Toward more open international trade: the G20’s responsibility

Shinichi Kitajima¹

Japan Institute of International Affairs

The current status of global trade and the rise of ‘murky protectionism’

Today, no one questions the importance of promoting trade as a key driver for economic growth. However, there are controversies over how we should promote trade and what we expect the future of international trade to be. In this regard, global trade is facing a critical moment. Although the G20 member states have recognised the significance of fighting protectionism since the inception of the G20 summit in 2008, protectionist measures are still prevalent, the Doha round has been stalled, and the international community is still far from achieving trade liberalisation in a real sense.

Concerns about a rise in ‘murky protectionism’ certainly have a sound basis, and in this respect, a reviewing mechanism by the WTO has been playing a beneficial role. According to the WTO’s Report on G20 Trade Measures (mid-October 2012 to mid-May 2013), more than a hundred trade-restrictive measures were implemented by G20 economies between mid-October 2012 and mid-May 2013, which cover around 0.5 per cent of G20 merchandise imports and are equivalent to 0.4 per cent of world merchandise imports.² At the same time, out of the total number of trade-restrictive measures implemented since October 2008, only around 19 per cent have so far been eliminated.³ There are numerous cases of ‘murky’ protectionist measures, even among the G20 member countries, for example China’s export restriction measures on rare earths, Brazil’s tax breaks for local automobile makers, Argentina’s import restriction measures on automobiles, automobile parts and home electrical appliances, and Russia’s recycling fees on imported cars.

The expectations for the role of the WTO

Despite the stalled negotiations at the Doha round, the WTO continues to play a critical role in this regard, and the expectation that it will advance global trade liberalisation remains high.
This is because an open, multilateral trade system centered on the WTO forms the basis of global trade.

The WTO has two main roles:

1. trade liberalisation and new rule-making through negotiations, and
2. implementation of rules through monitoring and dispute-resolution mechanisms.

Therefore, the significance of the WTO lies not only in its rules, but also in the system by which it ensures the implementation of these rules. However, the Doha Development Agenda (DDA) negotiations have faced an impasse since 2008. Against this background, it was agreed at the 8th WTO Ministerial Conference (MC8) that while the DDA negotiations will continue to take place, a new approach will be pursued. In order to maintain the WTO’s credibility in multilateral trade systems, achieving concrete results at the 9th WTO Ministerial Conference (MC9) – which is to take place in Bali this coming December – is critical. The MC9 is aiming to reach an agreement on ‘the Bali Package’, in trade facilitation, some elements of agriculture, and development. Trade facilitation leads to the promotion of trade in both developed and developing/emerging countries; in agriculture, issues such as tariff quotas and export competition are being discussed; and in development, preferential treatment for least-developed countries (LDCs) is being discussed. This indicates that the WTO is focused on enhancing LDCs, to allow them to take part in the multilateral trade system.

With the appointment of Ambassador Roberto Azevêdo as the new Director-General of the WTO, general expectations of the WTO have certainly increased. In fact, negotiations toward achieving results at the MC9 have been activated since the assumption of office by Ambassador Azevêdo. Since he is the first Director-General from one of the major emerging countries, it is expected that he will play an active role in overcoming long-standing conflicts of interest between developed countries and developing/emerging countries in trade negotiations. He stated that we must ‘send a clear and unequivocal message to the world that the WTO can deliver multilateral trade deals’, which shows his determination to not only maintain the WTO as a relevant and central organisation in promoting multilateral trade, but also to bring about concrete results in trade deals.4

**Multilateral trade negotiations and regional trade agreements: Japan’s case**
A trend to prefer regional trade agreements over multilateral trade negotiations under the WTO framework is inevitable today. Two large movements that are driving regional trade agreements are the Trans-Pacific Partnership (TPP) and the Trans-Atlantic Trade and Investment Partnership (TTIP).

To give an example: Japan joined the TPP negotiations this year, but this does not indicate a change in Japan’s stance that multilateral trade systems should be the basis of global trade. In fact, Japan’s position is that bilateral/plurilateral and regional economic cooperation is essential not only for liberalisation of trade and investment, but also for building a foundation for multilateral trade and investment rules. The rules at a regional level – which apply to areas such as investment and intellectual property, and are advanced and of a high standard – should be a model for trade rules at a global level. The regional trade rules can contribute to improving the global trade rules. In this regard, Japan is making earnest efforts to promote regional trade agreements – not only the TPP, but also the Japan–EU Economic Partnership Agreement (EPA), free trade agreements between Japan, China and the Republic of Korea, the Regional Comprehensive Economic Partnership (RCEP), and the Free Trade Area of the Asia-Pacific (FTAAP), among others. These regional trade agreements must enhance transparency in regional trade deals and, in the end, be linked to promoting trade liberalisation and rule-making under the WTO framework. Multilateral trade systems under the WTO and regional trade agreements are not in a zero-sum relationship, but they should complement one another in order to actually achieve trade liberalisation.

The role of the G20

It is time for the G20 to take a new step forward.

First, the G20 can encourage its member countries to share information regarding regional trade agreement negotiations that they are participating in with other G20 countries. Such information sharing has not taken place so far, since each country tends to share information only with the relevant countries. Encouraging more active exchange of information will increase transparency in trade negotiations, and the G20 seems to be the only international forum that is capable of making such a proposal.

Second, the G20 has repeatedly expressed its determination to fight against protectionism, including at this year’s G20 St Petersburg summit, where the G20 leaders agreed to ‘extend until the end of 2016 [their] standstill commitment’ and ‘reaffirm[ed] commitment to roll back new protectionist measures’. In order to maintain and ensure the G20’s credibility, it is essential for the G20 to continue and further strengthen our efforts.
toward fighting protectionism and promoting further trade liberalisation. In order to ensure that the standstill commitment is kept by its members, the G20 should also establish a peer review process. Using this process, the G20 can monitor others’ adherence to the standstill commitment, providing an additional incentive to abide by the commitment made by the leaders. It will also help ensure that the standstill commitment is appropriately followed up after the summit.

Lastly, the G20 should deepen the discussion on global value chains (GVCs). Although there have been studies done on GVCs, they are mainly an analysis of their current status. The G20 needs to take a further step and discuss how GVCs actually influence international trade negotiations.

Through taking such actions, the G20 can play a unique role in promoting global trade liberalisation and bring about results that no other international organisation or forum can achieve.

Notes
1. Senior Adjunct Fellow, The Japan Institute of International Affairs.
3. Ibid.
4. ‘Roberto Azevêdo Urges WTO to Reach $1tn Global Trade Deal in Bali,’ Financial Times, 9 September 2013.
5. G20, Leaders’ Declaration: St Petersburg Summit (5–6 September 2013).