

1. We, the G20 Trade and Investment Ministers, met virtually on 22 September 2020, under the G20 Saudi Presidency, to further strengthen G20 trade and investment cooperation.
2. We have met on two previous occasions this year for extraordinary virtual meetings to ensure a coordinated response to the impact of COVID-19 on global trade and investment and the global economy. We remain gravely concerned with the serious risks posed to all countries, particularly developing and least developed countries, and notably in Africa and small island states.
3. Amid the COVID-19 pandemic, we will continue our cooperation and coordination to: (i) support recovery of international trade and investment; (ii) support the necessary reform of the World Trade Organization (WTO) to which the Riyadh Initiative on the Future of the WTO provides political support; (iii) encourage greater international competitiveness of Micro-, Small and Medium-Sized Enterprises (MSMEs); (iv) foster economic diversification; and (v) strengthen international investment.
4. At this critical time, trade and investment must act as important engines of growth, productivity, innovation, job creation, development and poverty reduction, to contribute to laying the foundation for a global economic recovery that leads to sustainable, balanced and inclusive growth. We will continue to take joint actions to strengthen international cooperation and frameworks.
5. We recall the importance of maintaining focus on the implementation of the Sustainable Development Goals and the role of trade and investment in this regard.

Supporting Recovery of International Trade and Investment

6. We continue to endorse the “G20 Actions to Support World Trade and Investment in Response to COVID-19” which we will continue to implement and recall our request that the Trade and Investment Working Group provide status updates. In this regard, we welcome the progress achieved, in particular the termination of many trade restrictive measures and the implementation of trade facilitation measures. We reiterate the importance that any emergency trade measures designed to tackle COVID-19, if deemed necessary, are targeted, proportionate, transparent, temporary, reflect our interest in protecting the most vulnerable, do not create unnecessary barriers to trade or disruption to global supply chains, and are consistent with WTO rules.
7. We will continue to do whatever it takes and to use all available policy tools to minimize the economic and social damage of the pandemic, restore global growth, maintain market stability, and strengthen resilience, as mandated by our Leaders.
8. As health challenges continue to take center stage, we emphasize the essential role of the multilateral trading system in promoting stability and predictability of international trade flows, as well as of trade and investment policies in ensuring that all countries have access to essential medical supplies and pharmaceuticals, including vaccines, at an affordable price, on an equitable basis, where they are most needed and as quickly as possible, and incentivize innovation consistent with members' international commitments. We also recognize the need to increase the sustainability and resilience of national, regional, and global supply chains and to expand production capacity and trade, notably in the areas of pharmaceutical, medical and other health-related products. We will continue to explore COVID-19 related WTO initiatives in this respect.
9. We will continue to work to realize the goal of a free, fair, inclusive, non-discriminatory, transparent, predictable and stable trade and investment environment and to keep our markets open, including to assist in the recovery from the economic and social impacts of the pandemic.
10. The need to handle trade tensions and to foster mutually beneficial trade relations, affirmed last year in Tsukuba, is critical in the post COVID-19 scenario. We reaffirm that structural problems in some sectors, such as excess capacities, can cause a negative impact. We will continue to work to ensure a level playing field to foster an enabling business environment.

11. We highlight the critical role that the digital economy and electronic commerce have played in helping sustain economic activity through the COVID-19 pandemic and in ensuring the continued operation of supply chains and delivery of essential goods and services. We also note that the pandemic has underscored the challenge of the lack of access to the digital economy for many vulnerable citizens due to the persistence of the digital divide. We recall the Osaka Leaders Declaration and the Tsukuba Trade and Digital Economy Ministers Statement and reaffirm the interface between trade and the digital economy. We note the ongoing discussions under the Joint Statement Initiative on Electronic Commerce and the Moratorium on Customs Duties on Electronic Transmissions, and reaffirm the need to reinvigorate the Work Program on Electronic Commerce at the WTO.
12. We recognize the importance of continuing to foster women's economic empowerment with a view to achieving global economic recovery. To that effect, we take note of the work of the Women 20 and will continue to support the growth of women-owned businesses and their increased participation in global markets and international trade.

Supporting the Necessary Reform of the WTO – Riyadh Initiative on the Future of the WTO

13. We recognize the contribution that the Riyadh Initiative on the Future of the WTO has made by providing an additional opportunity to discuss and reaffirm the objectives and foundational principles of the multilateral trading system and to demonstrate ongoing political support for WTO reform discussions.
14. We note the Chair's "Summary of the Exchange of Views under the Riyadh Initiative on the Future of the WTO" (Annex 1) and its transmission to all WTO Members through the General Council of the WTO. This Summary was prepared by the Chair of the Trade and Investment Working Group under his own responsibility and is without prejudice to the positions of individual members.
15. We reaffirm our commitment to the objectives and principles enshrined in the Marrakesh Agreement Establishing the WTO.
16. We recognize that the effectiveness of the multilateral trading system depends on the implementation of WTO rules by all Members, as well as their respective enforcement, in order to maintain the balance of Members' rights and obligations.

17. We remain committed to working actively and constructively with other WTO Members to undertake the necessary reform of the WTO. We recognize that this reform should improve the functions of the WTO and we encourage a constructive discussion of all proposals in this regard.
18. We recognize transparency as an important condition for enhancing trade predictability and fostering trust between WTO members with regards to the compliance with their WTO obligations. In this regard, we reaffirm our commitment to fulfill our WTO transparency obligations and to lead by example and we call on all other WTO Members to do so. We recognize the need for assistance to WTO Members that face capacity constraints in meeting their notification obligations. We acknowledge ongoing discussions to enhance transparency and bolster compliance with notification obligations at the WTO.
19. We underscore the significance of ongoing WTO negotiations and reiterate our support to achieve an agreement by 2020 on comprehensive and effective disciplines on fisheries subsidies, as WTO Ministers decided at the 11th Ministerial Conference. Many members affirm the need to strengthen international rules on industrial subsidies and welcome ongoing international efforts to improve trade rules affecting agriculture. Many of us highlighted agricultural subsidies and agricultural market access. We also stress that urgent action is necessary regarding the functioning of the dispute settlement system in order to contribute to predictability and security in the multilateral trading system.
20. We note the ongoing discussions under the Joint Statement Initiatives (JSI) at the WTO, including the JSI on E-Commerce, Investment Facilitation for Development, MSMEs, and Services Domestic Regulation. G20 participants in these initiatives call for significant progress in the lead up to the 12th WTO Ministerial Conference. We note that concerns have been expressed on rule-making by some G20 members who are not part of the JSIs.
21. We note the process under-way to select the next Director General of the WTO. We look forward to working with all WTO Members towards concluding the selection process by the 7th of November 2020.
22. The 12th WTO Ministerial Conference represents an important milestone in an inclusive and ambitious process of WTO reform. We will use the additional time available until then to bolster our efforts to work constructively with other WTO Members to achieve meaningful progress in advancing our shared interests, including emerging stronger from the

COVID-19 pandemic and progressing with the necessary reform of the WTO to improve its functioning.

Boosting the International Competitiveness of MSMEs

23. MSMEs play a critical role in our economies, employing between 40 to 90 percent of the labor force, accounting for 95 percent of firms across the world, and generating 35 to 60 percent of our GDP. Their ability to continue growing and to increase their significant contribution to economic activity depends, in part, on their capacity to further integrate into the global economy. We also recognize the different challenges faced by MSMEs in different countries, and notably in developing and least developed countries.

24. MSMEs face disproportional challenges in their efforts to become more competitive and more integrated into the global economy. They are particularly vulnerable to shocks, such as the COVID-19 pandemic, are disproportionately affected by the lack of resources, information and skills, including to adapt to technological changes, encounter challenges in adapting to different regulatory frameworks and new regulations, and face difficulties in joining regional and global value chains. This is particularly the case for women-owned MSMEs which often have limited access to finance and business opportunities.

25. With the objective of promoting inclusive economic growth through increased participation of MSMEs in international trade and investment, we endorse the “G20 Policy Guidelines on Boosting MSMEs’ International Competitiveness” (Annex 2). These non-binding and voluntary Policy Guidelines will provide reference to national and international policymaking, notably for participants in the WTO Joint Statement Initiative on MSMEs, that contributes to improving the capacity of MSMEs to connect, compete, change and adapt in the face of emerging technologies and external shocks.

Fostering Economic Diversification

26. Economic diversification reduces vulnerability to economic shocks and remains an important goal for all countries, particularly developing and least developed countries. The economic and social impact of the COVID-19 pandemic raised our sense of urgency in working to address structural weaknesses and increase the resilience and sustainability of our economies and our value chains inter alia through more diverse production and trade structures. In this regard, we acknowledge that trade in services and special economic zones could foster economic diversification.

27. We note the “Synthesis Report of Members’ Best Practices and Lessons Learned on Trade in Services” (Annex 3). We recognize the important role that services and services trade play in supporting growth, development and diversification strategies. We further emphasize the importance of continuing constructive discussion on supporting the increased participation of developing countries in services trade, and on increasing economic opportunities for women and youth in particular.
28. We note the “Synthesis Report of Members’ Best Practices and Lessons Learned on Special Economic Zones (SEZs)” (Annex 4). Many members consider that SEZs can contribute to investment attraction, economic diversification, industrial upgrading, export growth, job creation and income generation. Members recognize that SEZs should be administered in a manner that ensures compliance with WTO rules and guards against the risk of illicit trade.

Strengthening International Investment

29. Foreign direct investment (FDI) is key for economic growth, job creation and capital accumulation. The COVID-19 pandemic has had an immediate negative effect on international investment flows, adding to the stagnant global investment flows over the past decade, and significantly widening the already-large gap in investment needed to meet the SDGs. In this regard, recalling the voluntary G20 Guiding Principles for Global Investment Policymaking, we are committed to facilitate and strengthen international investment.
30. We recognize the relationship between industrial, investment and trade policies, especially in our coordinated response to the COVID-19 pandemic. In this regard, we see value in sharing best practices on promoting investment in productive sectors related to or impacted by COVID-19, and to identifying key areas, such as critical medical supplies and equipment and sustainable agriculture production, where investment is urgently needed.
31. We note the “Report on FDI Flows and Investment Attraction Frameworks in Developing and Least Developed Countries”, which refers to gaps in investment promotion capabilities and opportunities for improved cooperation in the provision of technical assistance on investment attraction to developing and least developed countries.

32. Through a “G20 Statement on Technical Assistance for Investment Attraction” (Annex 5), we encourage further collaboration among the competent authorities of G20 countries, including in the G20 Development Working Group and with international organizations, within their mandates, to consider additional actions to address gaps in investment-related technical assistance.

Way Forward

33. With a view to ensuring that international trade and investment can effectively contribute to realizing the opportunities of the 21st century for all by overcoming the economic and social effects of the pandemic and shaping a more resilient, inclusive and sustainable world for all, we jointly recommend our Leaders consider these important topics at the Riyadh Summit.

34. We extend our gratitude to the Saudi G20 Presidency for its determined efforts and leadership. We will submit this Communiqué to the G20 Leaders’ 2020 Summit and will continue our cooperation towards Italy’s G20 Presidency in 2021 and thereafter.

Annex I

Riyadh Initiative on the Future of the WTO TIWG Chair's Summary

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This Summary was prepared by the Chair of the Trade and Investment Working Group (TIWG) under the Chair's responsibility and is without prejudice to the positions of individual G20 members or guest countries.

BACKGROUND

G20 Leaders have repeatedly called for and supported the necessary reform of the World Trade Organization (WTO).

In Argentina (2018), Leaders recognized the contribution that the multilateral trading system has made to “growth, productivity, innovation, job creation and development” and that “[t]he system is currently falling short of its objectives and there is room for improvement”, and therefore supported “the necessary reform of the WTO to improve its functioning.”

In Japan (2019), Leaders reaffirmed their “support for the necessary reform of the WTO to improve its functions” and committed to “work constructively with other WTO Members, including in the lead up to the 12th WTO Ministerial Conference.”

Additionally, in endorsing the “G20 Actions to Support World Trade and Investment in Response to COVID-19” at their Extraordinary Meeting of 14 May 2020, the Trade and Investment Ministers noted that the long-term actions identified in the document “support the necessary reform of the WTO and the multilateral trading system.”

* * *

The **Riyadh Initiative on the Future of the WTO (the Riyadh Initiative)** was launched by the Saudi G20 Presidency (the Presidency), building on the commitment from our Leaders, to provide an additional opportunity for members to work constructively towards the necessary reform of the WTO. By identifying common ground of WTO objectives and trade policy principles under the Riyadh Initiative, the G20 can play an important role in providing political support for reform discussions. The discussions on the specific issues of WTO reform will continue to take place exclusively at the WTO among its full membership.

PROGRESSION OF WORK

The Presidency has consulted with all G20 members and guest countries, and a consensus was reached to pursue the Riyadh Initiative.

In the context of the first Trade and Investment Working Group (TIWG) meeting on 9 March 2020, the G20 formed a Focus Group under the Riyadh Initiative to concentrate the discussion on strategic questions relating to the multilateral trading system and the future of the WTO.

The Presidency facilitated the discussion by collecting members' responses to a set of strategic questions, as follows:

1. How can the multilateral trading system be used to advance our shared objective of promoting growth, productivity, innovation, job creation and development?
2. What are the objectives that the WTO should pursue? What are the foundational principles that should underlie the WTO?
3. What is the policy vision for how agreed functions of the WTO should be fulfilled to meet our objectives?
4. Which reference materials and sources of trade and economic policy principles are helpful in providing a historical perspective and supporting the improved functioning of the WTO?

The Presidency compiled and circulated responses to the above four strategic questions from all TIWG members and guest countries to identify common objectives and trade policy principles for WTO reform.

Further, the Presidency organized a virtual Riyadh Initiative Workshop on 25 June 2020 that convened G20 members, guest countries, WTO Deputy Directors-General, as well as global trade policy specialists for a high-level discussion on WTO objectives and foundational principles. The Presidency hopes that the workshop discussions support the work of G20 members as we seek to advance the necessary reform of the WTO.

During the second TIWG meeting on 29 June 2020, members presented their answers to the strategic questions and discussed the scope of common WTO objectives and principles that could be identified, as well as issues on which further efforts are required to reach consensus.

During the third TIWG meeting on 20–21 September 2020, the Presidency presented to members the Chair's Summary of the Riyadh Initiative for further discussion.

During the Ministerial Meeting on 22 September 2020, Trade and Investment Ministers noted the Chair's Summary of the Riyadh Initiative and its transmission by Saudi Arabia to the General Council of the WTO.

The Chair's Summary of the Riyadh Initiative may be utilized to provide political support on further reform discussions among WTO Members.

CHAIR'S SUMMARY

G20 members confirmed that they continue to fully support the objectives of the WTO and share common ground based on its foundational principles. The views expressed by G20 members can provide political support to advance the necessary reform of the WTO in Geneva.

The following section summarizes the G20 discussions into three categories: (i) common objectives, (ii) foundational principles, and (iii) the collective vision to advance the WTO reform.

COMMON OBJECTIVES

At their Extraordinary Summit on 26 March, G20 Leaders reiterated the objective “to realize a free, fair, non-discriminatory, transparent, predictable and stable trade and investment environment, and to keep our markets open.” Our discussion highlighted the role of the WTO to achieve Members’ objectives, and specifically noted the importance of the WTO rules in supporting economic recovery from the COVID-19 pandemic.

All members reconfirmed their commitment to the objectives enshrined in the Marrakesh Agreement Establishing the WTO, with most members noting that some of these objectives are also reflected in the Marrakesh Declaration.

FOUNDATIONAL PRINCIPLES

With respect to the principles that underpin the WTO, the Chair notes that G20 members’ responses referred to the foundational principles embodied in the Marrakesh Agreement and included in the covered agreements, with most members noting that some of these foundational principles are also reflected in the Marrakesh Declaration.

The Chair notes the following outcomes of the exchange of views on foundational principles:

- All members agreed to list the following as part of the principles of the WTO:
 - Rule of law
 - Transparency
 - Non-discrimination
 - Inclusiveness
 - Fair competition
 - Market openness
 - Resistance to protectionism

- Reciprocal and mutually advantageous arrangements, acknowledging that agreements provide for differential and more favorable treatment for developing economies, including special attention to the particular situation of least developed countries
- Most members stressed that ‘sustainability’ is a principle of the WTO
- Most members stressed that ‘market-oriented policies’ is a principle of the WTO.
- Some members stressed that ‘special and differential treatment’ is a principle that is integral to and underpins the WTO and that should be preserved. Many members, highlighting that WTO rules contribute to economic growth and development, expressed the view that S&DT is a tool to facilitate the achievement of WTO objectives and should be applied on the basis of demonstrable needs.
- Members noted the practice of consensus-based decision making in the WTO, expressly carried over from the GATT in the Marrakesh Agreement. Some members consider this practice to be a principle of the WTO.

COLLECTIVE VISION TO ADVANCE THE NECESSARY WTO REFORM

Concerning the policy vision for how agreed functions of the WTO should be fulfilled to meet agreed objectives, the G20 discussions focused on the need for members to fully comply with the WTO obligations negotiated and agreed to by WTO Members.

G20 members agreed on the need to provide political support to achieve the necessary reform of the WTO and to improve the functions of the WTO.

A general sentiment emerged that in order to engage in effective reform, members must fully adhere to existing WTO obligations on transparency. Members shared ideas and referenced initiatives on transparency that could be pursued at the WTO in order to enhance trade predictability and to bolster compliance with WTO notification obligations and recognized the need to support Members that face capacity constraints in meeting their obligations.

All members reaffirmed the importance of multilateral approaches to negotiations. Most members suggested that, using the flexibilities provided by the WTO framework, “open plurilateral” negotiations could be pursued by members who were ready to move ahead on particular issues and highlighted the momentum that, in the light of historical precedents, such initiatives can provide towards multilateral outcomes. Other members recalled existing rules on negotiations and decision making in the WTO and emphasized that new rules be adopted by consensus.

Recalling Tsukuba Trade Ministers' call for action regarding "the functioning of the dispute settlement system consistent with the rules as negotiated by the WTO Members", members agreed that the dispute settlement system is in urgent need of reform. Divergent views were expressed on the nature of reforms that would ensure the WTO dispute settlement system faithfully supports the WTO's important functions of monitoring and negotiation.

CONCLUSION

The Saudi G20 Presidency extends its appreciation to all TIWG representatives for their feedback and engagement in the Riyadh Initiative. The Presidency notes the following outcomes of the Riyadh Initiative:

- G20 support for the objectives enshrined in the Marrakesh Agreement Establishing the WTO, with most members noting that some of these objectives are also reflected in the Marrakesh Declaration.
- Affirmation of foundational principles of the multilateral trading system with different views being expressed on various issues.
- Determination to tackle the necessary reform of the functions of the WTO and to discuss all proposals in this regard.
- The need for Members to fulfill their notification obligations as a necessary condition for Members to effectively monitor compliance with existing rules.
- Recognition by most members of the value of pursuing plurilateral negotiations on issues where progress can be achieved and emphasis by some members that new rules be adopted by consensus.
- Shared sense that the dispute settlement system needs urgent reform, with divergent views on the nature of such reforms.

The Saudi G20 Presidency sincerely hopes that the Riyadh Initiative will help advance the shared interest of WTO Members in bringing about the necessary reform of the WTO, so it can fulfill its objectives of improving the lives of the world's citizens and ensuring peaceful, inclusive and sustainable economic development through multilateral cooperation.

Annex II

G20 Policy Guidelines on boosting MSMEs' international Competitiveness

Non-binding Policy Guidelines

With the objective of promoting inclusive economic growth through international trade and foreign investment, and recognizing that Micro, Small and Medium Enterprises (MSMEs) represent the overwhelming majority of companies and contribute significantly to employment and GDP worldwide, including in the G20 countries;

Acknowledging that ensuring transparent and predictable rules for global trade particularly benefits MSMEs who have fewer resources than larger firms;

Recognizing the particular challenges MSMEs face in internationalization, including in the areas of access to information, technology, digital, and finance, compliance with standards, technical regulations and conformity assessment procedures, connecting to supply chains and developing sustainability and crisis resilience, especially in the context of the COVID-19 pandemic;

Recognizing the different challenges faced by MSMEs of different sizes, capabilities and in different countries, and notably in developing and least developed countries, including due to the persistence of the digital divide;

Acknowledging that empowering MSMEs can contribute to realizing inclusive economic growth and to fulfilling the Sustainable Development Goals (SDGs);

G20 members hereby propose the following non-binding policy guidelines on boosting MSMEs' international competitiveness as important elements for sustainable MSMEs growth and integration into global and regional value chains.

Boost MSMEs' capacity to connect

- I. **Access to information:** support national and international efforts, including in the WTO, to improve access to relevant information for MSMEs' internationalization, including through:
 - a. Enhancing access to market intelligence for MSMEs, especially information regarding market access, trade and investment policies, public procurement opportunities and cross-border procedures;
 - b. Enhancing communication channels and networks for MSMEs, including through deepened collaboration with the private sector;
 - c. Enhancing the transparency of terms and conditions of cross-border sales on digital platforms;
 - d. Ensuring transparency on trade-related measures through compliance with WTO notification obligations;
 - e. Enhancing the transparency of information on standards, technical regulations and conformity assessment requirements;
 - f. Considering the specific needs of MSMEs engaged in international trade in domestic regulatory development, to the extent practicable.
- II. **MNC-MSME linkages:** encourage MSMEs, Multinational Corporations (MNCs) and their affiliates to develop fair, balanced, and mutually advantageous linkages to support increased participation of MSMEs in global and regional supply chains, and to explore ways of making those supply chains more resilient and reliable for MSMEs, including through the strengthening of relevant business support organizations that host information portals on competitiveness of local MSMEs and offer matchmaking services, with MNCs and MSMEs ensuring confidentiality of data generated through the partnership.
- III. **Digital infrastructure:** develop universal, secure and affordable connectivity, in particular digital connectivity infrastructure, to help MSMEs lower the cost to internationalize, including through support to meet the Sustainable Development Goal 9 of the 2030 United Nations Agenda.

Boost MSMEs' capacity to compete internationally

- IV. **Market-based MSME upgrading:** foster upgrading of practices and capabilities of MSMEs, when possible, through cooperation with MNCs to enable the use of relevant and transparent industry standards, ensure the quality and compatibility of inputs in various stages of value chain production, and provide for the safety and security of final products. Such improvements might also contribute to the economic, social and environmental sustainability of international trade and investment activities.

- V. **Trade of safe, high quality goods:** strengthen public or private national quality infrastructure that transmits knowledge on and provides assurance of the safety of goods for trade and investment, without creating unnecessary restrictive regulations and unnecessary obstacles to international trade.
- VI. **Trade facilitation:** enhance trade facilitation, including by full implementation of the WTO Trade Facilitation Agreement, by adopting digital solutions, where possible, to support the movement of goods across borders, and ensure that any trade facilitation measures are non-discriminatory to MSMEs and are mindful of MSMEs challenges, to the extent practicable.

Boost MSMEs' capacity to change and adjust

- VII. **Technology and innovation:** adopt policies that help MSMEs benefit from digital transformation and seize opportunities in new technologies for increased competitiveness in the global market, including through:
 - a. Encouraging educational systems, including vocational training, to supply MSMEs with the skilled labor force needed to work with the latest technologies;
 - b. Considering the particular needs and challenges of MSMEs when designing and implementing innovation policy support instruments;
 - c. Promoting collaboration between the private sector and academic or other research institutions through skill development and innovation incentives;
 - d. Promoting collaboration between private and public actors for effective identification and sharing of information on technologies.
- VIII. **Access to finance:** facilitate MSMEs' access to finance, including trade finance and finance that facilitates adoption of new technologies.
- IX. **Crisis preparedness:** ensure that MSMEs are able to take full advantage of assistance programs to support speedy recovery from external shocks that hit individual sectors or the entire economy.

Enhance evidence-based policy making for MSMEs' competitiveness

- X. **Data collection:** step-up efforts to regularly collect, to the extent practicable, firm-level data for better informed policy making and the facilitation of MNC-MSMEs matchmaking.
- XI. **Information exchange and notification:** utilize existing multilateral channels, on a voluntary basis, such as the WTO's Trade Policy Review process and the WTO Informal Working Group on MSMEs, to step-up exchange of information on MSMEs-relevant policies.
- XII. **Bilateral mechanisms:** give due consideration to MSMEs issues in bilateral trade and investment agreements and mechanisms or develop new mechanisms such as partnerships for MSMEs development and policy dialogues to better coordinate and implement MSMEs-related policy goals.

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Annex III

Synthesis Report of Members' Best Practices and Lessons Learned on Trade in Services

This Synthesis Report was prepared by the Chair of the Trade and Investment Working Group (TIWG) under the Chair's responsibility based on different inputs provided by G20 governments and invited countries and is without prejudice to their individual positions.

The Economic Contribution of the Services Sector and Trade in Services

G20 participants emphasized that services and services trade have become an important engine of economic growth. Services trade contributes to efforts at diversifying the economy and national export structures, as well as to improving infrastructure, including for commodity-dependent economies and developing countries.

The important role of services in G20 economies is reflected in the sector's high share of GDP (e.g., 54% in China and Russia, close to 70% in Canada, Germany, Japan, and South Africa, and 80% in the United Kingdom) and its contribution to employment (e.g., 55% in Indonesia, 67% in Russia, 70% in the Republic of Korea, 80% in Australia). Typically, services' share of GDP and employment has tended to increase in recent times. The sector also accounts for a predominant share of new businesses established (about 80% in Germany).

Services play a large and increasing role in international trade and investment. Overall, trade in services has expanded faster than trade in goods over the last decade. A number of countries report that services' share of their total exports has been increasing. In South Africa, 10% of the country's services job relate to services exports. In Spain, services exports amount to 10.6% of GDP. In Russia, services exports constituted 43% of non-commodity exports.

The participation of developing economies in trade in services also grew with digital services playing an increasing role in that trade. Developing countries have comparative advantage in a number of services and tapping this potential could help diversify exports beyond goods. In Argentina, knowledge-based services are of particular importance for micro, small and medium-sized enterprises (MSMEs), which accounted for almost half of the country's services exports. Some sectors highlighted for export strength and growth in developing economies include business services, finance and insurance, telecommunication, computer, information services, tourism, transport, construction, and health services. The services sector also accounts for a significant share of inward foreign direct investment (FDI) (e.g., 70% in Turkey in 2019, 60% in India).

The services sector and trade in services, including digital services, are expected to play an important role in the post COVID-19 economic recovery. The pandemic had inflicted significant damage to services sectors, but the shift to digital services in various areas has contributed to resilience and could offer future growth opportunities.

Services as Inputs to Other Economic Activities and their Role in Supply Chains

Across G20 economies, services are increasingly used as inputs in the production process in the manufacturing and agriculture sectors. This has strong implications for economy-wide productivity, competitiveness of merchandise exports, and economic diversification.

Services inputs enable firms to increase their productivity and produce a greater number of products. In addition, the supply of services jointly with goods, such as insurance, financing or maintenance services, allows firms to keep adding value by offering integrated solutions to their customers.

For many G20 participants, services represent, in value-added terms, a significant share of exports of manufactured products and of total exports. For example, in Mexico, Russia, the United Kingdom and the United States, services value-added content contributes approximately a third of manufacturing exports. In value-added terms, services account for an estimated two-thirds of total exports in the United Kingdom, almost 60% in the case of the European Union, and about half for Brazil. A significant share of services value added in exports stems from imported services.

This underscores that exports of goods rely intensively on services inputs. Access to quality services, such as telecommunication, finance, logistics, or transport services, is indispensable for manufacturing and agricultural businesses to connect to global and regional value chains. Dynamism of the services sector, effective regulations and openness to services trade are linked to overall competitiveness and integration into the global marketplace, and diversification. Many members highlighted that the supply of digitally-enabled services and the free flow of data, respectful of privacy and data security, can facilitate the use of services as inputs into goods production and trade.

Furthermore, lower entry-costs in many services sectors compared to manufacturing facilitate the participation of MSMEs in GVCs.

Services Trade Policies and the Role of Services in Growth, Development and Diversification Strategies

Services and services trade play a significant role in growth, development and diversification strategies of G20 participants. A highly innovative and competitive services sector is vital in maintaining global economic growth and efficiency and is a key driver of economic diversification in the 21st century, both in developing and developed economies. Increasing services trade can contribute to economic diversification, thereby enhancing economic stability and reducing vulnerability to shocks.

Various G20 participants highlighted strategies that can be used to create the right conditions for diversification, including a combination of domestic measures and trade policies, such as: championing greater services trade liberalization – at home and abroad –, improving transparency of services policies, supporting business to export services, attracting foreign direct investment in services sectors, facilitating the free flow of data, without prejudice to legitimate public policy objectives, improving the business climate, and promoting services related to environmental protection, such as using the circular economy as one of the available tools, among others, to achieve environmental sustainability.

Various G20 participants underscore the key and positive role of their domestic services policies in fostering growth and diversification. Stressed in that regard were the positive impact of measures to open up the services sectors to international competition, as well as the high relevance of quality and transparent domestic regulatory frameworks and of a sound business environment. Such domestic policies can contribute to enhancing the competitiveness of national companies and to fostering greater participation in international trade.

As regards services trade openness, Saudi Arabia, for instance, decided to allow 100% foreign ownership in road transport services to improve efficiency, safety, sustainability, and to facilitate connectivity and trade in goods. Brazil's full liberalization of the air transport sector aimed to facilitate access to key services inputs so as to improve overall competitiveness. Turkey, for its part, abolished public monopolies and opened the market to competition in telecommunication and postal and courier services, which resulted in improved and more affordable telecommunication and logistic services. Some G20 economies also highlighted benefits of reforms to their foreign investment regime, which facilitated services trade under mode 3 (commercial presence). India opened new sectors to FDI and liberalized its visa regime.

With respect to domestic regulatory frameworks and business environments, participants highlight that government policies that standardize and simplify licensing, registration and other requirements for services sectors, and that maintain fair competition by establishing independent and impartial sectoral regulators, such as in telecommunication services, can create more favorable conditions for services firms and services trade to grow.

In terms of international actions, many participants highlight that services liberalization and binding commitments can provide stability, predictability, and lower trade barriers. Many participants underscore the importance of negotiations on domestic regulation disciplines in the WTO, noting their contribution to regulatory transparency and their benefits for businesses, especially MSMEs. Many participants stress the importance of rule-making on e-commerce in the WTO for the promotion of trade in services in the digital economy and the benefits of a greater participation of smaller businesses in digital trade. Some participants underscored the importance of strengthening the exploratory and non-negotiating engagement under the Work Program on E-Commerce at the WTO before embarking on rule-making on E-Commerce. Some participants stressed on the need to reinvigorate multilateral discussion in the Working Party on Domestic Regulations at the WTO. Some participants stress the importance of international discussions on data governance. Finally, some participants emphasize the need to focus on overcoming the digital divide, improving digital infrastructure in developing countries and enhancing digital capabilities.

G20 participants also shared that undertaking comprehensive work to identify relevant applied measures affecting trade in services, in the context of participation in bilateral or regional trade negotiations, can facilitate services trade through increased transparency and predictability. A number of governments had also taken actions to enhance collaboration with the private sector. In Brazil, for example, the "Simplifica Program" aims at simplifying the business environment by tackling bottlenecks identified by the private sector. Russia has launched the "Regulatory guillotine" initiative, which stipulates for the revision of all mandatory requirements and procedures with the view to withdraw unnecessary and excessive requirements identified by the private sector.

A number of G20 participants have taken actions specifically designed to help SMEs enter the global services market. Under Australia's "Services Export Action Plan", the Australian government responds to industry-led recommendations aimed at boosting the service sector's export potential. In Indonesia, the government established a program to boost the tourism sector as a part of the creative economy, which is key to the economic diversification strategy, by facilitating the development of priority destinations.

Enhancing Transparency and Predictability for Services Trade

Various G20 participants considered it important to enhance transparency of services trade policies so as to facilitate trade in services.

The importance of promptly notifying measures in the WTO was stressed by many participants, along with that of publishing measures online, including in advance of their implementation, wherever possible. The importance of consulting widely across government and with industries and key trading partners on the development of new measures or reforms to existing measures, was also underscored. The role of international organizations, such as the WTO, in making available further information on trade in services was also mentioned.

Many participants indicated that international rules on transparency of domestic regulations and binding commitments in trade agreements also make important contributions. A stable and transparent domestic regulatory framework, as well as international rules on trade in services generate stability, transparency and predictability for services trade suppliers.

Trade in Services and Aid for Trade

A number of G20 developing countries believe that Aid for Trade plays a critical role in advancing international cooperation in trade in services and that Aid for Trade needed to be mobilized to provide new trade opportunities, reduce trade costs in services, and enhance connectivity by providing an enabling environment for service markets.

Aid for Trade could support the implementation of services trade policies in several key areas, such as policies to: facilitate the supply of basic infrastructure services; help establish enabling conditions for the online supply of services; promote value chain integration and facilitate access to, and supply of, services used as inputs into the production and export of goods; help enhance diversification by fostering greater services exports across all modes of supply, including cross-border electronic supply; and assist in the development and implementation of national legal frameworks for domestic and cross-border e-commerce.

A number of countries note that open and well-regulated services markets are key to ensuring that developing countries can integrate in regional and global value chains and benefit from global trade in services. It was pointed out that market access was not the only barrier, as lack of infrastructure, insufficient regulatory frameworks, and skill levels could affect the capacity of businesses in developing countries to take advantage of trading opportunities. While preferences for LDCs, such as under the WTO LDC Services Waiver, and other export-oriented programs may be important,

capacity-building to help overcome supply-side constraints is critical to foster the development of services trade.

The Contribution of Trade in Services to Women Empowerment and Youth Employment

G20 participants observed that women and youth typically play a larger role in the services sector. In Canada, 90% of female labor force is employed in the service sector as are 86% of workers of both sexes between the ages of 15 and 24. In Spain, services employ 80% of those aged under 29 (75% for those aged 29 or older) and 89% of women (65% of men). In Russia, the share of women employment in the services sector is above 80%, compared with 15% in manufacturing and 4% in agricultural sectors. In the United Kingdom, there are more women in senior and top management positions in services than in manufacturing.

Since the services sector accounts for a predominant share of new businesses established, a vibrant services sector provides important opportunities for women and young people to start their own company. In Canada, women start-up more businesses in this sector.

In that context, policies that encourage trade in services tend to increase opportunities for young people and women. In countries where the participation of women and youth in the economy is deemed insufficient, the development of the services sector provides a promising channel for unlocking potential and driving their engagement in the workforce.

It was noted that, in some countries, the gender-differentiated wage gap is lower in services than in manufacturing. The rise of services therefore has the potential to promote gender equality in the labor market. E-commerce is also mentioned by some participants as important to increase the participation of women and under-represented groups in services trade, given relatively lower barriers to entry.

Annex IV

Synthesis Report of Members' Best Practices and Lessons Learned on Special Economic Zones (SEZs)

This Synthesis Report was prepared by the Chair of the Trade and Investment Working Group (TIWG) under the Chair's responsibility based on different inputs provided by G20 governments and invited countries and is without prejudice to their individual positions.

SEZs in G20 Countries

Special Economic Zones programs are widely used in the majority of G20 members. Some members have a significant number of zones, including China, India, Turkey, and the United States.

Several high- and upper-middle-income G20 countries, such as Spain, the Russian Federation and Turkey, are currently developing high value-added or strategic industries through technology-based zones (e.g. R&D, high-tech, or biotech zones) and other specialized zones, with the aim to support the transition to a services economy and to upgrade innovation capabilities. The Russian Federation has established various specialized SEZs, including Industrial SEZs, Technology and Innovation SEZs, Tourism and Recreational SEZs, and Logistical SEZs. Turkey has developed Technology Development Zones (TDZs) and Specialized Free Zones (SFZ) to promote market-oriented technological development and to contribute to the establishment of a knowledge-based economy.

A number of members are developing new generation zones with specific objectives related to sustainability targets, including combining high-tech industry ecosystems for SMEs and environmental protection initiatives. For instance, the Incheon Free Economic Zone (IFEZ) in the Republic of Korea aims to be eco-friendly by providing automatic waste-collection system and other facilitiesⁱ. In Spain, SEZs are developed as 3D incubators to provide a supportive environment for SMEs and to promote the development of domestic Industry 4.0 strategies.ⁱⁱ

A number of G20 countries (e.g. Japan and China) have also emphasized the role of SEZs as a testing field for regulatory reforms. The 10 National Strategic Special Zones in Japan have facilitated challenging regulatory reforms.ⁱⁱⁱ In China, one of the main objectives of the Pilot Free Trade Zones (PFTZs) is to explore new pathways to comprehensive policy reforms. Over 200 practices developed in the Pilot Free Trade Zones were later implemented nationwide.^{iv}

Some countries, including Australia, Canada, Switzerland and Singapore, do not have SEZ programs in their mix of policy schemes to promote and facilitate trade and investment. Australia, for example, favors FTAs, trade and investment liberalization and facilitation to SEZ programs.^v Switzerland focuses on improving the general framework conditions in a sectorial and technology neutral manner and does not pursue an industrial policy in the sense of promoting certain industries or technologies in the framework of SEZs.^{vi} Canada, similarly, applies a liberal tariff policy and programs that offer domestic businesses many of the same benefits as those found in SEZs to support business productivity and competitiveness by reducing direct production costs.^{vii} The preference to attract investment through other means than SEZs is not universal among the higher-income G20 economies; the United Kingdom is in the process of policy consultation to build up to 10 freeports, with the aim to promote regeneration and job creation, and create innovative hubs for global trade and investment across the country.^{viii}

Potential Positive Impact of SEZs

The Economic Contributions of SEZs

A number of G20 participants with SEZ programs have emphasized SEZs' contributions to investment attraction, economic diversification and industrial upgrading, export growth, job creation and income generation – both directly and indirectly, as well as to increasing participation in global value chains.

FDI attraction. SEZs are seen by many G20 members as a key investment promotion tool. Italy stressed the economic benefits and contributions of SEZs in attracting investment in the less developed areas of the country. In China, PFTZs contributed 15% to the country's total foreign investment and international trade in 2019. SEZs in the Russian Federation have attracted investors from 37 countries by the end of 2019.

Economic diversification and industrial upgrading. There are numerous examples among G20 members of how SEZs have contributed to economic diversification and industrial development and upgrading. SEZs in the United Arab Emirates have led to diversified streams of revenue and promoted economic diversification in terms of trade and investment. For South Africa, one of the main considerations in defining the type of the zone is to develop multi-activities zones targeting diverse economic sectors rather than on one or few sectors. In Turkey, TDZs have encouraged technology dissemination by supporting cooperation between zones and universities as well as higher education institutions.

Export growth. Many G20 countries have reported that SEZ programs account for a major share of their exports, particularly manufactured exports. In many countries, zones are regarded as crucial to stimulate trade and industrial export activity. In Turkey, TDZs contributed \$4.4 billion and Free Zones contributed \$7.98 billion to its exports in 2019.

Job creation. Most G20 members (e.g. Argentina, Brazil, India, and Indonesia) consider SEZs an effective tool for job generation, particularly for women entering the workforce. Worldwide, an estimated 90-100 million people are directly employed in SEZs and free-zone programs (World Investment Report 2019 (WIR19))^{ix}. In the Russian Federation, over 42,000 jobs were created within SEZs by the end of 2019. The Aegean Free Zone in Turkey provides employment to more than 20,000 people around the region and all Free Zones in Turkey provide employment to more than 75,000 people. Four industries in Brazil's Ceará SEZ generated more than 16,000 direct and indirect jobs.

Income generation. Many members noted that zones expansion has contributed to the generation of additional government revenues. In Indonesia, The Galang Batang SEZ has contributed to an increase of 25 per cent of the local government revenues in the Bintan District for the period 2016-2018. During the same period, the zone has also contributed to the rise of the Gross Regional Domestic Product of the district by around 16%.

Social and Environmental Benefits. G20 countries have also recognized the social and environmental benefits of SEZs. SEZs have promoted regional development, contributed to gender balance and improved labor quality as well as enhanced environmental protection.

Regional development. Zones are also considered as a potential tool for promoting regional development, although proximity to cities and infrastructure hubs remains a precondition for zone success. Argentina noted that the establishment of the free zones contributed to the development of regions that were in a critical economic situation. In Japan, the National Strategic Special Zones have contributed to regional revitalization, helping to address unique challenges such as labor shortage and health care. In the Republic of Korea, the Incheon Free Economic Zones (IFEZ) areas are developed from "nothing to everything". IFEZ Authority has established schools, universities, and hospitals to make the zones more convenient for the residents. In Russia, territories of advanced social-economic development (TORs) contribute significantly to the regional development policy. Many of them are located in the Far East regions of the country and so-called "single-industry towns".

Gender balance. It was also noted that in some G20 countries, SEZs have clear initiatives that contribute to gender balance. Notably, in Turkey, the Organized Industrial Zone (OIZ) focused on increasing the number of kindergartens to increase the employment of women in the zone.

Labor quality. For many G20 members (e.g. Brazil, Indonesia, the Russian Federation and Turkey), SEZs represent a stimulus for workforce training programs. In Brazil, as part of the Ceará SEZ development program, a local workforce qualification center was established, with the aim to qualify the local workforce, to meet the demand of qualified labor and improve the education and professional sector in the country.^x

Environmental protection. Most G20 countries aim to promote high environmental standards within the zones, and various measures were highlighted to this end.^{xi} SEZs and the incentives offered therein can attract investment relevant to the Sustainable Development Goals (SDG). Recent years have witnessed the emergence of so-called eco-industrial parks. Existing SEZs are also becoming more sustainable development-friendly (WIR20)^{xii}. Modern zones, in particular, offer facilities tailored to the needs of target industries. Such SEZs tend to have zone-specific environmental regulations and dedicated facilities for waste treatment. In the Republic of Korea, IFEZ aims to be eco-friendly by being low carbon with automatic waste-collecting system and re-use of sewage. For Spain, it is important for the zones to contribute with their transformation according to the UN SDG.

Some G20 countries have also acknowledged that services provided by zone operating companies, or shared services among zone investors, are often used to support higher environmental standards. For instance, in Turkey, the Aegean Free Zone hosts only clean production facilities that meet certain environmental standards. The operating company, which holds an ISO 14001 certificate for its Environmental Management System, provides services for waste management, water treatment, disposal of garbage and recycling.

Concerns About SEZs

Some members stressed the importance of avoiding undesired practices in SEZs (customs or tax fraud, intellectual property rights infringement, and other illegal activities, such as money laundering)^{xiii,xiv} and called for adherence to the OECD Recommendation on Countering Illicit Trade and Enhancing Transparency in Free Trade Zones.

In addition, some members raised concerns about the impact of SEZs on the level playing field^{xv} and observed that some incentives offered to enterprises in these zones may distort trade and be inconsistent with certain WTO obligations. In this regard, some members called on governments to carefully review the WTO consistency of the incentives provided to enterprises that operate in their SEZs.

While some members highlighted concerns linked to SEZ development, these concerns are non-exhaustive and not shared equally by all members. In addition, it should be noted that SEZ characteristics and impacts are country-specific, or in some cases SEZ-specific and, as such, concerns raised by members may be difficult to generalize.

Factors Enabling Success of SEZs

Strategic focus. Several G20 countries (e.g. China, the Republic of Korea, Japan, the Russian Federation, Spain and Turkey) recognized that a well-designed SEZ program with clear goals and integrated with national development strategy is an important prerequisite to successful zones. Some G20 members consider that SEZs need to be built on the existing national competitive advantages and closely linked to the country's level of industrial development.^{xvi} High-tech zones cannot be developed without sufficiently skilled resources, research institutions and the amenities to attract specialized foreign personnel.

Locational advantages. Access to intermodal transport and closeness to ports or large cities, as well as access to sufficiently skilled resources and research institutions have been highlighted as key locational advantages. For example, in Italy, the main reason cited for the success of Campania SEZ, is its strategic location close to key infrastructure hubs (ports and airports) and to labor pools. Investors in the zone are mostly those exporting by sea. Similarly, the Calabria SEZ aims to create connections between regional industrial areas and the port of Gioia Tauro, the center of the SEZ.

Regulatory framework and governance. Some G20 countries have stressed that an independent regulator or SEZ authority is considered a key factor in the success of zone programs. South Africa suggested that the public authorities should be involved in mainly regulatory functions rather than owning, developing or operating zones, removing any conflict of interest arising from the regulating body having the authority to approve zones and projects and at the same time owning specific zones.

Private sector involvement in zone development and management. Many G20 members stressed the importance of the involvement of the private sector in the ownership, development and management of the zones. South Africa has gradually allowed private sector to participate in zone development and operation in order to increase the efficiency of zones. Turkey follows a Public-private partnership (PPP) model where a private company builds and operates the zone while administrative operations are carried out by the government. This modality enables the enhancement of the investment climate through mutual relationship between public and private parties.^{xvii}

Appropriate incentives. The incentives offered in zones are considered by many G20 members key elements of their value proposition, together with investment facilitation practices. In Italy, in addition to tax credit, companies operating in the SEZs can also access all incentives that the State and the Regions make available to businesses as a whole, such as development contracts or funds to support the revitalization of industrial crisis areas. Administrative simplifications are the second major incentive for companies that decide to operate within an SEZ.

Supporting services. Infrastructure and services were also noted by G20 members as key for zone success. The Russian Federation developed transport infrastructure offering proximity of SEZ to federal highways, ports and airports. In Turkey, the Organized Industrial Zones (OIZ) investors benefit from low water, natural gas, and telecommunication costs. The importance of non-infrastructure services has also been raised, including dedicated human resources-related services, security, catering or housing services, and on-site residential and commercial areas.^{xviii}

Good Practices in SEZ Development

Zone evaluation and monitoring. Several countries conduct annual or periodical evaluation of their SEZs to ensure the long-term performance and development of zones.^{xix} Others require reports on performance from zone developers as monitoring tool.^{xx} The United Arab Emirates emphasizes the importance of evaluation, considering that without suitable instruments and tools to analyze, measure and improve the performance of SEZs, the benefits of diversification through the zones might not outweigh the costs. In China, third-party evaluations are regularly conducted on the performance of PFTZs, including their progress on the pilot reform tasks, as well as whether the practices and experience they developed can be spread to other areas. Similarly, the Russian Federation has established a comprehensive methodology to monitor and evaluate the performance of its SEZs, with annual evaluations of and reporting on SEZ functioning and operations. Spain has developed several KPIs to measure the full operation of both the 3D Incubator and the 3D Factory.

Investment facilitation measures. G20 members and observers are relying more on investment facilitation measures, in addition to or instead of fiscal or financial incentives, to attract investment. Almost all respondents have reported some investment facilitation measures within their SEZs, where one-stop services are the most common practice. In Japan, it is estimated that about 9.4 trillion yen have been generated by the redevelopment project in the Tokyo area by simplifying and speeding up administrative procedures. India has developed an online electronic portal that enables electronic filing and processing of SEZ and customs related transactions. The system facilitates uniform validations and processes across all zones, electronic filing and processing, transparency in transactions and remote access, and has proved to be an efficient tool for reducing costs and time. Saudi Arabia has established a 360° integrated government service center (integrating services from different departments and ministries) to facilitate investment-related administrative processes.

International and regional cooperation on SEZs. Some G20 members have called for enhanced international and regional cooperation. They believe that the process of zone modernization could benefit from a global exchange of experience and good practices. The Russian Federation stressed that active promotion of experience and information exchange with other SEZ around the world, organization of respective international events (fairs, exhibition, forums) and participation of SEZ representatives (including residents and SEZ management) in such events, could improve the functioning of SEZ, as well as attract new investors and residents. Spain also expressed interest from the incubated companies for attending more international events to share their experiences and success stories. France and the European Union emphasized the importance of cooperation for the implementation of the OECD Recommendation on Countering Illicit Trade and Enhancing Transparency Free Trade Zones.

ⁱ The Incheon Free Economic Zones (IFEZ) objectives are “the urban development of IFEZ area (smart-city, green-city, global business city), inducing foreign direct investment to IFEZ area and constructing the multi-functional economic city.”

ⁱⁱ Spain 3D incubators aim to “provide and nurture a protective environment for SMEs in a unique technological incubator; allocate potential entrepreneurs that require edge technological support; promote the 4.0 Industrial revolution in the Spanish Economy; transform the economic environment in Barcelona and Spain; and re-convert the logistic chain industry.”

ⁱⁱⁱ In Japan, “in the 10 areas designated by the national government, bold regulatory reforms and other measures such as tax incentives are comprehensively and intensively promoted for projects carried out jointly by the central government, local governments, and the private sector. As of April 2020, over 100 reforms have been realized and over 350 projects are ongoing as a result of these regulatory reforms.”

^{iv} China’s PFTZ “encourage innovation in systems and mechanisms, trade and investment facilitation and liberalization, etc. The PFTZ are piloting reform measures and spreading good practices and experience to other areas, the zones have cultivated a climate of reform and innovation nation-wide and inspired local governments to improve their services and local business environment.”

^v Australia “has found that the FTAs, trade liberalization and facilitation and foreign direct investment provide far greater benefits than special economic zones.”

^{vi} Switzerland “does not pursue an industrial policy in the sense of promoting certain industries or technologies in the framework of SEZ”. “Instead, the country focuses “on improving the general framework conditions in a sector neutral and technology neutral way.”

^{vii} Over the past decade, Canada “has maintained a proactive tariff policy to support business productivity and competitiveness by reducing direct production costs for Canadian manufacturing. This includes unilaterally eliminating tariffs on all machinery and manufacturing inputs to make Canada a tariff-free zone for industrial manufacturers, and eliminating tariffs on certain inputs used by Canadian agri-food processors in their operations. Canada also offers programs that provide Canadian businesses many of the same benefits as those found in site-specific foreign trade zones, including duty relief programs that are applicable nationally.”

^{viii} UK Freeport consultation: <https://www.gov.uk/government/consultations/freeports-consultation>

^{ix} WIR19. UNCTAD (2019). World Investment Report 2019: Special Economic Zones. New York and Geneva: United Nations.

^x In 2019, 1,442 local workers were employed in the area of Galang Batang SEZ, Indonesia, from the construction sectors. In parallel, the developer of Galang Batang SEZ also conducted human resources training and development in aluminum and electrical industries. SEZs in the Russian Federation have promoted the development of human capital and growth of highly qualified personnel. In Turkey, Aegean Free Zone and the companies investing in the zone provide various training programs for qualified personnel and are connected with vocational schools and universities around the region.

^{xi} In China, PFTZs pursue targeted strategies such as green development, commitment to better quality, higher efficiency, and more robust drivers of economic growth through reform, and strive to achieve high-quality development. France stressed the importance of integrating SEZs dynamically in development strategy, avoiding environmental negative impacts by refusing the manufacture of goods with lower environmental disciplines than those that operate outside the SEZ. Saudi Arabia highlighted the importance of promoting compliance with established environmental standards.

^{xii} WIR20. UNCTAD (2020). World Investment Report 2020: International Production Beyond the Pandemic. New York and Geneva: United Nations.

^{xiii} France noted that regarding investment promotion in SEZs, a coordinated approach should be encouraged, in order to avoid loopholes that could be conducive to illicit trade. In a global perspective, counterfeiting, money laundering, drug smuggling or even illicit practices benefiting to terrorist groups might indeed take advantage of different legislations, legal loopholes or unseen practices taking place in SEZs.

^{xiv} The United States noted concern that SEZs may attract the interest of criminal actors who want to take advantage of the relaxed oversight and softened customs controls to manufacture and distribute illicit goods. The United States emphasized the need for governments to ensure that proper intellectual property right protection and enforcement systems are in place in SEZs, so that illicit actors do not exploit the zones to facilitate their activities.

^{xv} Australia considers that trade benefits are restricted to the special zones with limited spillovers.

^{xvi} For example, the advantageous geographic position, abundance of land and natural resources was key to the success of the Tourism and Recreational SEZs (TR SEZs) in the Russian Federation. Located in most picturesque regions in the country, the TR SEZs have all the necessary conditions for launching tourist, sports, recreational and other kinds of tourism businesses. They offer the possibility for developing beach, health, adventure and eco-tourism, as well as extreme sports. The Russian Federation also stressed as major success factor of its SEZs the availability of human resources (the country has a 146.9 million strong manpower), and the highly skilled local personnel. Influential research institution/technical schools/universities are concentrated in regions where SEZ are located, which also grants investors’ access to R&D in science, technology, and medicine. Turkey also highlighted the importance of the specialized free zone location in the center of Izmir, the well-developed infrastructure and the qualified labor force.

^{xvii} Other examples of the involvement of the private sector in zone development and management include Indonesia and Japan.

^{xviii} Services developed within SEZs have been raised by the Republic of Korea, Saudi Arabia.

^{xix} Countries which have conducted annual or periodical evaluation include China, Japan, the Republic of Korea, the Russian Federation, Turkey and Saudi Arabia.

^{xx} In Indonesia, and according to the Government Regulation Number 1 Year 2020 regarding the operation of Special Economic Zones, the developer should report the SEZ development as well as the progress of investments to the Administrator and Local Government (as the Regional Council of SEZ). Central Government as the National Council of the SEZ periodically monitors and evaluates the development and operation of the SEZ.

Annex V

STATEMENT ON TECHNICAL ASSISTANCE FOR INVESTMENT ATTRACTION

We, the Trade and Investment Ministers of the G20 and guest countries, having met virtually on 22 September 2020, recognize the serious risks posed to all countries, particularly developing and least developed countries, by the COVID-19 pandemic and its impact on the global economy, and reaffirm our endorsement of the “G20 Actions to Support World Trade and Investment in Response to COVID-19” and, notably, actions related to strengthening international investment.

We acknowledge the role that foreign direct investment (FDI) can play as a driving force for economic transformation, growth, job creation and capital accumulation, as well as for fulfilling the 2030 United Nations Agenda for Sustainable Development.

We note with concern that the COVID-19 crisis is causing a dramatic fall in FDI flows and that the outlook remains highly uncertain, with developing economies expected to experience the biggest fall in FDI.

We note that the legal and regulatory environment can be important factors in shaping investment decisions, which calls for encouraging measures to ensure better transparency and predictability for investment, to improve administrative procedures and to enhance the contribution of FDI to sustainable development.

We note the important role played by the provision of technical assistance to developing and least developed economies on investment promotion and facilitation to improve their ability to attract FDI, to maximize its benefits and to mitigate the negative economic impact of the pandemic.

Against this background, we encourage the competent authorities in our respective Governments, including through their cooperation in the G20 Development Working Group to grant special attention to the following issues:

- Possible intensification of the provision of investment-related technical assistance by G20 countries and invited guest countries in a position to do so, while being mindful of the serious challenges faced by our own economies.
- Sharing of best practices on improving the efficiency and impact of investment-related technical assistance activities.

- Possible actions to address gaps and inefficiencies in that technical assistance, through increased coordination and cooperation with international organizations and multilateral development banks, within their mandates.

We call on international organizations, within their mandates, to continue monitoring and assessing the impact of the pandemic on FDI flows.