

# THE G-20 PIVOT TOWARD TRADE

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## **Framing the Issue**

The international trading system is undergoing systemic challenges—from the unsuccessful Doha Round of trade negotiations to the potential proliferation of free trade agreements (FTAs) among the world's largest economies. Driving this dynamic is the failure of multilateralism over the last decade to produce new market access and to develop new rules to address key challenges such as green growth and food security. This comes at a time when the nature of the world's economic challenges makes multilateral solutions more, not less, important.

Action by the G-20—representing 85 percent of global GDP and 80 percent of world trade—has already proven to have important impacts on global affairs, including trade. During the 2008-09 financial crisis, G-20 leaders expressed their commitment to maintain open markets and—combined with directions to the World Trade Organization, the Organization for Economic Cooperation and Development, and the United Nations Conference on Trade and Development (UNCTAD)—to monitor and report trade restrictions. This commitment by G-20 leaders ultimately helped avoid a repeat of the trade protectionist policies that characterized the Great Depression of the 1930s. In 2010, the G-20 supported concluding the WTO Doha Round. Though, it is now clear that the Doha Round cannot be completed in its current form.

As the financial crisis recedes, the G-20 needs to provide leadership on how to renew the centrality of the World Trade Organization as a driver of trade liberalization and for developing new trade rules for the 21st century. The WTO is the only multilateral rules-based institution responsible for governing world trade and has already delivered significant global benefits, including reduced trade barriers and an effective settlement mechanism for handling trade disputes. However, in order for the WTO to remain the main driver of trade liberalization and to effectively respond to new international economic challenges, G-20 leaders will need to provide the organization with much needed political direction and support.

## **Policy Considerations**

The G-20 leaders' summit has never had trade as a core of its focus. Instead, the G-20 has approached trade issues from the perspective of how can trade contribute to restoring global economic health and financial stability. For instance, the G-20's emphasis on maintaining open markets for investment and trade was about avoiding the same protectionist trade measures of the Great Depression, which significantly worsened the economic situation.<sup>1</sup> Their commitment to open markets was justified as domestic political pressures during the recent financial crisis led some

countries to increase their trade measures to protect their domestic industries.<sup>2</sup> The G-20's call for the WTO, OECD and UNCTAD to monitor such policies limited the reversal of open trade policies. However, the ongoing economic crisis in Europe has maintained the danger that countries will engage in additional trade protectionism and therefore continued leadership by the G-20 is needed.

The G-20 has also provided some leadership on the WTO Doha Round. At the 2010 G-20 Seoul Summit, leaders directed their negotiators to “promptly bring the Doha Round to a successful, ambitious, comprehensive and balanced conclusion”.<sup>3</sup> However, this call for action has not translated into results. Reasons include the impact of China's growth on world trade, the failure of key countries to invest the political capital needed to conclude the Doha Round, and the reality that many of the most pressing world trade-related challenges of the last decade are not part of the Doha Round.

Yet, the fact that a push by G-20 leaders in Seoul was unable to produce an outcome on Doha reveals the depth of its challenges. It also calls attention to the need for increased focus by the G-20 on trade issues and in particular on how to renew the World Trade Organization as the central forum for liberalizing trade. This will require creative thinking about how to progress multilateral negotiations and a willingness to try new approaches. For instance, the “single undertaking” approach that requires all issues to be agreed upon before a WTO round can be finished has been an impediment to making progress on Doha and should be reconsidered. One alternative is more plurilateral agreements among countries keen to make progress; these are not new to the WTO and their use should not be stymied by a small group of detracting countries.

Substantively, there is a long list of international trade issues that can only be adequately solved multilaterally within the WTO. These include the impact of state-owned enterprises on international trade, food security, promoting green growth, and the significance of access to the Internet as a driver of trade, in addition to achieving new market access in areas such as services.

A G-20 trade discussion should also focus on strengthening the WTO as an international institution responsible for global economic governance. The G-20 could take

immediate action to strengthen the WTO Secretariat by expanding the oversight role that the WTO so successfully played during this recent financial crisis. The WTO should also have a more active role in future discussions about a new multilateral round of trade negotiations by providing research on new areas for trade liberalization.

### Action Items for the G-20

In some respects, the creation of the G-20 was itself a recognition that some of the key global economic challenges cannot be solved, and do not require participation, by all countries. However, the G-20 contributes to global governance by providing the leadership that underpins the key multilateral institutions responsible for global economic governance such as the World Trade Organization. To fulfill this mandate, the G-20 should undertake the following:

- Initiate a frank discussion on how to reinvigorate multilateral trade negotiations at the WTO.
- Determine what actions need to be taken to conclude the current Doha Round.
- Identify the new and emerging international trade issues of priority.
- Discuss the role of large emerging economies in international trade and the leadership role that the largest economies will be expected to play.
- Consider the role of the single-undertaking in a future WTO Round, including whether some issues should be addressed through plurilateral agreements.
- Take immediate action to strengthen the WTO Secretariat, including a more formal oversight role in monitoring and reporting increases in trade barriers.

### Endnotes

<sup>1</sup> G20 London Summit Leaders' Statement, April 2009, para 22

<sup>2</sup> WTO, OECD and UNCTAD Reports on G20 Trade and Investment Measures (May 31, 2012)

<sup>3</sup> G20 Seoul Summit Document, November 2010, para 43