

GLOBAL INDUSTRY URGES G20 TRADE MINISTERS TO FIGHT AGAINST FORCED LOCALIZATION POLICIES

Industry associations from around the world representing a multitude of sectors urge the next G20 Trade Ministers meeting gathering in Sydney, Australia on July 19 2014 to build on previous G20 commitments to avoid protectionism by taking active steps to fight against the increasing number of national and sub-national protectionist measures around the world that disrupt free trade.

The rise of forced localization policies, notably in important sectors such as manufacturing, services and information and communication technologies (ICT), marks a troubling shift in global trade and economic policies. Many governments are beginning to abandon established trade policies that have led to decades of economic growth and the improvement in the quality of life, liberalization, openness, and economic integration in favor of discriminatory market access barriers. Forced localization policies have emerged in both emerging and developed economies around the world and are proliferating rapidly.

A study by the Peterson Institute for International Economics¹ of more than 100 policies imposing local content requirements (LCRs) in numerous countries and industries found that LCRs reduce global trade activities by as much as \$93 billion annually.

These policies include mandatory technology transfer requirements, local content requirements in government and private sector procurements, forced local ownership of foreign firms and/or their intellectual property, discrimination against foreign online sellers, mandating local hires explicitly or implicitly – including restrictions on movement of skilled technical personnel –, in-country testing and certification requirements, import restrictions, and restrictions on the ability to move data across borders, domestic data center location and data hosting requirements. Some of these policies present challenges to existing global trade disciplines, while others are out of step with international norms that have helped drive the growth of the global economy.

The upcoming meetings in Sydney provide an opportunity for the G20 Trade Ministers to elevate forced localization related issues as a global economic priority by working with international institutions – such as the G8, G20, APEC, OECD, and the WTO – to recognize and acknowledge forced localization policies as critical barriers to global economic growth and to strongly support new trade disciplines (such as within bilateral, plurilateral and multilateral forums) to counter such policies.

Members of the G20 must lead by example as they jointly represent about two-thirds of the world's population, 85 per cent of global gross domestic product and over 75 per cent of global trade. The world's largest advanced and emerging economies must also resist measures that isolate their own markets through forced localization policies and actively work to encourage other governments to do likewise.

¹ Gary Clyde Hufbauer and Jeffrey J. Schott, *Local Content Requirements: A Global Problem*, Peterson Institute for International Economics (September 2013).



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