



L20 Assessment of the G20 Trade and Investment Ministers Meeting outcomes on September 22

In their meeting on September 22, the G20 Trade and Investment Ministers failed to see how current trade rules are responsible for persisting health emergencies, a galloping inequality and persisting exploitation and poverty, and the climatic crisis.

The Communique

- presents business-as-usual approaches to recovery (more liberalisation and export processing zones),
- lacks vision in a new role of trade for recovery (no discussion on the developments in global supply chains, trade's role in Just Transition, industrial transformation, Agenda 2030)
- does not plan for resilience (no discussion on industrial policy, no new principles in addition to those agreed in the previous Ministerial this year),
- and it lays out the Ministerial agreements and disagreements on principles for the multilateral trading system.

WTO Intellectual property protection – fighting the pandemic together or apart?

The Ministers recognise the role of “*trade and investment policies in ensuring [...] access to [...] pharmaceuticals, including vaccines...*”. However, this does not stand up to the reality check. The global trading system currently works strictly on the base of power and financial resources and has not provided medicines “*at an affordable price, on an equitable basis, where they are most needed and as quickly as possible*” as the Ministers iterate. The WTO TRIPS Agreement and its rules on protection of pharmaceutical patents has hindered access to vaccines, increased medicine prices, and slowed down global progress in fighting epidemics. The Communique also does not bear well with the fact that developed countries have signed deals to gain preferential access to a COVID-19 vaccine which will certainly lead to shortages, untimely and reduced access to many people, especially in developing countries.

The Ministers did not come up with any specific action or permission to diverge from current rules. The world is far from achieving high levels of access to medicines, protective equipment, and other necessary medical supplies, and the Ministerial Communique does not address this issue adequately – it relies only on a belief that restoring global trade would automatically provide medical supplies where is needed.

From export restrictions to trade facilitation

The Ministers noted the termination of many trade restrictive measures adopted earlier this year and the implementation of trade facilitation measures instead. But when it should be followed by new action, the



Ministers recognised the need for resilient global supply chains and to expand production capacity only verbally.

The Communique repeats language from the last two Ministerial Meetings on the type of pandemic measures (that they must be compatible with WTO rules) and then proceeds into realms other than the pandemic.

Seeking economic diversification...

An interesting section of the Communique discusses the need for economic diversification as to increase resilience – a need highlighted by the COVID-19 crisis. The Ministers then present the work of their G20 Working Group in two annexes – one on trade in services and one on Special Economic Zones – a term better known to unions as Export Processing Zones (EPZs).

...through SEZs policies...

The union movement has long criticised Special Economic Zones (SEZs) for spearheading the race to the bottom. On average, wages in SEZs might be slightly higher when compared to the rest of the (developing countries) economy; however, workers in SEZ capture a far lower share of value-added than if those jobs were closer to the lead firm (in developed countries). Such trends have contributed to income inequality, wealth concentration, and have undermined the manufacturing base of developed countries while creating mostly low-quality jobs in developing countries (even if they are above absolute destitution).

SEZs are a central element in the GVC-integration narrative that wants countries to compete for FDI and provide business with tax breaks, discounted electric power, disempowered workers, and other policies that make for an “environment friendly to business”. There are many exemptions of labour law in SEZs and labour inspectorates are often instructed not to visit SEZs.

UNCTAD¹ has for many years warned of the limitations of the SEZ approach to development. Countries seek to diversify their economies through SEZs but instead they become trapped in low value-added manufacturing and services. This leads to all sort of vulnerability. For instance, countries like Bangladesh have over-relied on the production of ready-made garments and textiles which suffered a big blow by the anti-pandemic measures.

The Communique includes a blend of national examples of SEZs with regard to investment attraction, economic diversification, export growth, job creation, labour skills, and income generation for governments. The argument-building in this section is particularly problematic with sentences like “SEZs have clear initiatives that contribute to gender balance” because they increased access to kindergartens (in an example shared by Turkey).

¹ https://unctad.org/en/PublicationChapters/WIR2019_CH4.pdf



At least, “some members raised concerns about the impact of SEZs on the level playing field (notably Australia) and observed that some incentives offered to enterprises in these zones may distort trade and be inconsistent with certain WTO obligations.”

It is certainly a step back for the G20 to promote SEZs, a strategy largely adopted by LDCs, to promote diversification. Not only it stems from old ideological prejudices, but this approach has been tested and led to (at best) limited results.

...and through increased trade in services.

This Annex fails to build a cohesive narrative and it summarises contributions of national delegations. The focus is selective to benefits deriving from services liberalisation but there is no discussion about the distribution of benefits or what happens to those who are affected by the restructuring induced by liberalisation.

This Annex also suffers from grave argument-building. For example, one of the logical fallacies reads: “It was noted that, in some countries, the gender-differentiated wage gap is lower in services than in manufacturing. The rise of services therefore has the potential to promote gender equality in the labor market.”

The text mentions also action on domestic regulatory frameworks like simplified licensing and registration requirements (the equivalent of tariffs for the so-called *trade* in services) as beneficial for service suppliers. (The issue of WTO Domestic Regulation Disciplines is also mentioned in this Annex, but I examine it further below under the WTO section.) Truth is that for a service sector to reap benefits from liberalisation, it needs to be at least basically competitive by international standard in order to attract foreign clients or successfully establish presence in other countries.

Opening up competition in services has caused an economic transformation that includes job losses, acquisitions of major service providers (in air and road transportation, telecommunication and postal and courier services – that are mentioned in the Communiqué), increased labour competition and precarisation, and other adverse effects that have majorly contributed to market power concentration, inequality, and policy capture. Recently, trade unions have rejected the last effort to liberalise services² (the TiSA) as they would increase wage pressures, and lower accessibility and quality of services.

² ITUC: <https://www.ituc-csi.org/all-about-tisa>

PSI: <https://publicservices.international/resources/news/tisa-trade-in-services-agreement-is-bad-news-for-workers-and-communities?id=7574&lang=en>

IUF: <http://www.iuf.org/w/?q=node/6049>

UNIGlobal: <https://www.uniglobalunion.org/news/tisa-foul-play>

ITF: <https://www.itfglobal.org/en/news/itf-and-etf-say-stop-tisa>

EI: <https://www.ei-ie.org/en/detail/2337/tisa-a-threat-to-free-quality-public-education>



It is worrying that the Ministers choose to focus on recipes to recovery that have led to labour market polarisation and have failed workers.

Building consensus for WTO Reform

A contribution of the G20 Ministerial Communique is the adopted “*Riyadh Initiative on the Future of the WTO*” and the “*Chair’s Summary of the Exchange of Views under the Riyadh Initiative on the Future of the WTO*” (Annex 1) which was transmitted to all WTO Members through the General Council of the WTO. It comes with a note that “[t]his Summary was prepared by the Chair of the Trade and Investment Working Group under his own responsibility and is without prejudice to the positions of individual members.”

The texts³ show where current disagreements stand with language like “Some members stressed..” and “Many members highlight..”.

A list of areas where they agree (at least on the validity of having a discussion):

- notification obligations (of subsidies and other state support) should be respected
- disciplines on fisheries subsidies should be agreed
- a functioning dispute settlement system is needed and reform is desirable (but had divergent views on the nature of reforms)

After reaffirming the founding principles of the WTO, the Ministers put together a list of principles for the Reform. This list of principles are the Communique’s greatest contribution to the WTO Reform.

- Rule of law
- Transparency
- Non-discrimination
- Inclusiveness
- Fair competition
- Market openness
- Resistance to protectionism
- Reciprocal and mutually advantageous arrangements with differential and more favorable treatment for developing economies, especially LDCs
- Sustainability (most members)
- Market-oriented policies (most members)
- Some members special and differential treatment (S&DT), to which many members responded that S&DT should be applied on the basis of demonstrable needs
- consensus-based decision making (some members)

These terms could summarise the current debate in the WTO often with members giving different definitions. For instance, S&DT is an agreed concept in the WTO rules but not yet operationalized and

³ For clarity: the Ministerial Communique, its Riyadh Initiative, and the Working Group Chair’s Summary



developing countries have presented proposals about the practical application of this principle on specific trade rules. Developed countries counter-argue that they cannot concede S&DT to emerging markets and they only consider it for LDCs and other developing countries that do have “demonstrable needs”.

Most interestingly, there seems to be increased support for sustainability to become one of the principles (though not consensus) which could open the door for standards monitoring and enforcement in the areas of environment and, a step further, labour. Still, this principle is not fully endorsed, and it will face resistance in agreement, operationalisation and in practice.

On the issue of industrial subsidies, the text says that international rules require their notification and recognises a need for such rules to be strengthened. For context, it is mostly developed countries that accuse developing countries, most saliently China, for subsidising its industrial production – a practice that has caused job losses, excessive capacity, and unfair competition in developed countries and beyond. On the other hand, developing countries consider unfair that they face dumping from highly subsidised agricultural products from developed countries. Interestingly, those issues appear consecutively connected in the text.

The texts *note* (not endorse) ongoing WTO plurilateral negotiations (on E-Commerce, Investment Facilitation, MSMEs, and Services Domestic Regulation). India, South Africa and many other WTO Members have stated their rejection of these plurilateral negotiations because (and truth is) they are not mandated by the Marrakesh Agreement and the last WTO Ministerial Conference in Buenos Aires did not agree to approve new negotiations. Hence, the willing ones made coalitions (called Joint Statement Initiatives - JSIs) to go along on their own plurilateral negotiations (on e-commerce, domestic regulation disciplines, investment facilitation, and MSMEs) with the blessings of DG Azevedo who was accused of acting beyond his statutorily agreed competences.

The objections about the legitimacy of the plurilaterals have been reflected in the G20 Communique.

Divided on plurilateral negotiations

The negotiations on Investment Facilitation concern, among other things, the predictability and objectivity of investment measures, administrative procedures, and mediation mechanisms. There is great potential for an overlap between the Domestic Regulation Disciplines negotiations and the Investment Facilitation ones as they both aim at limiting governmental competence to draw investment policy and at establishing a corporate friendly environment in which investors increase their power over governments.

The e-commerce negotiations are another plurilateral. The [ITUC](#) and [PSI](#) have recently published two reports on the e-commerce negotiations identifying a series of risks for workers’ bargaining power, income inequality, public services, privatisation, workplace surveillance, personal data privacy, and other risks to the global society.



Like in many other issues, the Ministers were divided on the plurilaterals' legitimacy, their goals and importance. Some members underscored their high potential to contribute to the global economy, while others stressed the importance of discussing these matters (Domestic Regulation, E-Commerce) not in WTO negotiating rooms but in the respective WTO Working Party and Work Program where delegations exchange views but do not negotiate legal binding texts.

MSMEs guidelines

The Communique endorses the "G20 Policy Guidelines on Boosting MSMEs' International Competitiveness" (Annex 2). These non-binding and voluntary Policy Guidelines provide reference to national and international policymaking, notably for participants in the WTO Joint Statement Initiative on MSMEs.

In conclusion

The Ministers were not successful in finding new approaches to trade and investment as to increase resilience and contribute to global recovery. Instead of discussing specific actions, including permission to diverge from current WTO rules, and create more policy space critical for the response to COVID-19, they stated belief that liberalisation and restoring trade would, somehow, by itself guarantee access to medical supplies and protective equipment for all.

The Ministerial could not agree unanimously on important questions on the WTO Reform and lacked the vision for new a trading system that contributes to Decent Work, sustainability and the achievement of the Agenda 2030 goals. Instead of discussing global supply chains transformation, the Ministers discuss promoting old approaches like services liberalisation and promoting Special Economic Zones, a primarily LDC strategy for investment attraction.

Overall, the Ministerial text has logical fallacies, poor argument-building, contains some ideological thinking, such as non-factual and blanket statements, and omits the reality check – that the current globalisation rules led to wage suppression and inequality.