unique opportunity for government agencies to enhance internal coordination and discuss policies and measures, improving understanding of policies among domestic stakeholders and enhancing policy coherence. TPR follow-up workshops can be organized (at the request of members) to further share information and identify technical assistance

and capacity-building needs. This element was highly appreciated by all participants.

### Monitoring trade policy across the membership

The conference was a chance to reflect on the WTO's role in monitoring trade policy trends across the WTO membership, which is also part of the TPRM mandate. Panellists and participants recognized the importance of the trade monitoring exercise and its contribution to the multilateral trading system. By being accurate and credible, the reports contribute to greater transparency.

### Looking ahead

Interesting ideas were generated during the discussions. Suggestions by panellists and the audience covered all aspects of TPRM work, including the conduct of TPRB meetings, the trade monitoring exercise and the coverage and content of WTO Secretariat reports.

For trade monitoring reports, suggestions included further strengthening and developing analysis of trade in services measures, general economic support and trade concerns. This would allow the exercise to broaden the narrative, including on issues of systemic relevance. DG Azevêdo expressed the hope that the ideas generated would help the TPRM to be as effective for the next 30 years as it had been in the past.



**DG Azevêdo and Willy Alfaro, Director of the Trade Policy Review Division.**

# Trade monitoring reports

- The 2019 reports showed that trade restrictions by WTO members continued at historically high levels.
- New trade restrictions and increasing trade tensions added to the uncertainty surrounding international trade and the world economy.
- “Strong collective leadership from the membership would make an important contribution to increasing certainty, encouraging investment and bolstering trade and economic growth,” said DG Azevêdo.

## Background on trade monitoring reports

The WTO began regular monitoring of global trade developments in early 2009, covering all trade-related measures implemented by WTO members and observers. Initially launched in the context of the global financial crisis, the trade monitoring exercise has become a regular function in the WTO that further strengthens the transparency aims of the Trade Policy Review Mechanism by shedding light on the latest trends in the implementation of policy measures that facilitate as well as restrict the flow of trade. The trade monitoring is overseen by the Trade Policy Review Body.

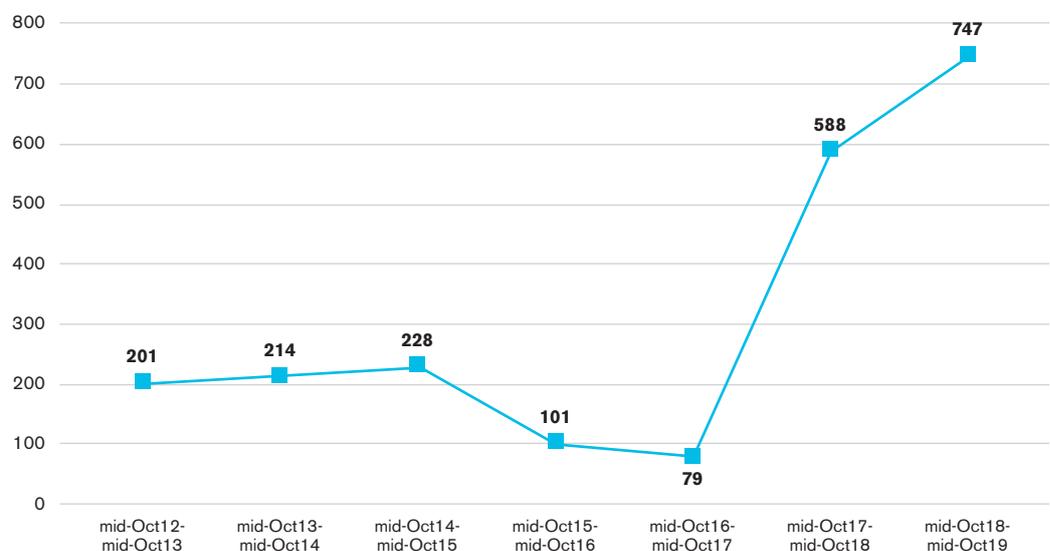
The latest trade monitoring report, covering mid-October 2018 to mid-October 2019, showed an increase of 27 per cent to US\$ 746.9 billion in the value of annual imports of products from economies affected by import restrictive measures. This compares with US\$ 588.3 billion in the previous period. The annual import value, or trade coverage, of such measures, which include tariff increases, quantitative restrictions, import taxes and duties, has soared in the last two periods (see Figure 14).

The stockpile of import restrictions implemented since 2009, and still in force, suggests that 7.5 per cent of world imports were affected by restrictions at the end of 2018. By mid-October 2019, the trade coverage of the stockpile was estimated at US\$ 1.7 trillion, up from US\$ 1.5 trillion at the end of 2018 (see Figure 15).

“The report’s findings should be of serious concern for WTO members and the broader international community. Historically high levels of trade-restrictive measures are hurting growth, job creation and purchasing power around the world. Strong collective leadership from the membership would make an important contribution to increasing certainty, encouraging investment and bolstering trade and economic growth. Without such action, however, unfavourable trends could become worse,” DG Azevêdo said.

The WTO Secretariat prepared four reports on global trade policy developments in 2019, including two on G20 trade measures. The trade monitoring reports have no legal effect on the rights and obligations of WTO members. They neither seek to pronounce on whether a trade measure is protectionist nor question the explicit right of members to take certain trade measures.

**Figure 14: Trade coverage of new import-restrictive measures in each reporting period (not cumulative) (US\$ billion)**



Note: These figures are estimates and represent the trade coverage of the measures introduced during each reporting period, and not the impact of the trade measures.



**The trade coverage of new import-restrictive measures from mid-October 2018 to mid-November 2019 was US\$ 746.9 billion, the highest level recorded.**

Between mid-October 2018 and mid-October 2019, WTO members implemented 685 trade measures, including 102 trade-restrictive measures, 120 measures facilitating trade, such as eliminating or reducing tariffs and simplified customs procedures for imports and exports, and 463 trade remedy measures (anti-dumping, countervailing and safeguard measures).

The trade coverage of the import-facilitating measures introduced by WTO members during the review period was estimated at US\$ 544.7 billion, the second-highest trade coverage for this type of measures since October 2012.

During the same period, the trade coverage of initiations of trade remedy actions by WTO members was estimated at US\$ 46.2 billion, around half of the previous year's US\$ 93.6 billion, while that of trade remedy terminations rose slightly to US\$ 24.8 billion from US\$ 18.3 billion.

Trade remedy measures account for 68 per cent of all trade measures captured in the report.

World trade growth slowed during the review period, with a further slowdown forecast by the WTO for 2019.

## Continuous consultation

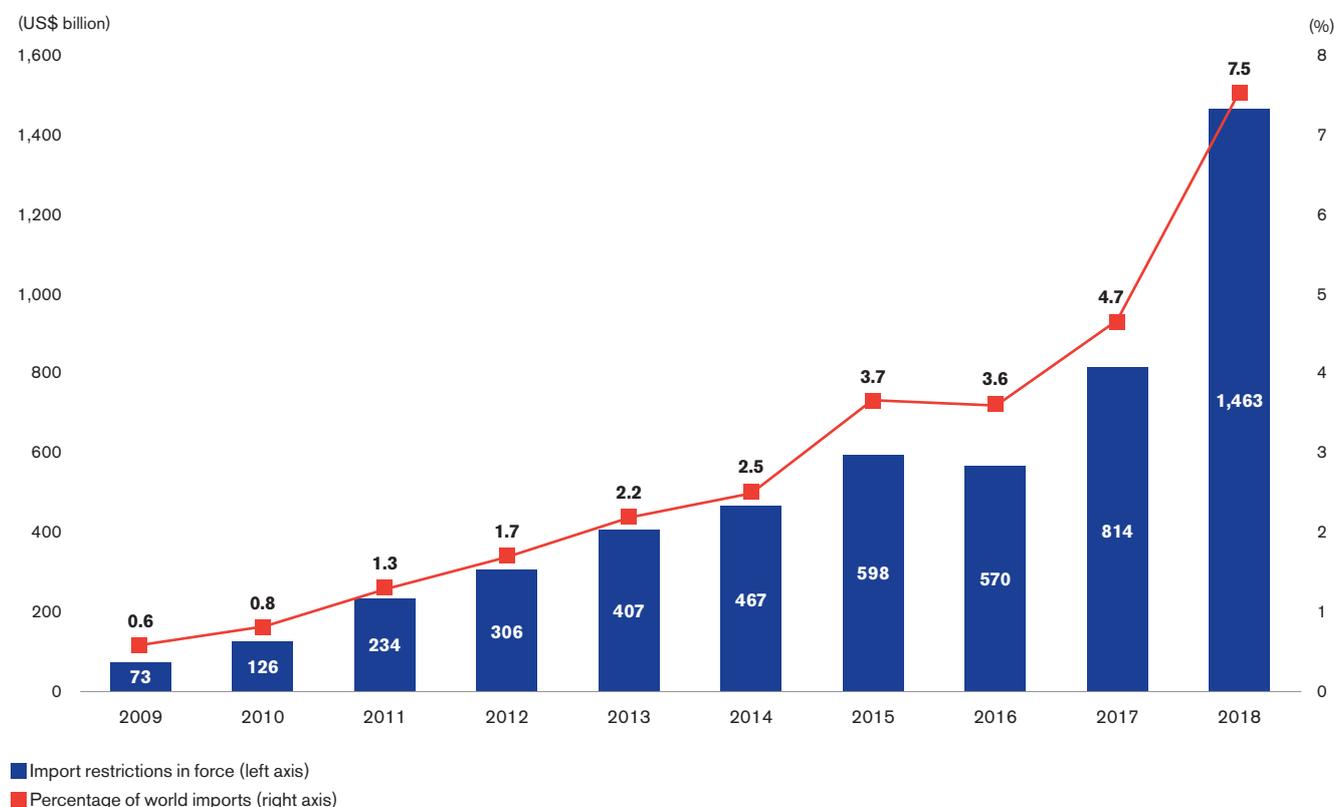
The most important element in collecting trade policy information for the reports is consultation between the WTO Secretariat and WTO members. This consultation seeks to gather complete, up-to-date and accurate information on trade-related measures and to verify the relevant information collected from other public sources.

The Secretariat submits the information gathered to each member for verification. This process is a unique feature of the WTO's monitoring efforts and represents a quality-control mechanism. The trade monitoring reports are subsequently discussed at meetings of the WTO's Trade Policy Review Body.

## Database

The WTO Trade Monitoring Database, which is publicly available, provides information on trade measures implemented by WTO members and observers and includes various search criteria options – for example, country or country group, HS code, type of measure, date of measure. Members are regularly invited to update information compiled by the WTO Secretariat since 2008.

**Figure 15: Cumulative trade coverage of import-restrictive measures in force since 2009 (US\$ billion and percentage of world merchandise imports)**



# Trade, debt and finance

- **DG Azevêdo continued to work with international partner institutions to bridge persistent trade financing gaps, which affect poorer countries and smaller businesses particularly.**
- **The WTO and the International Finance Corporation (IFC) launched a joint publication showcasing international cooperation in trade finance and highlighting lessons learned.**

## Background on trade, debt and finance

WTO ministers decided in 2001 to establish a Working Group on Trade, Debt and Finance to look at how the WTO could contribute to finding a durable solution to the external debt problems of many developing countries and to avoid having WTO members' trade opportunities undercut by financial instabilities. The Working Group has been focusing its attention on a range of financial issues with an impact on trade, including the provision of trade finance and the relationship between exchange rates and trade.

With the support of the Working Group on Trade, Debt and Finance, DG Azevêdo continued to work with international partner institutions to reduce trade financing gaps – the amount of trade finance requested but rejected by lenders or donors and which affect poorer countries and smaller businesses in particular.

Trade finance shortages have been chronic and persistent in the developing world, creating a major obstacle for exporters. The gap remained at about US\$ 1.5 trillion in 2019. It may even have widened since global banks have been retrenching their business in emerging markets due to a heightened perception of regulatory risk and compliance costs.

The WTO, the IFC, other multilateral development banks and the Financial Stability Board have come together to mobilize resources to enhance trade finance programmes and to increase the capacity of trade finance banks in developing countries to comply with international regulations.

These international agencies have cooperated in an unprecedented technical assistance effort to train a new generation of trade finance specialists and build capacity on anti-money-laundering and other financial transparency requirements. On 3 July, DG Azevêdo and the Chief Executive Officer of the IFC, Philippe Le Houérou, launched “Trade Finance and the Compliance Challenge: A Showcase of International Cooperation”. This publication can be downloaded free at [www.wto.org](http://www.wto.org).

**DG Azevêdo and IFC Chief Executive Officer Philippe Le Houérou launched a co-publication on increasing the availability of trade finance.**





**The WTO will continue efforts to address trade finance gaps in conjunction with multilateral development partners.**

The publication looks at lessons learned from capacity building, such as that undertaken by the IFC, with WTO participation, in Liberia, Madagascar, Mauritania, Rwanda, Zambia and Zimbabwe. It also describes similar activities organized by the European Bank for Reconstruction and Development, the Asian Development Bank (ADB) and the Islamic Development Bank.

At the report's launch, it was emphasized that, in the joint monitoring and evaluation exercise conducted by the Organisation for Economic Co-operation and Development and the WTO in preparation for the 2019 Aid for Trade Global Review (see page 134), lack of local access to trade finance was cited as an obstacle to economic diversification by 60 WTO developing countries and 14 donors.

An ADB study concluded that the global trade finance gap affects small and medium-sized businesses (SMEs) more than any other category of business. In half the cases where their requests for trade finance were rejected, they abandoned the planned trade transaction. In 18 per cent of cases, they resorted to "informal" funding and only in 16 per cent could SMEs find "formal" alternative financing.

The WTO will continue its efforts to address trade finance gaps by encouraging the mobilization of resources from multilateral development banks, partners and private sector organizations.

**Expert Group on Trade Finance**

Chaired by DG Azevêdo, the Expert Group on Trade Finance continued to evaluate gaps in trade finance markets. The group includes the IFC, regional development banks, export credit agencies, big commercial banks and other international organizations.

**Strengthening multilateral cooperation**

DG Azevêdo, International Monetary Fund (IMF) Managing Director Christine Lagarde and her successor Kristalina Georgieva and World Bank President David Malpass met at IMF and World Bank gatherings and at the G20 in 2019. They argued for renewed efforts to leverage trade as a force to reduce poverty and discussed the impact of trade tensions on world economic prospects.

# Government Procurement Agreement

- **The Agreement on Government Procurement (GPA) entered into force for Australia, bringing membership of the Agreement to 48.**
- **GPA parties adopted decisions concerning the United Kingdom's accession to the agreement in its own right.**
- **China circulated its sixth revised market access offer.**
- **Discussions continued on the accessions of North Macedonia, the Kyrgyz Republic, Russia and Tajikistan. Kazakhstan applied to join.**

## Background on the Government Procurement Agreement

The GPA aims to open up, based on principles of reciprocity, and to the extent agreed between WTO members, government procurement markets to foreign competition, and to make government procurement more transparent. It provides legal guarantees of non-discrimination for the products, services and suppliers of GPA parties in procurement covered by the Agreement. The GPA is a plurilateral agreement – open to all interested WTO members and binding only the parties to it. Currently, 48 WTO members are covered by the Agreement. Any WTO member can apply for accession. The Committee on Government Procurement administers the GPA.

## Accessions to the GPA

Following the successful conclusion of negotiations on Australia's accession to the GPA in 2018, Australia deposited with the DG Azevêdo its instrument of accession to the GPA on 5 April 2019. The Agreement entered into force for Australia a month later. Preliminary calculations suggest that Australia's overall government procurement market is worth US\$ 78 billion annually, meaning that Australia's accession will add significantly to the market covered by the Agreement.

On 27 February 2019, the Committee adopted a decision concerning the United Kingdom's accession to the Agreement in its own right. The decision was updated on 26 June 2019, taking account of Australia's accession to the GPA. In the Committee's decision, it was acknowledged that if the European Union and the United Kingdom conclude an agreement that provides for a transition period during which EU law would apply to and in the United Kingdom, the United Kingdom is covered by the GPA until the date of expiry of that transition period. During such a transition period, the United Kingdom would be treated as a member of the European Union. The Withdrawal Agreement between the European Union and the United Kingdom contains such a transition period and entered into force on 1 February 2020.

In October, China circulated its sixth revised market access offer, which it said is ambitious and responds to comments received on its previous offer of 2014. The Chair of the Committee, Carlos Vanderloo (Canada), called the new offer "a very significant development".

The accessions of North Macedonia, the Kyrgyz Republic, Russia and Tajikistan also continued to advance. On 29 November, Kazakhstan submitted its application for accession to the GPA. The Chair said Kazakhstan's application for accession underlines the GPA's relevance for countries seeking to undertake reforms of their procurement regimes and promote the development of their trade and economy.

In addition, Albania, Georgia, Jordan and Oman have initiated the process of acceding to the GPA. Four other WTO members – Afghanistan, Mongolia, the Kingdom of Saudi Arabia and Seychelles – have GPA-related commitments in their respective protocols of accession to the WTO.

The past decade has witnessed steady growth in the GPA's membership, and many other WTO members are observers to the Committee. In 2019, Ecuador, Paraguay and the Philippines were granted observer status, bringing the number of observers to 34. Government procurement typically accounts for about 15 per cent of developed and developing-country economies. The GPA as a whole has been estimated to cover around US\$ 1.7 trillion annually.

## Monitoring of implementation and legislation

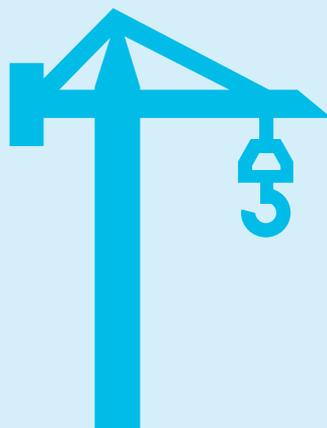
The revised version of the GPA, adopted in 2012, is in force for all but one of the parties, Switzerland. The latter recently completed its internal legislative procedures and is expected to provide its acceptance in time for the revised agreement to enter into force for Switzerland together with updated procurement legislation on 1 January 2021.

The revised GPA entered into force on 6 April 2014 for other GPA parties, extending coverage to approximately 500 additional procurement entities, including local government and sub-central entities, together with new services and other areas of public procurement activities. The revised version strengthened the GPA's role in promoting good governance, battling corruption and protecting the environment.

The WTO's e-GPA web portal provides a single entry point for market access information under the revised Agreement, together with related information.



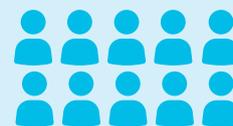
The Government Procurement Agreement (GPA) aims to open up government procurement markets to foreign competition and to make procurement processes more transparent.



48<sup>th</sup>

In 2019, Australia became the latest party to the GPA, bringing the total membership to 48.

Ten WTO members are currently seeking to join the GPA.



US\$ 1.7 tn

The GPA parties have opened procurement activities worth an estimated US\$ 1.7 trillion annually to international competition.

### Work programmes

Attention in the work programmes, instituted after the entry into force of the revised GPA, focused on sustainable procurement, the collection and reporting of statistical data and small and medium-sized enterprises. The work programmes are intended to promote transparency, improve the Agreement's administration and assist with preparations for possible future negotiations. The revised GPA calls for further negotiations to improve the Agreement and to progressively reduce and eliminate remaining discriminatory measures.

### Technical assistance and international cooperation

The WTO Secretariat organized regional workshops for Latin American economies, Arab and Middle Eastern countries and the Central and Eastern Europe, Central Asia and the Caucasus region.

In May, some 50 senior government officials from 42 WTO members and observers discussed government procurement as it relates to trade, good governance and inclusive sustainable development at the 2019 Advanced Global Workshop on Government Procurement. GPA

national seminars were organized at the request of Afghanistan, Côte d'Ivoire, Indonesia, Morocco and Uzbekistan.

The WTO Secretariat continued its collaboration with other organizations, including the European Bank for Reconstruction and Development, the World Bank, the Asian Development Bank and the African Development Bank, and with the Commercial Law Development Programme of the US Department of Commerce.

For a list of current GPA parties and observers, see <http://www.wto.org/memobs>

