



Ministry of Sports, Culture and Heritage

**KEYNOTE SPEECH BY AMB. (DR.) AMINA C. MOHAMED, EGH, CAV,
CABINET SECRETARY MINISTRY OF SPORTS, CULTURE AND HERITAGE,
DURING THE THINK 20 (T20) SUMMIT, TOKYO, 26TH MAY 2019.**

**TOPIC: FUTURE OF MULTILATERALISM "THE CASE OF MULTILATERAL
TRADE"**

**Representative of Japan for G20 Summit Ambassador Koji Tomita,
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Dean, Prof. Naoyuki Yoshino,**

**President, The Japan Institute of International Affairs (JIJA), Mr.
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**President, Institute of International Monetary Affairs (IIMA), Mr.
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Bank of Japan Governor, Mr. Haruhiko Kuroda

Nobel Laureate Prof. Robert Engle of New York University

Co-Chairs of the various Taskforces

**This session's Moderator, the Director of JICA Research Institute,
Ms. Izhumi Ono**

Ambassador of Kenya to the Republic of Japan, H.E. Solomon K. Maina,

Excellencies present,

Distinguished Participants,

Ladies and Gentlemen,

I am delighted to participate in this T20 Summit. I thank the President of the Japan Institute of International Affairs (JIIA) Mr Kenichiro Sasae for his invitation to share some thoughts which will, hopefully, be useful for the purpose of our meeting here.

I congratulate Japan on the opportunity to host the G20 Summit in a few months' time. The Osaka Summit provides another unique opportunity for Japan to provide leadership on the key challenges facing our global community this century. I also celebrate with you this new era, marked by the ascension of His Highness Emperor Naruhito to the Throne.

Distinguished Ladies and Gentlemen,

From the Meiji Era to the modern Abenomics, Japan is known for strategic leadership. While the T20 process could no doubt define the global agenda of the G20 under Japan's presidency, I am confident the world will benefit immensely from Japan's abiding faith in multilateralism, of which TICAD is a good example, and a rules-based global trading system.

I highlight multilateralism and the rules-based global trading system because from the point of view of the developing world – which is the perspective I wish to bring to this Summit – the progressive unraveling of multilateralism

is damaging to developing country economies where trade holds the key to economic development, job creation, poverty reduction and therefore its most impactful engagement with the rest of the world.

As we all recall, during the G20 Pittsburgh Summit held in September 2009, the G20 was designated to be the premier forum for global economic cooperation. True to this declaration, the G20 has, in considerable measure, served as an important forum for international cooperation and dialogue. Over the last ten years, the G20 Summit has tackled critical issues facing the international community from the global financial crisis and moving on to other challenges ranging from global health and remittances to the digital economy, development and energy.

More importantly, and for our purposes here today, the G20 Leaders' Hangzhou Summit Communique of 5 September 2016 agreed on a **"rules-based, transparent, non-discriminatory, open and inclusive multilateral trading system with the World Trade Organization playing the central role in ... global trade"**. A most welcome commitment to multilateralism, internationalism and to a rules-based global order.

Contrary to expectations, however, we are now witnessing the rise of protectionist policies, violations of the rules and norms of free trade agreements, and an imminent risk that the dispute resolution mechanism of the WTO could fail. Today, the institutions that have governed international trade since the mid-20th century - including the WTO - are being moved to the periphery to the detriment of the global economic order and development.

As the G20 process gets underway, it is my view that addressing this challenge should be among the priority agendas. In my remarks today, therefore, I want to emphasise that the most pressing issue facing the global community, and particularly the developing world, is strengthening multilateralism and the rules-based trading system. This will entail modernizing and strengthening institutions of global governance – particularly the WTO, the World Bank, the IMF and the UN. They must be fit for purpose and respond to our common desire for stability and certainty.

Distinguished Ladies and Gentlemen,

To understand why this is important, we need to appreciate that multilateral institutions have underpinned growth in global economic output and the rise in global prosperity since the 1950s. The cross-border economic integration that these institutions fostered over the last seven decades boosted productivity growth through the diffusion of technologies, enhanced competition and knowledge, and the creation of larger markets. Collectively these intergovernmental platforms created a community of nations that increasingly and progressively embraced the same values, principles and standards. From democracy and human rights, to peace and security, to health, culture, education, research, development and its financing, environment, climate change and trade, migration, the MDGs and more recently the SDGs and even the new focus on partnerships, to name some.

It is clear that in the absence of these Multilateral organizations, global understanding, values, collaboration, productivity and overall economic growth would suffer. (Our current behavior is putting much at stake— Maybe even the world as we know it. The example of climate change, it's

cause of which today there is no doubt whatsoever and it's impact clear to us all is an apt one. It affects all indiscriminately, what's happening with severe climatic conditions across the globe, cyclones severe drought, typhoons, floods, displacements tell it all.)

Ladies and Gentlemen,

According to the WTO, global trade has been on a declining trajectory; dropping from a growth of **4.6 per cent** in 2017 to 3 per cent last year; and is projected to post an even more modest growth of only **2.6 per cent** this year. There is potential for a slight improvement in 2020 – which according to experts is dependent on an easing of prevailing trade tensions.

This decline in trade performance has already, adversely impacted the global economy. The Global Business Policy Council projects that the global economy will register a moderate growth rate of **2.9 percent** in 2019 followed by a steady deceleration through to 2023.

While the business cycle, aging populations, the talent gap and weak productivity contribute to this deceleration, the biggest culprit is what has been described as the 'islandization' of the global economy. In this phenomenon, the post war liberal world order is giving way to a new age of multi-localism in which protectionist nationalist forces are pushing governments to be inward looking, ultimately making every economy an island of its own with all its attendant dangers.

Ladies and Gentlemen,

Strengthening multilateralism and global governance offers the best avenue of addressing the prevailing situation, easing tensions including trade

tensions and of avoiding economic uncertainty. It is now my considered view that the creation of a new vibrant and dynamic multilateralism, should be a priority agenda for the forthcoming G20 Summit.

I believe the G20 is best suited to deal with this matter because in a multipolar world, no single country can underwrite global institutions alone. In the 1950s, the US accounted for **27 percent** of global GDP - meaning the US benefited immensely from global order. This justified the massive investments that the US committed in building and supporting an open global trading and investment system. Over time, however, other countries have challenged the pre-eminence of the US making the incentive to shoulder the burden of coordinating the global economy much less rewarding and compelling.

The same has happened to the G7. Accounting initially for **about half of global GDP** until 1991, the share of the G7 has since declined and is estimated to fall **below one-quarter** by 2040. This has, therefore, also meant the G7 has no particularly compelling incentive to underwrite the global order. By contrast, the G20 countries account for around four-fifths of global GDP – and will account for about the same by 2040.

Moreover, the G20 collectively accounts for nearly **85 per cent** of global economic output, **84 per cent** of global investment and **63 per cent** of the global population. It is for this reason that the G20 has been designated the premier forum for global economic cooperation and is therefore best suited to champion the agenda of building a strong global governance system in the interests of the international community as a whole.

Ladies and Gentlemen,

In building the case for a strong multilateralism, I need not overemphasize that humanity has always required supranational institutions of cooperation to solve practical problems that are transnational in nature and which individual nation-states cannot solve on their own. The Concert of Europe, the League of Nations, and later United Nations and the Bretton Woods Institutions, were all established to foster inter-national cooperation on trans-national issues that threatened world peace and security.

Besides peace and security, a wide range of changes that have deepened the need for international cooperation have occurred. Most notable are the market reforms of the late 1980s and early 90s and the fourth industrial revolution. These developments have resulted in a highly connected and increasingly inter-dependent world in which nearly every issue is now global – from climate change to migration and security and from trade to finance and health. What happens in one part of the world today can trigger a chain reaction across the globe.

Martin Luther King captured this reality many years ago, which still defines our interdependence, when he reflected, and I quote: **“We are caught in an inescapable network of mutuality, tied in a single garment of destiny. Whatever affects one directly, affects all indirectly.”** In this increasingly interconnected world, our common future demands an ever closer international cooperation which underpins the need for strong and inclusive multilateral institutions of global governance.

Ladies and Gentlemen,

The inability of institutions to adjust to contemporary realities, their domination by a few countries to the exclusion of others, the exclusion of women from decision making spaces, as well as concerns over the effectiveness and performance of global Institutions need urgent attention if they have to remain relevant.

I will focus my remaining comments on the role, relevance and reform of WTO to drive my point home. To begin with, the World Trade Organization (WTO) - which has responsibility for the governance of international trade relations - is a must have and desirable institution but one in dire need of reforms.

As we all know through its mutually-agreed rules, the WTO has provided tools over the years for ensuring that trade fosters economic growth as well as wealth and job creation around the world.

As a result, we have witnessed tremendous growth in global trade since the creation of the WTO. Between 1990 and 2000, for example, world trade expanded by over **7 per cent** annually. This growth was instrumental in increasing incomes and improving living standards across the world.

In fact, the economic gains recorded in Africa and other developing countries have been partly attributed to integration into the global trading system through the WTO, which has enabled these countries access new markets, new technologies and new investments. Cumulatively, developing country share of global trade has increased dramatically from less than a third in

1980. A momentum that can only be sustained through the further opening and expansion of global trade.

The WTO, therefore, remains critical not only for the growth and development of the global economy, and especially developing country economies, but also the management of an increasingly interconnected trading system.

Besides the growth in global trade, the WTO has also helped resolve trade disputes thus averting destructive trade wars. The organization has handled over 500 disputes in just over two decades. Additionally, it was the WTO, together with the G20, the IMF and the World Bank that contained the rise of protectionism following the 2008 financial crisis which experts believe precipitated a repeat of the economic crisis of the 1930s.

Yet, trade and the trading system face critical challenges. The modern economic environment is vastly different from what obtained when the WTO was established in 1995. New technologies are not only changing the way businesses work but also the way in which we trade. As WTO Director-General Roberto Azevêdo reflected, **“WTO rules were conceived in a world with no Internet connection. Consequently, the rules have failed to adequately address issues of the modern economy, particularly the rising importance of services trade, the emergence of e-commerce, and the advances in technology that underpin today’s trade flows.”**

Moreover, the developing world still feels excluded from the full benefits of global trade. This is largely because of the failure to deal fairly with issues

that affect developing and least developed countries. Members have not fully kept promises it made to a majority of its members that are from Africa, nor has it offered alternatives. Not conclusively dealing with issues left over from the WTO Doha Round also means that less and less of the world's dynamic trade is covered by global rules. Trade as we have heard and know must be fair, inclusive and promote prosperity equitably.

Additionally, protectionist measures are on the rise globally. The unilateral protectionist measures being imposed perhaps represents one of the most significant challenges yet. Many major countries it has been argued, are either quietly or not, islandizing by implementing strict data privacy rules, Some developing countries seem to have also joined the fray. One is said to be rather keen to protect its IT sector from external competition and another is similarly protective of its automotive industry.

The challenges mounted at the WTO against tariffs imposed, by instituting proceedings at the WTO are a defining moment for the WTO because if it rules in favour of the tariffs, that ruling could prompt protectionist behavior across the globe by those able to do so, further undermining the current multilateral trade rules. On the other hand, if a ruling against the tariffs is flouted by a member or two, the authority of the WTO would be thoroughly eroded. making it slowly irrelevant and forcing countries to seek other avenues for redress. So clearly things are not well, there is an urgent need to reform the WTO dispute settlement mechanism in order to forestall increased unilateralism and retaliatory tactics.

Then there is the proliferation of bilateral, regional and pluri-lateral trade agreements, further fragmenting the international trade landscape creating

a spaghetti bowl. In fact the race for regional and bilateral agreements and the limited attention being given to the multilateral negotiations, has made it imperative for regions such as mine to not want to be left out and to desire to negotiate as a group like others. I have argued before that despite their discriminatory nature, PTAs and all other such arrangements can complement the MTS. But they can never provide a substitute.

These challenges as the WTO DG Roberto Azevedo observed, demand that we **“strengthen the WTO and its rules, to build on and maintain its reputation for integrity and fairness, and to reshape the organization to reflect the reality of its membership and their needs.”**

Friends, we have had encouraging progress before and I am confident that we can rise to the occasion again. Most notably, the global community succeeded in building on the Bali WTO outcome during the WTO 10th Ministerial Conference which I had the privilege to chair in Nairobi in December 2015. The Trade Facilitation Agreement, the biggest global trade deal this century - came into force during the Conference. Other trade deals that were reached included the Agreement by WTO members to abolish agricultural export subsidies as well as the Agreement to eliminate tariffs in a range of IT products. The IT deal agreed on a timetable to eliminated tariffs on **201** information technology products valued at over **\$1.3 trillion** per year. **65 per cent** of the tariffs were to be fully eliminated by July 1 2016 and the remaining by 2019. Although only 53 countries which account for 90% of world trade in these products, its benefits will be extended to all countries on an MFN basis. The agreement will enhance affordability of IT

products for all including, the most vulnerable, who now have the opportunity to access and be part of the first digital revolution. Coming up with applications finally that address some of their most critical challenges through the use of technology. Financial inclusion and Kenya's MPESA is a case in point. Since then new applications developed in the south are many, varied and valuable. All intended to more efficiently solve societal problems. That agreement is great Multilateralism- using technology developed not by all to address common issues with the specific objective of allowing maximum participation and great benefits for all.

Moving forward, the G20 needs to identify and outline clear steps and timelines towards renewing and strengthening the WTO. This must include focus on concluding issues important to the vulnerable countries and groups; multilateralizing agreements reached in Free Trade Areas under a new WTO trade round; ensuring small businesses can access the finance they need to grow and operate internationally, strengthening the supervision of subsidies, establishing rules for digital and services trade, and reforming the dispute settlement mechanism. I am convinced that we all know what we should be doing, not everything that has never worked. We must be practical, realistic, balanced, modernize and update the WTO.

In conclusion, for many of us, our fundamental commitment is to strengthen the multi-lateral system and advance multilateralism. We believe that the rules-based Multilateral trading system is the best defense against geopolitical rivalry, rising protectionism, increasingly fragmented trade relationships, and beggar-thy-neighbour policies that ravaged economies before, laying the ground for the Second World War. Neglecting the mother

ship of WTO is a path fraught with uncertainty. We should put a renewed, revitalised and dynamic WTO back in Centre field that would be a clear demonstration that we can look beyond our differences and together fight for the bigger prize that would transcend the quick and short term gratification that we exhaust so much of our resources on.

I'd like to end, because this Summit is taking place in Japan, and also because today, we are all focused and discussing the strengthening and enhancing of multilateralism, by recognizing TICAD as a successful model of multilateralism. As you know it brings together Japan, African countries and institutions, international and regional development organizations and agencies, the private sector and civil society. It sets its own priority areas contained in an action plan. It monitors the implementation of commitments and provides for stocktaking before the next meeting. Most of its targets, including the ones on increasing Japan's development assistance (ODA) and on direct investment to Africa have been achieved. Many more are on track and will be concluded on time. There is no danger of backtracking or renegotiating agreements already signed off. It provides, just like expansion of the WTO 2015 IT agreement, a great example of multilateralism in action.

I wish you a successful Summit and look forward to the outcome of your deliberations.

Thank you.