Think-20 Task Force 1 Session at the 2022 World Trade Organization Public Forum
“Greening Global Value Chains”
Friday, 30 September 2022/15:45-17:00 - Room: S2, WTO, Geneva

Panelists:
- Jerry Sambuaga (Vice Minister of Trade, Republic of Indonesia)
- Peter Draper (Professor, University of Adelaide)
- Pramila Crivelli (Economist, Asian Development Bank)
- Samir Saran (President, Observer Research Foundation, India)

Moderator: Yose Rizal Damuri (Executive Director, Centre for Strategic and International Studies, Indonesia/Executive Co-chair, T20 Indonesia)

While global value chains (GVCs) can be seen as an important lever for developing and emerging economies to plug into global-level production and innovation ecosystems, especially with the emergence of massive production networks, it is also known that GVC trade produces significant levels of carbon emissions, with trade emissions embedded in exports amounting to around 20%. The session, "Greening Global Value Chains", discusses ways to make GVCs more sustainable and greener as well as some expected policy responses and actions that need to be taken at various levels, e.g., on a firm-level, national-level, as well as regional-level.

To address how the G20 can support such transformations, Vice Minister of Trade Jerry Sambuaga emphasised that there is a need to find and do collective measures. The “Collective Economic Recovery”, which outlined six (6) priority issues around aligning trade, investment, and industry agenda with Sustainable Development Goals (SDGs), was one such measure that was discussed in the Trade, Investment, and Industry Ministerial Meeting (TIIMM) at the G20, 22-23 September 2022 in Bali. As the characteristics of each country are intrinsically different, Sambuaga further highlighted the need for a collective and objective cooperation by agreeing on how green

1 Recording: https://youtu.be/D50HDcj_F2s
Peter Draper, a University of Adelaide Professor, focused on the WTO’s involvement in addressing environmental issues vis-a-vis trade. Draper acknowledged that while the WTO has a Committee on Trade and Environment (CTE), there is also the Trade and Environmental Sustainability Structured Discussions (TESSD) in addition to other initiatives e.g., a joint initiative on plastics pollution led by the Government of China and Fiji as well as other initiatives on fossil fuel subsidies reform. The TESSD currently has 74 participating members and is constituted of four (4) pillars, namely, trade-related climate measures; environmental goods and services; circular economy – circularity; and subsidies. While the TESSD is an important plurilateral forum to incubate ideas and further reform initiatives, Draper recognised that it is not a formal agreement and just a discussion, and as such, further raised the question of how such initiatives would proceed, and if they do, how TESSD processes would relate to the CTE. In the context of GVCs, Draper mentioned that they are prevalent in the TESSD processes but the degree of “global” in the value chain depends on the issue being covered as well as its scope. For example, the plastics dialogue deals with a very specific issue i.e., plastics, but the Carbon Border Adjustment Mechanism (CBAM) is potentially all-encompassing. Draper further underlined that it is important to remember that businesses are not standing still in all of this and are in fact leading the charge in many ways the WTO is following, which are also ultimately reshaping value chains.

Asian Development Bank Economist, Pramila Crivelli explained how regional trade agreements (RTAs) can be a platform for environment-related trade measures, and their implications on GVCs. Crivelli stated that RTAs have a dual effect on climate change, as they promote trade, but trade itself can have both positive and negative impacts. Environmental provisions, trade facilitation, market access for environmental goods and services, and regulatory cooperation, were outlined by Crivelli to be channels by which countries can reduce their GHG emissions. However, these channels should not be a
substitute for one another, e.g. trade facilitation mostly reduces delays but does not fully replace environmental provisions. Additionally, Crivelli stated that while RTAs help liberalise the trade of environmental goods, challenges arising from ambiguity in the definition of environmental goods remain. On the other hand, there are no similar multilateral nor regional initiatives to liberalise environmental services. Considering these challenges, Crivelli suggested several alternatives to RTAs, e.g. Green Industrial Policies, Memorandums of Understanding and Joint Statements of Intent ("MoUs" and "JSIs"), International Green Economy Collaborations, and Green Economy Agreements. On the RCEP, Crivelli explained that it is not the most advanced agreement – unlike the CPTPP which has set high standards on environmental protection. That said, if properly implemented, Crivelli argued that it can also promote regional value chains.

Provoking an interesting discussion on unilateral trade policy to address climate issues, President of the Observer Research Foundation, Samir Saran raised the question of whether countries “do better together” through multilateral climate policies. Saran provided an example by claiming that the CBAM potentially fails that question as it makes it difficult for countries to climb up development pathways by preventing them from using carbon of their own, and thus argued that unilateral trade policies are now made to perpetuate difference and freeze socioeconomic profiles. However, if CBAM does in fact pass the test, then Saran suggested that the tax collected through CBAM should go to developing countries. Saran further accentuated that trade and investment need to go together to truly create an economic engagement that is climate friendly, and that countries’ trade policies should thus follow their investment profiles. Saran finished by highlighting that there is an opportunity to unleash and unlock the largest savings humankind has ever known, but countries need to be smart and ensure that these savings flow along the loops of welfare and innovation.

Finally, Draper admitted that while there are several problems in the design of mechanisms such as CBAM, it is forcing the pace of regulation that the rest of the world must keep up with. Additionally, consumers nowadays are demanding and voting for
politicians that represent their views, and as such, developing countries that would like to export to the EU would need to meet these standards, which ultimately has a value chain implication. Crivelli further recommended that policymakers and negotiators to always think about the implementation capacities of the different countries as this will imply signing agreements that will either never be implemented or be implemented only by the rich economies. Therefore, there is a need for further collaboration between developing and developed countries in greening the global value chains. The G20 India next year will be a suitable platform to bridge the discussion and push more effort from members to address the carbon leakage problem without harmful unilateral trade policy.

About T20 Indonesia Task Force 1

The T20 Task Force (TF) 1 on Open Trade, Sustainable Investment and Industry aims to formulate robust policy briefs that promote enabling environment and partnership for international trade, investment, and industry to drive a resilient, inclusive, and sustainable post- COVID world. This TF consists of some policy areas such as WTO reform agenda, resilient, inclusive supply chain, open, fair and green trade, sustainable investment, digital trade & digitally enabled services. Thus, the TF aims to deliver a robust, independent, and inclusive research-based policy platform for experts and impactful policy options for the G20 policy-making process.

Lead Co-Chair:

Yose Rizal Damuri (Executive Director, Centre for Strategic and International Studies)

Co-Chairs:

- Dionisius A. Narjoko (Senior Economist at The Economic Research Institute for ASEAN & East Asia)
- Jane Drake-Brockman (Visiting Fellow, Institute for International Trade, The University of Adelaide)
- Albert F. Park (Chief Economist and Director General of the Asian Development Bank/ADB)
- Andreas Freytag (Professor of Economics at the Friedrich-Schiller-University Jena)
- Manjeet Kripalani (Executive Director, Gateway House)