

International trade: What can the G20 do?

Conference version

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Trade and the G20

As the world's premier international economic forum, the G20 should have a keen interest in the maintenance of a robust multilateral trading system. Yet while the initial leaders' summits did make strong and clear references to the importance of open markets, and of completing the long-running Doha Round of multilateral trade negotiations, subsequent meetings have seen trade slide down the agenda as well as a decline in the intensity of the G20's pledge to refrain from protectionism. Even more worryingly, the multilateral trading system itself appears to be losing relevance in the current economic environment.

Both trends are problematic since international trade, with its critical contributions to supporting global growth and employment, has an important role to play in assuring the health of the global economy. Just as the Framework for Strong, Sustainable and Balanced Growth (the 'Framework') and its commitment to delivering growth and jobs for the global economy should be at the core of the G20, so should international trade be at the core of the Framework.¹ G20 leaders need to re-emphasise this central role of global trade and use their political influence to help restore the health of the multilateral trading system.

The G20's two key trade commitments

The onset of the global financial crisis (GFC) also represented a major shock to global trade. Between the start of the crisis in 2008 and stabilization towards the end of 2009, the world economy experienced the steepest decline in international trade on record, with a pace of contraction that even exceeded that experienced during a comparable period of the Great Depression in the 1930s.² Given the scale of this shock, it was natural to fear that policymakers might be tempted to succumb to protectionism, and hence repeat some of the mistakes of the 1930s.

Mindful of these risks, when G20 leaders had their first summit in Washington in November 2008, as well as listing the reforms they wanted to see applied to the global financial system and to international economic governance, those leaders also went on to state (clause 12):

¹ On the importance of the Framework, see Mike Callaghan, *Strengthening the core of the G20: Clearer objectives, better communication, greater transparency and accountability*. Analysis. Sydney, Lowy Institute for International Policy, 10 April 2013.

² Barry Eichengreen and Kevin H O'Rourke, *A tale of two depressions (3rd update)*. VoxEU.org, 1 September 2009. Also Bernard Hoekman, Trade policy: So far, so good? *Finance and Development* 49 (2) 2012.

*'We recognize that these reforms will only be successful if grounded in a commitment to free market principles, including the rule of law, respect for private property, **open trade and investment**, competitive markets, and efficient, effectively regulated financial systems.'*[Emphasis added]³

They then made two specific commitments designed to back up their general recognition of the importance of open markets.

First, they pledged to refrain from protectionism:

*'We underscore the critical importance of rejecting protectionism and not turning inward in times of financial uncertainty. In this regard, within the next 12 months, we will refrain from raising new barriers to investment or to trade in goods and services, imposing new export restrictions, or implementing World Trade Organization (WTO) inconsistent measures to stimulate exports.'*⁴

Note, however, that their initial pledge came with no monitoring mechanism, and with no sanctioning mechanism in case of its violation.⁵

Second, leaders also promised to strive to complete the Doha Round:

*'... we shall strive to reach agreement this year on modalities that leads to a successful conclusion to the WTO's Doha Development Agenda with an ambitious and balanced outcome. We instruct our Trade Ministers to achieve this objective and stand ready to assist directly, as necessary. We also agree that our countries have the largest stake in the global trading system and therefore each must make the positive contributions necessary to achieve such an outcome.'*⁶

While leaders have subsequently discussed other trade-related topics including the availability of trade finance, food security, and fossil fuel subsidies, it is these two key commitments on rejecting protectionism and on completing Doha that have been at the core of the G20's approach to trade to date.

The standstill on protectionism

Since that first announcement in Washington, the G20 has continued to renew its pledge to refrain from protectionism. Thus at the April 2009 London Summit, leaders extended the standstill until the end of the following year:

*'... we reaffirm the commitment made in Washington: to refrain from raising new barriers to investment or to trade in goods and services, imposing new export restrictions, or implementing World Trade Organisation (WTO) inconsistent measures to stimulate exports. In addition we will rectify promptly any such measures. We extend this pledge to the end of 2010;'*⁷

³ G20, *Declaration of the summit on financial markets and the world economy*. Washington DC 15 November 2008.

⁴ Ibid.

⁵ Simon J Evenett, *The role of the WTO during systemic economic crises*. Paper presented at the first Thinking Ahead on International Trade (TAIT) conference. Geneva, Centre for Trade and Economic Integration at The Graduate Institute and the World Trade Organization, September 2010.

⁶ G20, *Declaration of the summit on financial markets and the world economy* .

⁷ G20, *London Summit: Leaders' Statement*. London 2 April 2009.

Importantly, in addition to re-affirming the standstill, this time around leaders also asked the WTO, along with other relevant international bodies, to monitor and report on G20 countries' adherence to their promises (although they still chose to refrain from suggesting any sanctions should the pledge be violated – in other words, the commitment made was left as a non-binding promise):

*'... we call on the WTO, together with other international bodies, within their respective mandates, to monitor and report publicly on our adherence to these undertakings on a quarterly basis.'*⁸

The first of these reports on G20 trade and investment measures was produced jointly by the OECD, WTO and UNCTAD and published on 14 September 2009 in the run up to the Pittsburgh Summit held later that month. To date, there have been eight of these reports, with the most recent published in October 2012.⁹

At the Toronto Summit in June 2010, leaders congratulated themselves:

*'We have successfully maintained our strong commitment to resist protectionism.'*¹⁰

And went on to extend the standstill for a further three years:

*'... we renew for a further three years, until the end of 2013, our commitment to refrain from raising barriers or imposing new barriers to investment or trade in goods and services, imposing new export restrictions or implementing World Trade Organization (WTO)-inconsistent measures to stimulate exports, and commit to rectify such measures as they arise. We will minimize any negative impact on trade and investment of our domestic policy actions, including fiscal policy and action to support the financial sector.'*¹¹

The 2013 deadline was confirmed again at the Seoul and Cannes summits, along with the mandate for continued reporting on G20 countries' compliance with these promises:

*'We therefore reaffirm the extension of our standstill commitments until the end of 2013 as agreed in Toronto, commit to rollback any new protectionist measures that may have risen, including export restrictions and WTO-inconsistent measures to stimulate exports, and ask the WTO, OECD, and UNCTAD to continue monitoring the situation and to report publicly on a semi-annual basis.'*¹²

And similarly at Cannes:

'We reaffirm our standstill commitments until the end of 2013, as agreed in Toronto, commit to roll back any new protectionist measure that may have risen, including new export restrictions and WTO-

⁸ Ibid.

⁹ Publication dates are: September 2009, March 2010, June 2010, November 2010, May 2011, October 2011, May 2012 and October 2012.

¹⁰ G20, *The G20 Toronto Summit Declaration*. Toronto 27 June 2010.

¹¹ Ibid.

¹² G20, *The Seoul Summit Document*. Seoul 12 November 2010.

*inconsistent measures to stimulate exports and ask the WTO, OECD and UNCTAD to continue monitoring the situation and to report publicly on a semi-annual basis.*¹³

At the June 2012 Los Cabos Summit in Mexico, leaders agreed to extend by a further year their pledge to refrain from putting up new trade barriers:

*'We are deeply concerned about rising instances of protectionism around the world. Following up our commitment made in Cannes, we reaffirm our standstill commitment until the end of 2014 with regard to measures affecting trade and investment, and our pledge to roll back any new protectionist measure that may have arisen, including new export restrictions and WTO inconsistent measures to stimulate exports. We also undertake to notify in a timely manner trade and investment restrictive measures.*¹⁴

Reaching this agreement was not without controversy, however. Reportedly Argentina, Brazil and South Africa all resisted extending the standstill beyond its scheduled expiry at end 2013, even as other countries had sought to push the expiration date out to 2015.¹⁵

Assessing the G20's standstill on protectionism

Despite these repeated G20 pledges to refrain from protectionism, a comment common to many of the monitoring reports commissioned by leaders to assess their promises is that most G20 governments have in fact put in place measures which have either restricted trade or which have the potential to do so (Table 1).

	Total number of measures	Average per month
First Report (Apr'09-Aug '09)	80	16.0
Second Report (Sep'09-Feb'10)	95	15.8
Third Report (Mar'10-May'10)	56	18.7
Fourth Report (May'10-Oct'10)	54	10.8
Fifth Report (Oct'10-Apr'11)	122	20.3
Sixth Report (May'11-Oct'11)	108	18.0
Seventh Report (Oct'11-May'12)	124	17.7
Eighth Report (May'12-Oct'12)	71	14.2

Source: Table 1 in OECD, WTO and UNCTAD, *Reports on G20 trade and investment measures (Mid-May to Mid-October 2012)*. (2012).

That said, the first joint report, covering the period from the conclusion of the London Summit April 2009 through to August 2009, did provide a generally positive assessment of G20 countries' adherence to their pledges. It judged that, despite some evidence of 'policy slippage' and 'sand in the gears of international trade':

'During the period under review, we have not observed widespread resort to trade or investment restrictions as a reaction to the global financial and economic crisis. We welcome the G20

¹³ G20, *Cannes Summit Final Declaration: Building our common future: Renewed collective action for the benefit of all*. Cannes 4 November 2011.

¹⁴ G20, *G20 Leaders Declaration Los Cabos*. Los Cabos 19 June 2012.

¹⁵ Krista Hughes, *G20 extends free trade vow despite split*. *Reuters*, 20 June 2012.

*governments' commitment to maintaining open trade and investment regimes and their ability to withstand domestic protectionist pressures.'*¹⁶

The second and subsequent report confirmed this restraint, noting that:

*'Although some G20 members continued to implement new trade restrictive policies, in apparent contradiction to their pledges at London and Pittsburgh, the overall extent of these restrictions has been limited and an escalation of protectionism has continued to be avoided. There have been fewer instances than in earlier periods of G20 members taking potentially trade restrictive measures, and more cases of trade opening measures and of the termination of investigations into "unfair" trade practices without the imposition of new trade remedy measures.'*¹⁷

In the period following Pittsburgh, the global recovery was showing greater signs of recovery, and the third joint report was again able to note that 'G20 governments have largely resisted pressures to erect trade and investment restrictions.'¹⁸ Once again, the report noted a decline in the number of new measures and in their coverage of trade relative to previous reports. However, in a new and important theme, it also emphasized 'a growing risk of an accumulation of trade restricting measures implemented since the outbreak of the crisis. This risk is compounded by a relatively slow pace of removal of previously adopted measures.'¹⁹

According to the fourth joint report from the WTO, OECD and UNCTAD, '[b]y and large, since the Toronto Summit, G20 governments have continued to resist protectionist pressures'.²⁰ However, the report also warned of 'signs of intensifying protectionist pressures . . . driven by persistent high levels of unemployment in many G20 countries, macroeconomic imbalances between them, and tensions over foreign exchange rates.' It also echoed the warnings of the previous report, citing 'the danger of the steady accumulation over time of measures that restrict or distort trade and investment.' The fifth reporting exercise suggested that these warnings had been prescient.

*'Over the past six months most G20 governments have put in place more new trade restrictive measures than in previous periods since the crisis. Their restraint to resist protectionism appears to be under increasing pressure. The commitment to roll back export restrictions has not been followed; in fact, new export restrictions are on an increasing trend.'*²¹

¹⁶ OECD, WTO and UNCTAD, *Report on G20 trade and investment measures*. Paris, Organisation for Economic Cooperation and Development, World Trade Organization and United Nations Conference on Trade and Development, 14 September 2009.

¹⁷ OECD, WTO and UNCTAD, *Report on G20 trade and investment measures (September 2009 to February 2010)*. Paris, Organisation for Economic Cooperation and Development, World Trade Organization and United Nations Conference on Trade and Development, 8 March 2010.

¹⁸ OECD, WTO and UNCTAD, *Report on G20 trade and investment measures (November 2009 to Mid-May 2010)*. Paris, Organisation for Economic Cooperation and Development, World Trade Organization and United Nations Conference on Trade and Development, 14 June 2010.

¹⁹ Ibid.

²⁰ OECD, WTO and UNCTAD, *Report on G20 trade and investment measures (Mid-May to Mid-October 2010)*. Paris, Organisation for Economic Cooperation and Development, World Trade Organization and United Nations Conference on Trade and Development, 4 November 2010.

²¹ OECD, WTO and UNCTAD, *Reports on G20 trade and investment measures (Mid-October 2010 to April 2011)*. Paris, Organisation for Economic Cooperation and Development, World Trade Organization and United Nations Conference on Trade and Development, 24 May 2011.

The report worried that these trends were ‘feeding fears that post-crisis protectionism may be gaining momentum.’ A notable trend highlighted by the report was export restrictions imposed mainly on food products and some minerals.

Late in 2011, the sixth monitoring report retailed a similar message, noting that ‘weak growth in some G20 members and continuing macroeconomic imbalances globally are testing the political resolve of many governments to resist trade protectionism.’²² In particular, the trend towards the imposition of export restrictions on some food products and minerals, highlighted by the previous report, had continued, despite being inconsistent with the G20 standstill pledge. The removal of past restrictions also remained relatively slow. As a result, the cumulative share of world trade affected by the new restrictions since the GFC had risen to more than two per cent.²³

By the time of the seventh joint report, published before the Los Cabos meetings, the message was little changed. According to the report:

‘Weak recovery of the global economy and persistent high levels of unemployment are continuing to test the political resolve of G-20 governments to resist trade protectionism. The past seven months have not witnessed any slowdown in the imposition of new trade restrictions. And there is no indication that efforts have been stepped up to remove existing restrictions, particularly those introduced since the start of the global crisis . . . The accumulation of trade restrictions is a matter of concern, which is aggravated by the relatively slow pace of rollback of existing measures. This situation is clearly adding to the downside risks to the global economy.’²⁴

This seventh report also noted a change in the nature of the trade restrictions now being imposed:

‘The more recent wave of trade restrictions seems no longer to be aimed at combatting the temporary effects of the global crisis, but rather at trying to stimulate recovery through national industrial planning, which is an altogether longer-term affair. In addition to trade restrictions, many of these plans envisage the granting of tax concessions and the use of government subsidies, as well as domestic preferences in government procurement and local content requirements.’²⁵

Once again, the steady accumulation of trade restrictions was cited as a concern.²⁶

The eighth (and to date latest) report on trade restrictions covered the period between Mid-May and Mid-October 2012. It contained both good and bad news:

‘There has been a slowdown in the imposition of new trade restrictive measures by G-20 economies over the past five months. Nevertheless, the new measures are adding to the stock of restrictions put in place since the outbreak of the global crisis, most of which remain in effect.’²⁷

²² OECD, WTO and UNCTAD, *Reports on G20 trade and investment measures (May to Mid-October 2011)*. Paris, Organisation for Economic Cooperation and Development, World Trade Organization and United Nations Conference on Trade and Development, 25 October 2011.

²³ Ibid.

²⁴ OECD, WTO and UNCTAD, *Reports on G20 trade and investment measures (Mid-October 2011 to Mid-May 2012)*. Paris, Organisation for Economic Cooperation and Development, World Trade Organization and United Nations Conference on Trade and Development, 31 May 2012.

²⁵ Ibid.

²⁶ Ibid.

It also noted a reversal of the past trend of increases in export restrictions, but overall went on to conclude:

*'Many of the trade restrictions introduced since the start of the global crisis are still in place. According to information provided to the WTO Secretariat by G-20 delegations, only 21% of the recorded measures (put in place since October 2008) were removed by mid-October 2012 . . . Import restrictive measures implemented by G-20 economies over the past four years (since October 2008), excluding those that were reported as removed, account for around 3.5% of total world merchandise imports or the equivalent of 4.4% of G-20 imports.'*²⁸

An assessment of the standstill based solely on the G20's own commissioned assessment of its protectionism standstill would therefore be a mixed one.

On the one hand, it is quite clear that G20 members did *not* fully honour their commitments. Indeed, the initial pledge had been broken within about thirty-six hours, after which Russia announced that it would hike tariffs on car imports. Moscow's actions were quickly followed by an increase in Indian steel tariffs and later by the EU reintroducing export subsidies – moves which seemed to leave the pledge 'in tatters'.²⁹ Indeed, on one count, in the years following the declaration of the standstill, on average a G20 member broke the pledge every four days, a factoid which did little for G20 credibility.³⁰ At the same time, there has been a steady increase in the cumulative share of world trade covered by import restrictive measures imposed by G20 economies, to cover more than three per cent of world imports and more than four per cent of G20 imports (Table 2):

Report date	Share in G20 imports	Share in world imports
Oct'08-Oct'09	1.0	0.8
Nov'09-May'10	0.5	0.4
May'10-Oct'10	0.3	0.2
Oct'10-Apr'11	0.6	0.5
May'11-Oct'11	0.6	0.5
Oct'11-May'12	1.1	0.9
May'12-Oct'12	0.4	0.3
Cumulative total Oct'09-Oct'12	4.4	3.5

Source: Table 2 in OECD, WTO and UNCTAD, *Reports on G20 trade and investment measures (Mid-May to Mid-October 2012)*. (2012).

Yet, on the other hand, it's certainly not all been bad news. Taken together, the series of joint OECD-WTO-UNCTAD reports suggest no widespread retreat to protectionism but, to the contrary, indicate only a fairly modest shift to restrictions on trade. Given the scale of the collapse in trade,

²⁷ OECD, WTO and UNCTAD, *Reports on G20 trade and investment measures (Mid-May to Mid-October 2012)*. Paris, Organisation for Economic Cooperation and Development, World Trade Organization and United Nations Conference on Trade and Development, 31 October 2012.

²⁸ Ibid.

²⁹ Alan Beattie, *Who's in charge here? How governments are failing the world economy* Penguin Special, 2012.

³⁰ Evenett, *The role of the WTO during systemic economic crises* .

the lack of recourse to protectionist measures is quite striking.³¹ This finding is supported by empirical work looking at the use of tariffs and trade defence (antidumping) measures taken by about 100 countries over the 2008-2009 period, which finds no evidence of any widespread resort to protectionism, but instead estimates that increases in tariffs and antidumping duties explained less than two per cent of the collapse in world trade during the crisis period.³² Indeed, in the second and third years after the onset of the crisis, the pursuit of trade liberalising measures meant that tariffs were more frequently *lowered* than hiked.³³

Unfortunately, however, other trade policy assessments tend to be somewhat less sanguine. As well as the official joint OECD-WTO-UNCTAD reports on protectionism, there have also been a series of independent assessments of trends in trade policy conducted by the Global Trade Alert (GTA), a body coordinated by a UK-based think-tank, the Centre for Economic Policy Research.³⁴ At the time of writing, GTA had produced eleven reports on protectionism, with the most recent released in June 2012.³⁵ That June 2012 GTA report argued that the statements made around the time of the Los Cabos Summit concerning the risks associated with rising protectionism were merited by the GTA's data, noting:

*'There has been a steady stream of protectionist measures introduced since the last G20 summit – at least 110 measures have been implemented, 89 of which were imposed by G20 members.'*³⁶

Worryingly, it continued:

*'This report demonstrates that the amount of protectionism in 2010 and 2011 was considerably higher than previously thought. An additional 226 protectionist measures were found in those two years, representing a 36% increase on the number of beggar-thy-neighbour policies implemented during 2010 and 2011 . . . What is more, the evidence presented in this report casts doubts on the strength of international restraints on the resort to protectionism by governments, in particular by G20 governments.'*³⁷

With regard to that final point, the GTA report emphasized two supporting facts. First, that the share of G20 countries in global protectionist measures had risen from 60 per cent in 2009 to 79 per cent in 2012, a result that it felt 'cast the repeated G20 commitments to eschew protectionism in a particularly bad light' and which it reckoned called into question the strength of genuine commitment to an open trading system. Second, the report emphasised that governments had tended to circumvent WTO rules by resorting to policies 'subject to less demanding or no binding multilateral trade rules'. Since many of these policies were non-transparent, the GTA described this as 'murky protectionism.'³⁸ In other words, the GTA report suggested WTO rules and the G20

³¹ Hoekman, Trade policy: So far, so good?

³² Hiau Looi Kee, Cristina Neagu and Alessandro Nicita, Is protectionism on the rise? Assessing national trade policies during the crisis of 2008. *The Review of Economics and Statistics* 95 (1) 2013.

³³ Mohini Datt, Bernard Hoekman and Mariem Malouche, *Taking stock of trade protectionism since 2008*. Economic Premise Number 72. Washington DC, World Bank, December 2011.

³⁴ Information about GTA as well as copies of their reports and access to the associated data is available from <http://www.globaltradealert.org/>.

³⁵ Simon J Evenett, *Debacle: The 11th GTA report on protectionism*. VoxEU.org, 14 June 2012.

³⁶ Ibid.

³⁷ Ibid.

³⁸ Ibid.

pledge may have worked more to alter the composition rather than the overall quantum of protectionism.

According to the GTA, G20 countries were responsible for roughly two-thirds of all protectionist measures taken since the first G20 summit in November 2008, and 69 per cent of all measures still in force. Indeed, the proportion of worldwide totals of protectionist measures accounted for by G20 governments has risen every year since 2009.³⁹ Moreover, looking at the GTA's rankings of the top ten offenders by country on various indicators of protection, 'it is striking how often G20 members are mentioned.' (Table 3).⁴⁰

Table 3

Metric, Country in specified rank, Number				
Rank	Ranked by number of (almost certainly) discriminatory measures imposed	Ranked by the number of tariff lines (product categories) affected by (almost certainly) discriminatory measures	Ranked by the number of sectors affected by (almost certainly) discriminatory measures	Ranked by the number of trading partners affected by (almost certainly) discriminatory measures
1	EU27 (302)	Viet Nam (931)	Argentina (63)	China (193)
2	Russian Federation (169)	Venezuela (786)	Algeria (62)	EU27 (187)
3	Argentina (141)	Kazakhstan (732)	EU27 (57)	Netherlands (163)
4	India (74)	China (701)	China (52)	Germany (155)
5	UK (67)	EU27 (656)	Nigeria (45)	Poland (155)
6	Germany (64)	Nigeria (599)	Russian Federation (45)	India (153)
7	France (61)	Algeria (476)	Germany (44)	Indonesia (153)
8	China (60)	Argentina (467)	Kazakhstan (43)	Belgium (152)
9	Italy (56)	Russian Federation (446)	USA (43)	Finland (152)
10	Brazil (54)	India (401)	Ghana (41)	Argentina (151)

Note: There is no single metric to evaluate harm. Different policy measures affect different numbers of products, economic sectors, and trading partners. GTA reports four measures of harm.

Source: Table 1.1 in Evenett, *Debate: The 11th GTA report on protectionism*. (2012)

Based on these GTA assessments, the most common forms of discriminatory intervention taken since the onset of the crisis have tended to be either selective subsidies or subsidies with discriminatory strings attached.⁴¹ The relatively non-transparent nature of this policy response has

³⁹ Simon J Evenett and David Vines, Crisis-era protectionism and the multilateral governance of trade: an assessment. *Oxford Review of Economic Policy* 28 (2) 2012.

⁴⁰ Evenett, *Debate: The 11th GTA report on protectionism*.

⁴¹ Evenett and Vines, Crisis-era protectionism and the multilateral governance of trade: an assessment.

made it harder to track than tariff changes and anti-dumping actions, and estimates suggest that the more transparent trade policy instruments governed by tougher WTO rules (tariffs, trade defence instruments) have represented less than half of the measures taken in any given calendar year during the crisis. One study based on the trade discriminatory measures from the GTA database found that trade flows affected by such restrictions fell by between five per cent and eight per cent relative to trade flows of the same products among partners not affected by the same restrictive measures. The same study also found that exports of poorer economies tended to suffer the most from these restrictions, although the bailout and stimulus packages put in place by high-income economies probably hurt developing country exports less than the border measures imposed by developing countries themselves.⁴²

On balance, then, the evidence on the effectiveness of the G20's repeated commitments to limit protectionism can be described as mixed *at best*. It still seems likely that there was at least some restraining effect on the use of tariffs and trade defence measures.⁴³ Some supporting evidence for this proposition is provided by the likelihood that if this were not the case then those economies that balked at the renewal of the standstill pledge at Los Cabos would not have felt any need to object. Despite this, however, G20 members have been quite prepared to find alternative, less transparent approaches to protectionism as a way of avoiding their commitments, and at other times have been prepared to simply ignore them.

In addition, there have been other unfortunate trends on display. For example, some observers have noted that the text relating to protectionism in G20 summit communiqués has shown signs both of being weakened over time and of being given less prominence.⁴⁴ So, by the Pittsburgh Summit, for example, references to trade policy had been demoted to the end of the leader's declaration, and the previous commitment to eschew protectionism had been replaced with a weaker one to 'fight' it. This relative de-emphasis of trade has led one pair of observers to conclude that any 'strong views of the deterrent value of G20 commitments are hard to square with a body that has given less and less attention to open markets over time.'⁴⁵

The commitment to conclude Doha

Along with the G20's pledge to impose a standstill on protectionism, the other big trade commitment made repeatedly at G20 summits was an undertaking to complete the Doha Round of trade negotiations. At the inaugural leaders' summit in November 2008, leaders promised that:

'... we shall strive to reach agreement this year on modalities that leads to a successful conclusion to the WTO's Doha Development Agenda with an ambitious and balanced outcome. We instruct our Trade Ministers to achieve this objective and stand ready to assist directly, as necessary. We also

⁴² Christian Henn and Brad McDonald, *Protectionist responses to the crisis: damage observed in product level trade*. IMF Working Paper WP/11/139. Washington DC, International Monetary Fund, June 2011. Cited in Datt, Hoekman and Malouche, *Taking stock of trade protectionism since 2008*

⁴³ Although, as discussed below, much of this restraint may simply have reflected the new political economy of trade protection.

⁴⁴ Evenett and Vines, *Crisis-era protectionism and the multilateral governance of trade: an assessment*.

⁴⁵ Richard E Baldwin and Simon J Evenett, *Beggar-thy-neighbour policies during the crisis era: causes, constraints and lessons for maintaining open borders*. *Oxford Review of Economic Policy* 28 (2) 2012.

*agree that our countries have the largest stake in the global trading system and therefore each must make the positive contributions necessary to achieve such an outcome.'*⁴⁶

A pledge they repeated at the London summit:

*'We remain committed to reaching an ambitious and balanced conclusion to the Doha Development Round, which is urgently needed. This could boost the global economy by at least \$150 billion per annum. To achieve this we are committed to building on the progress already made, including with regard to modalities.'*⁴⁷

By Pittsburgh, however, the target had slipped to a completion date for Doha in 2010:

*'We are committed to bringing the Doha Round to a successful conclusion in 2010.'*⁴⁸

And by Toronto that had shifted in turn to the softer promise of delivering a conclusion 'as soon as possible':

*'We therefore reiterate our support for bringing the WTO Doha Development Round to a balanced and ambitious conclusion as soon as possible, consistent with its mandate and based on the progress already made. We direct our representatives, using all negotiating avenues, to pursue this objective, and to report on progress at our next meeting in Seoul, where we will discuss the status of the negotiations and the way forward.'*⁴⁹

By the time of Seoul, the 2010 deadline had well and truly evaporated and been replaced with the much weaker hope that 2011 would offer an important window of opportunity:

*'... our strong commitment to direct our negotiators to engage in across-the-board negotiations to promptly bring the Doha Development Round to a successful, ambitious, comprehensive, and balanced conclusion consistent with the mandate of the Doha Development Round and built on the progress already achieved. We recognize that 2011 is a critical window of opportunity, albeit narrow, and that engagement among our representatives must intensify and expand. We now need to complete the end game. Once such an outcome is reached, we commit to seek ratification, where necessary, in our respective systems. We are also committed to resisting all forms of protectionist measures.'*⁵⁰

By this point, external observers had become extremely critical of these repeated – and apparently increasingly empty – calls from the G20 to conclude the Doha Round: the 'G20 trade charade' was how one described it.⁵¹ As a result, by the time of the Cannes summit, a degree of depressing realism had appeared in the communiqué, which eschewed a target date for concluding the round altogether:

'We stand by the Doha Development Agenda (DDA) mandate. However, it is clear that we will not complete the DDA if we continue to conduct negotiations as we have in the past. We recognize the

⁴⁶ G20, Declaration of the summit on financial markets and the world economy .

⁴⁷ G20, London Summit: Leaders' Statement .

⁴⁸ G20, Leaders' Statement: The Pittsburgh Summit. Pittsburgh 25 September 2009.

⁴⁹ G20, The G20 Toronto Summit Declaration .

⁵⁰ G20, The G20 Seoul Summit Leaders' Declaration. Seoul 12 November 2010.

⁵¹ Jean-Pierre Lehman, *The G20 trade charade: Why business must end it*. Lausanne, IMD, November 2010.

*progress achieved so far. To contribute to confidence, we need to pursue in 2012 fresh, credible approaches to furthering negotiations, including the issues of concern for Least Developed Countries and, where they can bear fruit, the remaining elements of the DDA mandate. We direct our Ministers to work on such approaches at the upcoming Ministerial meeting in Geneva and also to engage into discussions on challenges and opportunities to the multilateral trading system in a globalised economy and to report back by the Mexico Summit.*⁵²

Finally, at the Los Cabos Summit, leaders were effectively contemplating the harvest of what they could salvage from Doha – a sort of mini-Doha – based around those few areas where agreement might be possible, such as trade facilitation and special treatment for the least developed countries (LDCs):

*'In line with the Cannes Communiqué, we stand by the Doha Development Agenda mandate and reaffirm our commitment to pursue fresh, credible approaches to furthering trade negotiations across the board. We will continue to work towards concluding the Doha Round negotiations, including outcomes in specific areas where progress is possible, such as trade facilitation, and other issues of concern for least developed countries.'*⁵³

By this stage, then, the urgency expressed for a conclusion of the Doha Round at the Washington and London Summits had long disappeared, along with pretty much any serious external belief that G20 leaders were going to be able to deliver on their, increasingly weak, commitments.

Assessing the G20's commitments on Doha

So, while there is at least some scope for disagreement over the relative effectiveness of the G20's efforts on the protectionism standstill, no such comforting ambiguity is available when it comes to an assessment of the group's attempts to provide leadership with regards to the Doha Round. Leaders have self-evidently failed to move the round to a conclusion, and done so publically and repeatedly in a way that has been damaging for the G20's overall credibility.⁵⁴ Even the more modest plans to use the eighth WTO Ministerial meeting of December 2011 to 'harvest' some limited agreements from the negotiations held up to that point – duty-free, quota-free access for LDCs and trade facilitation – ended in dismal failure.⁵⁵

Ernesto Zedillo, the former President of Mexico, summarised this sorry state of affairs rather well back in April 2011:

'Undeniably, the Doha Round has been one of the standard subjects at the G20 gatherings. Leaders have produced grandiloquent statements about the importance of finishing it and have even issued deadlines for such a conclusion, but any serious effort to bridge the gaps that have precluded that outcome has been absent from the summits' proceedings. The G20's tone at the top, as far as the

⁵² G20, *Cannes Summit Final Declaration: Building our common future: Renewed collective action for the benefit of all*.

⁵³ G20, *G20 Leaders Declaration Los Cabos*.

⁵⁴ Mike Callaghan and Mark Thirlwell, *Challenges facing the G20 in 2013*. G20 Monitor G20 Studies Centre, Lowy Institute for International Policy, December 2012.

⁵⁵ Bernard Hoekman, *The WTO and the Doha Round: Walking on two legs*. Economic Premise Number 68. Washington DC, World Bank, October 2011.

*Doha Round is concerned, can be characterised as disappointing if not outright deceptive, given leaders' failure to deliver.*⁵⁶

Assessing the health of the multilateral system: four key challenges

The G20's mixed success with the standstill and the group's abject failure (at least to date) to offer the leadership required to bring the Doha Round to a conclusion are symptoms of a broader malaise afflicting the multilateral trading system and the WTO. There are at least four widely acknowledged issues:⁵⁷

First, and most obviously, there is the ongoing failure to complete the Doha Round. Doha now spans four failed WTO ministerials (five if the failure to launch a Round in Seattle is included).⁵⁸ Perhaps the last chance of getting anything approaching a 'complete' Doha package came and went with the Seoul Summit of G20 leaders in November 2010 and its recognition that 2011 represented a 'critical window of opportunity.' That window was allowed to close and since then, subsequent proposals to 'top up' the Doha offers in order to achieve a bigger package, or proposals to put together mini-packages based around trade facilitation and special treatment for LDCs have likewise failed to gain traction.⁵⁹ This ongoing failure to complete Doha involves significant costs that go beyond the (realistically quite modest) foregone gains from trade liberalisation that a successful round would have brought to include the damage to the credibility of the WTO and of the G20, and the lost trade security and certainty that would have been offered by locking in tariff rates and other trade disciplines under Doha.⁶⁰

Second, and closely related, is the growing sense that the WTO's focus on Doha has meant that it has failed to grapple with other, potentially more important issues facing the global trading system. For example, Mattoo and Subramanian have argued that the WTO's Doha Agenda 'is an aberration because it does not reflect one of the biggest – indeed tectonic – shifts in the international economic and trading system: the rise of China.'⁶¹ A longer and fairly common list of trade policy issues that the WTO and the multilateral system should currently be dealing with would include: the trade policy implications of national and international efforts to reduce carbon emissions; resource (including food) security, including the role of export restrictions; the role and treatment of State

⁵⁶ Ernesto Zedillo, *The Doha Round doomed once again: Blame it on the G20*. VoxEU.org, 28 April 2011.

⁵⁷ See for example the following piece by one of the two shortlisted candidates for the post of Director-General of the WTO: Herminio Blanco, Guest post: the status quo is not an option for the WTO. *beyondbrics blog, Financial Times*, 3 May 2013.

⁵⁸ Seattle (1999), Cancun (2003), Hong Kong (2005) and Geneva (2008 and 2011).

⁵⁹ This judgment is made by Gary Clyde Hufbauer and Jeffrey J Schott, *Will the World Trade Organisation enjoy a bright future?* Policy Brief PB12-11. Washington DC, Peterson Institute for International Economics, May 2012.

⁶⁰ International Monetary Fund (IMF), *The WTO Doha Trade Round - Unlocking the negotiations and beyond*. Note prepared by the IMF Strategy, Policy and Review Department. Washington DC, International Monetary Fund, 16 November 2011. Bernard Hoekman, Will Martin and Aaditya Mattoo, *Conclude Doha. It matters!* Policy Research Working Paper 5135. Washington DC, World Bank, November 2009.

⁶¹ Aaditya Mattoo and Arvind Subramanian, *China and the world trading system*. Policy Research Working Paper 5897. Washington DC, World Bank, December 2011.

Owned Enterprises (SOEs); and issues around exchange rate policy including the use of deliberately undervalued exchange rates.⁶²

Third, there is a widely understood need for trade policy to come to grips with the implications of global supply chains (or global value chains) and the so-called 'Made in the World' phenomenon. It seems increasingly clear that global supply chains have changed the political economy of protectionism, by making some economies 'so interconnected and integrated that trade policy is no longer a very useful tool to assist domestic industries, even in the face of a massive external demand shock.'⁶³ In a world where imports involve a large share of inputs that are critical to the competitiveness of a country's export industries, then '[s]hutting off imports in this situation was not a way to save jobs; it was a way to destroy jobs.'⁶⁴ In this environment, an increasing number of observers have argued that traditional understandings of trade policy are now obsolete.⁶⁵ The same changes also imply the need for an updating of the WTO, which 'has not kept up with the need for new rules governing the intertwining of trade, investment, intellectual property, and services', and which therefore requires an upgrade to what has been described as a 'WTO 2.0'.⁶⁶

Fourth, the failure to deliver on Doha, combined with the failure to meet the appetite for new and deeper forms of international economic integration, has encouraged member economies to swap the multilateral system for preferential (bilateral, regional and now mega-regional) trade arrangements (PTAs). By 2010, there were almost 300 PTAs in force, with the average WTO member a party to 13 PTAs. Intra-PTA trade had risen to about 35 per cent of world merchandise trade by 2008, up from 18 per cent in 1990.⁶⁷ While it is true that, despite the marked increase in the number of PTAs in recent years, around 84 per cent of world merchandise trade still takes place on an MFN basis (70 per cent if intra-EU trade is included), it is also the case that PTAs are increasingly becoming the vehicle through which countries pursue the kind of 'deep integration' that is relevant for much modern trade. The shift to PTAs risks reducing the relevance of the multilateral system to the governance of global trade and undermining the MFN principle. These risks are likely to become even greater if the mooted mega-regional deals such as the Trans-Pacific Partnership (TPP) in Asia and the EU-United States Transatlantic Trade and Investment Partnership (TTIP) reach successful conclusions.

⁶² See for example: John Weekes, *What next for the WTO: Challenges for the WTO's eighth ministerial conference*. VoxEU.org, 23 November 2011; Hoekman, Martin and Mattoo, *Conclude Doha. It matters!* Also Aaditya Mattoo and Arvind Subramanian, *From Doha to the next Bretton Woods: A new multilateral trade agenda*. *Foreign Affairs* 88 (1) 2009.

⁶³ Hoekman, *Trade policy: So far, so good?*

⁶⁴ Baldwin and Evenett, *Beggar-thy-neighbour policies during the crisis era: causes, constraints and lessons for maintaining open borders*.

⁶⁵ For example, Sungjoon Cho and Claire R Kelly, *Are world trading rules passe?* *Virginia Journal of International Law* 2013 (forthcoming).

⁶⁶ Richard Baldwin, *WTO 2.0: Thinking ahead on global trade governance*. VoxEU.org, 22 December 2012. See also Bernard Hoekman and Selina Jackson, *Reinvigorating the trade policy agenda: Think supply chain!*, VoxEU.org, 23 January 2013.

⁶⁷ World Trade Organization (WTO), *World Trade Report 2011. The WTO and preferential trade agreements: From co-existence to coherence*. Geneva, World Trade Organization, 2011.

Five things that the G20 could do

Taking into account both the limitations of the G20's past engagement with international trade and the nature of the challenges currently facing the multilateral trading system, there are at least five things that G20 leaders could do to bolster the international trading environment.

First, leaders should place international trade where it belongs, at the heart of the Framework and of the G20's commitment to deliver economic growth and employment. In doing so, they should reverse the demonstrated drift of trade policy issues down the G20's agenda and send a clear signal about the important contribution trade and the trading system will be expected to make. They should acknowledge forcefully that in the absence of a robust international trading system and the growth in world trade that this supports, it would become that much harder to fulfil the G20's core mandate of delivering strong, sustainable and balanced growth.

Second, when the current standstill agreement on protectionism expires at the end of 2014, leaders should not only extend the agreement for at least another two years, but they should also seek to upgrade and refine it, in order to take into account both the post-crisis shift to new, WTO-consistent measures of protection and the need to unwind the restrictions on trade imposed since the start of the GFC. In order to support this commitment, leaders should also commit to ensure that the WTO secretariat is supplied with the enhanced resources required to pursue the independent surveillance needed to monitor compliance with this commitment.⁶⁸ While it is true that past experience with the standstill agreement has demonstrated the limitations of surveillance in keeping protectionist impulses in check, there are still important benefits from both the transparency and the (limited) accountability that this process delivers. In addition, enhanced WTO surveillance of state measures in this way could also provide helpful support to the WTO's broader policy agenda.⁶⁹

Third, the time has come for leaders to help save the WTO from the Doha Round.⁷⁰ Ideally, that should involve harvesting what can be saved from the negotiations so far. For example, Hufbauer and Schott have identified five parts of the existing Doha Agenda which they argue offer the possibility of delivering significant benefits to WTO members at relatively little cost or pain: trade facilitation; duty-free, quota-free access for LDCs; the phase-out of farm export subsidies; reforms to the WTO's dispute settlements system; and new disciplines on food export controls.⁷¹ Leaders should use their political weight to push seriously for the conclusion of a mini-Doha agreement along these lines, and then allow the WTO to move on to other matters.

If, however, leaders conclude instead that there is no realistic possibility of reaching even a modest agreement along these lines (and bear in mind that previous attempts to follow this approach already failed in 2011 when the developed economies were unhappy at the lack of reciprocity on offer from the major emerging markets), then they should declare Doha dead and urge the WTO to

⁶⁸ See for example Biswajit Dhar, Simon J Evenett, Guoquiang Long, Andre Meloni Nassar, Stefan Tangermann and Alberto Trejos, Disavowing protectionism: A strengthened G20 standstill and surveillance, in *The collapse of global trade, murky protectionism, and the crisis: Recommendations for the G20*, ed. Richard Baldwin and Simon J Evenett. London, Centre for Economic Policy Research (CEPR), 2009.

⁶⁹ Baldwin and Evenett, Beggar-thy-neighbour policies during the crisis era: causes, constraints and lessons for maintaining open borders.

⁷⁰ Simon J Evenett, *Saving the WTO from the Doha Round*. VoxEU.org, 17 April 2011; Ernesto Zedillo, Save the WTO from the Doha Round. *Forbes*, 21 May 2007.

⁷¹ Hufbauer and Schott, *Will the World Trade Organisation enjoy a bright future?*

find a new way forward on trade negotiations. Such a decision would of course be highly controversial, not least since leaders will not want to be seen to have the blood of the Doha Round on their hands. But in the absence of such a resolution, the continued failure to complete Doha will serve only to erode the credibility of both the WTO and of the G20 itself. If leaders conclude that Doha really is beyond saving, they should now put it out of its misery. This approach would also have the benefit of presenting leaders with a clear choice: to help save Doha or to kill it.

Fourth, independently of any progress on Doha, leaders should also use their political weight to encourage the WTO to devote more time to a trade policy agenda fit for the twenty-first century. As discussed above, there are a range of issues that would fall into this category, including food and resources security and the use of export restrictions, the treatment of SOEs, the role of exchange rate policy and the intersection of climate change and trade policies. The importance of services trade, and of global supply chains, should offer particular scope for WTO-led initiatives that go beyond Doha.⁷² A ‘whole of the supply chain’ approach that spanned a range of sectors including transport and distribution services, border protection and management, product health and safety, foreign investment and the movement of business people and service providers promising an approach that could simulate trade and growth while also increasing the relevance of the WTO for business.⁷³

Two other, connected issues are also deserving of particular attention in this regard. The first of these is the relationship between the multilateral trading system and the proliferation of PTAs, including the looming mega-regionals like the TPP and TTIP.⁷⁴ There have been a range of suggestions for further work in this area, ranging from proposals for standstills on new PTAs and action on tightening up and effectively enforcing Article XXIV on regional agreements in the GATT (and the corresponding Article V in the GATS) through to measures aimed at improving the design and transparency of PTAs and on to proposals to multilateralise agreements on investment, e-commerce or transparency from existing PTA agreements on an MFN basis and on providing ‘docking’ mechanisms for PTAs.⁷⁵ However, the reason that these policies are necessary is that there is a demand for the kind of ‘deep integration’ offered by these agreements which is currently not being met by the WTO. This brings us to the second point, which is the need to look for ways in which the WTO might offer a compelling alternative. The most likely approach here is to revisit the idea of ‘variable geometry’, based in large part around the opportunities provided by plurilateral agreements.⁷⁶ There are a range of issues here that need guidance from the key players in

⁷² The best offers on services in the Doha negotiations are on average still twice as restrictive as actual policy. In other words, Doha offers no actual liberalisation. Bernard Hoekman and Aaditya Mattoo, *Services trade liberalization and regulatory reform: Re-invigorating international cooperation*. Policy Research Working Paper 5517. Washington DC, World Bank, January 2011.

⁷³ As proposed by Hoekman and Jackson, *Reinvigorating the trade policy agenda: Think supply chain!*

⁷⁴ In fact, the Transparency Mechanism for Regional Trade Agreements – established on a provisional basis in December 2006 – has been the only result of the Doha negotiations that has been allowed to go forward independently of the results of the rest of the Round. World Trade Organization (WTO), *World Trade Report 2011. The WTO and preferential trade agreements: From co-existence to coherence*.

⁷⁵ Mattoo and Subramanian, *China and the world trading system*; Hoekman, *The WTO and the Doha Round: Walking on two legs*; Susan C Schwab, *After Doha: Why the negotiations are doomed and what we should do about it*. *Foreign Affairs* 90 (3) 2011; Weekes, *What next for the WTO: Challenges for the WTO's eighth ministerial conference*; World Trade Organization (WTO), *World Trade Report 2011. The WTO and preferential trade agreements: From co-existence to coherence*.

⁷⁶ See Annex 1 for background on the terminology.

international trade before they can be ironed out, with one critical one being whether plurilateral agreements of this kind would still be subject to the MFN principle, or whether the agreements would only apply to signatories.⁷⁷

Fifth, and finally, leaders should build on the recognition they made at Cannes and then again at Los Cabos on the need to strengthen the WTO. At Cannes, they declared:

‘Furthermore, as a contribution to a more effective, rules-based trading system, we support a strengthening of the WTO, which should play a more active role in improving transparency on trade relations and policies and enhancing the functioning of the dispute settlement mechanism.’⁷⁸

And similarly at Los Cabos they noted:

‘We support strengthening the WTO through improving the way it conducts its regular business, and its dispute settlement system. We also direct our representatives to further discussions on challenges and opportunities for the multilateral trading system in a globalized economy.’⁷⁹

Much as leaders in the past have used their political capital to urge reform of the IMF and World Bank, they should now do the same for the WTO. While leaders would need to be careful not to be seen as inappropriately usurping a member-controlled organisation, the fact that the G20 includes most of the key players in global trade means that a coordinated G20 opinion on reform would carry significant weight. Areas for potential reform include the WTO’s practice of consensus, the ‘Single Undertaking’ in multilateral negotiations, the role of MFN, the operation of the Disputes Settlement Mechanism, and the conduct and scope of WTO surveillance.⁸⁰ The problems facing WTO reform are not a shortage of ideas – there’s a large body of work already available – but rather an absence of political will to give impetus to reform.⁸¹ This in particular is where the G20 should have a comparative advantage.

⁷⁷ Hufbauer and Schott argue that while such plurilateral agreements should take place inside the WTO, they should not be subject to unconditional MFN in order to avoid free riders ‘the size of Brazil, India or China’, and instead have conditional MFN ‘to maintain the logic of reciprocity as the price of taking on new obligations.’ Hufbauer and Schott, *Will the World Trade Organisation enjoy a bright future?* For a view on the costs associated with moving away from MFN in this way, see Philippa Dee, What can the G20 do about the WTO? In *East Asia Forum*, 24 February 2013: <http://www.eastasiaforum.org/2013/02/24/what-can-the-g20-do-about-the-wto/>.

⁷⁸ G20, *Cannes Summit Final Declaration: Building our common future: Renewed collective action for the benefit of all*.

⁷⁹ G20, *G20 Leaders Declaration Los Cabos*.

⁸⁰ As summarized in Bernard Hoekman, *Proposals for WTO reform: A synthesis and assessment*. Policy Research Paper 5525. Washington DC, World Bank, January 2011.

⁸¹ On reform proposals, see for example Peter Sutherland, Jagdish Bhagwati, Kwesi Botchwey, Niall Fitzgerald, Koichi Hamada, John H. Jackson, Celso Lafer and Thierry de Montbrial, *The future of the WTO: addressing institutional challenges in the new millennium*. Report by the Consultative Board to the Director-General Supachai Panitchpakdi. Geneva, World Trade Organization, 2005; The Warwick Commission, *The Multilateral Trade Regime: Which way forward?* The Report of the First Warwick Commission, The University of Warwick, 2007. For a more recent report, see Talal Abu-Ghazaleh, Sharan Burrow, Helen Cark, Frederico Pinheiro Fleury Curado, Thomas J Donohue, Yoshiaki Fujimori, Victor K Fung, Pradeep Singh Mehta, Festus Gontebanye Mogae, Josette Sheeran, Jurgen R Thumann and George Yeo, *The future of trade: The challenges of convergence*. Report of the panel on defining the future of trade convened by WTO Director-General Pascal Lamy. Geneva, World Trade Organization, 24 April 2013.

Annex 1: The ‘Single Undertaking’ and the case for variable geometry

The Single Undertaking was adopted as part of the Uruguay Round, and means that all WTO members must agree on all of the elements of a trade round in order to conclude negotiations.⁸² In other words, ‘nothing is agreed until everything is agreed’. Unfortunately, with the kind of deep disagreements that have marked the Doha Round negotiations, there is a growing view that the Single Undertaking has become a recipe for paralysis at the WTO.⁸³ It is also frequently cited as one explanation for the surge in PTAs – bilateral, regional and most recently mega-regional agreements: countries that want to pursue the kind of deep economic integration that is not palatable to all of the WTO membership choose to go outside the WTO and the multilateral system. That decision involves a number of costs, including diminishing the relevance of the WTO in terms of setting the rules of the game for global trade.

One alternative to the Single Undertaking approach would be to return something that looks more like the kind of trade agreements that marked the pre-Uruguay Round era, by allowing subsets of countries to construct agreements that would apply only to them.⁸⁴ This approach is sometimes known as variable geometry because of the wide range of country groupings that could potentially emerge.⁸⁵ The attraction of this approach is that it would allow countries that had more ambitious trade agendas to forge ahead on selected issues while at the same time allowing those with reservations (or a desire to preserve ‘policy space’) to stand aside. And it would keep the process of writing these new rules within the WTO. Australia, through its participation in discussions on the proposed Trade in Services Agreement (TISA) along with 21 other WTO members is already exploring the plurilateral route for services trade reform.

Keeping trade agreements within the WTO in this way would have several benefits.⁸⁶ For participants, it would allow them access to the WTO’s Dispute Settlement processes, and to the technical support offered by the WTO Secretariat.⁸⁷ For non-participants, the chances of future entry into the agreement are likely to be higher (and more standardised) than in the case of a PTA. And for the system as a whole, it would allow the WTO to remain central to the setting of global rules, rather than being relegated to a back seat as the action takes place inside PTAs.

A shift (back) to variable geometry would require the approval (by consensus) of the WTO membership. Would it be forthcoming? Some members might well be sceptical: after all, one reason that developing countries were willing to accept the Single Undertaking in the first place was because in the previous model, non-participants had no say in shaping the rules that were developed by a subset of the GATT membership, despite the fact that many of these rules subsequently ended up applying to all members. It is this potential constraint that has persuaded

⁸² Will Martin and Patrick Messerlin, Why is it so difficult? Trade liberalization under the Doha agenda. *Oxford Review of Economic Policy* 23 (3) 2007.

⁸³ Although it seems quite unlikely that the Single Undertaking is the main reason for the failure of the Doha Round. Certainly, there are plenty of other potential culprits. See for example *ibid*.

⁸⁴ See for example James Bacchus, A way forward for the WTO, in *The future and the WTO: Confronting the challenges. A collection of short essays*, ed. Ricardo Melendez-Ortiz, Christophe Bellman, and Miguel Rodriguez Mendoza. Geneva, International Centre for Trade and Sustainable Development (ICTSD), 2012.

⁸⁵ Philip Levy, *Alternatives to consensus at the WTO*. VoxEU.org, 19 June 2010

⁸⁶ Hufbauer and Schott, *Will the World Trade Organisation enjoy a bright future?*

⁸⁷ Since this will imply a bigger call on WTO resources, it may also require signatories to these agreements to agree to provide additional contributions to the WTO in order to cover the additional costs involved.

some analysts to suggest a grand bargain: link a harvest from the Doha Agenda to the WTO membership giving their approval to the future negotiation of (enumerated) plurilateral agreements.⁸⁸

A second, important constraint facing variable geometry is the challenge posed by free riders, in the sense of countries that would potentially enjoy the benefits of any future plurilateral agreement under the WTO without having undertaken any of the accompanying obligations. There two possible approaches to this issue: one in which free-riding is accepted, and countries that do not sign the agreement are nevertheless allowed to benefit from it (unconditional MFN) and one where countries who do not sign up are excluded (conditional MFN).⁸⁹ An example of an unconditional MFN agreement is the WTO Information Technology Agreement (ITA), while an example of a conditional MFN agreement is the WTO Agreement on Government Procurement (GPA).

Given that a major obstacle to concluding Doha has been the unwillingness of the developed economies to give a 'pass' to the big emerging economies like China, India and Brazil (as opposed to special treatment they are prepared to offer to smaller and poorer developing countries), it seems unlikely that an unconditional MFN approach will be attractive to the major advanced economies. However, taking the conditional MFN approach would serve to further undermine the principle of non-discrimination that has been at the heart of the multilateral system and which is already under threat from the global shift to PTAs.⁹⁰ Indeed, it could be argued that conditional MFN plurilaterals would risk balkanising the international trading system in a way similar to that threatened by multiple PTAs. As already noted, however, a potentially important difference between the two is that subsequent entry into a conditional MFN agreement at the WTO should have a much greater degree of automaticity than seeking to join a PTA at a future date.⁹¹ Moreover, the most probable alternative to a conditional MFN plurilateral within the WTO is not an unconditional MFN agreement or a standard multilateral agreement, but rather further deal making outside the multilateral system.

One possible solution to these difficult trade-offs would be for the WTO to allow a variety of plurilateral agreements: some could extend full MFN to all members, while others could pursue a conditional MFN approach, and others could become binding on members only when a critical mass sign up.⁹²

⁸⁸ This is proposed in Hufbauer and Schott, *Will the World Trade Organisation enjoy a bright future?* Also by Robert Z Lawrence, *Competing with regionalism by revitalizing the WTO*, in *The future and the WTO: Confronting the challenges. A collection of short essays*, ed. Ricardo Melendez-Ortiz, Christophe Bellman, and Miguel Rodriguez Mendoza. Geneva, International Centre for Trade and Sustainable Development (ICTSD), 2012.

⁸⁹ Philip Levy, *Do we need an undertaker for the Single Undertaking: Considering the angles of variable geometry*, in *Economic development and multilateral trade cooperation*, ed. Simon J Evenett and Bernard Hoekman. Washington DC, The World Bank and Palgrave Macmillan, 2005

⁹⁰ See for example Dee, *What can the G20 do about the WTO?*

⁹¹ Levy, *Do we need an undertaker for the Single Undertaking: Considering the angles of variable geometry*,

⁹² Lawrence, *Competing with regionalism by revitalizing the WTO*,

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