The G20’s role in addressing the WTO’s predicament: seeking political compromise and strengthening the multilateral trading system

Yong Wang

Peking University

Generally, the current predicament of the multilateral trading system is reflected in the fact that the World Trade Organization’s (WTO) Doha Development Agenda (DDA) and negotiations have been stalemated and sidelined, while mega-regional free trade agreement (FTA) talks have started to dominate the world trade agenda. There has been no compromise between the developed economies and the emerging and developing economies in the WTO negotiations, and this reflects, to an extent, the differences between G20 members. Hence, it can be argued that the fates of the WTO and the G20 are closely linked. If the differences over trade cannot be resolved, the political foundation and efficiency of the G20 will be weakened.

The transformed global economy and the transition of the WTO

On the surface, it appears that the impact of the global economic crisis and worldwide economic downturn has constrained WTO members from opening up their economies further and making more concessions in the Doha round. But, essentially, it is the uneven growth between the two groups of economies, (the developed and the developing countries, especially emerging economies) the shift of power which has caused strategic distrust, and change in member countries’ perspectives on the costs and benefits of wrapping up the Doha round negotiations.

The strategic distrust is showcased by the following facts. Developing economies say that the WTO’s existing body of rules only benefits emerging economies, and that the developed countries have not yet fully implemented the commitments of the Uruguay round agreements, and have failed to give consideration to development and food security issues. They dispute the scope and pace of trade and investment liberalisation that needs to happen in order to promote global trade.
The situation is more complicated than simple tension between developed and developing countries. Conflicts of vision and interests are found between emerging economies and least-developed countries (LDCs) as well, as reflected in the increasing number of anti-dumping cases they have launched against each other.

Moreover, the sharp contradiction between the two groups of trading partners is mirrored in the shifts in negotiating power within the framework of the WTO: India, Brazil and China have begun to exercise more bargaining power and influence in the Doha round negotiations.

**The consequences of uneven global development**

Since the global financial crisis of 2008, protectionism has risen in developed economies. Yet, business communities have not lobbied governments during the Doha round negotiations as actively as they did in the Uruguay round. They are not satisfied with the market access benefits outlined in the Doha round talks, and have shifted their position towards favouring high-standard regional FTAs such as the Trans-Pacific Partnership (TPP), the Trans-Atlantic Trade and Investment Partnership (TTIP).

The leading negotiators of the developing and emerging economies, Brazil and India, have been more reluctant to make concessions to the demands of market access from developed countries, though their concern is partly justified, especially on food security, for example.

As an emerging economy and a rising trading nation, China’s stake obviously lies in the fact that the WTO can play a role in keeping international markets open. But since 2008 there has been more vocal scepticism and criticism regarding globalisation and the opening up of the domestic economy. Also, because of the opposition of the state-owned economy, the driving forces for further opening up the economy have been dramatically reduced.

In this case, the developed countries changed their policy, and the United States launched TPP, TTIP and other regional initiatives to promote the so-called 21st-century high standard in liberalising trade and investment among participants of the talks, leaving most developing countries out in the cold. Some institutions and researchers worry that the global economy may be fragmented, and break into two separate blocs. In order to deal with the potential trade-diverting effects of TPP and other arrangements, some developing countries have begun to actively build their own FTA arrangements so their economies can adapt to the new environment and still meet their need for economic growth.

**Strengthening the coordinating role of the G20**
In 2010 the G20 was confirmed as the premier forum for global economic governance. We must make full use of this platform to help the two different groups of countries in the WTO to strike a compromise. To some extent, the important differences between WTO members reflect the differences between G20 members (which have not been much discussed, but do exist, and impair the G20’s efficiency). If the differences between WTO members can be tackled effectively, it will help G20 members reach more meaningful and effective agreements. Otherwise, the WTO differences will spill over to the G20, eventually rupturing and disabling it.

The G20 should take the following measures to help address the WTO’s predicament:

- Trust expert groups to explore the differences between the two groups of WTO members, give in-depth analysis of the reasons behind them and explore the possibility of compromise.
- Confirm the importance of maintaining the unity of the global economy. Both sides should recognise that ongoing disputes and a lack of compromise may lead to global economic division. Developed countries should recognise that the economic development of developing and developed countries is complementary; that the division of labour based on comparative advantage is still valid, that the economic growth of developing countries will inevitably elevate the level of income and the cost of labour, and that, as a result, developing countries will become future markets for the exports of developed countries. On the other hand, the emerging economies and developing countries should acknowledge that it is necessary to improve market access to exports in a way that matches the pace of economic growth, which would also serve their own interests.
- Confirm the importance of maintaining the authority of the WTO. Clearly, the authority of the multilateral trading system is likely to collapse if the rise of protectionism and mega-regional FTA arrangements continues. In resisting protectionism, the WTO rules have proven its unique value. This has been strengthened by the G20 members’ standstill commitments on protectionist measures, meaning today’s world will not fall back into the difficulties of the 1930s. The G20 should encourage key WTO members to compromise and restructure the Doha round negotiations in the form of the early harvest or ‘Doha-lite’ version.
- Integrate G20 agendas of trade, investment and development to reach a more balanced framework of rights and obligations, and take responsibility for coordinating the
implementation of the deal. Should trade and development agendas become more integrated over time, there should be an aim, under the G20 framework, to exchange developmental assistance in return for trade and investment liberalisation.

- Endorse the WTO’s improved supervision and monitoring of FTAs and other regional arrangements. At the same time, the WTO could greenlight the negotiation of plurilateral agreements, for example the Information Technology Agreement (ITA), International Services Agreement (ISA), Government Procurement Agreement (GPA) and others, based on the higher standards and expressed interest of advanced economies.

- Speed up the reform of world trade statistics, with the concept of the global supply chain replacing the old model of calculation. This will ensure that the public gains a more accurate understanding of international trade.

- The most important factor is that the two groups of countries – namely, the developed and emerging economies – develop the strategic courage to reach the suggested consensus and compromise on trade issues, thereby strengthening the G20 in its position as the world’s premier forum for global economic governance.

Notes

1. Director, Center for International Political Economy Research, Peking University.