Trade Policy Review Mechanism
Monitoring of Trade Policies in the WTO

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Outline

1. Introduction
   - Stylized Facts
   - Principles of Multilateral Trading System

2. Understand the TPRM
   - Why TPRM
   - What is TPRM
   - TPR Procedure
   - TPRM Appraisal

3. TPR Reports
   - the Secretariat Report
   - the Government Report

4. TPR - China 2014
   - Work Plan
   - Chairperson’s Remark 2014
The first trade policy review meeting took place in 1989, on Australia.

Up to end 2013, there have been altogether 384 reviews taken place in 289 trade policy review meetings, covering 147 of 159 Members.

In 2013 alone, 20 members’ trade and trade-related policies were reviewed within the WTO.
Principles of Multilateral Trading System

There are four principles regarded a code of conduct for trade policy:\footnote{Hoekman & Kostecki, 2009, pp.40–46}:

- Non-Discrimination:
  - Most Favoured Nation (MFN)
  - National Treatment (NT)

- Transparency:
  - Information
  - Communication

- Accountability: enforceable commitments

- Flexibility: calibrated commitments and (conditional) safety valves
Importance of Transparency

- Fosters informed understanding by all concerned of:
  - Challenges to economic development; and
  - Effectiveness of policies in meeting these challenges

- Leads to better decision-making
  - Alert the public at home to the potential costs and benefits of policies
  - Signals potential harmful changes to trading partners
  - Reduces the margin for rent-seekers

- Builds support for reform (Among broad interests)

- Not Cheap, But essential
**Why TPRM**

The WTO has the following objectives:

- **Non-Discrimination**
- **Predictability**
- **Transparency**

Transparency has historically been one of the main pillars of the multilateral trading system. It:

- Provides crucial information to market participants about the conditions under which trade takes place
- Allows participants to monitor the adherence to and the impact of its provisions
- Applies peer group pressure to help overcome the natural tendency to be free-riders
- Closes the gap in surveillance capacity between developed and developing economies
- Improves and recognizes the trade and investment policies of developing members
Annex 3, Paragraph A:

Contribute to improved adherence by all members to rules, disciplines and commitments made under the multilateral trade agreements and, where applicable, the plurilateral trade agreements, and hence to the smoother functioning of the multilateral trading system, by achieving greater transparency in, and understanding of, the trade policies and practices of members.

Member’s trade policies must be monitored regularly.

The TPRM pays attention to the systemic effects of trade policies and practices of individual WTO Members.
The TPRM aims to achieve better understanding, *domestically* and *internationally*, of trade and trade-related policies, and their possible economic effects, through:

- “Encourage and promote” domestic transparency
- Permits collective evaluation of full range of policies
- Places trade polices in a broader context (thereby assessing the coherence of these policies)
- Recognizes that “One size does not fit all”.
Role of the TPRM — Nots

However, the TPRM is:

**NOT** a legal exercise to monitor compliance with existing WTO rules

**NOT** intended to serve as a basis for the enforcement of obligations under WTO agreements, or for dispute settlement purposes.

**NOT** intended to impose new rules on members.
Opportunity Not a Threat

Therefore, the TPRM is an opportunity rather than a threat.

- **Opportunity to improve understanding of objective, nature, and economic effects of members’ trade policies as well as constraints**
  - Identifies domestic impediments to development
  - Evaluation implies impartial policy advice
  - Includes policies *not* subject to WTO rules
  - Assesses coherence of policies

- **Provides forum for exchange of views and experiences between WTO Members**
  - Facilitates sharing of policy experiences
Main Aspects of Transparency

Transparency entails four key elements:

1. **Description** of nature of policies and measures (*What and how?*)
2. **Their rationale** or objectives (*Why?*)
3. **Costs** — Expenditure or taxes foregone (*How much?*)
4. **Economic Evaluation** of effectiveness in achieving objectives (*Cost-Benefit Analysis*)
5. **Economy-wide Effects**

Policy Implications (More effective alternatives?)
TPRB Meetings

The WTO General Council meets as the Trade Policy Review Body (TPRB) to undertake trade policy reviews of Members under the TRPM.

A TPRB Meeting is based mainly on:

- The **Secretariat** Report (on its own responsibility); and
- The **Government** Report by the Member under review.

These two reports are *complementary*.

A TPR Meeting

- Is open to all WTO Members and accredited observers
- Has one chairperson who opens and guides the meeting
- Has one discussant chosen among the Members and acting in a personal capacity
- Concludes with a closing remark (followed sometimes by a press conference)

In the Meeting, the Member under review provides replies to written and oral questions raised by other Members.
Trade Policies Review meetings take place in two sessions (each typically half a day).

1st session: Statements and questions from the floor
- Chairperson’s Introductory Remarks
- Statement by the Member under review
- Comments and questions from Discussant
- Other Members’ statements and questions

2nd session: Replies to questions and further discussion
- Replies by the Member under review
- Further request for clarification and comments by the discussant and other Members
- Chairperson’s Concluding Remarks
Cycle of Reviews

There is a predetermined rhythm of reviews under which all WTO Members must be reviewed, dependent on the average trade value over a period of three years.

1. TWO years for the largest four trading entities (the European Union, the United States, China, and Japan)
2. FOUR years for the following 16 WTO Members
3. SIX years for other WTO Members, with a provision for a longer cycle for LDCs.

Schedules of subsequent reviews shall be established counting from the date of the previous review meeting.²

Annex 3, Paragraph F:

The TPRB shall undertake an appraisal of the operation of the TPRM not more than five years after the entry into force of the Agreement Establishing the WTO. The results of the appraisal will be presented to the Ministerial Conference. It may subsequently undertake appraisals of the TPRM at intervals to be determined by it or as requested by the Ministerial Conference.

- The first Appraisal was undertaken in 1999 ((WT/MIN(99)/2));
- The latest Appraisal (Fifth) was submitted to the Members at the 2013 Ministerial Conference in Bali.
- However, the Fourth Appraisal was a major one in terms of streamlining the existing TPRM in order to make it even
The 4th Appraisal of the TPRM

Members, in the 4th Appraisal,

- Re-affirmed the relevance of the TPRM’s mission as defined in Annex 3;
- Stressed the high importance that they continue to attach to the TPRM and its existing mandate aimed at enhancing transparency;
- Emphasized the importance of undertaking first TPRs of Members that have not yet been reviewed;
- Stressed that any changes in the functioning of TPRM’s role in enhancing transparency should not jeopardize its present satisfactory performance;
- Expressed broad satisfaction with the high quality of the Secretariat’s reports and their impartiality.
Some highlights of the 4th Appraisal

- Alternative timeslines for the Question & Answer Process

- Possibility of one-day TPRB meetings, video-conferencing, web-linking or podcasting of TPRB meetings,

- Some suggestions to the Chairperson and the Discussant

- Enhance, where required, the role of the TPRM in making available technical assistance to developing-country Members

- Possibility of the election of a Vice-Chairperson...
### Timelines for Distribution and Receipt of Documents

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<tr>
<th>Event</th>
<th>Current</th>
<th>Alternative</th>
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<tbody>
<tr>
<td>Secretariat &amp; Government Reports to translation</td>
<td>9</td>
<td>11</td>
</tr>
<tr>
<td>Distribution of Reports to Members</td>
<td>5</td>
<td>7</td>
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<tr>
<td>Receipt of Written Questions from Members</td>
<td>2</td>
<td>4</td>
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<tr>
<td>Receipt of Written Answer from Member under Review</td>
<td>By the start of the meeting</td>
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<tr>
<td>Dissemination of Written Answers, Notes, etc. (working days)</td>
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<td>(4)</td>
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The Secretariat Report

The Secretariat Report seeks to:

- Review main trends and developments since previous review (or since accession to the WTO);
- Evaluate trade and trade-related policies and measures;
- Anticipate issues that might be raised by Members and clarify such issues;
- TPR process helps prepare the Member under review for the TPRB meeting.
SUMMARY OBSERVATIONS

I. Economic environment

II. Trade and investment regimes

III. Trade policies and practices by measures

IV. Trade policies and practices by sector

V. Aid for trade
Dealing with economic environment where trade policy is formulated, as such it is outlined on:

1. **Major features of the economy / Main economic development**
   - Performance indicators
   - Other indicators
   - Policy developments

2. **Macroeconomic policies**
   - Monetary policies
   - Fiscal policies
   - Exchange rates

3. **Key structural policies**

4. **Trade and investment**
   - Trade in goods and services
   - Investment

5. **Outlook**
Chap. II. Trade and Investment Regimes

1. Institutional framework
2. Main laws, and regulations
3. Policy formulation (including trade policy objectives), implementation, and evaluation
4. Trade agreements and arrangements
   - WTO (multilateral & plurilateral)
   - Reciprocal agreements and arrangements (regional & bilateral)
   - Other agreements and arrangement (e.g. unilateral)
5. Investment regime
   - Recent development in FDI policy
   - Legislative framework for FDI
   - Examination & approval procedures
   - Incentives
   - International agreements
Chap. III. Trade Policies & Practices by Measures

1. Introduction

2. Measures directly affecting imports

3. Measures directly affecting exports

4. Measures affecting production and trade
Measures Directly Affecting Imports

- Customs procedures (registration and document, clearance, valuation, and PSI)
- Tariffs
- Other charges
- Rules of Origin
- Import prohibitions, restrictions, licensing
- Contingency measures
- Technical barriers to trade and SPS
- Local content requirement
- Government procurement
Measures Directly Affecting Exports

- Procedures (registration and document, clearance)
- Export taxes
- Rules of Origin
- Export prohibitions, restrictions, licensing
- Free export zones
- Export assistance, promotion, and financing
Measures Affecting Production and Trade

- Taxation
- Incentives
- State trading, state-owned enterprises, and privatization
- Competition policy and price control
- Intellectual property rights
Chap. IV. Trade Policies & Practices by Sectors

1. Introduction
2. Agriculture, and related activities
3. Mining, quarrying, and energy
4. Manufacturing
5. Services
In preparation for the Secretariat Report, the Secretariat Staff may acquire information from the sources such as:\(^3\)

- WTO Documents
- Government Information
- Reports by other international organizations (e.g. the World Bank, IMF, OECD, UNCTAD, APEC)
- Databases
- Academic Research
- Media: international media like the Financial Times, EIU, and local media such as local newspapers

\(^3\)The list on this slide is not an exhaustive one, but only provide information and examples.
The Government Report may, *inter alia*, seek from its own perspective to:

- **Review** major trends and developments since previous review (or since accession to the WTO);
- **Present** own views on major policies and their evaluation;
- **Anticipate** and clarify issues; and
- **Indicate future** direction of key trade and trade-related policies.
Main traits of the Government Report:

- Policy statement
- Forward looking
- Avoid repeating the content of the Secretariat Report
- Indicate future direction of key trade and trade-related policies

The Government Report usually is about 10 – 15 pages long.
Schedule of 2014 TPR of China

The fifth review of the trade policies and practices of China took place on 1 & 3 July 2014.

- Initial request for information/data was sent to the authorities in April 2013;
- Receipt of initial information/data from the authorities within 3-4 weeks from date of receipt;
- Secretariat’s first visit to Beijing in September 2013;
- Draft chapters of the Secretariat Report to be sent to the authorities for comments by February 2014;
- Authorities’ comments should normally reach the Secretariat within 4–5 weeks of receipt of each chapter;
- Secretariat’s second visit to Beijing in February 2014;
- Secretariat Report finalized by 22 April 2014;
- Secretariat Report to be distributed to WTO Members by 27 May 2014; and
- Meeting of the Trade Policy Review Body on 1 & 3 July 2014

The authorities also need to prepare a policy statement outlining the main principles and direction of China’s trade policies.
Chairperson’s Remark on 2014 TPR

- China had become the major global merchandise trader, hence the need for China to recognize the increased responsibility that is associated with it;

- China was commended for its role in contributing to world economic recovery in the aftermath of the global financial crisis. However, there is a need for rebalancing growth;

- Members noted China’s ambitious and comprehensive reform agenda, and sought more information on its specifics;

- Members sought more information on the functioning of the China (Shanghai) Pilot Free Trade Zone, and on future reforms;
Chairperson’s Remark on 2014 TPR

A number of areas where improvements could be achieved:

- **Transparency:** China was encouraged to ensure the effective use of transparency mechanisms within the WTO;

- **Consistency:** Consistency in the implementation of laws, regulations and policies (as related inconsistencies affected business directly within and within China);

- **Role of the State:** The State still had an active role in China’s economic development, leading, on occasions, to overcapacity and excessive credit expansion;

- **TBT and SPS:** Concern with respect to the use of technical requirements that diverged from international standards, and the insufficient involvement of stakeholders in the standardization process;

Other areas of concern: support policies; the use of export restraints and export taxes; restrictions on services market access; the retaliatory use of trade remedies; enforcement of IPRs; the protection of trade secrets; and restrictions to foreign investors in certain areas.
China and the WTO

1. **2014 TPR** is available on the website (and at the bookstore very soon)

2. Next **TPR in 2016**

3. **More information:** WTO website