



FOR A NEW POLITICAL COMMITMENT TO RESHAPE THE GLOBAL TRADING SYSTEM

Global Business Coalition issues statement ahead of the G20 Finance Ministers and Central Bank Governors Meeting in Buenos Aires

July 19, 2018 - **Cross border trade and investment, based on open and rules-based markets, are essential drivers of sustainable growth, shared prosperity, job creation, and mutually beneficial economic relations among nations.** Trade has lifted billions of people out of poverty worldwide. Trade growth in 2017 was the strongest since 2011, playing its part in supporting the global economic recovery.

Despite the positive impact of trade on the lives of a large majority of people around the globe, which is based on international agreements and political commitment to keep markets open, the consensus in favour of multilateral cooperation is eroding in the G20. Although the G20 countries have committed to stop and roll back protectionism, the number of trade barriers has been steadily growing. From October 2008 to mid-May 2018, the G20 members introduced more than 700 new trade restrictive measures.

Resentment of globalization has spread and new barriers are rising. In some countries, resentment of globalization is on the forerun. An increasing number of communities feel they are on the losing end of greater competition. Many people find it hard to adapt to a rapidly changing world. Some governments have pre-eminently blamed international trade for trends which are largely caused by a complexity of other factors. These vary between countries but include technological change and insufficient or dysfunctional welfare and education systems. There is growing distrust in international institutions. Go-it-alone and unilateralist beggar-thy-neighbour policies are on the rise. The Global Business Coalition is greatly concerned by growing trade tensions between individual G20 countries. In order to prevent this downward spiral stemming from the flaws and mismanagement of globalization, an inclusive reform agenda should be prioritized.

The multilateral trading order, which for decades has been the pillar of our global economic success, is under stress. For years, WTO members have not shown the necessary willingness to advance market access and the rules of the multilateral trading system in order to make the organisation fit for 21st century trade patterns. Although the Trade Facilitation Agreement and the ban on agricultural export subsidies were important achievements, the WTO is not sufficiently equipped to deal with trade distortions caused by non-market economies including subsidization, the overwhelming role of State Owned Enterprises (SOEs), local content requirements, forced technology transfer, and the theft of intellectual property. In addition, the WTO's critical dispute settlement mechanism is under threat as nominations to fill the vacant posts of the appellate body are being blocked, and WTO members cannot agree on a positive reform agenda.

We are deeply worried about the stability of the rules-based global trading system. To generate prosperity, business needs reliable modern international rules, predictability and stability as well as strong and impartial referees. Quick fixes or simple fine-tuning will not do. International cooperation is essential. We need a positive agenda that enhances the strengths in the global trading system while addressing its shortcomings in an effective way.

We call upon the G20 leaders to:

- **Renew their commitment to keep markets open and to refrain from raising new protectionist barriers** to trade in goods and services, to government procurement, and to investment.
- **Ask the WTO, OECD and UNCTAD to continue their monitoring and reporting on G20 members' trade and investment measures,** in order to check overall compliance. The impact of those restrictions should be evaluated in terms of growth, employment and trade distortions.
- **Recognize that while trade has an overall positive effect on GDP and income, not everybody has benefitted sufficiently from globalization. The G20 should thus agree on, and exchange best practice to mitigate the negative impacts of trade on displaced workers and certain communities.** Foremost, this means not only more investment in education and re-skilling or up-skilling to ensure adaptable and highly skilled workforces but should also include capacity-building for micro, small and medium-sized enterprises (MSMEs). In addition, the G20 should encourage the OECD to establish a work program on trade adjustment in order to clarify the economic and social effects of trade opening and to identify measures to address this challenge in a trade-enabling way.
- **Revitalize their leadership role in the multilateral trading system. The functioning of the WTO and the compliance with multilateral rules need to be enhanced.** For this reason, the enforcement of notification requirements and the role of the WTO secretariat in addressing shortcomings by members need to be strengthened. The G20 should urgently engage in negotiations in Geneva to unblock the nomination of Appellate Body members and to make necessary reforms to improve and strengthen the dispute settlement procedure of the WTO.
- **Further empower MSMEs and encourage them to adopt new digital technologies to facilitate their activities.** Thus, the G20 should prioritise creating a safe and secure global cyber environment for MSMEs through additional investment, training, and regulatory cooperation to allow companies of all sizes to expand internationally with confidence and certainty in the technology they rely upon. The global economy is driven by the energy and innovation of MSMEs and more MSMEs should benefit from global trade and investment opportunities. Raising awareness and generating a more conducive environment for MSMEs including better access to finance and simplified rules and procedures are key.
- **Address unfair competition between private and state-owned enterprises, trade-distortive subsidies, forced technology transfer, and cyber-enabled theft, wherever possible via WTO provisions.** Measures should include the revitalisation of the WTO working group on Trade and Competition Policy, new rules on transparency as well as measures against trade-distortive subsidies, forced technology transfer and joint venture requirements. In this regard, we welcome and support the measures and aims agreed in the Charlevoix G7 Summit Communiqué to address non-market orientated policies and practices. These include the full and prompt implementation of the recommendations by the Global Forum on Steel Excess Capacity and the development of a new set of guidelines for government-supported export credits by the International Working Group on Export Credits.

- **Set up and support an agenda for modern trade and investment rules as well as new market access.** For this reason, all members should promote the work of the joint informal groups regarding e-commerce, investment facilitation, domestic regulation of services, and MSMEs that were founded at the 11th WTO Ministerial Conference held at Buenos Aires, Argentina, in December 2017.

Vibrant trade and investment among economic partners are essential to ensure inclusive and prosperous societies. We call upon the leaders of the G20 to take responsibility and provide the necessary foundation for multilateral cooperation. Building the framework for sustainable economic development including mutual beneficial trade and investment relations is a common challenge that merits common answers.



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This statement is issued by the Global Business Coalition members, in Berlin, Brasilia, Brussels, Buenos Aires, Istanbul, London, Madrid, New Delhi, Ottawa, Paris, Rome, Seoul, Sydney, and Washington, D.C.

ABOUT GBC

The Global Business Coalition (GBC) brings together leading independent business associations from the major world economies and advocates on behalf of more than 6.8 million small, medium and large companies. GBC, established in 2012, operates as a worldwide platform of exchanges between national business communities, and aims at building consensus and developing common positions on issues critical for enterprises. Through its broad-based representation, GBC engages policy-makers at a global scale and advocates policies that contribute to growth and job creation at regional and international levels.

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