G-77 Ministerial Conference

Roundtable Discussion III: “International Trade Development, and Investment to achieve the SDGs”
16 December 2022
11:00am – 1:00pm
Conference Room 4
Concept Note

Background

The world is facing a set of cascading crises: climate change, the COVID-19 pandemic, and geopolitical tensions. This has resulted in a colossal rise in cost-of-living crisis around the world. Rising food and energy prices and rapidly deteriorating financial conditions are taking their toll on developing countries. Trade is being disrupted, growth expectations are decreasing, inflation is higher than the past few decades, and climate change impacts are worsening. Many developing countries are unable to mobilize the resources required for mitigation and adaptation. They are struggling to meet their debt obligations and pay for their imports. As in most crises, the poor and vulnerable are hit hardest, often women and girls.

The current situation has an important trade dimension. The COVID-19 pandemic and the ongoing war in Ukraine and accompanying restrictions, have disrupted production, maritime transport and consequently trade. As governments, businesses and consumers try to weather the storm, the role of trade and trade policy as key enablers of achieving the SDGs has become ever more evident. There is a need for resilient and sustainable global and regional supply chains that address human, food, energy, and environmental insecurity. Yet trade policy coordination at the multilateral and regional levels is weak. Uncoordinated policy measures, such as export restrictions, have negatively affected LDCs and other vulnerable countries, including net food importing, countries in special situation or post-conflict countries.

The current crises have also impacted international investment for the achievement of the SDGs. UNCTAD’s latest research published in the Global Investment Trends Monitor indicates that the recent crises and fears of a coming recession determined a downward trend for foreign direct Investment. The SDG investment shortfall of $2.5 trillion for developing
countries estimated by UNCTAD in 2015 has now swelled to $4.3 trillion in the wake of the pandemic and the war in Ukraine. In this context, governments need to urgently scale up the mobilization of public and private finance towards investment to bridge that gap.

The rise in food and energy prices has adverse distributional impacts on the world’s low-income and developing countries, and on the poorest segments of the population, who tend to spend a disproportionately high share of their income on food, energy and debt payments. High energy prices increase the costs of critical farming inputs such as fertiliser and other energy-intensive products that could negatively impact agricultural seasons and give rise to increased food insecurity.

All these challenges call for strengthened trade cooperation, in particular on SDG 2 and SDG 7 to improve food, as well as energy output and security. There is a strong need for members of the G77 and China to strengthen institutional capacity towards trade integration processes at all levels, as well as providing renewed trading opportunities in goods and services that contribute to sustainable economic transformation. Besides national policies, it is important for them to develop and strengthen regional frameworks to achieve economic self-reliance. They should also put in place sound institutions and regulations that minimize risks and maximize opportunities for a just energy transition.

Trade instruments that determine market access conditions influence the capacity in developing countries to capture market opportunities. Trade policy at the national, regional, and international levels can contribute to improving such market access conditions, harmonizing regulations, phasing out inefficient fossil fuel and agricultural subsidies and ensuring the distribution of critical goods and services.

Investment policies can also contribute to bring about equitable, resilient, and inclusive development for all. This requires investment strategies, policies and initiatives that support the enhancement of local productive capacities, promote value addition, and create significant links between international companies and domestic firms, particularly SMEs and larger export opportunities for technology transfer. The international investment agreements (IIA) regime consisting of over 3,700 treaties contain substantive protection standards for foreign investors and investments, coupled with access to investor–State arbitration (ISDS). Reform of existing IIAs is essential to minimize the risk of ISDS for State measures to combat
climate change, protect public health and include pro-active provisions aimed at promoting and facilitating investments needed for achieving the SDGs.

There are opportunities for members of the G77 and China to leverage international trade and investments to ensure economic diversification, sustainability, and resilience. For example:

- The members of the Group can work together towards achieving SDG2: “zero hunger”. They can bring food prices down by fostering the production and trade of fertilizers, inviting countries to respect their international commitments on trade, finding ways to reduce transport and logistics costs, encouraging net food-importing developing countries to grow food domestically where possible, and shortening supply chains by promoting trade in food products from neighbouring countries with surpluses.

- The developing countries can leverage international trade and investment to achieve SDG7 on affordable and sustainable energy. The just energy transition should become an economically attractive prospect with the help of technology transfer, capacity building and access to finance. Supportive trade systems and targeted policy measures in trade, investment and energy can create a productive environment that boosts businesses, employment, and income from the energy transition. Developing countries must not simply be product takers in the new market, but also product makers fully participating in supply chains. They can thereby ensure that trade and investment related to their energy transition generates development benefits rather than development burdens.

- Members of the Group can build their own productive capacities to supply their economies with the energy goods and services needed for just energy transition. Increased cooperation through trade and investment on regional production of renewable energy, energy efficiency, and low or zero pollution technologies can help advance their transformation.

- Since regional trade agreements and markets can offer powerful options to build regional production hubs for energy products and related services, members of the Group can deploy regional industrial policies and supportive regional trade policies and
measures to build productive capacities for energy supply. They can also add value to minerals and rare earth resources rather than continue to export them as raw commodities. Through endogenous production of energy goods and services, they can pursue a just energy transition that generates jobs, commerce, income, and technical capacity for their economies.

Objective

The objective of Roundtable III is to enhance cooperation to use trade and investment not only as an engine of growth but as a catalyst for transformation to a fair and sustainable economic system.

Key questions

- How can global rules accelerate the inclusiveness and sustainability of trade, finance, and technology transfer towards promoting local solutions?
- What are the trends and prospects in commodity markets?
- What kinds of systemic action is needed to bring food and commodity prices down?
- How can trade and investment policy support and facilitate the implementation of the key outcomes of COP27 relevant to the energy transition?
- How trade in digital good and services could be made more equitable and just?