

# **PURPOSE, PLATFORM, AND POWER:**

## **ADVANCING TRADE UNDER INDIA'S G20 PRESIDENCY**

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Global Trade Observer (GTO) is an independent, non-partisan, data-driven, social impact venture. It aims to be a trusted knowledge partner for trade policymakers to streamline and improve policymaking and ensure that India maximises its trade potential to become a US\$5-trillion economy.

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# Foreword

**The practices adopted by a nation** vis-à-vis domestic and international trade have an explicit global impact, and when the potential is tapped correctly, in sync with other countries, 'glocal' growth is bound to follow. If consensus is achieved on a rules-based multilateral trading system, it would serve the greater economic interests of participants, as opposed to a restrictive and unilateral approach. History is witness to the power trade wields. The pandemic is the most immediate example: Covid-19 recorded the fastest international trade-driven recovery for developing economies. In a dynamic world laden with unforeseen crises, cooperative strategies can facilitate mitigation of trade disruptions while aiding global collective action and response.

This report, published in collaboration with the Observer Research Foundation, has been undertaken after extensive research and deliberation, against the backdrop of fostering and advancing 'glocal' development

by harnessing the potential of the multilateral trade system. With India taking over the presidency of the G20 for the first time, the report makes a case for trade-related interventions that can be advanced during its term.

It argues that the multilateral trading system continues to matter at a time of increased unilateralism and protectionism, and that the G20's representative, high-level status makes it a lynchpin platform for deliberation and consensus-building. It underlines how India's weight, voice, and experience, including a newfound appetite for international trade, puts it in a favourable position to raise a global trade agenda during its presidency. The report provides preliminary practical inputs on how the multilateral trade system can be strengthened in a responsible manner to reap the benefits of international trade.

It is GTO and ORF's aim that these suggestions serve as a springboard for



further in-depth deliberation to formulate action-oriented solutions to the crisis facing the multilateral trading system. India's G20 moment gives it a prime opportunity to point the needle towards necessary global action, including trade, in a way that improves the conditions for higher, sustained growth and development of the global South.

With the publication of this report, and our broader ORF-GTO collaboration, we hope to build momentum on the objective of

furthering growth through pragmatic trade policies. It is our endeavour to contribute towards a strengthened understanding and implementation of India's trade priorities, and work towards enhancing the country's contribution towards international trade, while catering to our collective stakes and interests in the multilateral trading system.

Anirudh Bhagchandka  
Founder, Global Trade Observer



# Abstract

**India assumes its first-ever G20 presidency**

from 1 December 2022 to 30 November 2023. In the coming year, India has the opportunity to further the cause of mutually beneficial, rules-based international trade at a time when the world is facing a series of multiple and overlapping political and economic crises. This paper opens by describing a confluence of factors that together open a window of opportunity for India's presidency to advance pragmatic engagement on trade, specifically in shoring up the multilateral trading system:

purpose around faultlines in the multilateral trading system; G20's political weight as a global governance platform; and India's potential to wield power. It makes a case for trade-related interventions under three categories that can be taken forward under India's G20 presidency: interventions that advance a more predictable and stable multilateral trading system; practical commitments; and issue-specific targeted interventions that take from India's own domestic experiences.



# I.

# The Context

## Why Trade?

**A new era of multilateral trading system** amidst uncertainty beckons.

Tensions within the multilateral trading system have long been apparent, not least because of stalled progress at the World Trade Organization (WTO) on multiple fronts, from agriculture subsidies and industrial tariffs to intellectual property protections. Consensus around “free trade” has always been met with government interventions on the ground; multilateral trading rules are coexisting with proliferating bilateral free-trade agreements

and increasing regionalisation; and most trade agreements have national security exemptions. Hegemonic competition and the increasing use of trade restrictive behaviour in the name of ‘national security’—due to crisis, conflict, or climate—is contributing to the marginalisation of multilateral trade rules in inter-state relations. As countries now consider not only economic but also strategic costs and benefits, instances of unilateralism, protectionism, and potential fragmentation abound (see Box 1).



## Box 1. An Uncertain Global Trade Landscape

- **Unilateralism:** The European Union's (EU) revised trade rules, for example, in force since February 2021, now allow the bloc to introduce sanctions without prior authorisation from the WTO in the event it faces obstruction in dispute settlement from an opposing country.<sup>1</sup> Other examples are the economic response to Russia's action in Ukraine that includes sanctions,<sup>2</sup> as well as the decision to revoke Russia's most favoured nation (MFN) status. Of particular note are EU unilateral interventions on climate policy that implicate trade—namely, the carbon border adjustment mechanism and the proposed anti-deforestation regulation.<sup>3</sup> Indeed, there currently exist around 70 different approaches to carbon-pricing.<sup>4</sup> Particularly worrisome is “aggressive unilateralism,”<sup>5</sup> or trade-restricting behaviour that seeks advantages at the expense of the targeted country or to coerce change in others' trading behaviour.
- **Protectionism:** The two largest economies, the United States (US) and China, are waging a trade and technology war replete with sanctions against companies, export restrictions, and tariffs.<sup>6</sup> ‘Vaccine nationalism’ has also been apparent, and food protectionism across the world is on a sharp rise in the wake of the Russia-Ukraine war.<sup>7</sup> Data from Global Trade Alert reveal increasing trade interventions since the global financial crisis, with restrictive measures outpacing liberalising ones, especially since 2018. There is in particular an increase in the number of restrictions in high-tech sectors.<sup>8</sup> In terms of policies that reduce market access, the three most popular types include corporate subsidies, ‘buy national’ state purchasing initiatives, and tariff increases.<sup>9</sup> New industrial policies that encourage indigenous production or reshoring (e.g., US CHIPS and Science Act and Inflation Reduction Act; China's dual circulation strategy) indicate a longer-term protectionist trend.
- **Fragmentation:** A political push for decoupling through re-shoring, near-shoring, and friend-shoring, particularly of strategically sensitive goods such as semiconductors, heightens the possibility of independent supply chains that accelerate the emergence of a world divided into politically-coloured trading blocs. Plurilateral propositions, such as the India-Japan-Australia Supply Chain Resilience Initiative, the US-led Indo-Pacific Economic Framework, and Quad initiatives will be a source of such “gated globalisation”<sup>10</sup> or “strategic reglobalisation.”<sup>11</sup> Bigger regional trade blocs, such as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership and the Regional

Comprehensive Economic Partnership, may lead to greater discrimination and trade conflict vis-a-vis non-participating members. Furthermore, unilateral and plurilateral measures—in the absence of global governance mechanisms—are

increasing the diversity of norms and practices in trade areas with limited regulation (e.g., Industry 4.0; sustainability; digital domain) and trade behaviour with weaker monitoring (e.g., industrial/corporate subsidies and export controls).

To be sure, improving domestic capacities and strengthening ties with trusted trade partners are valid responses to address supply chain vulnerabilities, build economic resilience, and deliver inclusive development. However, trade must not be viewed through a zero-sum lens and trade interdependence as a source of insecurity, for two key reasons.

First, economic nationalism implicates the role of international trade—particularly through global value chains (GVCs)—in fostering development, responding to crisis, and implementing systemic transitions. Trade has long been recognised as a driver of growth and productivity, efficiency and innovation, jobs and incomes, as well as access to necessary technology. GVCs, which drive the majority of global trade, are known to deliver better income and productivity gains than traditional trade: a 1-percent increase in GVC participation can result in a per-capita increase of more than 1 percent compared to a 0.2-percent income gain from standard trade.<sup>12,13</sup> Fundamentally, “an integrated economy has allowed a flow of goods, services, investment and ideas that has helped lift more than one billion people out of poverty since 1990.”<sup>14</sup> Moreover, given its linkages across economic sectors and markets—from agriculture to services, health to technology—trade is an inevitable vehicle to help realise

green transitions as well as inclusive and sustainable development.

More immediately, as a 2022 World Bank report finds, countries more deeply embedded into GVCs recovered more quickly than others during crises: GVCs ensure that recovery in any part of the world is transmitted through the value chain during a global recession.<sup>15</sup> Just as the Covid-19 pandemic has highlighted the risks to countries reliant on trade for essential items such as food and medicines, it is equally true that a rules-based international trade remains crucial in implementing a comprehensive response to Covid-19 as well as future health emergencies. “[T]rade policy is vaccine policy,” as WTO’s director-general Ngozi Okonjo-Iweala said.<sup>16</sup> For instance, border agency cooperation has been identified as one of the most important trade facilitation measures during the pandemic that saved time and lives.<sup>17</sup> Increased trade facilitation could lift an additional 22 million people out of poverty by 2030 and improve incomes of the bottom 40 percent—an important benefit to counter the reverse in global poverty decline due to the pandemic. In the present backdrop of a “polycrisis”<sup>18</sup>—slow growth, an uneven recovery, fears of recession, debt risk and distress, record-high inflation, and supply chain disruptions—trade can contribute towards economic resilience through lowering



prices and dampening inflation, alleviating public debt pressures, and diversifying sources, markets, and risks.

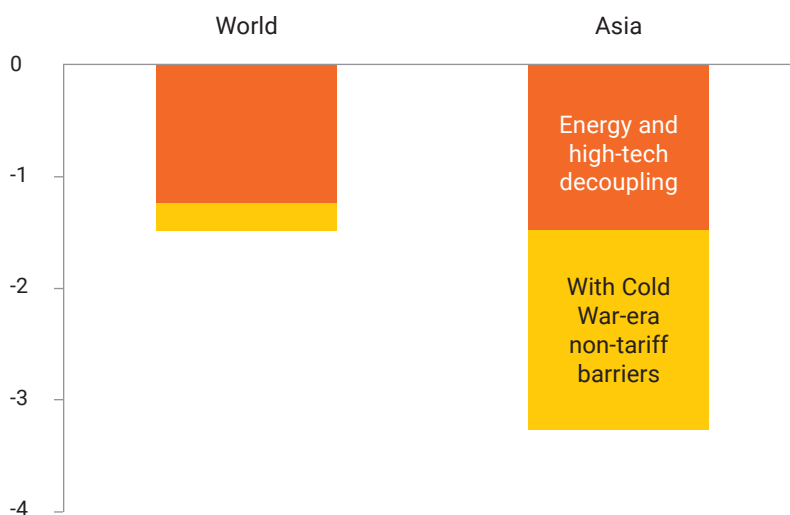
IMF and World Bank studies reveal adverse effects of unilateralism, protectionism, and fragmentation on investment, GDP, employment, real income, and poverty levels (see Figure 1). Emerging markets and developing economies inevitably will be more severely affected. Protectionist measures have raised wheat prices by 9 percent, according to the World Bank, for instance. Reshoring attempts by high-income economies and China would result in a fall in

real incomes by 1.5 percent, driving an additional 52 million people into extreme poverty by 2030. Africa, South Asia, and West Asia and North Africa will be the strongest hit regions. Critically, benefits of trade diversion for some will be outweighed by significant, permanent declines in output for the vast majority. On the other hand, adopting policies that are more GVC-friendly and support greater integration can help lift 21.5 million people out of extreme poverty in the same period. South Asia would stand to benefit the most in terms of poverty eradication.<sup>19</sup>

### Figure 1: Consequences of Geoeconomic Fragmentation

#### Divided world

Permanent economic output losses due to lower productivity from global trade fragmentation can be significant. (Estimated aggregate GDP losses, percent)



*A hypothetical scenario of long-term losses from fragmenting world trade along the lines of the UN vote on Ukraine (countries that supported vs. those that opposed or abstained), with restricted energy and high-tech trade and Cold-War era non-tariff barriers, reveals permanent global annual at 1.5% of GDP, with losses for Asia and Pacific countries at 3.3% of GDP.*

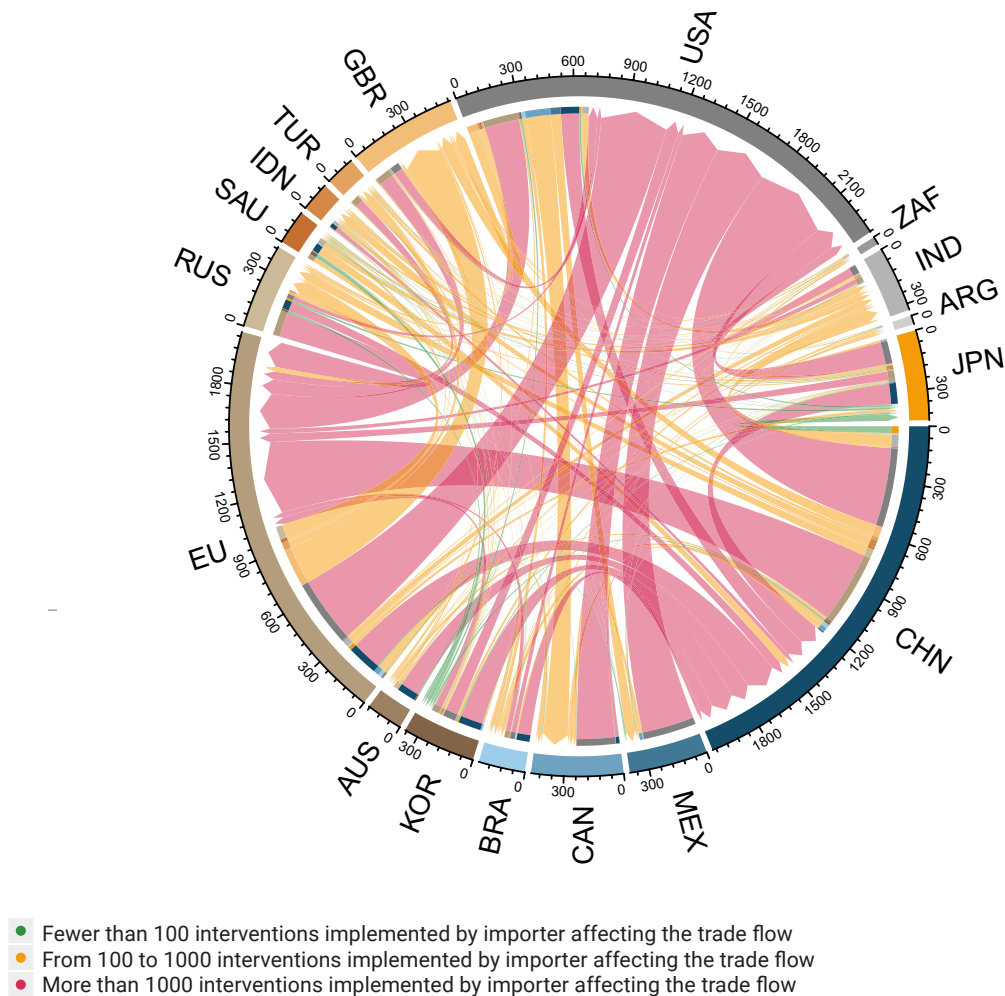
Source: IMF<sup>20</sup>

A second reason to view trade interdependence more favourably is that big-power competition obscures a larger picture. A greater trade volume is today at risk from harmful trade policies than liberalising steps, but it is equally true that large economies tend to hit other large economies more (see Figure 2), and the US, followed by EU-27, are responsible for the bulk of harmful trade measures at present.<sup>21</sup> Covid-19 led to the steepest decline in international trade on record—but also the fastest recovery. As the World Bank further notes, trade rebounded faster and stronger than any other component of global output.<sup>22</sup> The year 2021 saw a record US\$28.5 trillion worth of trade occurring, a 13-percent increase from pre-pandemic levels in 2019.<sup>23</sup>

Moreover, trade-led growth remains an unfinished story for the developing world.

Southeast Asia, South Asia and Central Asia, and sub-Saharan Africa are forecasted to lead trade volume growth in the next five years, with India, the Philippines, and Vietnam potentially leading trade growth in the near future.<sup>24</sup> Another case in point: South-South trade continues to increase, and is currently 42-percent higher than pre-pandemic levels.<sup>25</sup> Furthermore, participation of the global South in regional and global value chains is still occurring: while the contributions of past drivers of GVC participation, such as China, have plateaued, those of other developing countries are increasing, such as Bangladesh (textiles) and Vietnam (electronics). The average year-on-year growth of GVC participation of G20 developing countries, excluding China, stands at 9.88 percent between 1990-2018, based on OECD source data.<sup>26</sup>

Figure 2: Power competition and trade restrictions



Source: *Global Trade Alert*<sup>27</sup>

An appetite for international trade remains. The nature of trade is evolving towards high-tech goods, services and digitalisation: these invariably need a conducive cross-border ecosystem. "Trade-plus issues" are becoming increasingly important to collectively regulate, such as labour and environmental standards. Multiple and overlapping crises require trade as part of the solution: "If the problem has a trade dimension, then the

solution must also have a trade dimension," noted UNCTAD Secretary-General Rebeca Grynspan.<sup>28</sup> Unilateralism, protectionism, and fragmentation in the multilateral trading system bode ill for addressing current challenges and pursuing much-needed trade action in the coming years. The imperative is to (re)introduce some measure of predictability, stability, and trust in the system for mutual benefit.

Why the G20?

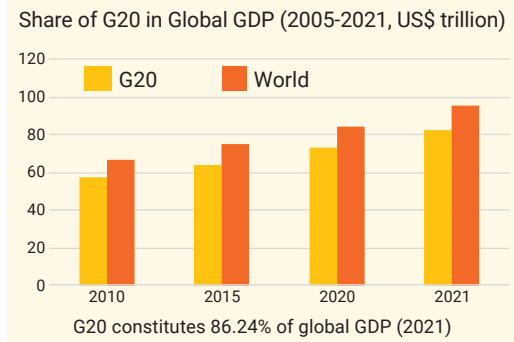
International trade faces barriers that are just as much political as technical, as outlined in the preceding section. The G20's systemic relevance undergirds its political and peer-learning functions, which it can and must bring to bear with respect to introducing greater predictability, stability, and trust in the multilateral trading system.

The G20 is a forum of the world's largest economies comprising industrialised countries and emerging markets that together account for 85 percent of global GDP, 75 percent of global trade, and 60 percent of the world's population (see Figure 3).

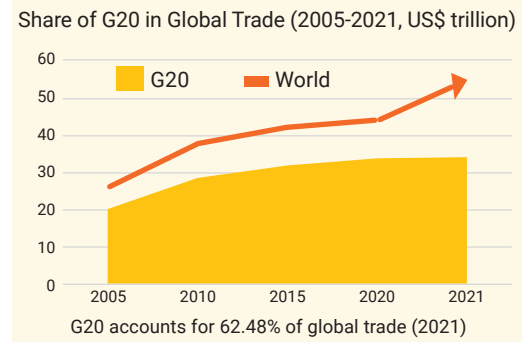
Figure 3

G20: An Economic Heavyweight

Economic Growth

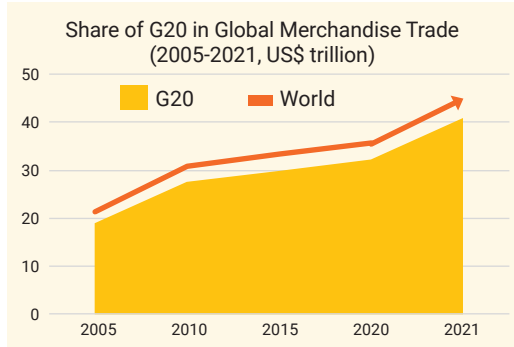


Global Trade

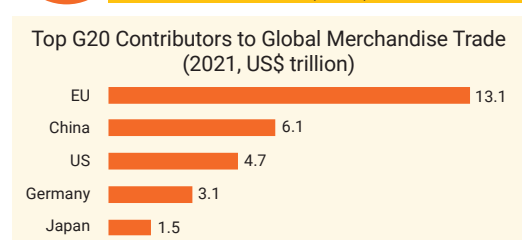


G20 trade contributes 35.7 % towards global GDP (2021)

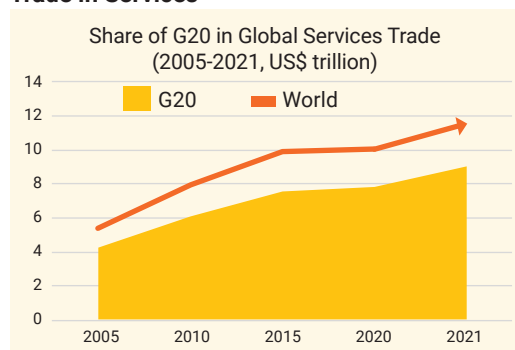
Trade in Merchandise



**91%** G20's contribution to global merchandise trade (2021)



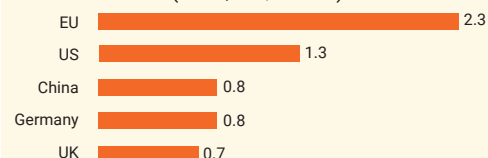
### Trade in Services



77%

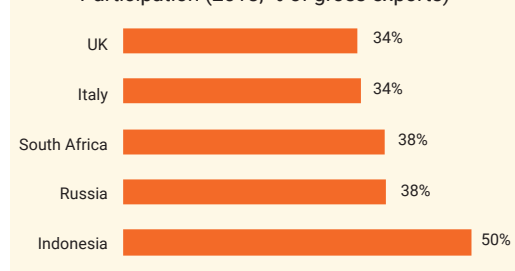
G20's contribution to global service trade (2021)

### Top G20 Contributors to Global Services Trade (2021, US\$ trillion)



### GVC Participation

#### Top 5 G20 Members with Highest Forward GVC Participation (2018, % of gross exports)



#### Top 5 G20 Members with Highest Backward GVC Participation (2018, % of gross exports)



Source: Data from World Bank, OECD, and UNCTAD databases. Prepared by Global Trade Observer.

The sheer weight of its collective membership, the absence of a functioning 21<sup>st</sup>-century multilateral grouping that adequately represents the shift eastward and southward in the global economy through its membership, as well as its robust response to the 2008 global financial crisis have traditionally lent the G20 a degree of legitimacy as the economic steering committee of the world. Coupled with the extent of specialised government-level and civil-society engagement under the G20 Sherpa and Finance tracks, as well as the knowledge and resource backing by multilateral organisations—such as WTO, UNCTAD, OECD, WB, and IMF—the G20 can command significant political momentum. In particular, the G20 can be a lynchpin multilateral platform for—at the very least—propelling political direction and support on key priorities as well as promoting peer learning and sharing

that can together contribute towards shared understanding and coordinated actions.

The multilateral trading system needs this very political capital. Leaders' communiqués/declarations and G20 presidency annex documents reveal why: G20's track record on trade is mixed, with growing political differences impacting the quality of consensus and output, while recording piecemeal, issue-specific progress.

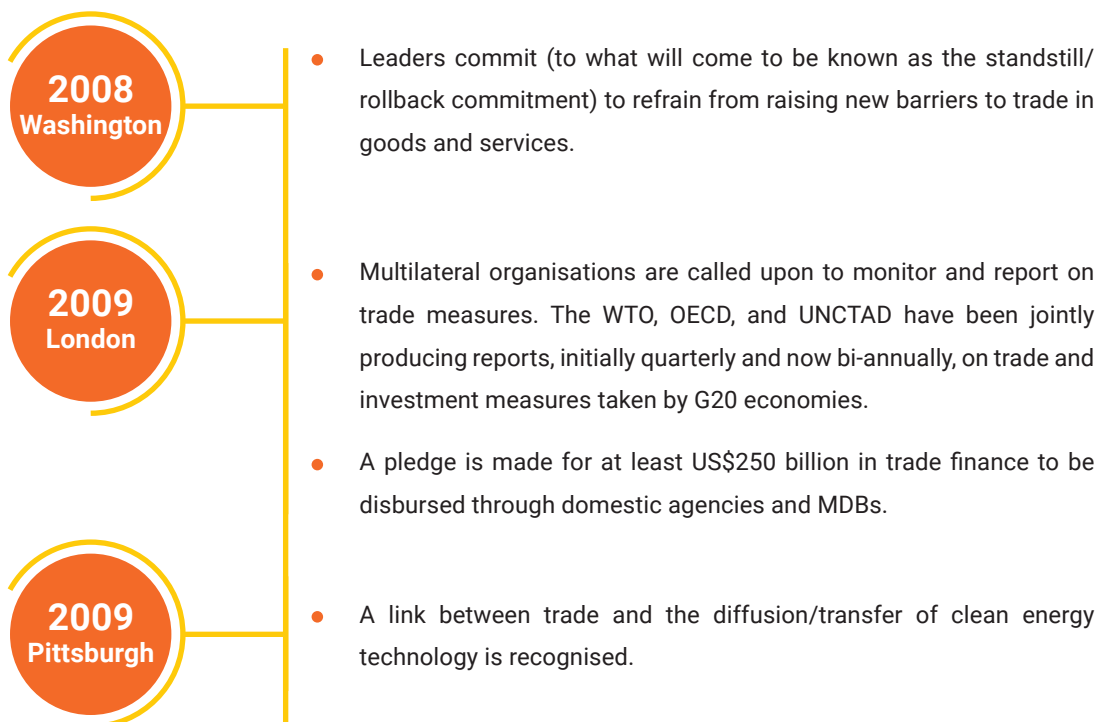
A gradual increase in depth, engagement, and focus in the initial years, peaking at the G20 summit in China in 2016, has subsequently succumbed to a relative de-emphasis in recent years as political differences have grown. Boilerplate statements and weak language have defined trade-related consensus; trade-related commitments have declined; and compliance remains the lowest

as compared to other policy areas. Initial leaders' summits placed a strong emphasis on resisting protectionism and keeping markets open in the aftermath of the global financial crisis, as well as the successful completion of the Doha round of trade negotiations, along with pledging progress at successive rounds of WTO Ministerial Conferences. Mention of 'protectionism' in the final leaders' declaration disappeared 2018 onwards, although reference to it reappeared in the 2021 and 2022 summit documents under Italian<sup>29</sup> and Indonesian<sup>30</sup> presidencies in the garb of "trade tensions," "distortions," and "supply chain disruptions."

With the death knell sounding on the languishing Doha round, WTO reform has become a focal topic of conversation, especially in the wake of the stalled dispute

resolution mechanism. Traditional issue areas—trade facilitation, aid for trade, GVCs, and the role of trade in generating employment—have given way to emerging opportunities and challenges, such as excess capacities, increasing participation of micro, small, and medium enterprises (MSMEs) and women in GVCs, trade in services, supply chain security, and respective linkages between trade and digitalisation, health, and environment. Post-Covid, there is an emphasis on inclusive, sustainable, and resilient trade. The cross-cutting nature of trade is again recognised in the outcome documents under the Indonesian presidency, as well as, importantly, fostering domestic capabilities. (See Figure 4 for a more detailed timeline.)

**Figure 4: Timeline of Progress on Trade Talks at G20**





2015  
Antalya

- SMEs are mentioned for the first time, in the context of increasing their participation in GVCs.

2016  
Hangzhou

- The Trade, Investment and Industry Working Group (TIIWG) is established.
- A G20 Strategy for Global Trade Growth is endorsed, under which the G20 is to lead by example to lower trade costs, harness trade and investment policy coherence, boost trade in services, enhance trade finance, promote e-commerce development, and address trade and development.
- The G20 Digital Economy Development and Cooperation Initiative is released, which includes conversation on e-commerce.
- A focus on industrialisation (New Industrial Revolution) takes into account the importance of open trade and investment.
- “Environmental goods” are mentioned for the first time.
- E-commerce and digital trade are discussed for the first time (also under B20).
- A call is made to establish a global forum to discuss excess capacity in steel.

2017  
Hamburg

- For the first time, no mention of DDA is made—a trend that continues from here onwards.
- Also for the first time, the usual standstill/rollback commitment on trade measures is not included, a trend that continues from here onwards.



2018  
Buenos  
Aires

- For the first time, 'protectionism' is not included in the summit document, a trend that continues from here onwards.
- Agro-food GVCs are discussed.
- Challenges and opportunities of New Industrial Revolution (NIR) for trade and investment are discussed, with an inventory made of national experiences, programs, policies and practices on trade and investment aspects of the NIR.

2019  
Osaka

- Trade ministers and digital economy ministers gather together for the first time to deepen understanding of the interface between trade and digital economy.

2020  
Riyadh

- Two Extraordinary G20 Virtual Trade and Investment Ministerial Meetings are held in March and May in response to Covid-19. Actions to support trade in response to Covid-19 include a focus on short-term collective actions (trade regulation, facilitation, transparency, logistics networks, MSMEs) and longer-term collective actions (multilateral trading system, global supply chains, international investment).
- "Supply chains" are mentioned for the first time.
- Riyadh Initiative on the Future of the WTO is launched to provide an additional opportunity for members to work constructively on the issue.
- Non-binding and voluntary policy guidelines on boosting MSMEs' international competitiveness are released.
- Economic diversification is discussed, with an emphasis on trade in services and SEZs: TIIWG prepares two Synthesis Reports of best practices and lessons learned by member countries on trade in services and SEZs.



2021  
Rome

- How trade action can support global health efforts is discussed.
- The importance of mutually supportive trade and environment policies is recognised.
- The need to strengthen international rules on industrial subsidies is affirmed. Agriculture subsidies and market access forms part of the conversation.
- A non-binding MSME Policy Toolkit is released.

2022  
Bali

- Only a Chair's Summary is released after the trade ministerial.
- Non-binding guiding principles for the multilateral trading system to support SDGs is released, offering a broad-based view of how open and transparent trade is an input towards multiple developmental priorities, from hunger and health to climate action and environment-friendly action on land and below water. The phrase "trade protectionism" makes an appearance under reference to SDG 1 in this annex document.
- Local industry and domestic capacity is highlighted, especially in the context of integration of MSMEs in international trade and food security.
- An initiative is taken by the Indonesian presidency to institutionalise discussions on industrial-related issues in the context of policy coherence between trade, investment and industry.

Source: G20 Information Centre<sup>31</sup>



The G20 can once again inspire confidence.<sup>32</sup> The forum came into its own as a crisis institution to address the global financial upheaval, and can again seize the opportunity of a high-level platform in this time of polycrisis to have a frank dialogue on the need to prevent greater uncertainty in the multilateral trading system, to rationalise trade behaviour that avoids negative-sum outcomes, and to introduce measures that reduce risk in the system. This is outside of any and all continued conversation on specific trade or trade-related issues that enhance scope and quality of participation in global trade and distribution of its benefits.

Two objectives should guide the Trade and Investment Working Group's agenda in the coming year: 1) building resilience without endangering prosperity; and 2) continuing targeted engagement on contemporary trade issues that support inclusive development. The Chair of G20 can guide work in three directions: using the vast network at the forum's disposal to share learnings and incubate solutions to build broad consensus on the multilateral trading system; advance possible, timely trade commitments; and table its own developmental experience for peer learning.

### Why India?

**India brings to the table** convening ability, voice to represent concerns of emerging markets and developing countries, and its own interests and evolving domestic trade landscape. These three factors lend India power to promote consensus on the operating conditions of international trade, advance concrete trade commitments for collective consideration, and offer lessons from its own domestic experience.

India has overtaken the United Kingdom (UK) to become the fifth-largest economy in the world, and it remains the fastest-growing large economy amid looming recession in other regions. Given its credentials as an emerging market and a "pillar for global economic revival" (in the words of Piyush Goyal, India's Commerce and Industry Minister<sup>33</sup>), its regional positioning, and emerging global leadership, it finds itself in diplomatic favour as a desired political, economic, and strategic partner, across both advanced economies and developing countries. Its own pursuit of ties with powers and regions under a multi-alignment strategy credits India with a strong degree of convening power that will prove useful in the current vitiated international climate. At the same time, however, such "bridging role"<sup>34</sup> may paradoxically limit India's inclination to raise controversial issues before multilateral fora.

Yet, the fact that it has been "reach[ing] out in as many directions as possible [to] maximise its gains"<sup>35</sup> —and thus pursuing partnerships outside of rigid geopolitical binaries—means that India can confidently lay claim to being a voice of the developing world and raise shared interests and common priorities. Championing the agency of the global South is critical to ensure that competition between major powers does not dictate growth and development outcomes for the rest of the world. As pointed out in Section 1 of this paper, this is true in the area of trade of well. India can utilise the opportunity of consecutive presidencies<sup>36</sup> of emerging markets and developing countries between 2022 and 2025 to develop a continuing trade agenda; the India-Brazil-South Africa (IBSA) grouping could prove particularly useful.

Its own experience with embracing international trade will help in setting an agenda, particularly in the context of the debate between localisation and globalisation against the backdrop of economic security considerations: India's global leadership opportunity aligns better today than at any other point in the past with its own domestic agenda of growth through strengthened and a more competitive domestic capacity and diversified global economic linkages for enhanced access and scale.<sup>37</sup>

India's share global trade remains weak at less than 2 percent of global merchandise exports, and less than 3 percent of global merchandise imports, even as the size of its economy grows.<sup>38</sup> India's global trade participation through GVCs is also lower than that of smaller economies like South Korea and Malaysia. It has set for itself a short-term target of US\$2 trillion worth of goods and services by 2030 and a 3-percent share in global exports, and a long-term goal of becoming a US\$30-trillion economy with a share of 10 percent in global exports by 2047, and among the top three in global services trade. An enabling rules-based multilateral trading system has been key in India's growth story thus far and it is in its own interest to build consensus for a more predictable and stable multilateral trading system.

Importantly, its G20 presidency provides India with an external stimulus to align its foreign trade policy with its external trade positioning<sup>39</sup> so as to strengthen its credibility as a trusted trade partner, and thus its legitimacy in leading trade conversations at the global stage. In fact, the release of India's latest Foreign Trade Policy has been postponed to the start of the next financial year and providing time to ensure that objectives laid out under the policy are compatible, coherent, and in compliance with the global trading system.<sup>40</sup>

India can use its G20 presidency to advance discussions and targeted interventions in areas of common interest to developing countries as well as forward-looking trade areas that necessitate ongoing conversation. It should promote problem-solving under the Trade and Investment Working Group, and showcase "India solutions" where possible. More broadly, India should build consensus on the need to navigate a new era of multilateral trade that continues to contribute much-needed benefits of international trade.

# II.

# Key Interventions

**Trade policy uncertainty is on the rise.** Viewing international trade through a zero-sum prism due to economic security considerations limits the full benefits of trade undergirded by a predictable and stable multilateral trading system, especially in today's era of overlapping crises. A continuing appetite for international trade needs to be recognised. Given its weight, the G20 remains a lynchpin global economic governance platform to deliver on the same: it can propel political direction and support on key trade priorities through dialogue and peer learning that can together contribute towards shared understanding and coordinated action. As Chair of the G20, India can promote a constructive trade agenda given its economic rise, convening power, and own trade interests.

This section proposes three different types of potential interventions that can be taken forward under India's presidency: those that advance a predictable, stable, and trusted multilateral trading system premised on mutual benefit; possible trade commitments; and interventions that draw from India's own

experience. These recommendations address key themes of inclusivity, resilience, security, sustainability, and digitisation.

## Measures to strengthen the multilateral trading system, beyond WTO reform

- **Coordinated crisis response:** A crucial learning from the Covid-19 pandemic is that existing trade rules have limited ability to provide protection and resilience in times of crises. The G20 can provide political momentum and support on ongoing discussions on how to minimise disruption to trade during crisis situations and facilitate cooperation, but also define rights and obligations that maintain predictability, stability, and trust in a system that continues to deliver benefits in times of acute need. Can there be alternatives to export bans, for instance? How can it be ensured that trade measures are targeted, proportionate, transparent, and temporary? What measures must be put in place and



followed in non-crisis times to prepare for future crisis situations? Member countries should be invited to share learnings, successes, and failures, as well as to engage with existing ongoing work, such as the UNESCAP-led initiative on Model Provisions for Trade in Times of Crisis and Pandemic in Regional and other Trade Agreements.<sup>41</sup> A consensus-based outcome document would be welcome—one that recognises the need for crisis management with respect to international trade and outlines key areas that need attention and continuing work—from defining essential goods and services and trade facilitation to non-tariff measures and transparency—at the level of relevant multilateral, regional, and national organisations.

- **Mapping manufacturing and supply chain resilience:** How can manufacturing and supply chains be strengthened without undermining the benefits of rules-based international trade? The current climate provides an opportunity for the G20 to collectively address the issue from two perspectives. The first is in terms of strengthening supply chain preparedness and responsiveness. Indian Prime Minister Narendra Modi has highlighted three aspects — “trusted source, transparency, and time frame”<sup>42</sup> — which can be used as a broad framework to guide a year-long focus group to collate member countries’ experiences and learnings to highlight gaps in these three areas, and brainstorm how international trade cooperation can help bridge them.

The second is in terms of strengthening value chains through greater participation to reduce undue dependencies. It has been proposed that systemically important products in global trade be identified, and to monitor countries, companies and products that form part of the ecosystem to prevent supply chain monopolies.<sup>43</sup> Extending this further would involve asking how localisation can be promoted without falling into the trap of protectionism, and how to translate localisation into globalisation.<sup>44</sup> A conversation based on peer sharing and learning could yield broad do’s and don’ts of how domestic companies in different countries have achieved scale (or otherwise could not) and entry into regional and global value chains. The insights from such a conversation can be published as a policy toolkit.

- **Greening GVCs:** The T20 Task Force 1 on Open Trade, Sustainable Investment and Industry under the Indonesian presidency saw conversation on green trade.<sup>45</sup> This agenda item needs to be carried forward into India’s presidency given the climate change challenge. Solutions to decarbonise value chains without resorting to what effectively amounts to unilateral and protectionist behaviour is where work needs to be done. India should propose a ministerial-level task force to delve into the issue, with participation from relevant working and engagement groups, or at the very least build consensus to task multilateral bodies/international

organisations to prepare a report that can be presented in 2024 under Brazil's presidency.

### Commitments:

- **Adding the African Union as a member:**

It is time to support the African Union's (AU) inclusion into the forum as a formal member, as it will enhance G20's credibility as a platform that is truly representative of the global economic transition. Specifically in the context of trade, the African Continental Free Trade Area (AfCFTA), once fully in place, will form the world's largest free trade area.<sup>46</sup> The multilateral trading system cannot ignore the AfCFTA, which covers policy areas such as trade facilitation, services, sanitary standards, technical barriers to trade, intellectual property rights, and e-commerce. Policy coherence and coordination that includes African actionable participation is key as the continent becomes a more prominent driver of growth and trade in the coming decades. In terms of global economic governance, G20-endorsed policies would see expanded implementation. Beyond mere support, India should seek to table the regional organisation's membership as a G20-wide commitment.

- **Committing climate finance for supply chain resilience:**

Climate finance must be seen as a strategic investment that protects the roots of global supply chains.<sup>47</sup> Worsening climate change impacts around the world, from flooding to wildfires, is causing a fallout in manufacturing and supply chains. Those related to key ingredients of global trade—

such as food, natural resources, textiles, and consumer electronics—often originate in climate-vulnerable countries. An imperative is a financial commitment of a share of climate finance to be directed towards climate-proofing supply chains through adaptation measures such as reinforcing storage and transportation routes.

### "India solutions"

- **Advancing the digitalisation of MSMEs:**

The integration of the MSME sector in national economies and global trade is a priority for many countries, especially developing ones like India. The issue has seen growing attention and gradual progress at the G20. India's domestic experience with MSMEs can advance conversation on this front, particularly on the use of digitisation. India has developed an Open Network for Digital Commerce (ONDC), currently in pilot phase, to connect sellers, buyers, payment processors, and logistics partners in a "marketplace of e-commerce markets."<sup>48</sup> The platform will in particular empower MSMEs with greater access and visibility, and can be showcased as an India solution to increasing MSME participation.

- **A comprehensive logistics policy:**

India released a National Logistics Policy in September 2022 that seeks to lower logistics costs to increase competitiveness of Indian goods. Coupled with other infrastructure improvement programs, such as *GatiShakti* (to improve infrastructure connectivity), *Sagarmala* (coastal and inland waterways development), and *Bharatmala* (road development), India's

logistics-related policies serve as a peer example for developing countries to modernise infrastructure and supply chains, and enhance access to markets. Of particular note is India's use of technology and digitisation to strengthen logistics. For instance, the Unified Logistics Interface Platform will aggregate onto a single platform all digital services related to transportation; there is also the digital platform Ease of Logistics Services (E-Logs) that will serve as a portal where industry associations can raise problems and concerns.

- **Championing food corridors:** Open trade is necessary to combat high food prices

and provide access to staple food grains. India has an opportunity to advance the food corridor launched under the India-Israel-UAE-US grouping as a template for investment for trade. The India-West Asia food corridor involves a US\$2-billion investment by UAE to build food parks in India that will use Israeli and US technology and private sector expertise.<sup>49</sup> Given that 2023 is the International Year of Millets, and India is currently the fifth-largest exporter of the grain, it could announce a millet corridor along the same lines.



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