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| The Fool’s Gold of Global Economic Diplomacy: Pledges Made by Rich Countries to Poor Ones |

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| **CARICOM and the G20**In my column last week I was at pains to acknowledge the astounding rise of the G20 grouping of countries to the undisputed lead position in international efforts to contain the global economic recession, financial crisis and credit crunch. G20 leadership has encouraged a strong emphasis on policies designed to deal with the fall-out from declining international trade and investment. The G20 recognises, as much as any grouping of countries that open policies are essential in order to prevent further declines in international trade and investment from dramatically worsening the negative impacts of the global economic crisis.I had also pointed out in that column the G20 is far more representative of the global community of nations than the G7 or G8. However, it is important to note that it still only represents 20 countries. That is, the equivalent of approximately 15 percent of the total number of global economies. The absent 85 percent of these are correctly, concerned about their exclusion. Further, many countries feel very strongly that Europe is over-represented in the G20. Many small vulnerable economies like Guyana feel that they have no representation in the G20. It is true that altogether the small relatively poor vulnerable and open economies represent a negligible proportion of global GDP and trade. Their number however is far larger. More importantly, they are also sufficiently different from other global economies, especially in regard to their dependence on the global economy that their special needs should be recognized. It is not surprising therefore that the Assistant Secretary-General of CARICOM is reported as having raised with the United States’ Secretary of State the Region’s concerns about not being represented at the G20.G20 Pledge: Promote trade and investment and reject protectionismBased on the pledge made at the G20 Summit “to promote global trade and investment and reject protectionism” that was referred to in last week’s column, at least seven specific trade and trade-related commitments have been made by the G20 thus far. These are referred to below in no particular order of ranking.One of these is the commitment that the G20 has given not to raise in their respective economies new barriers to either investment flows or trade in goods and services. This in turn has required three further policy assurances. First that no new import restrictions would be imposed. Second no new measures to stimulate exports would be introduced, which might be considered inconsistent with the World Trade Organisation’s (WTO) rules and regulations. Third all measures in this regard, whether thought to be inconsistent or not, would be immediately “notified” to the WTO and promptly rectified, if so required.A second commitment given by the G20 is to ensure that the negative impacts on trade and investment of all domestic policy actions are minimized. These domestic policy actions would include fiscal measures (taxes, subsidies and government expenditure) as well as financial policies (credit, bailouts and reinsurance designed to support the domestic financial system).The third commitment is for the G20 countries to avoid at all costs the temptations of “financial protectionism”. This would cover in particular financial and capital restrictions that could impede worldwide capital flows (mobility), especially where the developing economies are concerned.The fourth commitment already given concerns “notification obligations” to the WTO and other international organisations. The G20 has committed to the regular monitoring of such obligations and specifically to the reporting of these on a quarterly basis.The fifth commitment requires the concerted promotion and facilitation of both trade and investment as part of the G20 obligation to promote open economies, as the foundation for economic recovery and the non-recurrence of future global economic crisis.The sixth commitment is much more specific. Members have agreed to make available over the next two years (2009/10); no less than US$250 billion, to support trade finance. It is expected that these funds would go mainly to export credit and investment agencies through multilateral development banks like the World Bank. In addition regulators in the G20 countries would be asked to make use of all available flexibility in capital requirement for trade finance.The seventh commitment given is easily the most ambitious and far-reaching. The G20 countries committed as a group to conclude the Doha Development Round of multilateral trade negotiations. Their estimate is that conclusion of the Round would add over a US$150 billion annually to the global economy.**WTO Negotiations**In anticipation of our next topic of discussion, which is the Doha Development Round of WTO trade negotiations, readers should note that this commenced at the end of 2001 (November) in Qatar, Doha. The stated goal then was to complete the Round by January 1, 2005. The time that has elapsed since its original scheduled completion date and today is substantially longer than the three years originally given for the completion of the negotiations.Next week I shall turn to a discussion of the WTO’s Doha Development Round. But before I do that I need to evaluate how the commitments made by the G20 during the crisis have stood the test of practice. As we shall see it has been easy for the G20 to be “long” on commitments, but “short” on the actual fulfilment of specific measures to which countries have committed themselves. As this continues to hold true a “credibility gap” emerges with the G20. This is not surprising, as in global economic diplomacy,  time and time again, pledges made by rich countries to support poor ones have turned out to be fool’s gold at the end of the rainbow of well-promoted humanitarian promises.In the case of the Doha Development Round, such a gap already exists. The “face-off” between the rich developed economies on the one hand, and the rapidly emerging economies like Brazil, Russia, India and China on the other, are at the heart of the failure so far for global multilateral trade negotiations to conclude the Doha Development Round. This does not gainsay the fact that other key issues, like the failure to address adequately development issues is not also at the centre of the stall in global multilateral trade negotiations. |