

## On a Trade-Related Work Programme for More Growth and Better Jobs Suggestions for China G-20 2016 by Independent Academics

September 2015

In 2016, China has a unique opportunity to revive the multilateral trading system to support greater global growth and job creation during its G-20 Presidency. Doing so will strengthen an important global public good as well as being strongly in China's interests.

The purpose of this document is to gather wisdom from a selected group of independent academics and describe a possible Trade-Related Work Programme for the Chinese G-20 Presidency.

### Relevant global context

- **The global trading system requires a serious overhaul to adapt it to the trading reality of the 21<sup>st</sup> century:**
  - The rapid progression of Global Value Chains requires more attention to deep integration issues;
  - Rights and obligations of various partners have to be adapted to reflect their present participation in trade, as more and more developing countries are becoming major trading powers in the global market;
  - Deep integration cannot be as efficiently negotiated on a world-wide basis as through preferential treaties at bilateral, regional and global level (alternatives include mega preferential deals and plurilateral agreements, e.g., TISA).
  - These may lead to a fragmented trading system that excludes a large part of the world; alternatively, with the required leadership and vision, they can become pilot projects to enhance and strengthen global governance of the trading system.
  
- It is very difficult to achieve consensus among 161 countries, which have very different institutional, cultural and developmental objectives. The decision-making structure and the institutional set-up of the WTO must adapt to the new reality and requirements of the global market so as to fulfil its mission to enhance growth and create jobs. **Without evolution of the organization, the multilateral trading system will become less inclusive and less relevant.**
  
- **Strong leadership is urgently needed to preserve the global public good of the WTO and revive the multilateral trading system.** This leadership cannot and must not be based on power, but on the ability to convince, to lead by example, to make concessions, sometimes difficult ones, and to achieve the common good. Leadership also requires being sensitive to legitimate concerns of poorer countries as well as the needs and constraints of major trading partners.
  
- **China, in particular, must play a more pro-active role to take new initiatives and to foster that kind of new leadership by engaging both other emerging economies and major trading nations.**
  - China is at the cross road between the developing world and major developed trading nations, thus having the necessary capacity to work with both;
  - China has a major interest to preserve a global rules-based trading system and to avoid its fragmentation;
  - China has a vital interest to contribute to defining the principles of international trade relations in an inclusive system rather than to be confronted bilaterally with its major trading partners or to be disadvantaged in acceding to established trade agreements;
  - Last, but not least, China is in a process of reform and opening-up which allows it to take a leading role by showing by example what can be done to enhance growth and job creation through trade and investment liberalization.

- **The G20 does not necessarily have a common vision on trade-related matters. This makes any major initiative at G20 level on the global governance of trade and investment unlikely.** But this does not mean that no multilateral progress is possible in identifying priority issues confronting the global system and concrete measures that can be taken to promote growth and jobs. **China can and should make a major contribution to promoting more convergence among and beyond the G20 on trade-related matters so as to help push forward the necessary change in the multilateral trade system. In particular, China could initiate a process within the G20 to explore new and more flexible approaches to pursue cooperation on trade-related matters.**

#### **Goals of a trade-related work programme**

A G20 work programme on trade and investment could have the following four goals:

- Revive the centrality of the WTO in global trade governance by strengthening its deliberative functions.
- Raise the profile of trade-related matters in the G-20 through appropriate institutional arrangements and by demonstrating its importance to overall G-20 priorities.
- Encourage proper implementation and follow-up of trade-related initiatives.
- Contribute to the strengthening of the multilateral trading system by reforming its negotiating function, including fostering agreement on ongoing but uncompleted sectoral trade talks of global significance, and more generally, by encouraging the pursuit of new rule-making initiatives by smaller groups of countries that are open to all WTO members.

#### **Concrete actions proposed**

- **Institutional reinforcement:**
  - **For G20**
    - Establish and institutionalize a special session as part of G20 Summits where leaders have a focused discussion on priority issues related to the multilateral trading system.
    - Institutionalize a G20 meeting of ministers responsible for trade and investment on an annual basis to take into account the horizontal (cross-cutting) dimensions of trade and investment.
    - Explore the possibility to institutionalize the T20 platform, through which influential think tanks and academic institutions from G20 and beyond can interact on issues of global importance, particularly on those related to trade and investment.
  - **For WTO**
    - Propose that the WTO begins to explore the possibility of convening a WTO Summit on a regular basis through which leaders could directly engage on trade, investment and global development issues;
    - Propose that existing WTO institutions, including Ministerial Conferences, explore new mechanisms to engage other ministries and government agencies on domestic regulatory issues that go beyond trade and that are of concern to international businesses and traders;
    - Propose that WTO builds upon the Transparency Mechanism for RTAs (2006) and establishes a review mechanism to look at all sectoral and preferential trade initiatives, such as TISA and mega regional deals, and develop guidelines to enhance coordination instead of conflicts between these initiatives and WTO principles, including suggestions on how to bring sectorals under the WTO framework.
    - Launch an initiative to start ASAP inclusive multilateral negotiations on foreign direct investment.

- **Specific actions to be taken:**
  - **For G20**
    - To strengthen inter-regional trade and create more jobs, initiate a process to discuss cross-regional infrastructure enhancement and associated financing needs by engaging regional development banks;
    - Launch a process to explore the possibility of a G20-led negotiation agenda for the elimination of all applied nuisance tariffs (with ad valorem equivalent below 3%);
    - Launch a process to explore the possibility of a G20-led “supply chain sectoral” agreement, including elimination of tariffs in manufactured parts and components and capital goods;
    - Establish a mechanism to review the inclusiveness of the global trading system, in particular how poorer developing countries have been integrated, and possible solutions to address identified problems.
  - **For WTO**
    - Push for conclusion of EGA, if not completed in 2015, and consider to launch EGA 2 and other potential sectoral liberalization;
    - Mandate the WTO Secretariat to produce a regular consolidated report on how to enhance WTO transparency, including how each member responsible for a substantial part of world trade has complied with all existing notification requirements;
    - Propose that the WTO makes permanent the existing provisional transparency mechanism for RTAs and is given the mandate to analyze their impact on the trading system and non-participating members;
    - Propose that the WTO prepares a report on upgrading the TPRM process to make full use of the work to mainstream trade policy, including formalising the follow-up after TPRs, jointly with other IGOs and NGOs.
- **Potential subjects for the T20 platform (analysis and, if mandated, reports):**
  - Strategies to achieve a more inclusive trading system, including those that developing exporters can adopt to meet private and official (SPS and TBT) standards.
  - The impact of a G20-wide “supply chain sectoral”, including elimination of tariffs on manufactured parts and components and capital goods.
  - Better practices in export inducements and financing (including tax-related incentives) and options for strengthening related international rules.
  - Steps that G20 members can take together that will improve the transparency of their import regimes.
  - Steps that G20 members can take together to improve transparency of their investment regimes.
  - Identifying sectors and regions of the world economy where the slowdown in global trade has been most pronounced and possible remedial factors.
  - Analysing possible ways to move forward the negotiation of agriculture on all its three pillars as well as its development aspect.

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**Annex: Elements of a trade-related work programme and allocation of responsibility**

Goal	Work programme or steps to be taken	Who does what?
<p>Revive the centrality of the WTO by strengthening its deliberative functions.</p>	<p>Propose that WTO begin a process to explore possibility of convening a WTO Summit on a regular basis to directly engage on global trade, investment and global development issues.</p>	<p>G-20 makes joint proposal to WTO membership</p>
	<p>Propose that WTO institutions, including Ministerial Conferences, explore new mechanisms or processes to engage other ministries and ministers on domestic regulatory issues that go beyond trade and that are of concern to international businesses and traders, so as to nurture the provision of more relevant decisions and instructions for the WTO discussions or negotiations.</p>	
	<p>Propose that WTO initiates a process to reflect upon previous experiences and look at more innovative and flexible negotiating approaches, particularly on 21<sup>st</sup> century issues.</p>	
	<p>Propose that WTO initiates a process to discuss the relevance and implications of potential WTO negotiations on 21<sup>st</sup> century issues.</p>	
	<p>Propose that WTO establishes a review mechanism to look at all sectoral and preferential initiatives, such as TISA and mega deals, and the guidelines and principles to enhance coordination instead of conflicts between these initiatives and the WTO principles, including, if possible, how to bring sectorals under the WTO framework including Annex IV.</p>	<p>G-20 makes joint proposal to WTO membership</p>
	<p>Agree to explore the possibility of negotiating a G20-led elimination of all nuisance tariffs (with ad valorem equivalent below 3%).</p>	<p>G-20 members</p>
	<p>Propose that WTO instructs its secretariat to prepare a report on upgrading the TPRM process to make full use of the work to mainstream trade policy, including consideration of options to institutionalise the follow-ups after TPRs such stakeholder meetings and their funding for all lower income developing countries. The WTO must engage IGOs and NGOs all through that process.</p>	<p>WTO secretariat</p>

Goal	Work programme or steps to be taken	Who does what?
Encourage the proper implementation and follow-up of leading WTO and G20 trade-related initiatives	Instruct WTO secretariat to produce regular and consolidated report on how to enhance WTO transparency, including how each member responsible for importing or exporting more than 0.25% of world totals has complied with all notification requirements.	WTO secretariat
Contribute to the strengthening of the multilateral trade system by reforming its negotiating function, including by fostering agreement on any ongoing but uncompleted sectoral trade talks of global significance	If not completed in 2015, finish negotiation of ITA2 and EGA and consider to launch EGA 2 and other potential sectoral negotiations.	Relevant WTO members
Raise the profile of trade-related matters in the G-20 through appropriate institutional arrangements and by demonstrating its importance to overall G-20 priorities, including potential subjects for discussion, analysis and, if mandated, reports by T20.	<p>Undertake a trade/finance/economy ministers joint meeting on an annual basis to take into account the horizontal issues of trade and investment.</p> <p>Propose that a session under the G20 Summit be reserved where G20 leaders could have a focused discussion on priority issues related to multilateral trading system.</p> <p>Initiate a process to discuss and prepare reports on best practices in developing cross-regional infrastructure enhancement and associated financing needs by engaging regional development banks;</p> <p>Explore the possibility to institutionalize the T20 platform through which influential think tanks and academic institutions from G20 and beyond, including those focusing on global trade governance, could interact on a regular basis and provide analysis and, if mandated, reports on priority issues related to global governance.</p>	G-20 members
	<ul style="list-style-type: none"> <li>○ How to achieve a more inclusive trading system, including strategies that developing exporters can adopt to meet private and official (SPS and TBT) standards.</li> <li>○ The impact of a G20-wide “supply chain sectoral”, i.e. elimination of tariffs in manufactured parts and components and capital goods.</li> <li>○ Better practices in export inducements and financing (including tax-</li> </ul>	T20 (analysis and, if mandated, reports)

Goal	Work programme or steps to be taken	Who does what?
	<p>related incentives) and options for strengthening related international rules.</p> <ul style="list-style-type: none"> <li>○ Steps that G20 members can take together that improve transparency of their import regimes which does not involve the lowering of actual barriers.</li> <li>○ Steps that G20 members can take together to improve transparency of their investment regimes which does not involve the lowering of actual barriers.</li> <li>○ With international organisations such as WTO, World Bank and OECD, identifying sectors and regions of the world economy where the slowdown in global trade has been most pronounced possible remedial factors.</li> <li>○ Analysing possible ways to move forward the negotiation of agriculture on all its three pillars as well as its development aspect.</li> </ul>	

## Annex II: List of Contributors

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