14 June 2010

REPORT ON G20 TRADE AND INVESTMENT MEASURES[1]

(NOVEMBER 2009 TO MID-MAY 2010)

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We are pleased to submit our reports on G20 trade and investment measures in response to the G20 Leaders' request made at their Summit meeting in Pittsburgh on 25 September 2009. These reports cover measures taken in the period from 1 November 2009 until mid-May 2010. As requested at the recent sherpas meeting in Calgary, attached is also a list of all trade and trade-related measures adopted by G20 members since the beginning of the monitoring exercise in October 2008 and the status of these measures. This list is aimed at facilitating the task of G20 members in gradually exiting the trade restricting measures.

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Attachments: Joint Summary on G20 trade and investment measures
Trade report
Investment report
Summary of trade and trade-related measures (October 2008 to mid-May 2010)

Joint Summary on G20 Trade and Investment Measures

Despite the severity of the global financial crisis and its widespread impact on economies around the world, G20 governments have largely resisted pressures to erect trade and investment restrictions. During the period covered by the reports on G20 trade and investment measures, protectionist policy responses have been limited, although there are still instances of restrictive measures taken.

In the area of trade policy, there continues to be few instances of new import restrictions and a greater use of export restrictions, but some G20 governments have also taken steps to facilitate trade. Most investment policy moves pointed toward greater openness and transparency for foreign investors, but some emergency measures designed to manage the effects of the crisis continue to threaten the flow of international investment.

The global economy is recovering, but risks lie ahead

The global economic picture has improved over the last six months, but the recovery is still subject to significant downside risks. In many parts of the world the strength of the rebound has been moderate. World GDP is expected to grow by 4.2 per cent in 2010, mainly driven by the robust performance of emerging developing countries. Merchandise trade is forecast to expand by 9.5 per cent, while global FDI inflows, which fell by 40 per cent in 2009, are projected to grow, at best, moderately. In advanced economies, unemployment is projected to decline only slowly from its current level of close to 9 per cent.

Trade and investment have an important role to play in firmly anchoring the economic recovery, promoting job creation and helping to lift the world's poor out of poverty. With sovereign debt reaching dangerous levels, trade and investment offer a sustainable source of growth and development.

Fewer new trade restrictions, but they are accumulating; priority to exiting restricting measures

Trade and trade-related measures implemented during the reporting period reveal that some G20 governments continue to have recourse to new trade restrictions. However, there has been a decline in the number of new measures and in their coverage of trade relative to levels found in earlier reports. Although these declines are to be welcomed, there is 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 restrictive measures. Exiting restricting measures should be a priority.

A number of G20 countries took measures that have the potential to restrict trade, directly or indirectly. The most common measures identified during this period were the initiation of new trade remedy investigations (although the first four months of 2010 have seen a significant cooling-off in the recourse to trade remedies), increases in import tariffs, import bans, and import licenses. Trading partners also expressed concerns that some countries are restricting market access for imported agricultural products based on sanitary and phytosanitary considerations. New trade restricting measures have targeted mainly base metal products (in particular steel), followed at some distance by machinery, agricultural products and transport equipment.

Some G20 governments implemented measures to facilitate trade, especially by reducing or temporarily exempting import tariffs, and by terminating trade-restrictive actions adopted earlier.

Export restrictions - especially those affecting food products and commodities - appear to be on the rise. Measures most frequently used include increases in or introduction of new export duties, export prohibitions, and export quotas. The increase in export restrictions seems to be a worldwide phenomenon, but a few countries also took measures to reduce such restrictions.

Investment measures point toward greater openness and transparency, but emergency measures still give grounds for concern

The G20 investment measures taken during the reporting period show that, by and large, G20 governments have continued to honour their commitment to refrain from raising new barriers to international investment. Most of the investment-specific policy measures (those not geared to safeguarding national security or responding to the crisis) pointed to greater openness and transparency for foreign investors. G20 Leaders are to be commended for resisting protectionist pressures, thereby facilitating a return to market-led growth and boosting investor confidence.

Managing the investment impacts of emergency measures taken in response to the crisis still constitutes a great challenge for G20 governments. Although these measures are not, on the whole, overtly discriminatory toward foreign investors, they can pose threats to market competition in general and to competition operating through international investment in particular.

This report shows that the G20 countries having introduced emergency programmes have, during the reporting period, moved into a new phase. This includes the dismantling of some emergency schemes and the withdrawal of advantages provided to individual companies or sectors. At the same time, however, some countries have also extended or expanded their programmes or introduced schemes for new sectors. This extension and expansion of emergency support suggests that such programmes could become an entrenched feature of economic policy in some G20 economies.

More open trade and investment can support the nascent economic recovery

Significant risks for the trading system remain as long as unemployment continues to hover at unprecedented levels and government fiscal positions tighten. Keeping trade and investment open has been and remains crucial in providing opportunities for countries to emerge from the global crisis, in particular at times when public deficits are growing for many. These opportunities can only be seized fully through a prompt and successful conclusion of the Doha Development Agenda. Until the Round is concluded successfully, protectionist pressures will have greater room to gather momentum.

As many stimulus and emergency programmes end, governments should remain vigilant

Even though resort to protectionist measures has, so far, been relatively muted, G20 Leaders should remain vigilant. Economic conditions will continue to feed protectionist pressures. The expected withdrawal of government stimulus programmes and of emergency measures may add to those pressures. G20 Leaders' official commitment to resist protectionism expires at the end of 2010; they should extend this commitment and request continued public reporting on their trade and investment measures.

This report underscores the fact that, although some G20 stimulus and emergency support measures are being dismantled, many are still in place and new programmes are being introduced. Given the sheer size of these packages, measures taken to rescue firms or sectors of systemic importance (such as banking) or to preserve jobs (as in the automobile industry) or to stimulate demand (such as consumption tax reductions or "buy national" provisions in government procurement legislation) may be more significant in terms of their potential impact on trade, investment and competition than the traditional trade and investment restrictions. These programmes should be scaled back at a prudent, but deliberate pace so as to send a strong message that trade and investment activities are expected to take place on a commercial basis and that schemes enacted to mitigate the effects of the crisis will not be made permanent.