



Policy Brief

Trade and Investment at the G20

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G20 Research Group

At the Toronto Summit on June 26-27, 2010, the G20 will reiterate their anti-protectionist pledge and encourage greater free trade, but will not likely make any progress on the long-overdue negotiations of the Doha Development Agenda. One of the major challenges of the G20 summit will be to arrange the medium-term adjustments in global trade and capital flows so that the world economy does not remain unbalanced. The G20 will encourage countries with huge trade surpluses, notably China, to reduce their surpluses through spending or currency revaluation. China will likely resist such recommendations.

Canadian prime minister Stephen Harper said global trade would be a top priority at the Toronto Summit. He will encourage the G20 “to consider concrete actions ... to open global markets and keep them open” when the leaders meet. He will encourage G20 members to follow Canada’s lead of eliminating all tariffs on manufacturing inputs, machinery and equipment.

At the first G20 summit in Washington DC in November 2008, the G20 pledged to “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.” Leaders also asked their trade ministers to agree on the modalities that would successfully conclude the Doha negotiations. The latter commitment fell far short, while the former met with moderate success. At the London Summit in April 2009, the G20 leaders renewed their commitment to resisting trade barriers at all costs and extended the pledge to 2010. On the Doha negotiations, the leaders reaffirmed their goal of reaching “an ambitious and balanced conclusion.”

While the Doha negotiations have not advanced, the leaders were more successful in keeping their anti-protectionist pledge. According to a recent report by the WTO, member countries have implemented fewer trade-restricting measures in the past six months than in the previous period. The G20 will continue to encourage the conclusion of the Doha negotiations, since opening markets is an important component of reducing trade imbalances.

Some may take further steps to eliminate barriers that they have long had in place. In addition, the leaders will come up with the remainder of the US\$250 billion for trade finance, promised at the London Summit to be fulfilled by the end of 2010.

As part of their expanding agenda, G20 leaders will focus on private sector investment in order to encourage development in the world’s poorest countries. They will affirm that enhancing exports and access to the global market is essential to helping poor countries meet their citizens’ basic human needs. When the G20 finance ministers met on June 4-5 in Busan, Korea, they welcomed an agreement to substantially increase the capital flows to multilateral lending institutions.

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