The G20 trade agenda: proposals for the Australian presidency

Ivan T.M. Oliveira

Institute of Applied Economic Research

Trade openness is a pivotal principle for cooperation among the G20 economies. As expressed in several declarations of the group, keeping markets open to trade is seen an important driver for stronger, sustained and balanced economic growth, helping create jobs and foster productivity throughout the world. Furthermore, the G20 members support a rules-based multilateral trading system as the best choice for governing world trade. Trade issues have received growing attention in the G20 agenda since 2008, clearly seen in the number of references to them in the declarations and additional documents coming out of the G20 summits.

Although the standstill commitment on protectionism, in place since 2008, may be considered a relative success and the G20 members have recently addressed some new issues related to trade policy – for example, transparency for regional trade agreements – the G20 is being repeatedly challenged to bring trade to the centre of its economic growth and development agenda.

Given the importance of trade for its development, no other country could face these challenges and foster the G20 trade agenda better than Australia. Therefore, there is a clear window of opportunity to develop the debate on trade within the G20 during the Australian presidency in 2014. This short paper aims to set forth some ideas (six main points) that may help address some of those challenges and give more substance to what the G20 can deliver when it comes to international trade.

Bringing the WTO and the G20 together

International trade should be placed at the centre of the G20 agenda on growth. The G20 summits should serve as high-level meetings that aim to solve pending issues in the multilateral trade negotiating agenda. In order to do so, the WTO Director-General should be invited to present those issues to, and intermediate negotiations among, G20 leaders (in small or large groups, depending on the occasion) during the summits. The G20 should be used as a
privileged forum for advancing multilateral trade talks at the highest political level, delivering meaningful results by the end of its meetings. Coordination between the WTO and the G20 trade agendas is essential for world trade governance today. Additionally, a working group on international trade issues, including researchers from think tanks, officers from international organisations (OECD, UNCTAD, the World Bank and the WTO) and senior officials from the G20 countries, ought to debate the trade agenda during the year and have a say on the following issues/topics.

**Protectionism**

The G20 must reiterate its commitment to the standstill agreement on protectionism, now extended until 2016, by supporting the continued monitoring of the trade policy measures of its members, with a special focus on the non-tariff ones that may create impediments to international trade. Reinforcing the role of the triad – WTO, UNCTAD and OECD – in monitoring trade measures is important, but the G20 should go further and stimulate discussions and new projects regarding the methodology for monitoring and assessing trade policy measures. A working group on international trade could help to independently accomplish this kind of task. As well, the G20 should support transparency projects related to collecting, processing, harmonising and publicising data and information on new trade measures, particularly on non-tariff barriers.

**Regional trade agreements**

The proliferation of regional trade agreements exists alongside the implementation of multilateral agreements, deepening or creating rules that go beyond the existing regulation in the multilateral trading system. If concluded, mega-regional agreements such as the Trans-Pacific Partnership (TPP) and the Trans-Atlantic Trade and Investment Partnership (TTIP) will define the standards for negotiating trade in many important issues (especially rules) and, given the relevance of the players involved, thus harm the WTO’s position in global trade governance. In order to confirm its commitment to having a stronger and rules-based multilateral trading system at the heart of world trade governance the G20 must work hard to bring more transparency to regional agreements, by implementing the actions outlined in the document ‘Advancing Transparency in Regional Trade Agreements’. Moreover, the G20 should define concrete mechanisms for monitoring and reviewing regional trade agreements in the WTO (based on the model of the Trade Policy Review Mechanism). It should also help
to create multilateral disciplines to establish rules for complex issues, for example rules of origin and technical and health standards, in which there is a high potential for discrimination against countries not involved in a regional agreement.

**The Doha round, Bali and beyond**

Concluding the Doha round of trade talks has been on the G20 agenda for some time now, but no real political action has come out of its commitments so far. In order to re-establish the credibility of the WTO as a viable negotiating forum, the G20 must be committed to concluding the Doha round, even if only with the meagre results the 9th WTO Ministerial Conference (MC9) in Bali might deliver. Implementing the first point presented in this paper – bringing trade to the core of the G20 growth and development agenda – is a vital part of the efforts the G20 members must make so as to get a final agreement in the Doha round. If trade becomes central to cooperation in the G20, the political commitments coming out of the group’s summits can be decisive in putting WTO negotiations on track. In addition, it is time to start thinking about the multilateral trading system beyond the Doha round. The international economic scenario has changed a lot since 2001, when Doha was launched. New issues came into the trade agenda and there is a need to begin to rethink the WTO’s role in trade governance, to prepare it to deliver new regulations on subjects that are important to boost international trade and development in the 21st century. Therefore, the G20 needs to address these questions by helping to conclude the Doha round in 2014, and to build the trade system of the future by re-establishing and reinforcing the WTO’s centrality as a forum, to help keep markets open to trade and foster economic growth worldwide.

**WTO Dispute Settlement Mechanism (DSM) reform**

One of the main results of the Uruguay round was the strengthening of the diplomatic–judicial pillar of the multilateral trading system with a robust DSM – essential in reinforcing a rules-based trade governance. Even though the gains from the institutionalisation of a trade regime with a stronger enforcement mechanism are clear, both for developed and developing countries, the DSM of the WTO needs to be revised and improved so as to reduce the costs and increase the benefits of participating in it, particularly for the poorest countries. As it is important for the future of the multilateral trading system, the G20 ought to debate the expansion of Aid for Trade initiatives that may help least-developed countries (LDCs) to get the expertise and institutions necessary to defend their interests more actively in the Dispute
Settlement Body. In addition, it is necessary to broaden the range of alternatives of retaliation (via financial compensation and authorisation for cross-retaliation, including by third countries); this can make the compensatory mechanism more attractive for the affected country and increase the costs of non-compliance.

**Global value chains (GVCs)**

The desire to integrate into regional and global production chains is a driving force of economic development in the world today. It is not only manufacturing that is important in climbing the ladder of development, but also services, which get a larger share of the value in regional and global productive chains, based on trade in tasks. These factors tend to reinforce the role of the WTO in global trade regulation, although they also bring challenges that the multilateral trading system needs to address properly.

For example, given the negative effects of divergent and complex rules of origin present in regional agreements, multilateral negotiations are more effective and beneficial in facilitating trade in global value chains. Furthermore, this agenda is connected to plurilateral agreement negotiations, which are still controversial among the G20 members, but may increase the WTO’s importance to the business community. The G20 must have these questions in mind when considering trade as an essential part of its economic growth and development agenda. It should be in the group’s interests to foster initiatives to better measure trade in value added, and new projects aimed at understanding the impacts of integrating into GVCs on growth, productivity and job creation. Again, a working group on international trade could help deliver a meaningful agenda on GVCs to the G20.

The topics presented above are not all new, nor do they cover all the issues that must be addressed in order to have a stronger and rules-based multilateral trade system, which seems to be an important goal for cooperation among the G20 economies. Nevertheless, if some of these issues could be taken seriously into consideration and answered properly during the Australian presidency of the G20 in 2014, not only would trade unquestionably be included in the core agenda of the group, but it would also strengthen the G20’s credibility and functionality as a premier forum for economic cooperation. Trade is not only good for economies – it can also do a lot for the G20 itself.

**Notes**

1. Research Fellow and Coordinator of International Economic Studies, Institute of Applied Economic Research (IPEA), Brazil.