**31 October 2012**

# REPORTS ON G20
# TRADE AND INVESTMENT MEASURES[1]

## (MID-MAY TO MID-OCTOBER 2012)

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We are pleased to submit our reports on G-20 trade and investment measures. At their last summit meeting in Los Cabos, Mexico, on 18-19 June 2012, G-20 Leaders expressed their firm commitment to open trade and investment regimes, expanding markets and resisting protectionism in all its forms. Noting their deep concern about rising instances of protectionism around the world, they reaffirmed their standstill commitment until the end of 2014 with regard to measures affecting trade and investment, and their pledge to roll back any new protectionist measure that may have arisen, including new export restrictions and WTO-inconsistent measures to stimulate exports. G-20 Leaders also undertook to notify in a timely manner trade and investment restrictive measures. These reports, which are our second contribution for 2012, cover trade and investment measures implemented in the period from early/mid-May to mid-October 2012. Also attached is a list of all trade and trade-related measures adopted by G-20 members since the beginning of the trade monitoring exercise in October 2008 in which the status of each measure is indicated. This list is aimed at facilitating the task of G-20 members in eliminating the trade restricting measures.

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| Angel Gurría | Pascal Lamy | Supachai Panitchpakdi |
| Secretary-General | Director-General | Secretary-General |
| OECD | WTO | UNCTAD |

Attachments: Joint Summary on G-20 trade and investment measures
Trade report
Investment report
Summary of trade and trade-related measures since October 2008 (made available separately)

**Joint Summary on G-20 Trade and Investment Measures**

At their last Summit meeting in Los Cabos on 18-19 June 2012, G-20 Leaders expressed their firm commitment to open trade and investment, expanding markets and resisting protectionism in all its forms, which were considered as necessary conditions for sustained global economic recovery, jobs and development. They underlined the importance of an open, predictable, rules based, transparent multilateral trading system, and their commitment to ensure the centrality of the WTO. Recognizing the importance of investment for boosting economic growth, they made the commitment to maintaining a supportive business environment for investors. Furthermore, they reaffirmed their standstill commitments until the end of 2014 and their pledge to roll back any new protectionist measures that may have arisen.

Over the past five months, the global economy has encountered increasingly strong headwinds. The outlook is worse than at the time of release of the previous G-20 monitoring report. Output and employment data in many countries have continued to disappoint, despite the many measures implemented to contain the slowdown in economic growth. In the face of these developments, the WTO Secretariat has revised downward its forecast for world trade growth in 2012 from its previous forecast of 3.7% to 2.5%. The volume of trade growth in 2013 is now forecast to be at 4.5%, still below the long-term annual average of 5.4% for the last 20 years.

There has been a slowdown in the imposition of new trade restrictive measures by G-20 economies over the past five months. Nevertheless, the new measures are adding to the stock of restrictions put in place since the outbreak of the global crisis, most of which remain in effect. G-20 governments need to redouble their efforts to keep their markets open, and to advance trade opening as a way to counter slowing global economic growth. Trade restrictions and inward-looking policies will only aggravate global problems and risk generating tit-for-tat reactions. The difficulties generated by the global economic crisis, with its many facets, are fuelling the political and economic pressures put on governments to raise trade barriers. This is not the time to succumb to these pressures.

The accumulation of trade restrictions remains of concern, although the pace of removal of previous measures is better than in previous periods. One of the dangers in the accumulation of trade restrictive measures is that the benefits of trade openness will be slowly and incrementally undermined. Moreover, the accumulation of measures has to be considered in a broader perspective where the stock of trade restrictions and distortions that existed before the global crisis struck, such as trade-distorting subsidies in agriculture and tariff peaks, are still in place.

With respect to investment, in the first half of 2012, global foreign direct investment (FDI) flows fell by 8 per cent compared to the first half of 2011 reflecting increased turmoil in the global economy which was marked by fears of sovereign debt crisis in Europe and a slowdown of growth in major emerging market economies. The slow pace of FDI recovery in spite of abundant liquidity in global markets causes concern for future world economic growth.

As OECD and UNCTAD found, G-20 members have continued to honour their pledge not to introduce new restrictive investment measures, echoing findings of earlier reports. Almost all of the few investment policy measures taken during the reporting period represent continued moves towards eliminating restrictions to international capital flows and improving clarity for investors.

Despite this encouraging finding, persistent high unemployment, turbulence in financial markets and a weak economic recovery put intense pressure on governments to grant assistance to individual domestic companies and to preserve jobs. As a result, governments may resort to policies or practices that discriminate against foreign investors or discourage outward investment. Governments may also be tempted to yield to such pressure in informal and diffuse ways that are not manifested as policy changes, thereby undermining all the more investors' trust in predictable and transparent frameworks in host countries.

We renew our appeal to G-20 governments to redouble their efforts to strengthen multilateral cooperation and to seek to avoid situations that would create trade tensions between them. G-20 governments should show leadership in preserving market openness. The world urgently needs a stronger and renewed commitment, in particular from the G-20 economies, to revitalize the multilateral trading system which can restore economic certainty at a time when it is badly needed. The multilateral trading and investment system needs to continue acting as an insurance policy against protectionism.