

World Trade Organisation warns of rising protectionism ahead of G20 summit

Nick Beams

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The World Trade Organisation (WTO) has issued a warning about the rise of protectionism in the lead-up to the summit meeting of the G20 group of countries in Buenos Aires at the end of next week.

According to the WTO, from mid-May to mid-October an additional \$481 billion worth of trade was affected by new restrictive measures imposed by member countries. This was six times larger than in the previous reporting period and the largest since the WTO began collecting such data in 2012.

The WTO said 40 new trade restrictions were applied in G20 economies alone during the five-month period, including tariff increases, import bans and export duties.

Commenting on the report, WTO director-general Roberto Azevedo said its findings “should be of serious concern for G20 governments and the whole international community.” He added: “Further escalation remains a real threat. If we continue along the current course, the economic risks will increase, with potential effects for growth, jobs and consumer prices around the world.”

Azevedo said the WTO was doing all it could to “de-escalate” the situation but “finding solutions will require political will and it will require leadership from the G20.”

While the WTO did not point the finger of blame for the rise in protectionist measures, the chief factor is the aggressive policies instigated by the United States. Three quarters of the latest restrictions were tariff hikes, many in retaliation against the steel and aluminium tariff increases the Trump administration imposed in March.

Besides threatening further measures against China, including lifting its 10 percent tariff on \$200 worth of Chinese goods to 25 percent at the start of next year,

the US is considering imposing a 25 percent tariff on auto imports on “national security” grounds—the same pretext as for the steel and aluminium tariffs.

These measures remain on hold at this point because Washington is seeking cooperation for its anti-China push from Europe and Japan, which would be adversely affected by such actions. But they remain an ever-present threat.

Rather than acting against the rise of protectionism, the G20 meeting is likely to see a further escalation of tensions as the US steps up calls for measures against China, including through the WTO.

The overall trend of development is indicated by the draft communiqué prepared for the summit. When the G20 became the world’s premier economic forum in 2009 following the global financial crisis, it placed the fight against protectionism at the centre of its statements. Political leaders insisted they would not go down the trade war road of the 1930s.

But in the latest communiqué, now under negotiation, there is no explicit reference to fighting protectionism. Instead it refers to the importance of the multilateral trading system and the need to keep markets open and ensure a level playing field.

The specific reference to protectionism may be dropped in the hope of averting the kind of conflict that erupted at June’s G7 meeting in Canada, where President Donald Trump clashed with the other participants.

Whatever the final wording, the main issue at the meeting will be a scheduled sideline meeting between Trump and Chinese President Xi Jinping on trade issues.

When that meeting was first announced, it was expected to lead to a lessening of tensions. Those hopes have since faded rapidly. Last weekend, US Vice

President Mike Pence launched a major attack on China at the Asia Pacific Economic Cooperation (APEC) summit in Papua New Guinea. For first time in its 29-year history, APEC leaders were unable to agree on a final statement.

Over the past week, tensions between the US and China have increased on a number of fronts.

The *Wall Street Journal* reported that the US administration is contacting foreign allies to persuade wireless and internet providers in their countries not to purchase equipment from the Chinese telecommunications giant Huawei, on the grounds that it could be used to endanger cyber security.

Huawei responded, saying it is not beholden to the Chinese government and that even if Western manufacturers, such as Finland's Nokia or Sweden's Ericsson, were preferred, all manufacturers share common supply lines.

One of the problems facing the US in trying to restrict Huawei is that, in the key area of 5G mobile phone technology, the company's equipment is regarded as better quality and is available at a lower price than the alternatives.

Another conflict that could surface at the G20 meeting, as it did at APEC, is the US demand that the WTO take action against China over alleged theft of technology and "market-distorting" subsidies to key state-owned enterprises (SOEs). One of the G20 summit agenda items is reform of the WTO.

Speaking at a news conference yesterday, Chinese Vice Commerce Minister Wang Shouwen put forward China's position on WTO reform. He criticised "excessive" agriculture subsidies used by developed countries and said reforms should correct discrimination against Chinese investment.

Defending China's own policies, he said it opposed groundless criticism of "normal SOE and industrial subsidies" and "normal sharing of technological innovations."

In another attack on China, one of Trump's top economic advisers has indicated Washington considers there is a case for excluding China from the WTO. Kevin Hassett, the chairman of the president's Council of Economic Advisers, told the BBC China had "misbehaved" as a WTO member and the global trade organisation had failed the US.

"We never really envisioned that a country would

enter the WTO and then behave in the way that China has. It's a new thing for the WTO to have a member that is misbehaving so much," Hassett said. In the interview, he raised the question of whether the China issue could be fixed through bilateral negotiation, reform of the WTO or "should we pursue evicting China from the WTO?"

Hassett echoed the view expressed by US Trade Representative Robert Lighthizer earlier this year, that it was a mistake for the US to have agreed to China's entry into the WTO in 2001. The Clinton administration's assessment, which helped prepare the way for China's accession, and for the George W. Bush administration to sign off on it, was that China would remain in a subservient position as a supplier of cheap consumer goods.

But the steps initiated by the Xi Jinping regime for China to move up the value chain and invest heavily in high-tech industrial development under its "Made in China 2025" program have provoked intense opposition. The US political and military establishment regards such development as a threat to American economic, and ultimately military, hegemony, and is determined to counter that possibility by all means considered necessary.



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