



## **T20 Statement for the G20 Trade Ministers' Meeting Sorrento, 12 October 2021**

Global trade rebound after the COVID-19 pandemic shock is showing both the resilience and the weaknesses of the global trade system. World merchandise trade is already above its pre-pandemic peak but there remains significant divergences across regions and major risk factors such as inflation spikes, COVID-19 variants and strained global value chains are at work.

Functioning trading and investment systems are essential to properly harness the growth drivers. However, the multilateral trade system and the WTO face many problems due to the increasingly complex geopolitical landscape and the related rising need for new rules and disciplines. In addition, the COVID-19 pandemic has had a significant impact on international trade relations since it has exacerbated protectionism and dirigiste measures. Reshaping the multilateral trade governance is urgent to preserve the system's principles and revitalize the central role of the WTO.

The Think20 (T20) -- the engagement group of the G20 that brings together think-tanks, universities and other research centres -- endorses the following recommendations and priorities of the Task Force "Trade, Investment and Growth", including also contributions from the Task Forces on "Climate Change, Sustainable Energy and Environment", "Digital Transformation", "Social Cohesion and the Future of Welfare Systems", and "Multilateralism and Global Governance", and calls on G20 Trade Ministers to take action with respect to the following crucial issues of concern for the trading system.

### **A reformed WTO and multilateral governance**

To improve the **functioning of the WTO** and to prevent further politicization of trade, the G20 should promote convergence and coordination on key issues such as State-Owned-Enterprises (SOEs), rules on digital trade and improved notifications, particularly with respect to subsidies, services domestic regulations, investment facilitation and climate change. To that end it should draw on the experiences of relevant Regional Trade Agreements (RTAs), mega-trade agreements, investment treaties and soft law developments at the OECD. Updating the WTO's **Dispute Settlement** system should be a priority. To prevent abuse of **national security** measures, G20 members should commit to a credible standstill. G20 should also consider proposing that WTO Secretariat use its capacity to collect information to enhance transparency, as a fundamental trust building tool.

One major challenge facing the WTO is its sluggish negotiating function. Inclusive **plurilaterals** can be used to revitalize multilateral trade cooperation at the WTO. The G20 should promote deeper discussions on plurilaterals through a sub-committee under the Trade and Investment Working Group (TIWG). However, plurilateral negotiations are largely pursued by advanced economies; developing countries often do not participate in them. In this context, T20 proposes to: (1) focus on developing countries' needs and capacities using the Trade Facilitation Agreement (TFA) model to address implementation challenges; (2) conduct negotiations in an inclusive and transparent manner to avoid negative effects and establish trust; (3) clarify the legal options for the incorporation of plurilaterals into the WTO; (4) increase coordination between different plurilateral tracks; (5) conduct impact assessments and evaluations. WTO Members have divergent views about how to review the issues of developing country-member status and **special and differential treatment** (SDT). Instead of looking for objective generic criteria to classify developing and developed members, WTO members should focus on solving the matter in a more flexible and needs-oriented manner. This could be done by addressing issues on a case-by-case basis, in view of the SDT architecture under consideration for the negotiation at hand. G20 Leaders should task their Trade Ministers and invite other WTO members to support such an approach, providing much-needed guidance and political support to negotiators in Geneva.

Moreover, national and subnational rules are fragmenting the global economy in ways that reduce transparency and increase inequity. Efforts to renationalize economic activity after the recent economic and financial crisis and during the ongoing pandemic make matters worse. To correct this tendency, we propose that the G20 call for the elaboration of **Global Legal Standards**. Such standards could apply in areas like supply chain management, finance and taxation, or corporate governance, in order to protect labour and the environment while at the same time enhancing transparency and equity. This would be a key step in moving to a rules-based international system.

## **Digital Trade**

**Cross-border data flows and online trade in services** is a priority area that needs further dialogue. T20 calls on G20 members to uphold the WTO Moratorium on Customs Duties on E-Transmissions and roll back de facto discriminatory digital services taxes. We urge G20 Members to build on recent outcomes on cross-border data flows in RTAs and digital economy agreements (DEAs). To foster trust in e-commerce, G20 Members must cooperate to achieve widespread interoperability of data protection regimes. G20 Members should join the JSI on Services Domestic Regulation and endorse best regulatory practices for personal data protection, ensuring that regulations are necessary, proportionate, and consistent with international standards, principles, and guidelines including also "soft law" provisions on issues that will promote trust between governments around data flows. It is also essential that G20 members



provide technical assistance to developing countries to upgrade and align their data protection regulations.

G20 members should engage in exchanges on **market access to e-commerce-related services** and consider extension to other services of existing GATS undertakings on financial services disciplining restrictions on transfers and processing of data by electronic means. G20 members should commit to update the GATS Telecommunications Reference Paper with pro-competition technology-neutral rules.

The G20 should cooperate to develop consensus-based international cybersecurity standards to reduce regulatory friction. G20 Members should collaborate in the international standards bodies to develop globally competitive, open, market-driven frameworks.

**Transparency and trade facilitation** promote confidence **in e-commerce** and reduce costs caused by trade barriers and differences in data protection requirements. Governments should remove data localization requirements while retaining regulatory flexibility on data protection legislation, apply tariff exemptions for low-value packages and use of digital technologies to enhance trade facilitation.

G20 should also consider benchmarking different dimensions of digital access in order to promote digital trade accessibility, especially for SMEs.

## **Investment Issues**

FDI flows are at a low point because of not only the COVID-19 pandemic, but also restrictive FDI policies. Investment facilitation has gained in importance as a set of practical measures to increase the transparency and predictability of investment frameworks and promote cooperation to advance development. Discussions on **investment facilitation** are undertaken at the bilateral, regional, and multilateral levels. We call G20 to promote a set of guiding principles. Investment facilitation policies should contribute directly to sustainable development, focusing on conflict prevention and management, and drawing on experiences from other processes such as trade facilitation.

The G20 can help create **'digital friendly' investment** climates through policies, regulations and measures that attract Digital FDI, or FDI in the digital economy.

**Digital FDI** enabling projects can be launched to identify and address impediments to growing Digital FDI. These projects should examine key sectors for digital growth (especially communications and software & IT services). To start, policymakers can use a 'SMART' test that benchmarks their economy's digital skills, market functioning, access through connectivity, restrictions and trust. A G20-initiated Sustainable Technology Board – modelled after the Financial Stability Board but oriented to cooperation over new technologies – can help address techno-competition and other concerns over digital FDI.

Over the past five years, **investment screening** has gained in prominence particularly in developed G20 countries. It is therefore important for G20 leaders to develop a common understanding of the impact of FDI flows and screening on growth prospects. We therefore propose that (1) the G20 should commission international organizations to conduct a comprehensive stocktaking exercise



and to compile regularly updated comparative analyses of the extent and impact of the different screening mechanisms. (2) Based on this data, international organizations should propose areas for G20 cooperation, identifying best practices. (3) The G20 should set up an Investment Screening Expert Group to provide regularly updated reports providing basic policy recommendations for the G20 leaders.

## **International Trade and Environmental Sustainability**

While participation in **global value chains (GVCs)** is widely associated with benefits for countries' development and growth, its **environmental and social costs** has become increasingly evident. We recommend that the G20 should promote multilateral coordination to ensure the sustainability of GVCs. The G20 should also take a leadership role in fostering cooperation to align the legal and policy regimes on climate and international trade, including carbon border adjustment mechanisms (CBAMs).

## **Industrial Subsidies**

Much empirical work indicates that industrial subsidies distort welfare and provide little consistent benefit to the domestic economy. The G20 could act as a catalyser for a transparent process aiming at reciprocal reduction of subsidies that are commonly assessed as welfare-distorting. Accordingly, we suggest a **commitment to a standardized process of subsidy evaluation**, using several indicators such as the OECD's framework for analysing agriculture subsidies, the Australian Productivity Commission's mandate, and the Kiel Institute for World Economics' methodology of a subsidy robot.

The G20 should also promote the **reform of the notion of subsidy under the WTO's Agreement on Subsidies and Countervailing Measures (ASCM)**, to encompass a wider range of financial contributions, currently not covered by the Agreement. The tripartite structure of prohibited, actionable and allowed subsidies should be reformed as well, and sustainable development should be the guiding criterion in assessing the compliance of subsidies with ASCM rules. To be effective, these policies should be complemented by a reform of the ASCM and WTO governance, including transparency rules.

## **Micro-small-medium enterprises (MSMEs) access to GVCs and Trade Finance**

In order to ensure the **access of Micro-, Small-, and Medium-Enterprises (MSMEs) to global value chains** in line with the Riyadh Declaration (2020), we encourage G20 member-states to launch a MSMEs Link-20 Initiative. This should include the creation of a network to gather MSMEs and key actors to facilitate the exchange of knowledge, effective practices, and cross-country partnerships; a platform to connect service providers and institutions that can support linkage development and provide technical assistance; and a fund to finance employment-generating, productivity-boosting, and innovative MSMEs



in developing countries and link them to resilient, inclusive, sustainable, and transparent global value chains.

## Trade in Agriculture

The COVID-19 pandemic and accelerating global warming are jeopardizing the goal of feeding ten billion people by the year 2050. Establishing a **new G20 Plan of Action on Agricultural Trade and Investment** would help ensure more **food security and adequate food safety** through uninterrupted flows of essential food commodities. The Plan of Action would address food export restrictions and market access barriers (e.g., SPS and TBT measures). Post-pandemic expansion of food trade must benefit the global South and reduce the vulnerability of low-income, food-import-dependent countries. To end hunger by 2030 (SDG2), developing countries must participate in global food chains and in key decision-making processes and institutions dealing with food security.

## The role of trade in promoting female participation in the economy

Trade policy should be also leveraged as a means to generate **decent work for women** and reduce gender inequality. In particular, the G20 could provide technical and scientific assistance to **small-scale female farmers** and producers in developing countries to help them get better access to export markets. This could support the achievement of G20 commitments such as the **Brisbane target** to reduce the gender gap in labour market participation rates by 25% by 2025

## Conclusion

The T20, through its Task Force on “Trade, Investment and Growth”, calls the G20 Trade Ministers to renew its commitment to build consensus around constructive proposals to reform key aspects of the WTO’s institutional functioning (negotiation forum, dispute settlement, transparency, and the status of special and differential treatment), introduce rules in new sectors (digital trade and digital FDIs, data flows, services regulations), and promote new regulation of older issues (investments, subsidies, and trade in agriculture) and processes (GVCs and environmental sustainability).

