

Box 3.1**Developments in trade protectionism - an update**

The rise of trade protectionism and unilateralism was the key factor causing the global economic slowdown in 2019. In particular, the US-Mainland trade conflict has been the main cause of uncertainty for the global economy since mid-2018. Trade restrictive measures have not only affected trade flows and disrupted global supply chains, but also heightened financial volatility around the globe, with adverse implications for consumption and investment sentiment. This note provides an update to **Box 3.1** in the 2018 Economic Background and 2019 Prospects and examines the recent developments of trade protectionism by reviewing the latest statistics compiled by the World Trade Organization (WTO) on Group of Twenty (G20⁽¹⁾) trade measures.

The latest WTO Monitoring Report on G20 Trade Measures⁽²⁾, published in November 2019, covers new trade and trade-related measures implemented by G20 members between mid-May and mid-October 2019 (the review period). Three types of measures are of particular interest here. The first type refers to trade restrictive measures, encompassing actions such as tariff increases, customs procedures and quantitative restrictions. An increase in the number of this type of measures may signal more trade restrictions implemented by G20 members. The second type refers to trade facilitating measures, including actions like reduction in tariffs and simplified customs procedures. A rise in the number of this type of measures may point to less trade restrictions. The third type of measures refers to trade remedy actions⁽³⁾ (both initiated and terminated⁽⁴⁾), including investigations of antidumping and countervailing duties. While these investigations do not necessarily lead to the actual implementation of corresponding measures, a rise in number of investigations initiated can be an early indicator of potential trade barriers going forward.

The report showed an increase in the use of trade restrictive measures among G20 members during the review period. On average, 5.6 new measures per month were introduced during the review period, higher than 2.9 per month during the preceding review period (mid-October 2018 to mid-May 2019) though slightly lower than 6.1 per month during 2012 and 2018 (**Table 1**). Among the 28 new trade restrictive measures introduced during the review period, 24 of them were import restrictive measures, of which almost two-thirds were tariff increases. The trade coverage of these import restrictive measures, at US\$460 billion (3.05% of the value of G20 merchandise imports), represented an increase of 37% compared to the preceding review period (**Chart 1**).

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- (1) G20 comprises 19 countries plus the EU. These countries are Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Korea, Mexico, Russia, Saudi Arabia, South Africa, Turkey, the UK and the US. They together account for more than 80% of gross world output, around three quarters of global trade, and are home to almost two-thirds of the world's population.
 - (2) The WTO Monitoring Report on G20 Trade Measures neither seeks to pronounce itself on whether a trade measure is protectionist nor questions the right of Members to take certain trade measures. Its coverage may also have limitations. Yet, it can still shed light on the latest trend of trade measures implemented by G20 members that facilitate the flow of trade as well as measures that restrict it. https://www.wto.org/english/news_e/news19_e/report_trdev_21nov19_e.pdf
 - (3) According to many WTO Members, trade remedy measures are taken to address market distortions resulting from trade practices in another trading partner. WTO Members are permitted to impose duties to offset what is perceived to be injurious dumping or subsidisation of products exported from one Member to another. Termination means either the termination of the investigation (without imposition of a measure) or elimination of the imposed measure.
 - (4) WTO Monitoring Report on G20 Trade Measures counted anti-dumping or countervailing investigation involving imports from n countries/customs territories as n investigations. Similarly, a termination of an imposed measure on imports from n countries/customs territories is counted as n terminations.

Box 3.1 (Cont'd)

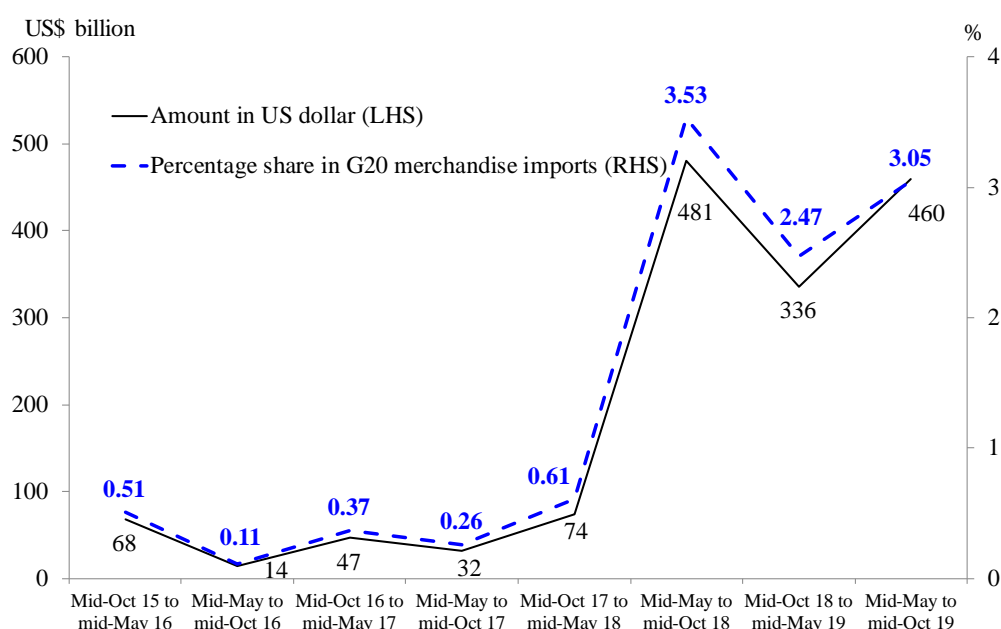
Table 1: Summary of trade measures implemented by G20

Average per month									
	2012	2013	2014	2015	2016	2017	2018	mid-Oct 18 to mid-May 19	mid-May to mid-Oct 19
Restrictive measures	6.3	6.9	5.7	7.8	4.9	5.2	5.8	2.9	5.6
Facilitating measures	7.8	5.7	6.5	7.4	6.3	6.8	6.5	4.1	7.2
Remedy actions:									
- initiations	16.8	23.2	21.5	17.5	21.8	21.5	18.6	12.3	26.8
- terminations	13.4	12.8	14.3	12.6	11.9	9.4	15.1	12.3	9.6

Note: Some past data have been revised, as a result of the changes undertaken in the WTO Trade Monitoring Database to fine-tune and update the available information.

Source: WTO Secretariat.

Chart 1: Trade coverage of the import restrictive measures implemented by G20



Note: Figures are estimated by the WTO. The trade coverage of the import-restrictive measures refers to the amount of annual imports of the products affected by the measures.

Source: WTO Secretariat.

Among the 24 import restrictive measures introduced during the review period, those related to the trade disputes between the US and the Mainland made up the major parts. Measures by the US to impose additional tariffs on products from Mainland accounted for 34.4% of the total estimated trade coverage during the review period; while the Mainland's countermeasures announced in May and August 2019 accounted for another 19.0%. In December 2019 the US and the Mainland reached a Phase One trade agreement, which was subsequently signed on 15 January 2020. Both sides suspended the additional tariffs on each other's imports originally scheduled to take effect from 15 December 2019. The US has also halved the additional tariff rate on about US\$120 billion worth of Mainland imports that came into effect since September 2019 to 7.5%, though tariffs of 25% on about US\$250 billion worth of Mainland imports remain unchanged.

Box 3.1 (Cont'd)

Meanwhile, the number of new trade facilitating measures increased somewhat. On average, 7.2 new measures per month were implemented during the review period, higher than the average of 4.1 per month in the preceding review period and 6.7 per month during 2012 to 2018. Among the 36 new trade facilitating measures introduced, almost 90% of them were related to reduction or elimination of import tariffs. The estimated trade coverage of these import facilitating measures implemented during the review period was estimated at US\$93 billion (or 0.6% of the value of G20 merchandise imports), marking the second lowest share since May 2017.

On trade remedy measures, G20 members initiated on average 26.8 trade remedy investigations per month during the review period, the highest registered since 2012 and more than doubled the 12.3 per month in the preceding review period. The trade coverage of the trade remedy investigations initiated during the review period was estimated at US\$17 billion (or 0.11% of the value of G20 merchandise imports), slightly lower than 0.14% recorded in the preceding review period. Meanwhile, the average number of terminations dropped to 9.6 per month during the review period, from 12.3 per month in the preceding period. The trade coverage of terminations was valued at US\$4 billion (or 0.03% of the value of G20 merchandise imports), similar to the figure in the preceding review period. Among these 134 trade remedy measures initiated during the review period, over 80% of them were initiations of anti-dumping investigations.

To sum up, rising trade barriers remained a key source of concern. As many trade restrictions implemented earlier are still in force, the WTO noted that the cumulative share of global trade covered by such measures has soared⁽⁵⁾, and the adverse impacts on international trade flows have become increasingly visible. In October 2019, the WTO forecast global merchandise trade volume to grow by 1.2% in 2019, representing a substantial mark-down from the 2.6% growth projected in April, as risks to the outlook were heavily skewed to the downside and predominated by trade policy uncertainty. While trade tensions between the US and the Mainland eased somewhat with the signing of the Phase One trade agreement in January 2020, uncertainties about their bilateral economic relations remain as the two sides have yet to tackle their differences in certain key areas. The revised US-Mexico-Canada trade deal (USMCA), though signed into law in the US in January 2020, contained the so-called “poison pill” clause, which required USMCA countries to notify other USMCA members three months in advance if they intend to begin free trade negotiations with non-market economies, such as the Mainland of China. Moreover, trade disputes and policy uncertainties are still notable, and the impasse over the WTO’s Appellate Body has not yet been resolved. All these threats to the rules-based multilateral trading system warrant close monitoring.

(5) WTO estimated in the report that at the end of 2018, 8.8% (or US\$1.3 trillion) of G20 imports was affected by import restrictions that had been put in place by G20 economies since 2009 and were still in force, up from 5.3% at the end of 2017. The corresponding figure for the period January to October 2019 was estimated to surge to US\$ 1.6 trillion, suggesting that trade restrictive measures rose further.