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REPORTS ON G20
TRADE AND INVESTMENT MEASURES[1]

(MID-OCTOBER 2019 TO MID-MAY 2020)

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Joint Summary on G20 Trade and Investment Measures

We are pleased to submit our reports on G20 trade and investment measures. They are presented under the mandate provided by G20 Leaders to the WTO, OECD and UNCTAD and cover trade and investment measures implemented by G20 members during the period from mid-October 2019 to mid-May 2020.

These reports are being delivered against the backdrop of the COVID-19 crisis, which has already resulted in the deepest recession since the Great Depression in the 1930s, and which could have even more profound effects. The OECD June 2020 Economic Outlook, projects that a "double-hit" scenario, where a second outbreak occurs in all economies towards the end of this year, would see global GDP decline by 7.6% in 2020 and trade by 11.5%, with growth remaining well short of pre-crisis level even at the end of 2021. Even if such a second outbreak is avoided, world GDP is still projected to decline by 6% this year, and trade by 9.5%, but with growth recovering to near pre-crisis level at the end of 2021.

The WTO has forecast that the volume of world merchandise trade would shrink by between 13 and 32% this year, though preliminary data as of mid-June are more consistent with the optimistic side of that range. A major question will be the strength of the subsequent rebound, which will determine whether trade returns to its pre-pandemic trajectory or settles in at a lower level. Trade, of course, had been weighed down by trade tensions and slowing growth even before the pandemic struck, with merchandise trade in 2019 registering its first decline in a decade.

The OECD and UNCTAD forecast that global FDI flows will decrease by as much as 40% in 2020. According to the UNCTAD World Investment Report 2020, FDI flows are expected to drop below USD1 trillion for the first time since 2005, down from USD 1.54 trillion in 2019. FDI is projected to decrease by a further 5 to 10% in 2021 and to initiate a gradual recovery in 2022. A rebound in 2022, with FDI reverting to the pre-pandemic underlying trend, is possible, but only at the upper bound of expectations.

During the review period, G20 economies implemented 154 new trade and trade-related measures, 95 of them trade-facilitating and 59 trade-restrictive. Of these measures, 93 – or about 60% – were linked to the COVID-19 pandemic, with 65 measures facilitating trade while 28 restricted trade flows.

There are some positive trends. While several governments met the initial COVID-19 outbreak with a raft of trade restrictions, mostly to prevent exports of medical supplies, G20 economies had repealed around 36% of the pandemic-related trade restrictions by mid-May. In addition, the trade coverage of non-COVID-19 related import-facilitating measures implemented during the review period was estimated at USD 735.9 billion, the highest figure since November 2014.

At the same time, however, the trade coverage for new import-restrictive measures unrelated to COVID-19 was around USD 417.5 billion, the third-highest value recorded since May 2012. Import-restrictive measures introduced during the review period affected 2.8% of G20 trade. Meanwhile, the stock of such measures implemented since 2009 and still in force continues to grow – now affecting an estimated 10.3% of G20 imports (USD 1.6 trillion).

With regards to investment, until the COVID-19 pandemic struck in early 2020, investment policy making in G20 members had slowed down further, with some measures oriented towards greater openness for international investment and most policy measures concerning the reform of investment policies designed to safeguard national security interests against threats associated with international investment. Even though this is a continuation of a trend that had taken root around 2016 these measures have been accelerated due to the pandemic. They need to be monitored and the international dialogue should be strengthened to find the right balance between managing risks while taking advantage of the opportunities that FDI brings to countries.

As the health crisis is brought under control, it is urgent to put in place measures to ensure a swift and sustainable recovery from the economic crisis and lay the foundations for a more prosperous, inclusive future. There is a pressing need for greater investments in health and social protection that ensure the resilience of societies in the face of risks such as pandemics while bolstering the protection of the most vulnerable against such shocks. FDI and trade can play important roles in achieving recovery and building more resilient, sustainable economies – provided governments embrace the potential of international investment rather than turning inwards.

Close monitoring of policy developments and continuous multilateral dialogue, as is taking place at the WTO, the OECD and UNCTAD, can make important contributions to mitigate negative impacts on trade and investment. Such dialogue also contributes to inform the design of policies that allow countries to navigate the uncertainties brought about by the COVID pandemic and establish conditions that usher in a sustainable recovery.

International cooperation on trade and investment among G20 countries will remain essential to ensure availability of essential goods and promote a strong economic recovery. Transparency, confidence and certainty about market conditions are prerequisites for businesses to plan and invest. It is vital that G20 Members remain committed to their recently confirmed goal to "realize a free, fair, non-discriminatory, transparent, predictable and stable trade and investment environment, and to keep our markets open". The G20 commitments for emergency trade and investment measures to be transparent, temporary, proportionate and targeted, are welcome in this regard. Monitoring exercises such as this one can help ensure that the injections of public money that are now a necessary response to the crisis do not become a source of distortions and unfair competition in the future. It will also be crucial that FDI measures to avoid "opportunistic crisis buying" do not become long-term obstacles to foreign investment. Going forward, the G20 can be an important platform to share views and practices, and even to coordinate exit strategies from state support.

While the pandemic has underscored the need to ensure supply chain resilience, re-shoring is not necessarily the answer. Open international markets, with greater diversification of supply, are also themselves a source of resilience, allowing for shocks in one region to be offset by supply from another. While the existing WTO rulebook contains provisions for national emergencies, WTO Members might also wish to think about whether new trade rules may be necessary to respond to global emergencies in which many countries are affected at the same time, as with the current pandemic.

In the midst of the worst economic downturn in almost a century, it is important to look ahead to the future. Continued international dialogue, cooperation and monitoring are needed more than ever. In 2008-09, governments' collective choice to refrain from widespread protectionism and beggar-thy-neighbour policies helped speed the recovery of economies from that crisis. Similar restraint is necessary this time. The principles of openness, transparency, fairness and sustainability can guide governments as they work to lay the foundations for a swift and inclusive recovery.

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