

An Agenda for the G20 to Reset Global Trade Cooperation

by Anabel González



Amid a devastating pandemic, economic turmoil and political upheaval, international economic collaboration has unravelled. The world needs 2021 to be a turning point. Under the presidency of Italy, G20 countries have the opportunity to come together and craft a collective trade and investment response to fight the pandemic, support the global economic recovery and rebuild a better future. They also need to reboot the World Trade Organization (WTO) to underpin renewed multilateral cooperation.

The time for concerted action

COVID-19 has continued its spread in 2021, with new variants increasing the level and speed of contagion. As of mid-February, there are over 113 million cases worldwide, with the

number of deaths reaching 2.5 million and rising.¹ Plans to vaccinate as many people as rapidly as possible are being deployed, though vaccine nationalism risks prolonging the pandemic, with dire consequences for many in poorer countries and for the world at large.²

The economic and social impacts of the virus and its containment measures are daunting. The global economy is estimated to have contracted 4.3 per cent in 2020, with per capita incomes falling in more than 90 per cent of developing countries. Poverty rates

¹ Worldometer, *COVID-19 Coronavirus Pandemic*, <https://www.worldometers.info/coronavirus>.

² Thomas J. Bollyky and Chad P. Bown, "Vaccine Nationalism Will Prolong the Pandemic", in *Foreign Affairs*, 29 December 2020, <https://www.foreignaffairs.com/node/1126962>.

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have regressed to 2017 levels.³ Global trade contract by 5.3 per cent in 2020,⁴ while foreign direct investment could plunge by up to 40 per cent.⁵ Recovery is expected in 2021 but this will be subdued and subject to uncertainty and downside risks. The fight against the pandemic and the geographical scope, depth and speed of recovery will critically hinge on the sustained and effective containment of the virus and the quality of government policies.

Domestic measures are critical. But they are not enough. The short-term response to the virus and the resumption of economic growth will require multilateral cooperation to scale back obstacles to trade and investment, increase business certainty and leverage new opportunities. Building back better also needs concerted actions. None of this will happen automatically. Accounting for 80 per cent of global output and 75 per cent of exports, the G20 is in a unique position to deepen collaboration across countries. With the new Biden administration in the United States, the timing is conducive to a reset in global trade cooperation.⁶ An ambitious, yet pragmatic, agenda could pave the way.

³ World Bank, *Global Economic Prospects, January 2021*, <http://hdl.handle.net/10986/34710>.

⁴ CPB World Trade Monitor, *CPB Memo*, 25 February 2020, <https://www.cpb.nl/sites/default/files/omnidownload/CPB-World-Trade-Monitor-December-2020.pdf>.

⁵ UN Conference on Trade and Development (UNCTAD), *Investment Trends Monitor*, No. 36 (October 2020), <https://unctad.org/webflyer/global-investment-trends-monitor-no-36>.

⁶ Richard Baldwin et al., "Getting America Back in the Game: A Multilateral Perspective", in *TACIT Papers*, No. 1 (December 2020), <https://repository.graduateinstitute.ch/record/298858>.

A health and trade initiative to help contain the virus

Trade has proven not to be a problem in the pandemic but rather a central element of crisis mitigation and sustainable recovery.⁷ To be sure, alongside restrictive measures adopted earlier in the crisis, many nations have taken unilateral steps to facilitate commerce, especially in medical supplies and medicines.⁸ For the same reason, a mix of increased transparency on the availability of supplies, enhanced trade facilitation and other policies would help countries improve resilience far more than a reshoring of value chains.⁹ The role of trade in assuring access to vaccines is key, as is expediting trade in goods and services needed for vaccine production.

A comparison of G20 declarations and WTO rules with the measures taken by G20 countries in 2020 suggests that they have not "walked the talk".¹⁰ Enhanced transparency through regular and timely notifications of applied

⁷ Simon J. Evenett, "Chinese Whispers: COVID-19, Global Supply Chains in Essential Goods, and Public Policy", in *Journal of International Business Policy*, Vol. 3, No. 4 (December 2020), p. 408-429, <https://doi.org/10.1057/s42214-020-00075-5>.

⁸ European University Institute (EUI), *Global Trade Alert (GTA) and World Bank, 21st Century Tracking of Pandemic-Era Trade Policies in Food and Medical Products*, 4 May 2020, <https://www.globaltradealert.org/reports/54>.

⁹ Alvaro Espitia et al., "Trade and Covid-19: Lessons from the First Wave", in *VoxEU*, 18 January 2021, <https://voxeu.org/node/67176>.

¹⁰ Bernard Hoekman, "COVID-19 Trade Policy Measures, G20 Declarations and WTO Reform", in Simon J. Evenett and Richard Baldwin (eds), *Revitalising Multilateralism. Pragmatic Ideas for the New WTO Director-General*, London, CEPR Press, 2020, p. 63, <https://voxeu.org/node/66461>.

measures and strengthened WTO monitoring would ease fears related to the trading environment. An enhanced role for regular WTO committee work would support collective assessment of the policy landscape.¹¹ To bring greater certainty to markets, the G20 could establish a mechanism to monitor the global availability of critical medical supplies, including vaccines, following the example of the Agricultural Market Information System for key agricultural markets.¹²

As evidence confirms the importance of trade and investment in protecting the health and lives of people across the world, G20 members could commit to promptly engage in negotiations to achieve an agreement on trade and health under the WTO umbrella. The initiative could draw from the Ottawa Group proposal¹³ and others to facilitate access to the critical medical goods, including through the removal or temporary suspension of duties, taxes and other charges on imports of essential supplies; limited and disciplined resort to and use of export restrictions, notably on food and vaccines and their timely rollback; expedited customs and border clearance procedures to facilitate the

movement of critical medical products; enhanced regulatory approval and cooperation on standards; greater liberalisation of logistics, distribution and transport services; and improved access to critical medical services, including the movement of essential personnel.

A framework to support trade in digital services

As the pandemic accelerates the transformations enabled by the digitization and servicification of the global economy, it is rapidly transforming the nature of trade. From video-conferencing to tele-medicine to online grocery shopping and more, the shift towards digital services is rapidly altering the geography of trade and investment and opening up vast new prospects for cross-border exchange, in particular for small and medium-sized firms. Increased investments in digital infrastructure, enhanced connectivity and stepped-up digital literacy are needed to leverage such opportunities, but so are concerted efforts to deepen services trade integration, arrest rising digital protectionism and improve effective cooperation to avoid costly and undue regulatory fragmentation.¹⁴

Over 80 WTO members are today engaged in negotiations on an e-commerce pact. Such negotiations are complex, with diverging views among large players on critical issues such as the regulation of cross-border data

¹¹ Robert Wolfe, "Exposing Governments Swimming Naked in the COVID-19 Crisis with Trade Policy Transparency (and Why WTO Reform Matters More Than Ever)", in Richard Baldwin and Simon J. Evenett (eds), *COVID-19 and Trade Policy: Why Turning Inward Won't Work?*, London, CEPR Press, 2020, p. 165-177, <https://voxeu.org/node/65536>.

¹² See official website: <http://www.amis-outlook.org>.

¹³ See WTO website: *COVID-19 and World Trade*, https://www.wto.org/english/tratop_e/covid19_e/covid19_e.htm.

¹⁴ International Monetary Fund (IMF), *World Bank and WTO, Reinvigorating Trade and Inclusive Growth*, September 2018, <https://documents.worldbank.org/en/publication/documents-reports/documentdetail/874541538071614937>.

flows, data localisation, data privacy, the application of customs duties and taxes on electronic transactions and internet censorship.¹⁵ G20 countries could bring renewed political energy to these discussions as even a modest outcome focusing on some foundational principles of digital governance would help global economic recovery. In addition, extending the practice of not imposing customs duties on electronic transmissions at least until a strong recovery is underway could be considered.

An e-commerce agreement is needed to ensure that the WTO is fit for 21st century purpose and able to adjust to prevailing economic realities. The joint initiatives on investment facilitation¹⁶ and domestic regulation in services,¹⁷ also under negotiation, would complement a basic framework to underpin digital services.

A stricter discipline of subsidies to support fair trade

Before COVID-19, concerns over whether multilateral rules were adequate to discipline the use of industrial subsidies and restrain their impact on market distortions, overcapacity and

unfair competition led to significant tensions in the trading system. The potential trade impact of the massive industry support programmes put in place by governments to address the economic dimensions of the pandemic adds another complex dimension to this discussion,¹⁸ as does the increase in domestic support to farmers in a handful of WTO members.¹⁹ If left unaddressed, these issues would become a permanent source of tension in the global trade landscape.

These are not easy issues to tackle, nor is a resolution to be expected anytime soon, but a conversation must start among the largest players – which are also the largest subsidizers – to explore the negative spillovers of their policies. The G20 could call for the establishment of a subsidies reform subcommittee in the WTO with analytical support from both the WTO and OECD secretariats to compile information and analyse existing subsidy programmes in systemically relevant economies. The objective would be to build a shared understanding of what is going on, what type of new subsidy rules are needed to address negative spillovers and how to strengthen the WTO's monitoring and surveillance function.²⁰

¹⁵ Gary C. Hufbauer and Zhiyao (Lucy) Lu, "Global E-Commerce Talks Stumble on Data Issues, Privacy, and More", in *PIIE Policy Briefs*, No. 19-14 (October 2019), <https://www.piie.com/node/14027>.

¹⁶ WTO, *Structured Discussions on Investment Facilitation for Development Move into Negotiating Mode*, 25 September 2020, https://www.wto.org/english/news_e/news20_e/infac_25sep20_e.htm.

¹⁷ WTO website: *WTO Negotiations on Domestic Regulation Disciplines*, https://www.wto.org/english/tratop_e/serv_e/dom_reg_negs_e.htm.

¹⁸ Peter Draper et al., "Industrial Subsidies as a Major Policy Response since the Global Financial Crises: Consequences and Remedies", in *T20 Policy Briefs*, September 2020, <https://www.g20-insights.org/?p=15265>.

¹⁹ Joseph W. Glauber et al., "What National Farm Policy Trends Could Mean for Efforts to Update WTO Rules on Domestic Support", in *IISD Reports*, April 2020, <https://www.iisd.org/publications/what-national-farm-policy-trends-could-mean-efforts-update-wto-rules-domestic-support>.

²⁰ Peter Draper et al., "Industrial Subsidies as a Major Policy Response since the Global

Greening the trading system

As major economies move forward with ambitious goals and plans to green their economies and build back better, they need to focus on the nexus between trade, sustainable development and the protection and preservation of the environment, not least to strengthen resilience in the face of global challenges. Early progress could come by finalising the long overdue WTO negotiations to limit harmful fish subsidies and resuming the negotiation of an Environmental Goods Agreement that would support trade in green products. This agreement could usefully extend to services central to environmental stewardship. But more is needed.

In November 2020, a group of 49 WTO members across different regions and levels of development launched structured discussions on trade and environmental sustainability with a view to collaborate, prioritise and advance discussions in this area.²¹ The G20 should lend vocal support to such discussions by identifying possible actions and a set of early deliverables on environmental sustainability in the multilateral trading system. Topics for consideration could include reduction of existing fossil fuel subsidies, increased transparency of environmentally-related subsidies, non-actionability of certain subsidies beneficial for the environment, rules for climate-related labelling and sustainable plastics trade,

Financial Crises", cit.

²¹ Australia et al., *Communication on Trade and Environmental Sustainability*, 17 November 2020, <https://docs.wto.org/dol2fe/Pages/SS/directdoc.aspx?filename=q:/WT/CTE/W249.pdf>.

among others.

WTO reform

The designation of Ngozi Okonjo-Iweala to the position of Director General brings renewed momentum to the WTO. Building on the principles of global trade governance yielded under the Saudi Presidency,²² G20 countries could also prioritise a constructive discussion of reform proposals aimed at reinstating the Appellate Body, improved monitoring and allowing for the negotiation of plurilateral agreements within the WTO structure.²³

The post-pandemic world economy will require more, not less, trade cooperation. Reforming the WTO has become more pressing than ever to help update rules in line with the dramatic changes brought about by COVID-19, but also by the technological innovations, economic disruptions and geopolitical confrontations at play before the pandemic. G20 countries now have a chance to seize on the crisis to sow the seeds for renewed global trade cooperation.

Recommended actions

- Identify measures to strengthen access to essential medical and

²² G20, *Riyadh Initiative on the Future of the WTO. TIWG Chair's Summary*, Annex I to the *G20 Trade and Investment Ministerial Meeting Communiqué*, 22 September 2020, <http://www.g20.utoronto.ca/2020/2020-g20-trade-0922.html#a1>.

²³ Anabel González, "Memo to the World Trade Organization on How to Fight COVID-19 and Make Needed Reforms", in *Trade and Investment Policy Watch*, 16 November 2020, <https://www.piie.com/node/14726>.

pharmaceutical products and protect against vaccine nationalism, based on evidence and increased transparency and monitoring.

- Call on WTO members to promptly engage in negotiations of an initiative on health and trade to fight this and future pandemics.
- Support the conclusion of the WTO negotiations on the joint initiatives on e-commerce, investment facilitation and domestic services regulation by the WTO next ministerial conference.
- Call for the establishment of a WTO subsidies reform subcommittee to begin a discussion on revised rules to deal with negative spillovers from subsidies.
- Advocate for the conclusion of WTO negotiations on harmful fisheries subsidies and resume negotiations of an Environmental Goods Agreement, expanding the latter to cover environmental services trade.
- Identify possible actions and deliverables on environmental sustainability in the multilateral trading system to support the WTO's recently launched structured discussions in this area.
- Prioritise constructive discussions of reform proposals for a functional multilateral trading system, including its dispute settlement system.

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