



# G20

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# Trade and Investment Working Group

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# Trade and Investment Working Group (TIWG)

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## 1. INTRODUCTION AND BACKGROUND

The Group of Twenty (G20) was created to respond to the need for innovations in global governance. It is a premier forum for international economic cooperation and a platform for generating solutions to complex challenges facing the world. The G20 is a group of 19 countries, the European Union, and since 2024, the African Union (AU). The G20 represents the world's most significant economies. Combined, G20 members comprise 85% of global gross domestic product (GDP), 75% of international trade, and two-thirds of the world's population<sup>1</sup>. Based on its broad representation of advanced industrial and developing economies, the G20 holds the potential to respond to the world's most pressing economic challenges and bridge the North-South divide. The G20 has an enormous potential to shape global trade and investment relations as well as to enable countries to achieve sustained and inclusive economic recovery and prosperity.

South Africa assumes the G20 Presidency at a time of escalating geopolitical tensions, worsening climate-related challenges, fragmenting global supply chains, and growing economic disparities between developed and developing nations. Within this global context, many regions and localities are increasingly vulnerable to the adverse distributive impacts of globalisation and trade. Rising inequalities and unemployment have exacerbated feelings of exclusion and discontent, making it harder to build consensus around policies that promote global integration. In response, many countries have turned to trade-restrictive and industrial policy measures aimed at addressing domestic structural adjustments.

However, these actions often harm the trade and economic interests of other nations, particularly developing countries. African countries face further complications due to their dependence on commodities, heightened exposure to climate risks, increasing incidents of food insecurity, and mounting debt distress. Addressing these overlapping challenges requires enhanced international cooperation. In particular, mobilising support and resources to tackle the internal disparities driven by the uneven distributional effects of trade and globalisation is critical.

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<sup>1</sup> WEF: The G20 Digital Agenda: Cross-Presidency Priorities Whitepaper November 2023

As the leading forum for international economic coordination, the G20 provides an essential platform for dialogue and action aimed at mitigating environmental, social, and economic risks while strengthening global economic resilience. Communities and regions that have been disproportionately harmed by global competition will look to both their governments and multilateral organisations for solutions. Therefore, policies aimed at trade, growth, job creation, and inclusion must also focus on fostering local or regional resilience. They must support institutional capabilities at both local government and national levels. As such, the G20 must strengthen resilience in multilevel governance.

Promoting inclusive trade and investment can help bridge both domestic and global divides, supporting the resilience of developing countries in particular. It is vital that the G20, under South Africa's leadership, prioritises inclusive and sustainable development, structural economic diversification, green industrialisation, and the creation of robust, inclusive supply chains as key themes for its agenda.

The hosting of the G20 Presidency in 2025 on African soil is a momentous occasion for the African continent. South Africa will use this opportunity to champion Africa's development, shift the focus from merely responding to successive shocks, and lay the ground for a medium-term agenda supporting strong, sustainable, balanced, and inclusive growth and development.

To ensure consistency, the South African Presidency is strongly committed to keeping the momentum and will build on the agenda set by the previous presidencies with a specific focus on inclusion and development to champion the African agenda and promote Africa's sustainable development. This should also bridge the global divide and contribute towards a multilateral architecture that yields solutions to key global challenges. South Africa will be hosting the G20 presidency under the theme *Solidarity, Equality, Sustainability*.

### **Trade and Investment Cooperation**

Trade and investment are key drivers of growth, innovation, and job creation, providing an important channel of economic convergence for the developing world. They require an open, transparent and supportive policy environment and a well-functioning, rules-based multilateral trading system.

Although global growth is stabilising, the recovery remains fragile and uneven, with significant disparities between developed and developing countries. Advanced economies are generally experiencing slower but steady growth, bolstered by stronger institutional frameworks, diversified economies, and access to capital. In contrast, many developing countries face a more volatile recovery, hindered by limited financial resources, dependency on commodities, and insufficient industrial diversification. This uneven growth has deepened the economic divide, as developed nations benefit from more resilient supply chains and advanced technology, while developing nations struggle with lower productivity, insufficient infrastructure, and reduced market access.

The projected 2.6% increase in world merchandise trade in 2024 and 3.3% in 2025 signals a modest rebound from the 1.2% decline in 2023. However, this growth is not uniformly distributed across regions, and the risks remain high. Geopolitical tensions, regional conflicts, and economic policy uncertainty continue to cast a shadow over the forecast, disproportionately affecting developing economies that are more vulnerable to external shocks. Many regions, particularly those dependent on resource extraction or manufacturing, are experiencing economic stagnation as industries decline or shift elsewhere, leaving these areas more exposed to unemployment and social unrest.

To address these challenges, stronger global cooperation is essential. Trade must be safeguarded and directed towards fostering inclusive growth, supporting structural transformation, and promoting the meaningful integration of developing countries into the global economy. Without deliberate action to bridge the widening gaps, the benefits of global trade will remain skewed, perpetuating the marginalisation of developing nations and furthering regional inequalities within countries.

Globalisation has profoundly reshaped economies by integrating markets and expanding trade, yet its benefits have been distributed unevenly across regions and communities. While metropolitan areas, financial hubs, and tech-driven sectors have flourished, many industrial regions and rural areas—particularly in developing countries—have suffered economic decline, job losses, and increasing social exclusion. These imbalances have fuelled political tensions, social unrest and widened the gap between urban centres of prosperity and struggling rural or peri-urban areas. Even within metropolitan areas, there are risks of social exclusion among those that are not adequately equipped with the

capabilities to participate meaningfully in the emerging digital and services economy.

The G20 must provide policy frameworks to help address the socio-economic strains caused by the uneven distributive effects of global trade and the growing socio-economic frictions in both urban and rural regions. The challenge for policymakers is to craft inclusive strategies that mitigate the negative impacts of globalisation, focusing on revitalising economically distressed localities and regions. This requires promoting local and regional economic development, investing in reskilling programs to help workers adapt to new industries, and ensuring robust social safety nets to cushion vulnerable communities. By implementing these measures, the G20 can foster more equitable growth, ensuring that all communities, not just those in urban and economically advanced areas, share the gains from global trade and integration. Furthermore, energies should be directed towards overcoming economic divergences that are growing between developed and developing countries.

In the wake of growing declines in foreign direct investment flows to the African continent between 2022 and 2023, G20 nations must make a concerted effort to mobilise increased foreign direct investment into Africa, with a particular focus on infrastructure, manufacturing, and services. Each of these sectors may require specific actions and enablers. Foreign direct investment should especially be facilitated and incentivised to unify the fragmented African markets and deepen the integration of African value chains, as well as the integration of Africa with global markets.

South Africa's G20 presidency will be leveraged to encourage members to strengthen their concerted effort to promote inclusivity in trade for growth, develop principles to ensure a responsive trade agenda to address challenges of the global commons, develop a common G20 framework on promoting inclusive green industrialisation and climate resilience, and continue dialogue on reform at the WTO, including how the WTO can advance the development dimension to ensure that the multilateral trading system contributes to sustainable development.

South Africa's G20 Presidency proposes the following four priority issues for discussion under the Trade and Investment Working Group:

- **Trade and inclusive growth.** This agenda item is aimed at building on previous G20 Presidency's Trade for Growth and Prosperity agenda with a view to work towards principles to guide G20 Members to foster inclusive growth and sustainable development. This will include the development of the G20 Africa Cooperation Agenda. An important segment of this theme should address common or shared challenges resulting from distributive effects of trade with adverse outcomes for economically excluded regions within countries. A compact for social inclusion should offer strategies that enable G20 countries to respond to these challenges and build resilience in communities.
- **Responsive trade and investment agenda to address the challenge of global commons,** covering matters of climate change, digital inclusion, preparedness for future pandemics, food security, resilience and diversification of global value-chains to promote sustainable development. This will also include the identification of the trends in the Investment Treaty Regime and a reform toolbox for addressing the global commons, including the energy transition.
- **G20 framework on green industrialisation and investments,** with a view to ensure progress towards the grand bargain that promotes value addition of critical minerals close to the source and the development of low-carbon manufacturing value chains that can support global decarbonisation and industrial adaptation.
- **WTO Reform** which will entail deliberation on the development dimension of the WTO, including WTO reform, with the expected outcome being a Statement on the WTO.

With the above proposed key priority areas, South Africa's Presidency can strategically assist the G20 in shifting focus from firefighting against successive shocks to a medium-term agenda that supports resilient, sustainable, balanced, and inclusive growth and development.

## 2. PROPOSED PRIORITIES AND DELIVERABLES

### 2.1 PRIORITY 1: TRADE AND INCLUSIVE GROWTH

Trade can play a role in boosting shared prosperity. The rise in strategic competition between superpowers has resulted in trade wars that have intensified geopolitical tensions. These frictions pose risks to the

interdependence and resilience of global supply chains. Wars and conflicts seem to be on the rise and threatening to fragment the international economic system.

These developments are emerging while the world is still recovering from the effects of the COVID-19 pandemic and the persistence of difficulties related to climate change, food and energy insecurity, shortfalls in development finance, and rising sovereign debt levels. These challenges will worsen the vulnerable position of many developing, especially African countries. Multilateral cooperation is at a low point, with global institutions looking fragile and ill equipped to foster multilateral cooperation.

There is a growing perception among electorates in both the developed and developing world that outcomes have been unequal and inequitable. While arguably globalisation has promoted growth, the evident biggest beneficiaries have been the few thousand dollar billionaires that together control as much wealth as the poorest half of the world's population. Moreover, those that have benefitted in the developing world have been those in countries that underwent industrialisation and whose governments guided and invested in a shift to the production and export of higher value-added products. As this has unfolded, working people and poorer communities in the developed world have experienced greater economic insecurity, while people in developing countries, including least developed countries, have continued to languish.

In addition, the transition to a lower carbon economy (driven by the imperative to act against the existential threat of catastrophic climate change) is leading to the recovery of Industrial Policy. This is linked to the unevenness in the development of low-carbon products and technologies, with in, particular newly industrialising economies developing an early technological lead in an increasing range of low-carbon products and technologies. This has led several countries of the global North to make significant Industrial Policy interventions to support their own industries in “catching up” and becoming more competitive globally.

Several possible reactions to this reality may be identified. The first would involve doubling down on the existing rules and arrangements and seeking to strengthen their enforcement against perceived transgressors. A variant would be to seek to amend existing rules and arrangements to seek partisan advantage against actual or potential competitors. Neither of these routes would be compatible with the goals of promoting “Trade and inclusive growth” or “Trade for Growth and Prosperity”. Neither would be likely to achieve their declared aims in the context



of the new balance of forces emerging as the world transitions to a more multipolar order.

A more sustainable approach is that called for under the theme *Solidarity, Equality, Sustainability*. This would recognise and acknowledge the realities of inequality and inequity and systematically seek to promote greater inclusivity in participation in global trade, and more importantly, support the claims and efforts of developing countries to transition to higher value-added production and trade. Initiatives like the African Continental Free Trade Area (AfCFTA) which are seeking to use trade integration as a tool to support the development of Regional Value Chains merit support through investment in activities that support industrialisation.

The revival of Industrial Policy (in the global North as well as in Newly Industrialised Economies) needs to be recognised as a process that requires an enlargement of policy space to support nascent low-carbon industries. This demand for additional policy space, moreover, needs to be recognised as something not unique to those at the moment carving out this space unilaterally. It must be something available to all. This points to an imperative for a reform agenda to look honestly and objectively at the new realities being created by the transition to a lower carbon economy and then propose pathways that enable new policy instruments to be broadly available to all, with special and differential treatment built in for LDCs and developing countries.

The G20 presidencies have supported Africa in several ways, including the G20 Africa Partnership, Compact with Africa, AU's participation in the G20 to name but a few. These initiatives aim to support sustainable economic development in Africa by facilitating investments and programmes that put Africa on a sustainable development path. These initiatives must be improved upon.

## **EXPECTED DELIVERABLES PRIORITY 1**

### **Principles on trade and inclusive growth and the Africa Cooperation Agenda that advances support for structural transformation of the African continent and support for the AfCFTA**

Under the SA G20 presidency, the G20 members will deliberate and explore how to harness trade's capacity to support inclusive growth, employment, and sustainable development. This will also include discussions towards enhancing

the G20 partnership with Africa by developing a Cooperation Agenda with Africa that builds on the work of various presidencies in this regard. The key leading questions include:

- a) How can the G20 foster an international trade agenda that promotes inclusion, development and shared prosperity? – women and youth in trade, labour-absorbing trade agenda; enhanced participation of developing countries.
- b) How can the G20 take the Africa Partnership forward, including to support the implementation of the AfCFTA?
- c) How can G20 members work together to strengthen and diversify global supply chains while supporting developing countries' meaningful integration into global value chains?

## **2.2 PRIORITY 2: G20 PRINCIPLES ON RESPONSIVE TRADE AND INVESTMENT AGENDA TO ADDRESS THE GLOBAL COMMONS**

We are witnessing a rise in the implementation of trade measures to address climate change. The proliferation of these measures is likely to result in fragmentation of global trade. The ability for developing country exporters, especially in Africa, to transition to lower-carbon production technologies is limited by both the financial and developmental implications of this transition. Green financing and technology transfers are thus critical components in developing country responses to climate change. The G20 will engage in a dialogue to explore how to address the effects of climate change and limit the cross-border spillover effects of measures, enhance cooperation, and avoid further global economic fragmentation. The members will consider how the G20 can mitigate the threat of climate change and support a just transition. How can the G20 foster cooperation to address the proliferation of trade measures that contribute to fragmentation, notably by avoiding distortionary trade policies and promote the resilience of global trade. What is the global consensus and key principles that are required in relation to climate measures that have an impact on trade to avoid fragmentation?

Digital inclusion is key to a sustainable and growing economy. However, there is a growing and disproportionate rise in the power of those on the supply side of emerging technologies. The digital industrial capabilities to turn data into models at the multi- billion to trillion weight scale is an emerging barrier. The TIWG to consider how to build an inclusive digital economy that leaves no one behind. How can the G20 guide the development of fair and inclusive digital infrastructure

that respects user rights and ensures equitable access to technology? How the G20 can harness its convening capabilities, resources and political influence, to promote international cooperation around data regulation and governance that promotes digital industrialisation across the world to promote resilience? What role can the G20 play in promoting socio-economic inclusion and resilience of regions that are adversely affected by trade and may likely bear the brunt of adjustment costs related to green transition and trade-related climate measures?

The emergence and frequency of pandemics due to zoonotic diseases is likely to increase. This necessitates that the world is prepared and develops a cooperation agenda and response mechanisms to ensure better preparedness than was witnessed during the COVID-19 pandemic. Building on the Italian and Indonesian Presidencies, the TIWG can explore how trade can contribute to equitable production and access to key medical tools that are critical to public health. In addition, it will explore mechanisms to ensure better preparedness to future pandemics, how to promote access and benefit sharing, technology transfer and a balanced IP system that promotes technology transfer and innovation. What lessons can be learnt from the COVID-19 pandemic and what can be done to avoid a repeat and promote global cooperation rather than nationalism? What global cooperation is required to diversify production of key medical tools, especially in Africa that is heavily reliant on imports and remains vulnerable to future pandemics?

In relation to investment, work to reform the international investment agreement (IIA) regime is ongoing. This includes new types of investment-related agreements, the termination of existing bilateral investment treaties and ongoing multilateral discussions on reforming investor–State dispute settlement (ISDS) mechanisms. According to UNCTAD, in 2022 claimants filed 46 new ISDS cases under IIAs, bringing the total count of publicly known cases to 1,257. Most new ISDS cases were brought under old-generation IIAs. The landscape is still largely dominated by old-generation IIAs, which are characterised by inconsistencies with the global agenda to address the challenges of global commons, including the sustainability imperative and can hinder governments’ policy space to implement measures needed for the energy transition. This makes reforming the IIA regime even more urgent. The theme will also aim to identify an IIA toolbox for the promotion of sustainable energy investment. The objective is to identify the trends in the Investment Treaty Regime and a reform toolbox for addressing the global commons, including the energy transition.

## EXPECTED DELIVERABLE PRIORITY 2

- (a) How the G20 can mitigate the threat of climate change and support just transition in a manner that contributes to unlock inclusive growth, including addressing the negative effects of measures implemented by Members, including addressing climate measures that have an impact on trade to avoid fragmentation?
- (b) How can the G20 design an inclusive framework that mobilises financial and technological resources to bridge the gaps faced by developing countries during the climate transition?
- (c) What are the trends in the Investment Treaty Regime and a reform toolbox for addressing the global commons, including energy transition?
- (d) TIWG can explore how trade can contribute to equitable production and access to key medical tools that are critical to public health to explore mechanisms to ensure better preparedness to future pandemics.

### 2.3 PRIORITY 3: G20 FRAMEWORK/PLEDGE ON GREEN INDUSTRIALISATION AND INVESTMENTS TO PROMOTE SUSTAINABLE DEVELOPMENT

Just transition should not only focus on mitigation but also on developing a more systematic approach to economic transformation. Current discussions on just transitions have been framed narrowly and different aspects of it have been discussed in isolation from each other. The discussion on the production side of the energy transition is overly focused on the phasing out of coal-based power and fossil fuels while not being systematically linked with the discussion on promoting an inclusive industrial base that promotes growth and development, especially in developing countries. There is a need for a holistic framework that achieves just transition that will enable developing countries to build a truly resilient and diversified economy. Such a framework should include issues such as investment mobilisation, technology transfer, and a grand bargain that promotes value-addition at source and diversification of economies with critical resource endowments to support the green transition.

With SDG 9, the international community has recognised the key contribution of industry to sustainable development. However, progress has been slow in terms of structural transformation in many developing countries, especially in sub-Saharan Africa and LDCs. While the 2030 Agenda aims to significantly raise industry's share of employment and GDP and double its share in LDCs, value

added in manufacturing as percentage of GDP has been falling in sub-Saharan economies for two decades, only recently rebounding from its lowest level in 2011.

The green industrialisation (products needed for global decarbonisation goals) presents a unique opportunity to promote diversification and to ensure that developing countries that are largely the source of the minerals share equitably through value-addition in the interests of shared prosperity and are integrated in a much more meaningful way in the green industrialisation global value-chain.

The apt resurgence of and adoption of industrial policies across various members of the G20 in the face of the climate change exigency provides an opportunity to exchange practices and experiences in policy design that eschews beggar-thy-neighbour outcomes. The pursuit towards cleaner forms of energy should also serve as a catalyst for industrialisation, with mineral resource endowments particularly exploited as a springboard and lever.

### **EXPECTED DELIVERABLE PRIORITY 3**

During the South African G20 presidency, G20 members will deliberate on elements that can constitute a G20 Framework on Inclusive Green Industrialisation. Such a framework will seek to define a grand bargain that would promote mutual benefits of the green transition in a manner that fosters predictable trade, advances value addition and industrial development at source, and ensures shared prosperity. The key leading questions include:

- (a) What should constitute key elements of a grand bargain under a G20 Framework on Inclusive Green Industrialisation?
- (b) How can the G20 support the diversification of green industries and the integration of developing countries in green global value chains?

## **2.4 PRIORITY 4: WTO REFORM**

The previously convened WTO Ministerial conferences (MC12) and (MC13) have given new impetus towards the reform of the WTO. A number of proposals have been put on the table both to reform the functioning of the WTO to improve its efficiency, and some members have suggested a broad range of reforms at the WTO, including in relation to rule-making. Developing members have called for certain reforms in the WTO in an effort to address asymmetries and bring balance to the WTO rules, as well as create more policy space for developing countries to

pursue development and to use the same policy tools that many developed countries used to advance industrialisation and achieve economic prosperity for their citizens.

Market distortions in global agricultural trade remain pronounced and in some cases worsening since the 1995 WTO Agreement on Agriculture. These distortions are increasingly compounded by the proliferation of unnecessarily trade-restrictive nontariff measures (NTMs), including in the name of sustainability. There is significant scope for reform of agricultural markets and trade, with considerable gains from even partial reform. MC12 and MC13 have not succeeded in moving the agriculture negotiations forward. MC14 to be held in Cameroon presents a window of opportunity to make progress. One of the biggest contributions of the WTO is its adjudicative function; the dysfunctionality of the dispute settlement system remains a crisis. A deadline of 2024 has been agreed by members. Members will have an opportunity reflect on progress made in this regard.

#### **EXPECTED DELIVERABLE PRIORITY 4**

##### **G20 Statement on the WTO**

- (a) How can the G20 work together towards clearer outcomes on WTO reform towards MC14?
- (b) How can the G20 members advance the development dimension of the WTO to address global economic development asymmetries and move towards a more inclusive and development-oriented MTS?
- (c) In view of persistent global food security challenges and the longstanding impasse and slow progress in negotiations, how to take negotiations on agricultural trade reform forward so as to make progress towards MC14?
- (d) How to forge global consensus required to ensure a functioning dispute settlement system.

### **3. SUMMIT OUTCOME – KEY ELEMENTS**

- G20 principle on trade and inclusivity as well as endorsement of the Africa Cooperation Agenda as one of the flagship outcomes
- G20 principles for trade and investment in the context of the global commons
- G20 Framework on green industrialisation and investments
- WTO statement on the development dimension and WTO reform.