



Brasil 2024
Let's rethink the world



T20 Brasil

Task Force 04

Statement



TF04

Trade and investment
for sustainable and
inclusive growth



ORGANIZING COMMITTEE:



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Introduction to the Task Force's mission and priorities

The objective of Task Force 04 is to leverage trade and investment mechanisms to achieve the Sustainable Development Goals (SDGs). It intends to put forward innovative research-based ideas for the Trade & Investment Working Group and other related G20 Working Groups.

This Task Force, formed by 20 Co-Chairs and Members, trade and investment experts, and with the contributions of 50 policy briefs, from all world regions, defined priorities and formulated a series of recommendations concerning the challenges of the present world, related to the following issues:

1. Trade and investment to fight inequality, poverty, and hunger, and social inclusion;
2. Trade and investment, food security and climate action;
3. Women in trade;
4. Trade and digital transformation;
5. Promoting greater participation of Micro, Small and Medium Enterprises (MSMEs) in trade and investment;
6. Dealing with neo-protectionism and the changing features of global value chains.

Diagnosis of main problems

The Task Force recognized serious challenges facing world trade and investment, whose consequences can already be seen: stagnating trade and investment growth, income concentration, inequality, poverty, and hunger. In recent years, the number of malnourished individuals in the world has increased. As a result of the COVID-19 pandemic and other overlapping crises, the world's population suffering from hunger increased by 122 million between 2019 and 2022. This increase is largely concentrated in developing countries, where women are especially vulnerable, as well as the micro, small and medium enterprises.

Climate and environment crises are posing another existential challenge: extreme temperatures, floods, droughts, destruction of cities and forests. At the same time, the world faces a digital transformation that brings many opportunities, but regulatory divergences generate costs for businesses and risks undermining the trust of consumers in digital trade.

Considering this context, the main challenges identified by the Task Force are the following:

1. Geopolitical tensions are feeding trade conflicts, causing the dismantling of the rules-based trade and investment systems, with the World Trade Organization (WTO) at its core.

In such a context, it is increasingly difficult to address key issues such as food, energy and climate nexus, governing digital trade, supporting women in trade, or promoting MSMEs. Moreover, tariffs, subsidies,

technical and environmental standards, complex regulations in services, and intellectual property rights are misused as trade instruments of neo-protectionism.

2. The world faces a triple crisis involving food, energy, and climate security.

Agriculture, regardless of the data source, ranks as the second-largest contributor to global greenhouse gas emissions. Over two dozen countries have responded by implementing measures that restrict international food trade, including export bans, taxes, quotas, and distorting export subsidies. These measures have raised legitimate concerns in developing countries due to the equity and implementation challenges associated with them.

3. Despite increasing attention to women and trade issues, significant barriers to their participation in trade persist.

Women still own only around 20% of businesses that export goods and services. There is a disconnection between the barriers exacerbated by the distributive impacts of trade liberalization and the policy solutions offered in trade. Many of them still fail to create binding gender-based obligations on States. Key barriers to women's participation in trade, such as access to finance and productive resources, as well as access to e-commerce and digital trade opportunities, remain largely unaddressed.

4. Regarding digital trade, concerns with respect to personal data protection and national security are some of the drivers of rising regulatory divergences. They create costs for businesses and risks undermining the trust of consumers in digital trade.

These considerations underscore the importance of a forum to address these challenges and promote regulatory convergence at the global level. The WTO is well positioned to coordinate discussions about the effectiveness of rules regulating the international digital economy to achieve non-economic policy objectives while being less trade restrictive. This should include identification of best practices

and use of innovative mechanisms to foster interoperability between different models of regulations, including through mutual recognition.

5. MSMEs still encounter major barriers to integrate into global value chains, embrace sustainable business practices, access to finance for sustainability purposes and to digital technologies, and upgrade their technical skills and knowledge to manage the green and digital transitions.

MSMEs are engines of innovation, growth, job creation and social mobility in high-income and emerging economies. In low-income developing countries, too, they are considered the backbone of economies and hold the potential to transform economies and contribute to sustaining livelihoods, in particular working poor, women, youth, and vulnerable groups.

6. There's a surge on protectionist or restrictive measures to trade and investment, called "neo-protectionism".

They include border restriction measures, industrial policies based on government subsidies, local content requirements, preference for domestic companies in government procurement and export credits, among others. The motivations for these policies are justified by industrial targeting, global environmental concerns or to neutralize import dependency. However, in many cases, these policies are inconsistent with WTO commitments.

A rules-based Trade and Investment System is essential to overcome many of these challenges. The existence and support for the WTO as a multilateral forum for trade and investment negotiations, for rules enforcement and monitoring is imperative to face the present dysfunctional moment.

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Key recommendations

1. G20 leaders must instruct their ministers to prioritize the reform of the WTO to strengthen its role as the main forum for global trade, services and investment facilitation discussions and negotiations, including environmental rules and the transition toward a more sustainable economy, as well as trade agreements for the digital transformation.

A Trade and Investment System based on clear and enforced rules and standards is essential to tackle many of the global challenges. The existence and support to the WTO as a multilateral forum for negotiations, for rules enforcing and monitoring, with a dispute settlement mechanism, is imperative to face the present dysfunctional moment.

Cooperation on trade, environment, and climate policy should not be limited to the export of regulatory standards or the imposition of sanctions, but should also advance the broader sustainable development objectives, especially of developing and least developed countries. Similarly, the investment regime can support climate-compatible foreign investments to support climate objectives such as mitigation and adaptation.

G20 should also support the WTO as the main forum to discuss and negotiate agreements to provide an inclusive, basic, global, rules-based framework for the conduct of digital trade and directly-related aspects of investment. In addition, the WTO plays a key role in monitoring national trade policies affecting these matters, providing technical assistance and offering a forum for handling disputes.

2. The G20 must act to strengthen global collaboration around food security to eliminate hunger, while striking a balance between measures to tackle climate change and expansion of agricultural production.

G20 should promote open international markets with standards and regulations that foster collaboration to expand sustainable agricultural models and ensure food security, while implementing specific measures to protect food trade and food supplies from geopolitical events, specially to poor net food importing countries. Policy directions should prioritize supporting the most vulnerable consumers, ensuring accessible markets, and applying non-distorting measures for rural producers, especially the ones related to tackling climate change.

Climate and environmental concerns around food production shall be addressed through international cooperation and adequate funding. In addition, measures to avoid price volatility, reduce risk and promote a balance between global issues and domestic needs in agricultural production shall be pursued via multilateral discussions to foster inclusive and sustainable production chains.

G20 should emphasize collaboration between countries at the G20 Global Alliance against Hunger and Poverty to amplify the impact of its goal: reducing global hunger. G20 members should identify measures to achieve food security through global trade by facilitating and promoting trade agreements with measures to protect the environment.

3. Create a consultative platform at the G20 to foster interactive dialogue among women in trade and women policymakers.

This platform must be dedicated to the exchange of best practices and experiences on trade and gender issues, to the promotion of capacity building among G20 negotiators on trade and gender as well as to the collection, standardization, analysis and dissemination of

data related to gender and trade. This effort should consider varying levels of data collection capacity across a wide variety of countries, including developing and developed countries, and be engaged with regional and international organizations with expertise in data gathering and impact analysis.

This action should take into account intersecting factors such as race and class, as well as the new areas of the sustainability agenda, and standardize definitions and methodologies. This should consider and take account of varying levels of data collection capacity across.

4. Create balanced sustainability standards for Micro, Small and Medium-sized Enterprises, leveraging their access to green finance.

The G20 should consider developing globally recognized guidelines and standards related to sustainability that are designed specifically for MSMEs to prevent redundancy in reporting requirements. A simple standard would allow MSMEs to meet industry-specific compliances and participate in global trade, as well as advance sustainable development.

G20 members should consider implementing enhanced financial support for low-carbon trade, such as export credit guarantees, longer-term green loans and grants linked with sustainability performance, to mitigate risks associated with international trade for MSMEs, including extreme climate and other ecological impacts. They should also consider access to supply chain facilities and digital technologies for MSMEs.

5. Reinforce multilateral cooperation in the WTO to discuss neo-protectionism, avoiding the escalation of restrictive or distorting trade and investment measures.

Subsidies should be a priority for G20's cooperation initiatives to face the challenges posed by the present industrial policy trends. The prominence of non-economic objectives as a motivation for adopting industrial policy mechanisms poses a major challenge to the

multilateral trade cooperation. The G20 should focus on international cooperation on green industrial policies, recognizing that climate change is an important non-economic motivation for industrial policies with a global impact.

To address the issue of trade-distorting subsidies, it is important to reform the WTO Agreement on Subsidies, to improve international comparable data on subsidies, under an international cooperation mechanism with the technical support of the WTO. Subsidies could be classified according to their degree of potential harm to third countries, considering how trade-distortive they are.

In addition, G20 could stimulate negotiations under the WTO for climate change mitigation measures, and, by doing so, contribute to fostering green technology adaptation, especially in the developing world. G20 should advocate for greater flexibility within trade rules, to enable developing countries to address the challenges posed by climate change and facilitate their deeper integration into global value chains.

6. Elaborate guidelines for trade and investment agreements to include sustainability rules and standards.

G20 members should implement enhanced financial support for low-carbon trade, boosting mechanisms such as export credit guarantees, longer-term green loans and results-based financing schemes like nature performance bonds. G20 countries should act through the WTO to ensure that sustainability standards are not being included in trade agreements to serve neo-protectionist purposes.

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