T20-G20 Roundtable on Trade, Investment, and Industry

“THE G20 TRADE, INVESTMENT AND INDUSTRY AGENDA: RETROSPECTIVE AND PROSPECTIVE VIEWS”

Wednesday, 26 October 2022, CSIS Auditorium, Jakarta

The global economy is facing various challenges, ranging from geopolitical tensions to a trade war, and from climate and environment to food and energy crises. Those have negatively impacted global growth and disrupted value chains. Next year, the IMF predicts a slowdown in global growth from 3.2 percent this year to 2.7 percent next year with mounting inflation and macroeconomic pressures. These challenges make the G20 members’ concerted effort is more relevant and undoubtedly needed to keep the trade and investment open, predictable and more sustainable.

The Trade Investment and Industry Working Group (TIIWG) has completed the three rounds of meetings and a Ministerial Meeting on 23 September 2022. The trade ministers produced a chair’s Summary and two documents on Non-Binding Guiding Principles to Support the Multilateral Trading System (MTS) for the Achievement of the Sustainable Development Goals in addition to Bali Compendium G20 Compendium on Promoting Investment for Sustainable Development.

To follow up and gather lesson learned from the meeting, the T20-G20 Roundtable on Trade, Investment, and Industry, aimed to discuss the outcomes of the TIIWG Meetings and to explore ways for follow-up actions for the next G20 presidency. The roundtable invited prominent speakers from policymakers, business leaders, and researchers involved both in the G20 and T20 processes.

The first session is on the WTO Reform. The G20 trade ministers emphasized the important role of the G20 in advancing the discussion on the WTO reforms, in particular on the improvement of 3 main functions: i) negotiation; ii) transparency and notification; and iii) dispute resolution. In addition, the WTO reform process should be seen as important effort in strengthening trust between countries in global trade governance. Therefore, the G20 ministers should continue to work to strengthen foundational principles of the WTO, to ensure a level playing field to foster an enabling business environment and to support the integrity and sustainability of the rules-based multilateral trading system.

The challenging situation in the last decade that impacted economic growth, such as the global financial crisis, protectionism, and unilateralism, the pandemic COVID-19, and global value chain disruptions, led to the need for WTO reform to be more relevant in regulating international trade. One of the issues is on the Special and Differential Treatment (SDT). Based on the WTO Ministerial Conference outcome document, SDT in the WTO agreements
should be precise, effective, and operational. The G20 members should emphasize their political support to go beyond general statements and refrain from harmful decoupling.

Another aspect is related to plurilateral agreement. One of the ideas suggested by the T20 is to have stages of the hierarchical framework start with the observer status and the chance to free riding the agreement for a limited period. The next stage is the “limited obligation membership” with an in-built special and differential treatment (S&DT). It can be followed by “full obligations” status, but without the liability of DSM for LDCs or certain members with trade performance below an agreed threshold. Full membership of the plurilateral agreement (including the possibility of being dragged to the DSM in case of disputes) is the next stage of membership. The goal is to have the agreement under plurilateral mechanism to be adopten as multilateral agreement (with a built-in S&DT).

In order to strengthen MTS, it is also important to pay more attention to regional trade agreements (RTAs) that have flourishing in the last two decades, partly to fill the gap left by the MTS. Keeping the RTAs in line with the existing multilateral is necessary to ensure basic principles of trading system such as non-discriminatory and transparency. Moreover, RTAs have potential to promote MTS further as a living-lab for various measures among members, similar to plurilateral agreement in the MTS. Greater number of RTAs accepting certain rules would make it easier to take up to multilateral level.

The second session is on the inclusive & resilient supply chain agenda. The discussion emphasizes the call for normalizing of countries’ trade measures and untangling logistics sector bottleneck. From the business side, there is a challenge in navigating the dynamics of the supply chain after post-pandemic and across on the current situation. The global supply chain hasn’t been back as on the pandemic level, the global average shipping wage is still about 179% higher compared to the pre-pandemic situation.

One of the G20 engagement groups, Business-20 (B20) has been advocating for global supply chain normalization by rolling back trade restrictions and refraining from implementing new trade restrictions. The B20 trade and investment task force aim to reduce of total trade restricted measure, improving the implementation of the trade facilitation, promoting the MRA of authorizing economic operators, and leveraging the use of technologies to minimizes at border restrictions in addition to improving participation of the MSMEs in the supply chain to ensure the GVSs resilient in the future.

The discussion also addressed some pressing issues on logistics sector that undermined the economic recovery and increase the uncertainty in global supply chain. The reason is that following the outbreak of the Covid-19, the bottlenecks of container deliveries have piled up across Asia, putting great strains on the capacity of supply chains to deliver in a timely fashion and adding to dozens of huge container ships continually idling near ports around the world.
To solve the shortage in the fleet, shipping companies could procure additional fleets to support the market but there is a more fundamental problem which is the inadequate financing facilities. The price of cargo vessels is not only costly but also volatile, imposing operational risks for the ship owners to acquire new fleets in the present environment. Finally, the spill-over impact of the supply-chain bottleneck must be addressed beyond the port, especially thru the two transmission channels, import price, and fleet shortage.