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Trade Policy Committee	
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NOTE FOR THE ATTENTION OF THE TRADE POLICY COMMITTEE

SUBJECT: *G20 Trade Ministers Meeting of July 2016 - Outcomes*

ORIGIN: Commission DG Trade Directorate F

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OBJECTIVE: *For information*

REMARKS:

Delegations will find attached the Statement adopted by G20 Trade Ministers and its three annexes: "Terms of Reference of the G20 Trade and Investment Working Group", "G20 Strategy for Global Trade Growth" and "G20 Guiding Principles for Investment Policymaking". They should be posted soon in the G20 presidency website (<http://www.g20.org>).

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G20 Trade Ministers Meeting Statement

9-10 July 2016, Shanghai

1. We, the trade ministers of the G20, met on 9-10 July 2016 in Shanghai, China under the chairmanship of H.E. Mr. Gao Hucheng, Minister of Commerce of the People's Republic of China.
2. The global recovery continues, but it remains uneven and falls short of our ambition for strong, sustainable and balanced growth. Downside risks and vulnerabilities persist. We agree that we need to do more to achieve our common objectives for global growth, stability, and shared prosperity. Trade and investment should continue to be important engines of global economic growth and development, generating employment, encouraging innovation and contributing to welfare and inclusive growth.
3. G20 members agree to provide political leadership by acting with determination to promote inclusive, robust and sustainable trade and investment growth, which is integral to achieving our ambition of 2 per cent additional growth by 2018 set by G20 Leaders in Brisbane in 2014.
4. More broadly, we resolve to step up our efforts to better communicate the benefits of trade and investment openness and cooperation to a wider public, recognizing their important contribution to global prosperity and development. We welcome the continuing inputs from relevant international organizations, which have provided strong analytical support to members, and from the B20 and T20.

Strengthening G20 trade and investment mechanism

5. In Antalya, G20 Leaders reaffirmed their strong commitment to better coordinate efforts to reinforce trade and investment, asked Trade Ministers to meet on a regular basis, and agreed on a supporting working group. We welcome the establishment of the G20 Trade and Investment Working Group (TIWG), and endorse its Terms of

Reference (Annex I). We encourage officials to make good use of the TIWG to better support Trade Ministers Meetings and to further strengthen G20 trade and investment cooperation.

Promoting global trade growth

6. According to the WTO statistics, global trade growth has slowed significantly since 2008, from an average of over 7 per cent per annum between 1990 and 2008, to less than 3 per cent between 2009 and 2015. 2015 marked the fourth consecutive year with global trade growth below 3 per cent.
7. To help address the global trade slowdown, we agree to improve global trade governance and remain committed to an open global economy, and will further work towards trade liberalization and facilitation. We endorse the *G20 Strategy for Global Trade Growth* (Annex II). Under the strategy, we will 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. We recognize that these activities, by promoting trade opening and integration and supporting measures for economic diversification and industrial upgrading will contribute to global prosperity and sustainable development.
8. We welcome the World Trade Outlook Indicator released by the WTO for the first time at the G20 Trade Ministers Meeting. This can serve as an important leading indicator to help guide the recovery and growth of global trade.
9. The G20 welcomes further joint work by the WTO, World Bank and OECD, in collaboration with other relevant international organisations, within their existing mandates and resources, to measure trade costs and assess the determinants and impacts of those costs, to help improve economic trade modelling and strengthen the evidence base on the link between structural measures, trade, investment and GDP.

10. We recognize that the structural problems, including excess capacity in some industries, exacerbated by a weak global economic recovery and depressed market demand, have caused a negative impact on trade and workers. We recognize that excess capacity in steel and other industries is a global issue which requires collective responses. We also recognize that subsidies and other types of support from governments or government-sponsored institutions can cause market distortions and contribute to global excess capacity and therefore require attention. We commit to enhance communication and cooperation, and take effective steps to address the challenges so as to enhance market function and encourage adjustment. The G20 steelmaking economies will participate in the global community's actions to address global excess capacity, including by participating in the OECD Steel Committee meeting scheduled for September 8-9, 2016 and discussing the feasibility of forming a Global Forum as a cooperative platform for dialogue and information sharing on global capacity developments and on policies and support measures taken by governments.

Supporting the multilateral trading system

11. We reaffirm the central role of the WTO in today's global economy. The WTO provides the multilateral framework of rules governing international trade relations, an essential mechanism for preventing and resolving trade disputes, and a forum for addressing trade related issues that impact all WTO members. We remain committed to a rules-based, transparent, non-discriminatory, open and inclusive multilateral trading system and are determined to work together to further strengthen the WTO.
12. We note with concern that despite the G20's repeated pledges, the stock of restrictive measures affecting trade in goods and services has continued to rise, with about three quarters of the measures recorded since 2008 still in place, and the number of new trade-restrictive measures imposed by G20 economies affecting both goods and services has reached the highest monthly average registered since the WTO began its monitoring exercise in 2009. In response, we

recommit to our existing pledge for both standstill and rollback of protectionist measures, and to extend it until the end of 2018. We also commit to improve the track record of notifications related to standstill and rollback efforts, including making better use of existing WTO bodies. We ask the WTO, OECD and UNCTAD to continue, within their respective mandates, their regular reporting on restrictive measures affecting trade in goods and services, and investment.

13. We note the important role that bilateral and regional trade agreements (RTAs) can play in liberalizing trade and in the development of trade rules, while recognizing the need to ensure that they are consistent with the WTO rules and provisions and contribute to a stronger multilateral trading system. We encourage future RTAs by G20 members to be open to accession and include provisions for review and expansion. We appreciate the factual overview of RTAs developments given by the WTO Director-General. We will work with other WTO members towards the transformation of the provisional Transparency Mechanism on RTAs into a permanent one and commit to lead by example in fully fulfilling related notification obligations.
14. In Antalya, Leaders emphasized the importance of the prompt ratification and implementation of the TFA. In the current climate of continuing moderate economic and trade growth, G20 leadership in implementing the TFA could make a significant contribution to lowering trade costs and freeing up world trade. We therefore commit to ratify the TFA by the end of this year and call on other WTO members to do the same. We reaffirm our commitments to providing resources to Trade Facilitation assistance mechanisms designed to help least-developed countries and developing countries most in need in implementing the TFA.
15. Building on the WTO's successful Bali and Nairobi Ministerial Conferences, we commit to implement rapidly the Bali and Nairobi outcomes. To guide and shape the WTO's post-Nairobi work, with development at its center, and acknowledging that provisions for special and differential treatment will remain integral, we reaffirm our

strong commitment to advance negotiations on the remaining DDA issues as a matter of priority, including all three pillars of agriculture (i.e., market access, domestic support and export competition), non-agricultural market access, services, development, TRIPS and rules. We agree to work with all WTO members to set the direction together towards achieving positive outcomes at MC11 and beyond in a balanced, inclusive and transparent way with a sense of urgency and solidarity. We also note that a range of issues, such as those addressed in various RTAs and by the B20, may be of common interest and importance to today's global economy, and thus may be legitimate issues for discussions in the WTO, without prejudice to respective positions relating to possible negotiations in the future. Any decision to launch negotiations multilaterally on such issues would need to be agreed by all Members.

16. G20 members recognize that WTO consistent plurilateral trade agreements with broad participation can play an important role in complementing global liberalization initiatives. In this regard, we note the Information Technology Agreement and its Expansion Agreement, and negotiations on the Trade in Services Agreement and the Environmental Goods Agreement (EGA). WTO members who share the objectives of participants in such plurilateral agreements and negotiations should be encouraged to join. In particular, we note the confirmation by all G20 participants in the expanded Information Technology Agreement of their commitment to implement it without further delay. G20 EGA participants recognize the substantial progress made to date in the negotiations on an Environmental Goods Agreement, and aim to conclude, using best efforts, an ambitious, future-oriented EGA that seeks to eliminate tariffs on a broad range of environmental goods by an EGA Ministerial meeting to be held by the end of 2016, having achieved a landing zone by the G-20 Summit in September in Hangzhou, after finding effective ways to address the core concerns of participants.

Promoting global investment policy cooperation and coordination

17. Global investment is an engine of economic growth and sustainable development. It should contribute to building productive capacity, facilitate wider dissemination of technology, creation of employment and, including through Global Value Chains (GVCs), help to connect economies to world trade. Today, however, global investment flows remain well below pre-crisis peak levels. Policy attention and cooperation is required to put investment growth back on track. We welcome efforts to promote and facilitate international investment to boost economic growth and sustainable development, and agree to take actions in this regard, including promoting investment in Low Income Countries (LICs). This in turn should support a recovery of trade growth. We commit to maintaining a supportive business environment for investors, and agree to collectively play a proactive and catalytic role in this regard.
18. We value discussions on investment promotion and facilitation, and encourage UNCTAD, the World Bank, the OECD and the WTO to advance this work within their respective mandates and work programmes, which could be useful for future consideration by the G20.
19. With the objective of fostering an open, transparent and conducive global policy environment for investment, we endorse the *G20 Guiding Principles for Global Investment Policymaking* (Annex III). These principles will help promote coherence in national and international policymaking and provide greater predictability and certainty for business to support their investment decisions.
20. We are committed to ensuring that trade, investment and other public policies, at both national and global levels, remain coherent, complementary and mutually reinforcing. We welcome further research and analytical work in UNCTAD, WTO, OECD and the World Bank, in consultation with the IMF, within their existing mandates and resources, to identify ways and means to enhance coherence and complementarity between trade and investment regimes. In this context, we take note of the B20's recommendation

for the WTO Working Group on the Relationship between Trade and Investment to resume its work.

Promoting inclusive and coordinated global value chains

21. We recognize that GVCs, encompassing regional value chains (RVCs), have become an important feature of the global economy, and are important drivers of world trade. We support policies that allow firms of all sizes, including SMEs, in countries of all levels of economic development to participate in and take full advantage of GVCs. In particular, we support policies that encourage greater participation and value addition by business in developing countries, particularly in LICs, in GVCs. We will continue to promote responsible business conduct.
22. G20 members will continue their efforts to enhance capacity building to promote inclusive and coordinated global value chains, and will continue to seek to develop and implement initiatives to assist developing countries, particularly LICs, and SMEs in the areas that matter most to GVCs. Such initiatives could include appropriate infrastructure, technology support, access to credit, supply chain connectivity, agriculture, innovation and e-commerce, skills training and responsible business conduct. Additionally, G20 members with capacity to do so will continue to: assist developing countries' and SMEs' ability to adopt and comply with relevant national and international standards, technical regulations, and conformity assessment procedures; facilitate developing country and SME access to information on trade and investment opportunities, including via increased utilization of information technologies; and provide further information that would help them participate in GVCs and move up the value-chain. We welcome further work, within their mandates and resources, by the ITC, OECD, World Bank and other relevant international organizations in this regard.

Toward the Hangzhou Summit

23. In a continuing environment of low global economic growth, the role of the G20 in strengthening trade and investment remains vital. We

recommend that G20 Leaders consider these important issues further at the Hangzhou Summit and we look forward to our leaders' instructions on ways to further intensify G20 efforts on trade and investment. We believe firmly that pursuing robust international trade and investment growth can play a vital part in achieving strong, sustainable and balanced growth.

Annex

- I. Terms of Reference of the G20 Trade and Investment Working Group
- II. G20 Strategy for Global Trade Growth
- III. G20 Guiding Principles for Global Investment Policymaking

Annex I: Terms of Reference of the G20 Trade and Investment Working Group

Objective

Trade and investment are vital engines for growth and job creation. However, international trade growth remains sluggish and FDI flows have not yet recovered to pre-crisis levels, which are both challenges to strong, sustainable and balanced global growth. Accounting for 85% of world GDP and 80% of global trade, the G20 is in a unique position to address these challenges, through more effective policy cooperation and concrete actions.

In Antalya, our leaders reaffirmed their strong commitment to better coordinate efforts to reinforce trade and investment, and asked Trade Ministers to meet on a regular basis and agree to establish a supporting working group. In order to facilitate deliberations and develop a strong agenda on trade and investment issues, the G20 has decided to set terms of reference (ToR) for the TIWG. These define the scope of discussion and the organizational matters of the TIWG and will ensure the relevance, consistency and effectiveness of its work. The ToR will also create synergies between the TIWG and other work streams and relevant engagement groups.

This ToR, including modalities, will be reviewed annually at the discretion of the Presidency.

Scope of Discussions

The TIWG may support G20 discussions in the following aspects, including but not limited to:

- To implement the commitments and instructions on trade and investment from previous Summits, Trade Ministers Meetings (TMMs) and Sherpa Meetings.
- To undertake related cooperation on trade and investment taking into account the priorities of G20 Presidency.
- To discuss other trade and investment issues of common interests raised by G20 members.

Participants

Reflecting the G20 as a member-driven organisation, discussions will take place among members but, consistent with other G20 working arrangements, may also include invited guests.

International Organizations (IOs) will be invited to the TIWG meetings, and provide technical support in accordance with their mandate, expertise, and comparative advantages.

TIWG may also engage more directly with relevant stakeholders, including the Business 20, as required.

Modalities

The TIWG will be chaired by the Presidency and one co-chair from the members. The co-chair will be nominated by the Presidency, taking into account members' willingness, and the balance between different regions and between developed and developing members.

The TIWG will be convened as required, but not more than three or four times throughout the year.

The TIWG will report its work to the G20 Sherpa Meetings, TMMs and the G20 Leaders Summits.

Annex II: G20 Strategy for Global Trade Growth (SGTG)

As an integral part of G20's efforts to achieve our ambition of 2 per cent additional growth by 2018 set by G20 leaders in Brisbane in 2014, and as part of its broader efforts to strengthen global growth and to advance the Sustainable Development Goals (SDGs), the following Strategy sets out concrete individual and collective actions to this end. The G20 endorses the central role of the WTO in global trade governance and supports a further strengthening of its functioning.

This Strategy complements the undertakings and commitments set out in the G20 Trade Ministers' Statement, including with respect to standstill and rollback of protectionist measures, trade facilitation, the WTO, other trade agreements, guiding principles for global investment policymaking, and promoting inclusive global value chains.

1. Lowering trade costs

The WTO Trade Facilitation Agreement (TFA), once implemented, will significantly lower global trade costs and positively impact on trade for development and the integration of small and medium enterprises (SMEs) into global value chains (GVCs). G20 members note the importance of individual country actions to address trade costs, and to reduce the time and uncertainty of moving goods and services, including by addressing behind the border measures. Individual actions could be reflected through national growth strategies. G20 members are thus committed to further actions on reducing trade costs and encourage all WTO members to fully implement the TFA, which according to projections by the OECD and the WTO has the potential to reduce global trade costs by up to 15 per cent. G20 members thank the OECD, WTO and World Bank for their work on monitoring trade costs. G20 members agree that capacity building and technical assistance will be critically important to ensure developing countries most in need are able to meet this objective, and will continue to support efforts in this regard.

2. Harnessing trade and investment policy coherence

G20 members will ensure our trade, investment and other public policies are complementary and mutually reinforcing, including through reforms outlined in our national growth strategies. G20 members recognize the particular importance of GVCs as drivers of global trade and investment flows, and commit to adopt policies that support expanded, sustainable and more inclusive GVCs, and that

encourage greater participation and value addition by business in developing countries. With the aim of identifying and addressing policy inconsistencies or gaps and developing suggestions to improve policy coherence, G20 members note the report on the relationship between trade and investment conducted by the WTO, UNCTAD, OECD and World Bank, which suggests a number of important policy options for consideration. G20 members welcome additional analytical work on those important issues to be conducted in the international organizations, within their respective mandates and resources.

3. Boosting trade in services

G20 members commit to policies that support an open, transparent, and competitive services market. This will facilitate the participation of service providers, especially from developing countries and low income countries, in GVCs, recognizing that this can contribute to a smooth flow of goods and services along GVCs and support more efficient production and trade, thereby contributing to economic growth and new and better employment opportunities. G20 members agree to consider work on issues that can expand trade in all modes of services, which contribute a significant share to most of our domestic economies and international trade across the globe. The G20 encourages further analysis by the WTO, OECD and World Bank, within their respective mandates and existing resources, to provide G20 members with a clear picture of the role of service sectors in the overall economy and along supply chains, their contribution to trade growth and economic development, as well as to the achievement of public policy objectives. This analytical work by the international organizations will help inform G20 members on policy options likely to improve efficiency, productivity and welfare, while offering the greatest potential reduction of trade costs in G20 services markets, taking into account their different levels of development.

4. Enhancing trade finance

Trade financing gaps hamper trade and economic growth. Gaps are highest among the poorest countries, notably in Africa, developing Asia and Small Island developing states where access to know-how and skills in handling trade finance instruments is also a challenge. The G20 takes note of the recommendations included in the study on trade finance and SMEs done by the WTO with the support of World Bank, and of existing trade finance facility programs of the multilateral and regional development banks. G20 members further note the WTO Director-General's call to enhance the availability of trade finance supported by existing multilateral trade finance facilitation programmes.

5. Developing a World Trade Outlook Indicator

All countries benefit from having better information on the evolving circumstances that impact trade and economic growth. The G20 welcomes the release of the WTO's first World Trade Outlook Indicator. G20 members expect that the Indicator can provide an "early warning" system for trade, giving policy makers and business more real-time information on trade developments that will help them in their trade decision making and policy design.

6. Promoting e-commerce development

In the light of the profound transformation of economic and trade structures triggered by the rapid development of digital trade and technology, G20 members agree to deepen discussions and cooperation on e-commerce issues. G20 members thank OECD, UNCTAD and WTO for their inputs on e-commerce in international trade and related policy matters. G20 members recognize that e-commerce constitutes an important tool to boost the participation of SMEs in global trade. To provide better access for SMEs and developing countries to digital technology to obtain a greater share in its benefits, and to assist in promoting inclusive trade growth, G20 members encourage dialogue among governments and businesses to identify the opportunities and challenges in developing e-commerce, and to research and discuss trade-related policy issues, standards and patterns. By enhancing conversations, collaboration on policy coherence can be strengthened. G20 members take note of the B20's initiative on an Electronic World Trade Platform (eWTP).

7. Addressing trade and development

Trade has been a powerful engine for economic development in recent decades. The 2030 Agenda for Sustainable Development also highlights the key role trade must play in achieving inclusive growth, sustainable development and poverty reduction. Given trade's central role in achieving the SDGs, and building on the G20's previous work on the relationship between trade and development, G20 members affirm their commitments to better leverage trade for development as set out in this Strategy, G20 members recognize that facilitating trade and investment will enhance the ability of developing countries and SMEs to participate in and move up the value chain in GVCs, and recognize the importance of economic diversification and industrial upgrading in developing countries. G20 members recognize the importance of initiatives aimed at broadening the participation of low income countries in RTAs, addressing issues related to availability of trade finance, supporting sound agriculture policies, investment and

trade in support of the SDGs, facilitating participation in GVCs, promoting responsible business conduct, enhancing trade-related skills development, and advancing and sharpening the Aid-for-Trade initiative. Additionally, G20 members will make efforts to take steps to operationalize their commitment under the Addis Ababa Action Agenda to "integrate sustainable development into trade policy at all levels". The G20 notes the suggestion by some members that the G20 Trade and Investment Working Group (TIWG) study whether there are trade-related steps that could be taken to alleviate the adverse impact on low and middle income countries hosting an especially large number of refugees.

Conclusion

G20 members are confident that, through this strategy as a complement to the undertakings and commitments in the G20 Trade Ministers' Statement, we can meaningfully promote trade opening and integration, thereby contributing to global prosperity and development. The TIWG will continue to work closely with relevant G20 work streams to enhance synergy and avoid duplication of work. G20 members also welcome input from the international organizations, and from G20 engagement partners, in particular the B20 and T20, and will continue to collaborate with them to achieve strong, sustainable, inclusive and balanced growth.

Annex III: G20 Guiding Principles for Global Investment Policymaking

With the objective of (i) fostering an open, transparent and conducive global policy environment for investment, (ii) promoting coherence in national and international investment policymaking, and (iii) promoting inclusive economic growth and sustainable development, G20 members hereby propose the following non-binding principles to provide general guidance for investment policymaking.

- I. Recognizing the critical role of investment as an engine of economic growth in the global economy, Governments should avoid protectionism in relation to cross-border investment.
- II. Investment policies should establish open, non-discriminatory, transparent and predictable conditions for investment.
- III. Investment policies should provide legal certainty and strong protection to investors and investments, tangible and intangible, including access to effective mechanisms for the prevention and settlement of disputes, as well as to enforcement procedures. Dispute settlement procedures should be fair, open and transparent, with appropriate safeguards to prevent abuse.
- IV. Regulation relating to investment should be developed in a transparent manner with the opportunity for all stakeholders to participate, and embedded in an institutional framework based on the rule of law.
- V. Investment policies and other policies that impact on investment should be coherent at both the national and international levels and aimed at fostering investment, consistent with the objectives of sustainable development and inclusive growth.
- VI. Governments reaffirm the right to regulate investment for legitimate public policy purposes.
- VII. Policies for investment promotion should, to maximize economic benefit, be effective and efficient, aimed at attracting and retaining investment, and

matched by facilitation efforts that promote transparency and are conducive for investors to establish, conduct and expand their businesses.

- VIII. Investment policies should promote and facilitate the observance by investors of international best practices and applicable instruments of responsible business conduct and corporate governance.
- IX. The international community should continue to cooperate and engage in dialogue with a view to maintaining an open and conducive policy environment for investment, and to address shared investment policy challenges.

These principles interact with each other and should be considered together. They can serve as a reference for national and international investment policymaking, in accordance with respective international commitments, and taking into account national, and broader, sustainable development objectives and priorities.