



4 November 2010

**REPORTS ON G20
TRADE AND INVESTMENT MEASURES¹
(MID-MAY TO MID-OCTOBER 2010)**

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We are pleased to submit our reports on G20 trade and investment measures in response to the G20 Leaders' latest request made at their Summit meeting in Toronto on 26-27 June 2010 when they asked "the WTO, OECD and UNCTAD to continue to monitor the situation within their respective mandates, reporting publicly on these commitments on a quarterly basis". These reports cover measures taken in the period from mid-May until mid-October 2010. As requested at the sherpas meeting in Calgary, also attached is 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-October 2010)

Joint Summary on G20 Trade and Investment Measures

By and large, since the Toronto Summit, G20 governments have continued to resist protectionist pressures.

Some G20 governments have imposed new trade restricting or distorting measures. These are recorded in this report. However, in aggregate there has been a slight decline in the number of these measures and in their trade coverage relative to the levels registered earlier this year. Also, there has been a marked increase in the number of new measures introduced to facilitate trade, especially by reducing or temporarily exempting import tariffs and by streamlining customs procedures.

The majority of new investment measures taken by G20 governments has aimed at facilitating and encouraging investment flows. Emergency measures taken in response to the crisis (for example, rescues of banks and non-financial companies) continue to account for the bulk of measures applied. More than two years after the onset of the financial crisis, G20 countries have almost stopped introducing new emergency schemes but numerous existing ones continue to be open for new entrants. Some schemes have been discontinued and related assets and government guarantees are being wound down. As in previous reports, no overt cases of discrimination against foreign investors could be found in the implementation of these programmes, though cases of disguised discrimination may well exist.

Although the record so far is reasonably satisfactory, there is a need for increased vigilance in the coming months to three potential dangers.

The first is signs of intensifying protectionist pressures, dark clouds that are being driven by persistent high levels of unemployment in many G20 countries, macroeconomic imbalances between them, and tensions over foreign exchange rates. The stability of the trading system will be put at considerable risk if currencies move in what some perceive as the pursuit of an exchange-rate-induced comparative advantage. We urge G20 governments to address these risks. Economic problems whose origins lie outside the field of trade and investment policymaking cannot be resolved by restricting flows of international trade or investment; indeed, using trade or investment restrictions in these circumstances will only complicate the task of finding and implementing more lasting solutions to those problems.

The second is the danger of a steady accumulation over time of measures that restrict or distort trade and investment. Since the end of 2008, new trade restrictions have built up slowly but in aggregate they now cover 1.8 per cent of total G20 imports. Only around 15 per cent of the measures introduced since the outbreak of the crisis have been removed so far. This is too low. G20 governments need to give priority to removing those measures. Whereas for investment measures, the overall balance continues to be on the side of liberalization, promotion and facilitation, the impact of restrictive measures cannot be overestimated.

The third is the challenge of managing the trade and investment impacts of restrictive measures taken in response to the crisis. These measures pose serious threats to market competition in general. Exit strategies to unwind them should be transparent and accountable and should not be used as a pretext to discriminate directly or indirectly against certain investors, including foreign investors.

In Toronto, G20 Leaders took the welcome decision to renew for a further three years, until the end of 2013, their commitment to refrain from raising barriers or imposing new barriers to investment or trade in goods and services, imposing new export restrictions or implementing WTO-inconsistent measures to stimulate exports, and to rectify such measures as they arise. In the months ahead, G20

governments need to firmly respect the letter as well as the spirit of that commitment. A premium must be placed on removing existing restrictions.

Keeping trade and investment open has been and continues to be crucial in providing sustainable opportunities for countries to emerge from the global crisis, in particular at times of growing difficulties for many in their public finances.

This is why we call on G20 governments to inject a sense of urgency towards concluding the Doha Round. G20 leaders should send a clear political signal that they are ready to walk the last mile of the Doha Round negotiations.