



TASK FORCE - 1

MACROECONOMICS, TRADE, AND LIVELIHOODS **POLICY COHERENCE AND INTERNATIONAL COORDINATION**

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WORKSTREAMS

- MONETARY SYNCHRONISATION AND FISCAL SPACE
- TRADE, INVESTMENT, AND SUPPLY CHAIN RESILIENCE
- ECONOMIC GROWTH, EMPLOYMENT, AND LIVELIHOODS

ABOUT THE TASKFORCE

The current global scenario requires coordinated efforts by the G20 countries to deal with monetary, fiscal, trade, and investment policies to ensure employment and better livelihoods. To control macroeconomic imbalances, the G20 and international financial institutions could aim for a monetary policy that strikes a balance between liquidity, interest rate, and exchange. Fiscal measures need to be designed for coherent and balanced economic policies that stimulate growth. Recovery of trade, coupled with macroeconomic stability, may open up opportunities for MSMEs, which would augment employment and livelihoods. It is important, therefore, to discuss ways of promoting coherence in monetary and fiscal policies within countries as well as stronger international coordination among nations, and also suggest ways to make countries more responsive to economic imperatives. The Task Force also examines the relationship between trade and investment policy and global supply chains, and how they are affected and shaped by national macroeconomic policies.

ACKNOWLEDGEMENTS

This Task Force Statement collates the primary ideas and recommendations of the Task Force members, shared over the course of the year through meetings, convenings, and working groups. The Task Force comprises 18 members from 18 institutions.

PREAMBLE



The present global context demands synchronised efforts by the G20 members on monetary, fiscal, trade, and investment policies to ensure employment and better livelihoods. Geopolitical risks in tandem with security crises like ‘decoupling’, resulting from the trade tensions between powerful nations, supply-chain shocks caused by the pandemic, and the security crisis in Europe have considerably reduced the chances of macro-coordination which ensures durable macro-stability and post-COVID recovery. These risks have exposed the extent of fragmentation in the international political economic space despite attempts by international monetary, development, and trade institutions towards harmonisation of policies.

‘Recoupling’ and trade recovery can be achieved through macroeconomic stability, which could open up opportunities for new sectors of the economy, including but not limited to MSMEs, thus augmenting employment opportunities and ensuring better livelihoods. It is important to first promote better coherence and coordination of monetary and fiscal policies within the G20 members, then seek stronger international coordination among nations.

This Task Force examined the overlaps of trade policy with investment policy and global supply chains. It also debated how they are influenced and shaped by national macroeconomic policies and ways to ensure regulatory stability. The Task Force also discussed the impact of these larger considerations on livelihoods and work.

ACTION POINTS



The following are the agreed priorities of the Task Force and the specific recommendations based on the areas of work.

Policies for Monetary Synchronisation and Fiscal Space

Most countries are now facing severe difficulties in obtaining adequate fiscal space to respond to current challenges and simultaneously support a green and inclusive recovery. On the monetary front, the G20 countries and international financial institutions are struggling to create coherence between liquidity, interest rates, and exchange rates to curb inflation and other imbalances in the macroeconomic space. Fiscal rules, in turn, are focused on supporting coherent and balanced economic policies that stimulate growth. Given these conditions, the Task Force suggests the following actionable points for the G20 leaders:

1. The present environment of low growth, inflation, and increasing interest rates in mature economies poses a new set of challenges for the world economy, emerging markets, and developing countries. Global investment and capital flows will be impacted. Thus, a higher sense of policy coordination within the G20 and transparency in macro-policy formulation are a priority.
2. Balancing monetary synchronisation while maintaining fiscal space is essential. Macro-policies pursued by advanced countries have global effects. The current global economic stance leaves no room for macro-policy uncertainties. Therefore, close coordination of monetary and fiscal policies is critical for transparent and predictable policy steps and stronger policy communication.
3. The G20 should prioritise the coordination of monetary policy among the member countries so that the impact of spillovers from advanced economies (AEs) are least disruptive to the Global South, including emerging and developing economies (EMDEs).
4. To expand the fiscal space, especially in EMDEs, and support their efforts to achieve the Sustainable Development Goals (SDGs), the G20 should strengthen domestic resource mobilisation and international tax cooperation

through capacity development and knowledge sharing amongst finance and tax authorities in EMDEs, in partnership with multilateral development banks and the OECD, without compromising the growth imperatives of EMDEs.

5. Domestic fiscal policies should be carefully designed to moderate the negative impacts of COVID-19. The use of revenues should be re-prioritised to ensure that the most vulnerable in society are benefited.
6. Central banks in all countries, especially developing countries, are under pressure to not raise interest rates, given the impact of high interest rates on growth, and levels of government and private sector debts. Central bank independence and communications are vital to achieve low levels of inflation. Central banks in the G20 countries must clearly explain their monetary policy through forward guidance.
7. Financing the transition towards a low-carbon economy needs to be scaled up. Climate adaptation needs have become urgent and immense. Given the challenges of narrow fiscal spaces in almost all countries as well as increased uncertainty from geopolitical conflicts and a series of bank collapses, the G20 should expedite global financial architecture reform that promotes innovative climate finance.
8. There is a need to revise supervision and regulation frameworks, including Basel III, to address the issues of debt sustainability in distressed and developing economies. The G20 should implement the newly established framework for debt treatment, which includes all creditor countries with a balanced distribution of adjustment cost and develop a G20 Swap Line mechanism as a global safety net.

Policies for Trade, Investment, and Supply Chain Resilience

Healthy levels of discourse need to be developed to restore trade and investment flows. The dysfunction at the WTO is a symptom of this discursive problem. For trade restoration, a systematic discussion is required on how globalisation has

affected income inequality, poverty, working conditions, and the environment. The adverse effects of globalisation and ways to minimise the derived costs must be part of the G20 agenda.

1. The G20 should affirm the importance of free, fair, inclusive, and non-discriminatory trade in a predictable, stable, transparent, and rules-based trading system. It must move beyond rhetoric and undertake actions to reform the WTO. It can further discuss and propose a 'Common Framework and Guideline for WTO' Reform ahead of the next WTO Ministerial Conference in 2024. The G20 should support and, where possible, build upon the progress made by plurilateral initiatives through inclusive solutions. There is a need not only to preserve the rules-based trading system but also make it responsive to rising challenges of supply chain insecurity and rising protectionism. The G20 should establish institutionalised mechanisms to maintain informed conversations at the WTO.
2. The presence of several large plurilateral trade agreements and blocs are leading to fragmented rules in the global trading system. The G20 must take this into account and attempt to revive the multilateral trading system. The G20 could announce support for initiatives to seek solutions for moving towards multilateral solutions.
3. Trade policies to support trade growth and global supply chain resilience necessitate a call to avoid new protectionist practices. Trade negotiations, preferential treatment, and industrial policy measures all merit attention. The G20, given its diverse membership, must attempt to build consensus on new trade policy issues such as green trade and digital trade. The Trade and Investment Working Group (TIWG) of the G20 should work closely with the Digital Economy Working Group and the Environment and Climate Sustainability Working Group to ensure the formulation of practical policies and interventions.
4. The G20 has acknowledged the importance of attaining sustainable and inclusive development. As far as industrial policy is concerned, support to

national industries must be in alignment with the SDGs and should further encourage the adoption of green technologies. Subsidies should be WTO-compliant, such that they do not adversely affect the flow of trade.

5. Preserving the principle of Special and Differential Treatment (SDT) is key to ensure that developing countries continue to have confidence in the rules-based trading system.
6. Trade Policy Uncertainty (TPU) has been impacted by several factors, and the G20 must explore internal and external issues that escalate TPU. The G20 must further recognise that unpredictability in trade policy is likely to be costly for firms and governments, and there is a lack of understanding of what determines TPU and how TPU affects economic entities domestically and internationally. TPU is augmented by a lack of transparency and lack of an effective dispute settlement mechanism. Geopolitical dynamics, pandemics, financial risks, and uncoordinated policy actions need elaboration with regard to their impact on the trade policy process. Countries would benefit from a greater understanding of the channels through which TPU reduces economic welfare in open and linked economies. Countries can also discuss desirable policy coordination to manage TPU.
7. The G20 should support efforts to create an enabling environment for digital trade and facilitate cross-border data flows with due consideration to consumer protection, privacy, and other public policy objectives. An area of concern is policy fragmentation in the space of digital trade rules. If the world is divided into different digital trading systems, the choices that emerging economies have to make will have cost implications and directly impact trade integration. With the proliferation of digital supply chains, the G20 should prioritise the development of clear-cut approaches to ensure interoperability and consistency in digital trade rules.
8. The G20 should support efforts to investigate and remove the obstacles that prevent women from participating in trade, building upon efforts by the UN, ILO, and WTO. The UN and ILO have made gender equality one of their priorities.

Trade and gender chapters have recently been added to a number of bilateral and regional trade agreements. Further, Aid for Trade should strengthen its support for gender aspects of trade.

9. The G20 should promote free trade in environmental goods and services by supporting efforts to broaden and clarify the scope of environmental goods and services that could be subject to preferential trade treatment in international agreements. The G20 should promote greener trade and investment by cooperating on standards, regulations, and certifications and expanding and deepening environmental commitments in trade agreements, consistent with development objectives. Policies meant to reduce greenhouse gas emissions in manufacturing should avoid creating new tariff and non-tariff barriers to trade.
10. For resilient supply chains, the G20 countries should develop policy and action plans to increase internal and cross-border agency collaboration to facilitate commerce and transportation. The G20 should also focus on encouraging the development of national logistics and supply chain infrastructure portals to integrate various modes of transport and build a seamless logistics network.
11. During the COVID-19 pandemic, trade in services suffered more severely than trade in goods. While there are signs of recovery, given the rapidly expanding volumes and growing significance of services trade, concerted efforts are required to establish a better framework that can enhance the resilience of services trade. In this regard, due consideration must be given to the mode-specific characteristics of the international movement of people and goods in relation to Mode 2 or Mode 4 types of services trade. To address the challenges and

mitigate the adverse effects of trade collapse on services trade, the G20 TIWG should propose a sub-working group dedicated to examining the services trade issues in times of turbulence.

12. Global uncertainties, including natural calamities and pandemics, can seriously impact supply chain networks. The G20 should advance the implementation of the WTO Trade Facilitation Agreement, which proposes methods to accelerate movement of goods and making customs procedures more efficient. It also delineates rules for impactful collaboration on facilitation and customs rules between stakeholder border authorities and customs agencies. The G20 should support the creation of protocols for emergencies and frameworks for disaster management to mitigate the impact of global uncertainties like environmental hazards on global value chains, especially to safeguard the interests of the most vulnerable and marginalised stakeholders.

Policies for Economic Growth, Employment, and Livelihoods

1. Even though small and medium-size enterprises (SMEs) make up the majority of businesses globally, their involvement in international trade is limited compared to their overall economic activity and the employment they generate. However, the emergence of the digital economy has the potential to present various new possibilities for small businesses to take on a more prominent role in global value chains (GVCs) and make trade more inclusive. Therefore, there is a need to improve SMEs' access and use of digital technologies and introduce other policy measures to support SME trade and integration into GVCs.

2. Policies for the entrepreneurial development for women and improving the quality of women's earnings to close the wage gap are necessary to ensure improved efficiency of the overall labour force. Policies to decrease time allocated to unpaid care work and simultaneously providing more women the choice to enter paid employment is not just a social welfare imperative but also an economic one. Investing in comprehensive care systems while tackling the challenges and seizing the opportunities that technology-enabled labour markets bring to care and domestic work should be a priority for the G20.
3. School closures during the COVID-19 pandemic led to significant learning losses, which may have high economic costs due to reduced future labour productivity and incomes. The G20 should emphasise the urgency for countries to undertake efforts to remediate learning losses, including accurately gauging the extent of knowledge gaps, tailoring education based on the student's needs, focusing on foundational skills, and providing quality in-service teacher training.
4. The G20 needs to deliberate on a framework to provide social protection to platform workers and those in non-standard forms of employment which include: temporary, part-time and on-call work, temporary agency work, and other multiparty employment relationships, thereby ensuring decent work for all. Social protection for gig workers and other workers in non-standard forms of employment must be accounted for as economic policies are formulated.
5. There must be greater exploration of how the transition to 'net zero'

will impact demand for skills and traditional energy sector jobs. This has a direct impact on economic growth and patterns of development. The G20 should support policies to enhance the productivity of SMEs by improving access to finance and markets (including digital markets) and providing management training to MSMEs in industrial clusters. Policies to increase access to finance and to markets for MSMEs, enabling them to become engines of job creation, must also be a part of this conversation.

Recommendations for the G20

The Task Force, through its deliberations, found many areas where better coordination is possible between the G20 countries. Fast-tracking development in a manner that is inclusive and responsive to the needs of developing countries through collaborative action is essential. The primary takeaway from the conversations was that geopolitical considerations have an undue amount of influence on international trade and investment flows, and measures must be taken to reduce this impact. Any new policies that the G20 creates should also, as a prerequisite, be gender-sensitive.

Additionally, monetary policies formulated in advanced economies should be cognizant of their global impacts. The G20, by virtue of its membership, can create mechanisms for communication between the members to ensure that macroeconomic policies are not formulated in silos. The Sherpa Track and the Finance Track working groups should have their own coordination mechanisms to allow for more effective policymaking.

The following action items were suggested at the end of the deliberations:

1. The G20 grouping must aim to facilitate better access to technology, financing, and markets from AEs for faster and more equitable growth across EMDEs.
2. The global nature of economic and financial risks necessitates responses produced on a global scale and in a coordinated manner. The G20 plays an important role in the search for a common ground. Monitoring global risks is also key to determining the right policies. By developing monitoring systems such as the Data Gap Initiative, which the G20 has successfully established, data and information sharing can be extended, and studies such as risk spill-over analyses can be shared.
3. A G20 Platform on Digital Trade must be developed to ensure that the WTO agreement is 'modernised' and made fit-to-purpose to serve the needs of the digital world and to protect personal data, privacy, and national security without restricting trade. In fulfilling these legitimate objectives, the G20 must first build consensus amongst its members.
4. Public debt and climate change has emerged as a pressing global issue. To tackle this issue, a 'Debt Relief to Climate' Initiative can be implemented in order to link debt reduction with investments in climate adaptation and mitigation efforts. The proposed approach would involve partial debt relief for eligible countries in exchange for their commitment to invest the savings from debt service into climate-

related projects, such as irrigation, food security, protecting cities from sea-level rise, construction of cyclone-resistant schools and hospitals, as well as mitigation projects such as renewable energy or forest protection in Africa.

5. In order to implement sound regulatory practices for the digital economy which endorse innovation and facilitate digital services trade and investment, the G20 should encourage attempts at domestic regulatory coherence through knowledge sharing on implementing good practices, including anticipating problems, consulting stakeholders, and discussing solutions.
6. The G20 TIWG, in collaboration with the WTO and the OECD, should propose a sub-working group dedicated to examining the services trade issues.
7. The G20 should support the creation of a Rapid Response Forum (RRF) for Vulnerable, Critical and Essential Goods to be better prepared for unforeseen disruptions. This can inform businesses with an early warning regarding shipment delays or unforeseen disruptions at the border. RRF can funnel information and ensure international coordination on the trading of vulnerable, critical, and essential goods by proactively monitoring and seeking information from member countries.
8. The G20 can play a significant role in coordinating support and as a discussion forum for green trade finance. Member countries

can use this setting to raise trade concerns and share information with respect to resources related to green trade finance. Productive discussions can help expedite trade and work towards mutually satisfactory solutions.

9. The G20 can rebuild trust in multilateral trade, by initiating efforts at the WTO to discuss expanded recourse to subsidies and updated rules for their use.
10. To achieve quality health for all, the G20 governments must promote trade liberalisation of health-related and social services while counterbalancing the adverse impacts of the liberalisation and the sector's deregulation.
11. Given that gender equality fosters inclusive and sustainable economic growth, a global strategy is needed to enhance women's access to employment and education opportunities. In particular, such a strategy must entail enhancing investments in the care economy, as this will not only help create jobs for women but also address care deficit and reduce gender inequality. Care underpins the whole socioeconomic system, and the G20 should strive to generate data that estimates the value of its contribution and calculate the costs of producing quality care as a collective good through a basic care basket.

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