



**Trade and Investment Working
Group**

Issue Note



Contents

I. Background	3
II. Key Priorities	4
Trade and Sustainable Development	4
Expected outcome:.....	6
Women in International Trade	6
Expected outcome:.....	8
Sustainable Development in Investment Agreements	8
The role of Investment in Achieving the SDGs:.....	8
Investment Agreements and their Relevance to the SDGs:	9
Cooperation, facilitation and sustainability as key priorities	10
Aligning Investment Agreements with SDGs:.....	10
Expected outcome:	11
Conclusion:	11
III. Other Priority to be reflected in the Ministerial Statement	12
WTO Reform and Strengthening of the Multilateral Trading System.....	12
Expected outcome:.....	13
IV. Way Forward	13



I. Background

The world is living through a time of multiple and multifaceted crises. In addition to an unprecedented pandemic, the world is still confronted with unacceptable famine and poverty, emerging health risks, environmental crises, geopolitical tensions, economic deceleration, and all their ensuing repercussions. These crises interact in an intricate web of challenges, causing ripple effects across the global economic landscape and notably reshaping the dynamics of international trade and investment.

The world continues to grapple with post-COVID-19 disruptions, as nations reassess economic interdependencies a trend further exacerbated by ongoing geopolitical tension. Concurrently, the world contends with economic slowdown and inflation, and persistent economic inequity, while the climate crisis presents an array of new uncertainties and challenges to international trade. However, evidence continues to underscore that international cooperation and global integration offer effective means of fostering growth and advancing sustainable development.

Investment flows have also been impacted by these crises, experiencing reduced momentum in the face of uncertainty. A particularly worrisome prospect in light of the widening annual investment deficit faced by developing countries, notably in the context of transitioning to cleaner energy sources, as nations work toward achieving the Sustainable Development Goals (SDGs) by 2030. In response to this concerning trend, it becomes imperative to explore innovative approaches, such as focusing on the promotion of investments that advance the objectives of the SDGs.

Amidst these intricate challenges, it is crucial to acknowledge that effectively addressing these global issues demands unified effort on an international scale. Collaboration among nations will be essential to confront these crises, and the G20 can play an important role in coordinating and targeting efforts towards common global goals. Within this context, the TIWG must actively seek pragmatic and creative solutions to revitalize international trade and the investment landscape, helping to reinvigorate the global economy and steering it towards recovery.



II. Key Priorities

In light of the above, the Brazilian presidency has identified three key priorities in which the G20 could make substantial progress with regards to the issues of TIWG: (i) trade and sustainable development, (ii) women participation in international trade, and (iii) sustainable development in investment agreements.

The emphasis on these overarching priorities does not diminish the significance of other critical areas, including the strengthening of the rules-based multilateral trade system, with a particular focus on reforming the World Trade Organization (WTO).

These priorities collectively underscore the commitment to navigate the intricate landscape of global trade and investment with a sense of urgency and pragmatism, also stressing the importance of cooperation and multilateralism. They aim at steering the group towards a future that aligns with the principles of sustainable development and the SDGs, fostering inclusivity, growth and environmental responsibility.

Trade and Sustainable Development

The Brazilian presidency proposes that the members of the G20 work towards a common understanding on key principles regarding trade and sustainable development to serve as guidelines for the design and implementation of national policies with impact on trade.

There has been a growing awareness among countries regarding the relationship between international trade and sustainable development. Various fora are also discussing the matter, trying to shed some light into this complex debate. The global nature of the environmental challenges transcends national borders and, therefore, must involve concerted action at the international level.

The 2030 Agenda for Sustainable Development defines international trade as “an engine for inclusive economic growth and poverty reduction that contributes to the promotion of sustainable development”. In a globalized world, trade has the potential to contribute to the urgent and necessary changes in the production system of countries, fostering and stimulating innovation towards a greener world economy.

The relationship between trade and sustainable development is not new in the international agenda. Within the multilateral environmental agreements, we identify direct references to international trade. Principle 12 of the Rio Declaration on Environment and Development clearly stated that “...trade policy measures for environmental purposes should not constitute a means of arbitrary or unjustifiable discrimination or a disguised restriction on international trade...”. Additionally, article 3.5



of the United Nations Framework Convention on Climate Change further established that “...measures taken to combat climate change, including unilateral ones, should not constitute a means of arbitrary or unjustifiable discrimination or a disguised restriction on international trade”.

The multilateral trading system has also clear references to the objectives of sustainable development. The preamble to the Marrakesh Agreement states that countries should recognize that “their relations in the field of trade and economic endeavour should be conducted with a view to raising standards of living, ensuring full employment and a large and steadily growing volume of real income and effective demand, and expanding the production of and trade in goods and services, while allowing for the optimal use of the world’s resources in accordance with the objective of sustainable development, seeking both to protect and preserve the environment and to enhance the means for doing so in a manner consistent with their respective needs and concerns at different levels of economic development”. Furthermore, the 2001 Doha Ministerial Declaration reaffirmed “...the aims of upholding and safeguarding an open and non-discriminatory multilateral trading system, and acting for the protection of the environment and the promotion of sustainable development can and must be mutually supportive”.

In the “Outcome Document and Chair’s Summary” of G20’s Trade and Investment Minister’s Meeting adopted in Jaipur, India last August, G20 members agreed on the importance of multilateral cooperation to effectively address sustainable development challenges. “We recall that trade and environment policies should be mutually supportive, consistent with WTO and multilateral environmental agreements. We further acknowledge the essential role of multilateral cooperation to effectively address common environmental and sustainable development challenges. We will engage in further discussions on trade and sustainability.”

Building upon that, Brazil proposes a joint effort by the G20 Members to identify concepts and principles that can serve both as guidelines for crafting and enhancing policies aiming to promote sustainability and sustainable development as a whole, and also as a baseline common denominator for further engagement by G20 countries in this topic. Such common principles can benefit from concepts already present and agreed in the multilateral arena, insights and priorities from G20 members themselves, as well as inputs from relevant International Organizations, civil society and academia.

G20 Members must strive to lead by example and send a clear signal to the world. A common understanding among the G20 Members will set solid and necessary foundation to help avoid a spiral of unilateral measures disguised as green protectionism, which could



erode the pillars of environmental agreements and threaten the viability of the multilateral trading system.

Expected outcome:

- Common understanding on key principles for trade and sustainable development.

Details: Brazil proposes a joint effort by the G20 Members to identify and agree on key concepts and principles to serve as guidelines for policy implementation and as a baseline for further work by the G20 on the subject.

Women in International Trade

The need to accelerate progress towards inclusive international trade, involving initiatives to promote greater women's participation, has been emphasized by G20 members over the past few years. More recently, the “Outcome Document and Chair’s Summary” of G20’s Trade and Investment Minister’s Meeting, adopted in Jaipur, India last August, states:

“We underscore the need for accelerating progress towards inclusive trade, by also including women’s empowerment, gender equality and other socio-economic aspects of equality, and by expanding development opportunities for all our people.”

Despite the important policy statements made by G20 members, so far there has been no in-depth discussion on the participation of women in trade within the TIWG. While G20 members have achieved outcomes related to the participation of small and medium-sized enterprises in trade, and these enterprises have a higher proportion of female leadership compared to large enterprises, Brazil considers it both relevant and timely to engage in a specific discussion on women in international trade.

International trade is a driver of economic growth. Countries that participate in global trade experience higher productivity, innovation, better job opportunities, lower prices, and a higher standard of living. However, these benefits are not distributed evenly among the population.

Women-led businesses are less likely to access foreign markets and benefit from these opportunities. According to the International Trade Centre (ITC)¹, globally, only about 20 percent of exporting companies are owned by women. In Brazil, only 14% of exporting companies are primarily owned by women².

This gender gap can be partially explained by differences in the characteristics of women-led and men-led businesses, such as the sectors they operate in and the size of companies. In Brazil, a larger proportion of women-led companies belong to the micro and small enterprise category. Moreover, Brazilian women-led companies export products face, on average, higher international tariffs on account of the sector they operate in (silk products and clothing for instance).

According to the Organization for Economic Co-operation and Development (OECD)³, there is also a gap that cannot be explained by firms' features, and instead seems to be associated with a variety of additional obstacles when women engage in international trade, such as less access to financing, less available time due to care obligations, and less access to professional networks.

When women have the opportunity to fully participate in the economy, however, the benefits can be substantial, contributing to sustainable economic growth. Women's economic participation accelerates development, alleviates poverty, reduces inequality, and enhances children's well-being, as women tend to invest a higher portion of their earnings in their families and communities (OECD, 2010)⁴.

These findings are among the factors that explain why the debate on gender equality in international trade has gained such importance in the last few years. Discussions at the WTO and potential collaboration with other international organizations present opportunities to advance in this area. Additionally, Brazil believes that discussions on the topic within the G20 can play an important role in promoting progress by raising awareness on the challenges faced by women in international trade and highlighting best practices.

¹ ITC (2017). Closing the Small-Business and Gender Gap to Make Trade More Inclusive. Chapter 8 in OECD and WTO, Aid for Trade at a Glance 2017: Promoting Trade, Inclusiveness and Connectivity for Sustainable Development.

² MDIC (2023). Women in foreign trade: an analysis for Brazil.

³ OECD (2023). Women led firms in international trade. Chapter 3 in SME and Entrepreneurship Outlook.

⁴ OECD (2010). Investing in Women and Girls: The Breakthrough Strategy for Achieving all the MDGs.



Expected outcome:

- *Launch of a G20 compendium of best practices to increase women's participation in international trade.*

Details: With the support of civil society and private sector (and ideally in cooperation with the W20/B20 networks), G20 countries could map key challenges faced by women for greater involvement in international trade. On the basis of the input received, G20 Members would then showcase national policies and initiatives designed to address these challenges and monitor the impact of public policies in the field of trade and gender. Members' contributions will be compiled in a compendium of best practices to promote women's participation in international trade and generate awareness about the issue.

Sustainable Development in Investment Agreements

The retraction in foreign direct investment (FDI) flows in the wake of the COVID-19 pandemic affected both developed and developing countries, particularly least developed countries (LDCs), and highlighted once again the significance of FDI for economic growth and poverty reduction. In 2014, UNCTAD had identified 10 relevant sectors of the Sustainable Development Goals (SDGs) for which investment gaps added up to \$2.5 trillion annually for developing countries alone. The impact of the COVID-19 pandemic has increased this gap to \$4.2 trillion per year (OECD, 2021).

In today's integrated global economy, the expansion of FDI flows depends less on liberalizing policies and more on simplifying, accelerating and coordinating investment-related processes. Investment facilitation can promote a transparent, efficient and friendly environment for sustainable investment. Moreover, international investment agreements (IIAs) play an important role in the attraction of qualified FDI and the promotion of sustainable development in its three dimensions: economic, social and environmental. Brazil believes that, by promoting the alignment between IIAs and the SDGs, the G20 can set international standards for catalyzing sustainable economic growth, promoting responsible business practices and fostering international cooperation.

The role of Investment in Achieving the SDGs:

FDI is indispensable in the achievement of SDGs. It serves as an engine for economic growth, technological improvements and job creation, which are essential components of sustainable development. International investment can infuse much-needed capital into developing economies, resulting in the scaling up of industries, innovation and the development of new economic sectors. Nevertheless, it is essential to ensure that this growth is inclusive and benefits a broad segment of the population.



FDI also frequently promotes the development of advanced technologies and managerial knowledge, thereby enhancing productivity and bolstering competitiveness within host countries. Cross-border investment in infrastructure such as transportation, energy and sanitation is vital for the sustainable development of host countries. Public-private partnerships, often involving international investors and investment promotion agencies (IPAs), can provide the capital and expertise required to develop critical economic sectors.

International investment has the potential to engender job creation and foster training opportunities. The promotion of employment should prioritize quality, ensuring that workers are equipped with valuable skills and comprehensive training. International investors are increasingly adopting responsible business standards, thereby contributing to the achievement of sustainable development objectives. Responsible investment that considers long-term impacts on local communities can also lead to a more sustainable business model, benefitting both the investor and the host country.

Investment Agreements and their Relevance to the SDGs:

Beyond the objectives of facilitating cross-border investments flows and ensuring the protection of investors' rights, IIAs have been recognized for their potential to promote sustainable development, aligning with global efforts to achieve the SDGs. The beneficial impacts of FDI, however, are not automatic. Policy measures and governance structures must be in place to ensure that the benefits are widespread and sustainable. As the collective endeavor towards achieving the SDGs progresses, Brazil recognizes the utmost importance of harnessing the potential of IIAs, and striking a fair balance between the demands of investors and the overarching objectives of economic, social, and environmental sustainability.

There is currently a growing share of IIAs with investment facilitation measures, policies and practices, with a view to channeling investment toward sustainable development (UNCTAD, 2023). New-generation IIAs are increasingly drafted in a manner that preserve the right of States to regulate in the public interest. Provisions related to environmental protection, labor rights and social standards are now more common, diverse and increasing in depth and specificity. This provides governments the regulatory space to pursue sustainable development objectives without breaching treaty obligations. It can also provide a framework for policy coherence, ensuring that investment policy aligns with broader sustainable development strategies and setting out provisions for multi-stakeholder dialogue, technology transfer, technical assistance and capacity building, thereby ensuring that the investment has broader benefits for the host country.



The evolving nature of IIAs can spur a global paradigm shift towards sustainability, where SDG-oriented investment facilitation agreements could complement or even provide an alternative to the investment protection approach commonly used in the traditional bilateral investment treaties (BITs). Investment facilitation features in recent IIAs, however, still are an emerging trend: the overwhelming majority of the 3.200 existing IIAs (of which 2.500 are in force) lack sustainable investment facilitation provisions (UNCTAD, 2023). Much remains to be done for aligning IIAs with SDGs.

A number of barriers in policy formulation and implementation may prevent qualified investments. Investment facilitation encompasses policies and measures aimed at removing such barriers and making it easier for investors to establish and expand their investments, including, for instance, more regulatory transparency and cooperation initiatives related to the exchange of best practices, capacity-building and technical assistance. By identifying and overcoming barriers to investment, particularly in sectors and activities consistent with sustainable development objectives, IIAs are beginning to incorporate innovative facilitation disciplines with the objective to create and enhance sustainable investment opportunities.

Cooperation, facilitation and sustainability as key priorities

Investment facilitation is a priority for Brazil. In the early 2000s, the Brazilian government has developed its own investment agreement, the Cooperation and Facilitation Investment Agreement (CFIA), which innovates by establishing investment facilitation as a key element to stimulate FDI flows, by creating an institutional governance structure responsible for promoting cooperation between governments and for providing practical and constant support to investors and by instituting the Ombudsperson, that is, the National Focal Point to provide practical support for investors.

With the shift towards aligning investments with sustainable development, facilitation features in IIAs are evolving to emphasize provisions that not only ease the investment process but also promote sustainable practices. However, recent studies indicate that there still is room for improvement in incorporating facilitation features that promote sustainable investments in IIAs (CCSI, 2022; ESCAP, 2022; Johnson, Sachs, Lobel, 2019). In this context, which are the facilitation features found in recent IIAs that effectively drive sustainable investments? Are the policies or measures currently available in IIAs enough to incentivize sustainable investment? How to strengthen the role of IIAs in the realization of the SDGs?

Aligning Investment Agreements with SDGs:

UNCTAD has identified (2023) four main categories of investment facilitation features in recent IIAs: regulatory environment, stakeholder engagement, cooperation mechanisms and sustainable investment. Proactive provisions on facilitating sustainable investment were less prevalent than the other three features. Where present, sustainable investment provisions are usually broad in coverage and unspecific about measures geared to facilitate investment in sustainable development. It is also clear that the effectiveness of IIAs in truly driving sustainable investments depends not just on the presence of these provisions but also on their implementation, monitoring mechanisms and a broader coordination between business practices and national policies with sustainable development goals.

Expected outcome:

- Mapping the treatment given by G20 members to sustainable development issues within investment agreements.

Details: The priority under the investment workstream of the G20 TIWG will be on identifying sustainable investment provisions most employed in recent IIAs. Mapping new approaches towards facilitating the alignment of IIAs and SDGs can provide material for framing future IIA negotiations, with a focus on creating a more harmonized and sustainable investment environment.

The objective is to form a repository that may serve as a reference for coming investment treaties. Such information could include a compendium of clauses on sustainability, mechanisms on monitoring, consultations and enforcement, impact assessment disciplines, incentives, best practices or performance standards, cooperation agendas, capacity building and technical assistance programs, among others.

Conclusion:

Investment facilitation features offer a solid foundation for integrating sustainable development principles into IIAs. By adopting adequate measures and ensuring a holistic approach that engages all stakeholders, investment agreements can become powerful instruments in the drive towards a more sustainable and equitable global investment landscape. By ensuring that IIAs are synergistic with SDG targets, both governments and investors recognize their shared responsibility in catalyzing sustainable growth, fostering responsible business practices and achieving a more equitable and sustainable future for all.



III. Other Priority to be reflected in the Ministerial Statement

WTO Reform and Strengthening of the Multilateral Trading System

Promoting advances in the reform of global governance institutions is one of the key priorities of the Brazilian Presidency of G20. In line with this priority, Brazil proposes at the TIWG that the G20 members continue to advance discussions on our political support for WTO reform and strengthening the Multilateral Trading System.

The central challenge of economic diplomacy today is to preserve the universal nature of the global trade regime. The WTO is the only multilateral institution holding the necessary mandate, expertise, universal reach, and capacity to lead on the multiple dimensions of international trade discussions. In fact, the WTO constitutes the only effective regime to manage divergences and coordinate positions. Therefore, the multilateral trading system and the WTO plays an essential in the current scenario of multiple simultaneous crisis and will remain relevant even in a scenario of international fragmentation.

With this understanding, Brazil underscores the need to enhance the Organization's political guidance and to strengthen its responsiveness to the international trade features of old and new global challenges. Strengthening the WTO means moving forward with its reform process, preserving its multilateral nature, improving its institutional functioning, the work of the committees, the review of trade policies, the role of ministerial conferences; restoring the functioning of a reformed dispute settlement system; and giving impetus to negotiations on old and new trade issues.

In this regard, Brazil believes we must fulfill the commitment made by our Leaders in 2023. As stated by the G20 Leaders in the New Delhi Declaration: "We reiterate the need to pursue WTO reform to improve all its functions through an inclusive member-driven process, and remain committed to conducting discussions with a view to having a fully and well-functioning dispute settlement system accessible to all members by 2024."

In the Brazilian view, the reform of the WTO needs, in particular, to reinforce the centrality of the development dimension in the Organization, delivering concrete results in favor of the development of the people from all its Members. As the Parties to the Marrakesh Agreement acknowledge, trade must be conducted with a view to improving living standards, creating jobs, increasing real incomes and expanding global trade in goods and services, while enabling the optimal use of the world's resources in accordance with the objective of sustainable development. Reform must therefore aim to ensure that



the WTO contributes to developing countries fully benefiting from the global trading system.

The continued expression of support by the G20 for the reform of the WTO and the strengthening of the multilateral trading system will constitute a positive sign in the current challenging context of international trade.

In a polycrisis era – which adds to the other challenges that the WTO has been facing at least since the last decade –, it is more important than ever that the G20 come together to find ways to ensure prosperity for all. In Brazil’s view, international trade and investments have an important role to play in achieving our common development goals.

Expected outcome:

- Advance discussions on G20 political support for WTO reform and strengthening the Multilateral Trading System and reflect this progress in the G20 Trade and Investment Ministerial Statement.

Details: With MC13 expected to be held in February 2024 and the expectation that the conference will have WTO reform as its main focus, the TIWG will be able to closely monitor the developments in discussions in that Organization and decide on the intensification of its political support to the reform of the WTO and the strengthening of the Multilateral Trading System. The way in which these discussions will be reflected in the G20 Trade and Investment Ministerial Statement will necessarily take into account the results of MC13.

IV. Way Forward

The G20 TIWG work stream in 2024 will consist of four meetings, to be followed by a Ministerial Meeting:

29-30 January 2024: I TIWG, to be held virtually.

24-25 April 2024: II TIWG, to be held in Brasília.

June (dates TBD): III TIWG, place to be determined.

21-22 October 2024 (TBC): IV TIWG, to be held in Brasília.

24 October 2024 (TBC): Trade and Investment Ministerial Meeting, to be held in Brasília.