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How can businesses navigate government supply chain resilience initiatives?

Supply chain resilience is frequently cited as the most critical issue facing international trade today. The drivers are many – with the COVID-19 pandemic, geopolitical uncertainty, forced labor, national security and climate change among the largest factors behind this push.

But what policies are governments actually pursuing to help make supply chains more robust? After all, governments don't operate most of the global supply chains crisscrossing the world – companies do.

There is a disconnect between the political rhetoric on increasing supply chain resilience and the practicalities of how companies construct their supply chains, build relationships with suppliers, source alternatives and organize logistics. Further, the myriad announcements, initiatives and agreements make staying on top of the policies that countries are actually pursuing – and what impact they have for businesses – a challenge.

The current state-of-play in the United States (US), European Union (EU), Australia, Japan and the United Kingdom (UK) can reveal what these jurisdictions' actions will mean for companies as they attempt to navigate this challenging period.

The US and "friend-shoring"

The US' approach to supply chain resilience has perhaps been most explicitly set out by US Treasury Secretary Janet Yellen when she gave a speech to the Atlantic Council in April 2022.[1]

"We need to modernize the multilateral approach we have used to build trade integration," Yellen said. "Our objective should be to achieve free but secure trade. We cannot allow countries to use their market position in key raw materials, technologies or products to have the power to disrupt our economy or exercise unwanted geopolitical leverage. Let's build on and deepen economic integration – and the efficiencies it brings – on terms that work better for American workers. And let's do it with the countries we know we can count on. Favoring the friend-shoring of supply chains to a large number of trusted countries, so we can continue to securely extend market access, will lower the risks to our economy, as well as to our trusted trade partners."

This new term "friend-shoring" has caught on, and it encapsulates the fundamental shift in current US trade policy away from strictly free trade and market access negotiations through free trade agreements toward a more interventionist trade policy.

1 "Remarks by Secretary of the Treasury Janet L. Yellen on Way Forward for the Global Economy," *US Department of the Treasury website*, 13 April 2022. Find it here

Treasury Secretary Yellen's speech builds on work the US Supply Chain Task Force has been doing. The task force was established by the Biden administration in 2021 and has focused on pandemic-related supplies, advanced batteries, semiconductors, pharmaceuticals and active pharmaceutical ingredients, and critical materials and permanent magnets.

In its one-year assessment,[2] according to the US Trade Representative, the task force has delivered results in six areas, including:

1. Addressing food insecurity in the wake of the war in Ukraine
2. Tackling forced labor in global supply chains
3. Continued collaboration with partners on developing solutions to tackle supply chain issues
4. Facilitating trade in safe and effective medicines and reducing drug shortages
5. Securing smoother and more efficient movement of essential goods during a pandemic
6. Protecting the uninterrupted flow of trade in North America during an emergency

Legislation has complemented this work. The CHIPS Act seeks to promote investments in the US semiconductor sector. The invocation of the emergency provisions of the 1930 Tariff Act lowers tariffs on solar panels from four countries (excluding China). Invoking the Defense Production Act will accelerate production of clean energy technologies, including solar panels, and provide preferential treatment for domestic suppliers of clean energy in the federal procurement process.

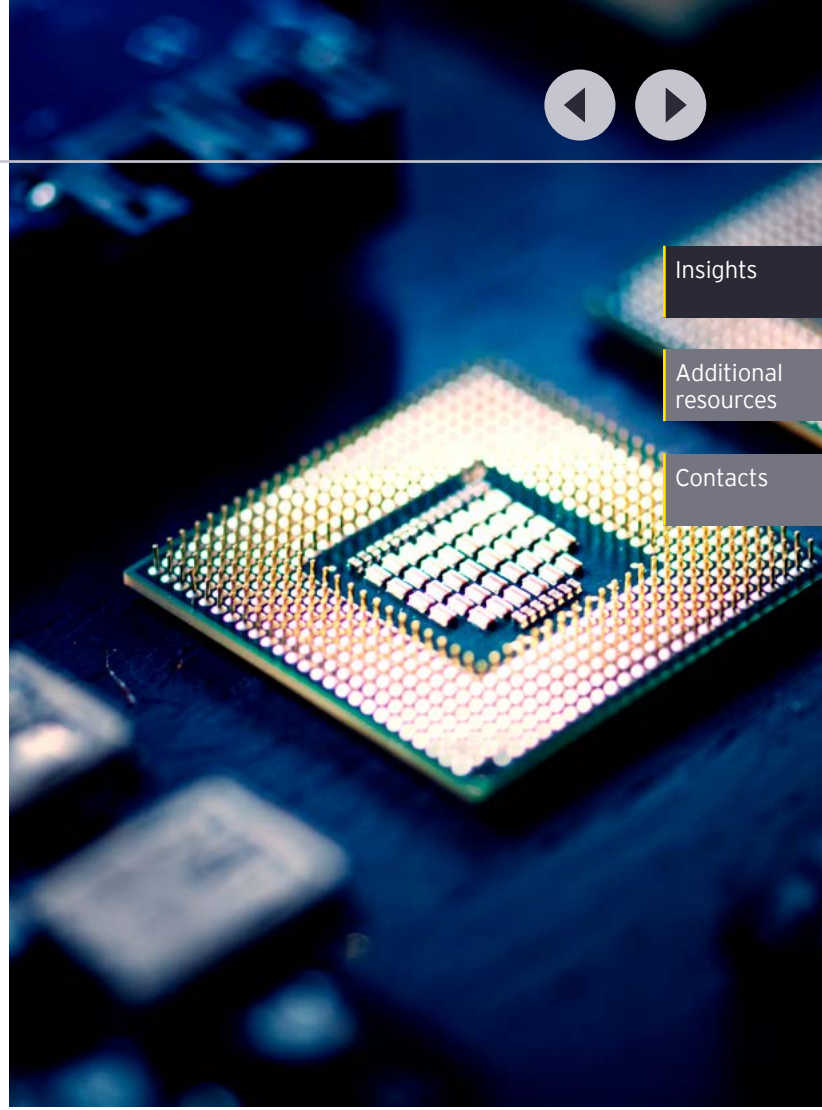
The task force still awaits concrete results – so far, the report deals mostly with "dialogues launched," "statements negotiated" and the "engaging" of allies and trade partners. Nevertheless, its work signifies the wide-ranging and diverse agenda of government efforts to support and build supply chain resiliency.

This work continues with the recently launched US-led Indo-Pacific Economic Framework for Prosperity,[3] which, through its Resilient Economy workstream, aims to establish "first-of-their-kind supply chain commitments" that would create an early warning system and map critical mineral supply chains to improve traceability in key sectors. This would include coordinating on diversification efforts.

The question of critical materials

Australia is in the process of establishing itself as a hub of supply chain resiliency initiatives with separate agreements and projects being launched with Japan and India, the US, and the UK.[4] These agreements are in addition to its 2022 Critical Minerals Strategy.[5]

The reason for these resiliency initiatives is simple: shortages of the raw materials, critical minerals and rare-earth components that are necessary for our high-tech economy can create significant supply chain bottlenecks. Semiconductors, for example, require a large array of organic and non-



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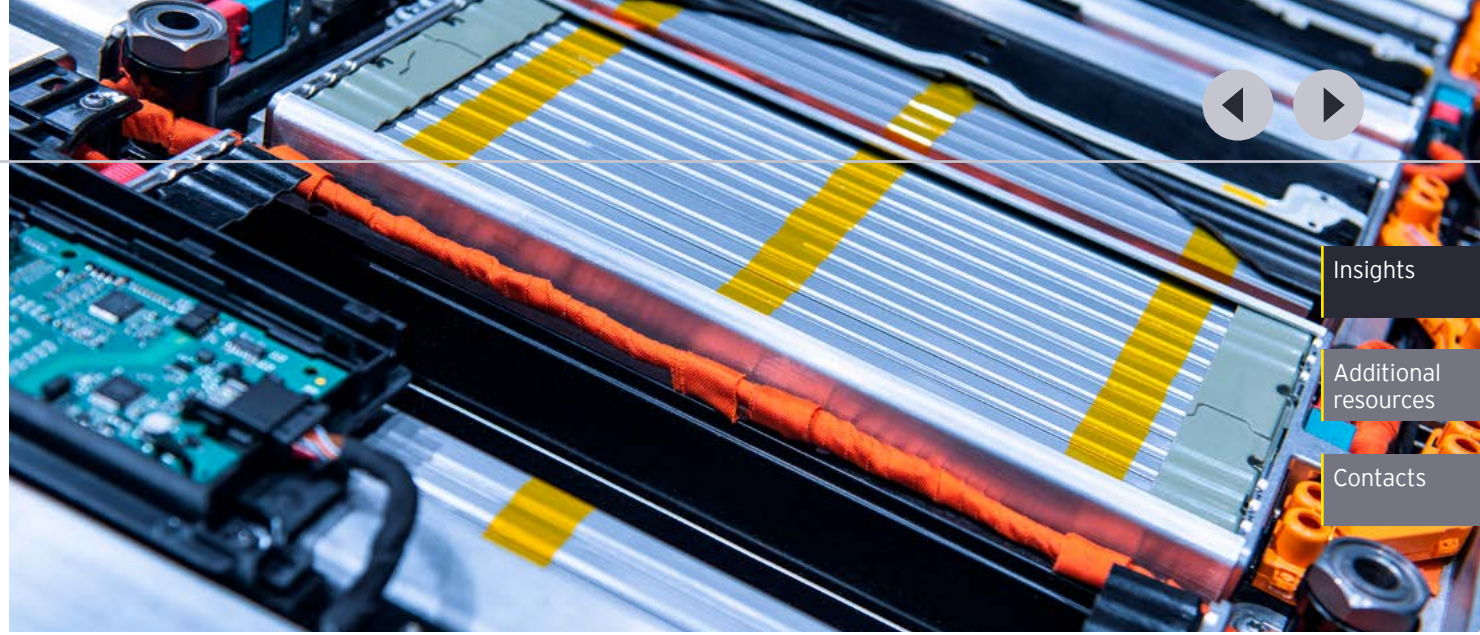
2 "Fact Sheet: One Year In, the Office of the U.S. Trade Representative Marks the Anniversary of the Supply Chain Task Force with Key Accomplishments and Continued Efforts to Strengthen Supply Chain Resiliency," *Office of the United States Trade Representative website*, June 2022. Find it here

3 "FACT SHEET: In Asia, President Biden and a Dozen Indo-Pacific Partners Launch the Indo-Pacific Economic Framework for Prosperity," *White House website*, 23 May 2022. Find it here

4 "Boosting supply chain resilience," *Australian Government Department of Foreign Affairs and Trade website*, Find it here, "Joint Statement – Inaugural Australia-U.S. Strategic Commercial Dialogue (AUSSCD)," *US Department of Commerce website*, Find it here,"UK-Australia supply chain resilience capability building initiative," *UK Government website*, Find it here

5 "2022 Critical Minerals Strategy," *Australian Government Department of Industry, Science and Resources website*, March 2022. Find it here



organic compounds and materials, including silicon, germanium and gallium, to name a few. Rare-earth metals – including neodymium, lanthanum, cerium, praseodymium, gadolinium, yttrium, terbium and europium – have a wide variety of uses in renewable energy technologies and high-tech components, such as display screens. The next generation of batteries will require significant amounts of lithium and graphite.

In 2021, the Biden administration signed Executive Order 14017,[6] which ordered a review of vulnerabilities in critical mineral and material supply chains. This led to the US' first supply chain assessment,[7] which found that the US' "overreliance on foreign sources and adversarial nations for critical minerals and materials posed national and economic security threats."

Sourcing critical inputs can be complicated and expensive, and their processing is often environmentally damaging. To address these supply-side constraints, large-scale investments are needed. Currently, much of the world's rare-earth metals are processed in China.

In addition to Australia, Canada is also starting to devote significant resources into its critical minerals capacity, with announcements in its most recent 2022 budget for research, extraction, processing and recycling of such materials.[8] The US announced major public and private investments at the beginning of 2022.[9]

Future developments in recycling and re-use of critical minerals contained in technology devices and other products are a major consideration, as currently many of the individual components prove difficult to recycle into their individual elements to be able to be used in future manufacturing processes.

European strategic autonomy

The EU's framework on establishing a policy of strategic autonomy is taking shape in the trade policy arena, with the EU creating a policy toolbox to give it the ability to act in areas where it had not previously.[10] The three main areas where this can be seen are through the creation of the following instruments:

- Anti-coercion instrument (ACI): The aim of the ACI is to deter countries from restricting or threatening to restrict trade or investment to bring about a change of policy in the EU in areas such as climate change, taxation or food safety.[11] This instrument is billed as a measure of last resort. The ACI has not yet been agreed by the various EU institutions.
- International procurement instrument (IPI): The IPI aims to allow the EU to initiate investigations in cases of alleged restrictions for EU companies in third-country procurement markets, engaging in consultations with the country concerned on the opening of its procurement market.[12] If the consultations prove unsuccessful, the EU will be able to restrict access to the EU procurement market for companies from that country. The European Parliament has adopted the measure.
- Foreign subsidy instrument (FSI): The FSI would give the European Commission the power to investigate and counteract market-distorting foreign subsidies granted to companies set to

6 "Executive Order on America's Supply Chains," *White House website*, 24 February 2021. Find it here

7 "Building Resilient Supply Chains, Revitalizing American Manufacturing, and Fostering Broad-Based Growth," *White House website*, June 2021. Find it here

8 "$3.8B Commitment in 2022 Budget Significantly Enhances Canadian Mining Industry's Ability to Provide the Minerals and Metals Required to Reach Net-Zero," *The Mining Association of Canada website*, 7 April 2022. Find it here

9 "FACT SHEET: Securing a Made in America Supply Chain for Critical Minerals," *White House website*, 22 February 2022. Find it here

10 See our article "EU Trade Policy: from policymaking to effective enforcement" in *TradeWatch* Issue 1 2022. Find it here

11 "EU strengthens protection against economic coercion," *European Commission website*, 8 December 2021. Find it here

12 "EU acts to improve reciprocal access to international procurement," *European Commission website*, 14 March 2022. Find it here

acquire EU businesses or take part in EU public procurement.[13] The FSI is currently in the process of being adopted by the European Parliament.

Together, these three instruments represent a fundamental shift in EU trade policy aiming to correct the purported distortions in the EU's internal market from unfair or coercive trading practices of the EU's trading partners. Given their relatively recent creation and varying levels of entry into force, how these new instruments will be applied in practice and possible responses from trading partners impacted by the EU's measures remain to be seen.

The EU has coupled these new measures with an overall framework as part of the establishment of the EU's Recovery and Resiliency Facility (RRF).[14] The RRF was directed to undertake "reforms and investments ... [to] help make the Union more resilient and less dependent by diversifying key supply chains and thereby strengthening the strategic autonomy of the Union alongside an open economy." This included investments in digital technologies and infrastructure.

Trade and Technology Council and semiconductors

The US and EU have been cooperating through the EU-US Trade and Technology Council. At its meeting in May 2022, both the EU and US agreed that "close cooperation to advance the resilience of supply chains is more important than ever."[15]

The EU and US have agreed to develop a common early warning and monitoring mechanism on semiconductor value chains and to undertake information exchange to avoid a subsidy race.

The latter point is particularly important, as both the EU and US have passed their respective CHIPS legislation, which promises large-scale public investments in the semiconductor sector. For the EU, this includes both a softening of state aid rules for semiconductor subsidies provided by EU Member States as well as a mechanism to encourage companies to favor supplying Europe in the case of shortages or other disruptions.

The main reason for focusing on semiconductors as a material concern for governments has been the sector's experience during the COVID-19 pandemic, which saw large-scale disruptions and shortages, bringing entire industries that rely on semiconductors to a halt. Another reason links to more geopolitical concerns. Taiwan is a major exporter of advanced semiconductors, and overreliance on its output increases potential vulnerabilities from an undiversified supplier base. There is also as international competition over control of the most advanced technologies and the next generation of semiconductors. Investments and government policies across Asia, including China Mainland, Taiwan, South Korea and Japan, have been extremely active over the past two years and garnered significant attention.

The US-UK trade dialogue includes a US-UK tech partnership where both sides agreed to work on the resilience and security of critical supply chains. In the UK government's new digital strategy,[16] semiconductor supply chains are identified as a critical issue, although full details of what that will entail are promised as part of a future UK semiconductor strategy.

National security: screening investments and export controls

The invocation of national security concerns has been on the rise since the Trump administration in March 2018 invoked Section 232 of the Trade Expansion Act of 1962, which allows for tariffs to be raised on products, in this case steel and aluminum, whose imports threaten national security.

The interactions between trade policy and national security have been rising, given the current geopolitical situation. One trend companies need to be aware of is the increased use of both investment screening and export controls by Western governments.

In the UK, this regime is the National Security and Investment Act[17]; for the EU, it is the framework for investment screening[18]; in the US, it is the Committee on Foreign Investment in the United States (CFIUS)[19]; and in Australia, the Foreign Investment Review Board.[20] Historically, these regimes have typically looked at inward investments originating in China. More recently, the EU has issued guidance regarding the impact of Russian and Belarussian investments.

13 "Foreign subsidies," *European Commission website*, 30 June 2022. Find it here

14 "REGULATION (EU) 2021/241 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 12 February 2021 establishing the Recovery and Resilience Facility," *Official Journal of the European Union*, 18 February 2021. Find it here

15 "EU-US Trade and Technology Council: strengthening our renewed partnership in turbulent times," *European Commission website*, 16 May 2022. Find it here

16 "UK Digital Strategy," *UK government website*, 6 July 2022. Find it here

17 "New and improved National Security and Investment Act set to be up and running," *UK government website*, 20 July 2021. Find it here

18 "Investment screening," *European Commission website*, 5 April 2022. Find it here

19 "The Committee on Foreign Investment in the United States (CFIUS)," *U.S. Department of the Treasury website*. Find it here

Recent debates in the US Congress have included whether to implement a new regime that would examine outward investment made by US companies in sensitive sectors to China.

This would mirror the increasing complexity of the export control and sanctions regimes around the world, particularly in Western countries. There have been two drivers of this: the war in Ukraine and a desire from the US, in particular, to limit the outflow of advanced and emerging technologies, especially in the case of cybersecurity and military end-use products.

Efforts by the US and EU through the Trade and Technology Council to enhance cooperation has led to a certain alignment of the coverage and use of such controls. This has been mirrored through the Quadrilateral Security Dialogue with the US, Japan, India and Australia, and the AUKUS trilateral security pact between the US, UK and Australia. This environment of increased complexity for companies navigating export controls can be expected to continue.

First Japan, then Japan-Australia-India trilateral

In 2020, Japan initiated two programs: the Program for Promoting Investment in Japan to Strengthen Supply Chains and the Program to Strengthen Overseas Supply Chains.[21] These measures have been supplemented by efforts to encourage foreign direct investment into Japan in the advanced semiconductor manufacturing sector.

The programs focus on promoting investments in Japanese supply chains included funding for companies working with crucial products, such as semiconductors, electric vehicle battery parts and offshore wind turbine parts. Further funding related to COVID-19- essential products, which included vaccination needles and syringes, disposable gloves, and pharmaceutical cold chain logistics-related supplies. In 2021, the program launched 151 different projects.

Japan's program relating to overseas supply chains initially focused on Japan's supply chains with Association of Southeast Asian Nations (ASEAN) countries. However, its second round of calls for applications included several projects in India and Australia, broadening the program's scope into the Asia-Pacific region. This development followed the establishment of the trilateral Supply Chain Resilience Initiative (SCRI) arrangement with Australia, India and Japan.[22] At the second meeting of the SCRI in March 2022, the three countries agreed to "identify key sectors, particularly in manufacturing and services, where the trilateral cooperation could enhance the resilience of supply chain in the sectors, and encouraged further collaboration between Austrade, Invest India and JETRO to promote investment and business in these sectors. The Ministers also affirmed the importance of cooperation with business and academia to promote best practice and to facilitate joint projects for supply chain resilience. Further, the Ministers decided to formulate and promote supply chain principles in the region."

While progress since March has not been announced, the extension of national efforts into bilateral and multilateral initiatives between Asia-Pacific countries is ongoing. Future alignment between the trilateral SCRI and other arrangements between shared common trading partners will likely increase.

Sustainable resilient supply chains

For companies looking to ensure that their supply chains are resilient, making sure they are sustainable is crucial. Climate change means a shifting of trade

20 *Australian Government: Foreign Investment Review Board website*. Find it here

21 "Successful Applicants Selected for the Program for Promoting Investment in Japan to Strengthen Supply Chains (Second Call)," *Japan Ministry of Economy, Trade and Industry website*, 2 July 2021; "Support Program to Strengthen Overseas Supply Chains. Find it here

For Demonstration Projects and Project Feasibility Studies." Find it here

22 "Joint Statement on the Supply Chain Resilience Initiative by Australian, Indian and Japanese Trade Ministers," *Australian Government Department of Foreign Affairs and Trade website*, 27 April 2021. Find it here

patterns, so existing trade patterns are not viable in the long term. Further, greening supply chains is part of a wider shift toward a net zero global economy.

But the number of different regulatory regimes in which businesses' supply chains have to operate is becoming more complicated by a number of different factors, including:

- Carbon-border measures, including the EU's Carbon Border Adjustment Mechanism legislation
- Corporate reporting (e.g., corporate due diligence in the EU)
- Deforestation compliance requirements in the US, EU and UK
- Varying product standards and conformity assessments
- Private standards and ecolabels

This list provides a broad overview of different sustainability considerations businesses have when looking to make their supply chains more sustainable and resilient.

Modern slavery and forced labor

Modern slavery exists in all stages of today's global and complex supply chains. In 2016, the International Labour Organization estimated that 40 million people are in modern slavery, 25 million of who are subject to forced labor worldwide, and of them, 16 million are exploited in the private sector.[23]

In 2021, the G7[24] issued a Joint Statement on Forced Labor,[25] which expressed concern around the use of forced labor in global supply chains and acknowledged the role that trade policy and the multilateral rules-based trading system can play to prevent, identify and eliminate forced labor. While sending a signal to recognize the importance of addressing forced labor at all levels of the global economy, the statement encouraged governments to share relevant data and evidence, risk management tools and best practices and to utilize emerging technologies to improve the traceability of supply chains.

In the UK, a 2021 House of Commons report sets out the need for the UK government to become more active in creating a stronger legal basis to ensure the transparency of supply chains for UK businesses and further questions the timeliness of the Modern Slavery Act (2015) and the subsequent transparency in supply chains legislation.[26] The legislation requires businesses to report on their efforts to identify and address modern slavery risks in their supply chains.

In the meantime, the Biden administration has emphasized the need to make its trade policy "worker-centric." This has presented itself in a number of ways, including through the use of the USMCA[27] rapid-response labor mechanism as well as proposals on forced labor in the World Trade Organization (WTO) Fisheries Subsidies negotiations.

The US Congress unanimously passed the Uyghur Forced Labor Prevention Act in 2021.[28] The law requires importers to evidence that any goods originating in the Xinjiang region of China were not made with forced labor and authorizes customs officials to seize relevant goods at point of entry. As part of the Act's implementation, the Forced Labor Enforcement Task Force (FLETF) has launched the Uyghur Forced Labor Prevention Act (UFLPA) enforcement strategy,[29] and US Customs and Border Protection has released importer guidance to assist the trade community on its entry into force on 21 June 2022.[30]

Cybersecurity

The cyber threat landscape is constantly evolving, posing risks and challenges to businesses and policymakers. With supply chains only as strong as their weakest links, increasing supply chain complexity and interdependencies lead to broad attack surfaces and create the opportunity for perpetrators to identify various access paths to selected targets. According to the Captains of Industry cyber resilience report commissioned by the UK Department for Digital, Culture, Media and Sport (DCMS), one-third of leading UK firms take no action to support their supply chain cybersecurity.

Governments and policymakers acknowledged the need to help businesses tackle threats holistically and have taken initiative to safeguard supply chains:

23 "Forced labour, modern slavery and human trafficking," *International Labour Organization website*. Find it here

24 *Group of Seven nations: Canada, France, Germany, Italy, Japan, the UK and US.*

25 "G7 Trade Ministers' Statement on Forced Labour," *UK government website*, 22 October 2021. Find it here

26 "Uyghur forced labour in Xinjiang and UK value chains," *House of Commons Business, Energy and Industrial Strategy Committee*, 17 March 2021. Find it here

27 US, Mexico and Canada.

28 "H.R.1155 – Uyghur Forced Labor Prevention Act," *US Congress website*, 8 December 2021. Find it here

29 "Strategy to Prevent the Importation of Goods Mined, Produced, or Manufactured with Forced Labor in the People's Republic of China," *U.S. Department of Homeland Security website*, 23 December 2021. Find it here

30 "UFLPA Operational Guidance for Importers," *U.S. Customs and Border Protection website*, 13 June 2022. Find it here

- The UK's National Cyber Security Centre has developed the Cyber Assessment Framework,[31] providing guidance for organizations to assess their cyber risk management. DCMS is considering mandating compliance with the framework for IT service providers, while renewing procurement rules to help manage security risks. With the view to overhaul relevant legislation, the UK will launch a new national cyber strategy later this year.
- The US Cybersecurity and Infrastructure Security Agency (CISA) has committed to working with government and industry partners to enhance supply chain resilience.[32] CISA offers a free Cyber Supply Chain Risk Management course for the public.[33] In December 2018, Homeland Security established the Information and Communications Technology (ICT) Supply Chain Risk Management (SCRM) Task Force, launching several public-private working groups to develop consensus risk management strategies.
- The European Union Agency for Cybersecurity (ENISA) 2021 report on the Threat Landscape for Supply Chain Attacks analyzed 24 recent cyber attacks and revealed that attackers increasingly infiltrate organizations by targeting suppliers.[34] As businesses across supply chains are increasingly reliant on supplier-managed cloud services, attackers focused on suppliers' code in two-thirds of the incidents. The setup of a relevant ad hoc working group aims to engage a broad range of stakeholders and to provide threat analysis on a range of recent challenges posed by artificial intelligence and 5G.
- Australia's Cyber Security Strategy 2020 set out the investment of AUD$1.67 billion over the next 10 years to achieve a more secure online world.[35]
- New Zealand's National Cyber Security Centre has produced a three-step guidance for business leaders and cyber security professionals to identify, assess and manage the cyber risks in supply chains.

While providing businesses with advice on how to establish good practices and relevant guidance, regulators have recognized the importance of developing relevant legislation to protect consumers and businesses and strengthen national and global cybersecurity in supply chains.[36]

Food security

As a result of the war in Ukraine, the issue of global food security has rocketed up the agenda in recent months. Both Russia and Ukraine are major players in the production of wheat and other crops as well as major sources of fertilizer for the world.

We have seen calls from the G7, WTO and other international organizations for countries to maintain open and predictable agricultural markets and trade to ensure the continued flow of food, as well as products, services and inputs essential for agricultural and food production and supply chains. Unfortunately, this has not always been the case, with numerous examples of countries implementing export restrictions on certain agricultural products, including India, Indonesia and Malaysia.

31 "NCSC CAF guidance," *National Cyber Security Centre website*. Find it here

32 "Information and Communications Technology Supply Chain Risk Management," *Cybersecurity & Infrastructure Security Agency website*. Find it here

33 "Introduction to Supply Chain Risk Management course," *Federal Virtual Training Environment website*. Find it here

34 "Understanding the increase in Supply Chain Security Attacks," *ENISA website*, 29 July 2021. Find it here

35 "Australia's Cyber Security Strategy 2020," *Commonwealth of Australia*, 6 August 2020. Find it here

36 "Supply Chain Cyber Security: In Safe Hands," *New Zealand National Cyber Security Centre website*. Find it here

Agricultural supply chains are unique in several different ways, including seasonality, timing and cold-chain requirements. The political implications for governments when agricultural supply chains are threatened is also fundamentally more profound, as civil unrest can quickly spiral into wider national and regional instability.

Financing resilient supply chains

Governments can readily use their export credit agencies to fund exports and thus boost trade in sectors deemed to be a priority and with countries that are friendly. Returning to the executive action taken by the Biden administration around renewable energy,[37] mentioned earlier, the actions include:

- The Export-Import Bank of the United States Make More in America Initiative prioritizing investments to expand clean energy manufacturing
- The U.S. International Development Finance Corporation supporting resilient clean energy manufacturing supply chains in allied nations around the world, with the explicit aim of reducing global dependence on China

The UK, through UK Export Finance, has similarly been using its capacity to boost renewable energy projects, with £3.6 billion provided in 2021, up from £2.4 billion in 2020, and ceasing support for oil and gas projects.[38]

What can multilateralism do for supply chain resiliency?

Though there are many unilateral and bilateral measures for supply chain resiliency being implemented by countries around the world, what role is there for multilateral organizations to play is this space?

Looking at the Organisation for Economic Co-operation and Development (OECD) guide to resilient supply chains, one of its core recommendations was to keep markets open and abide by the terms of countries' various international agreements and commitments.[39] A good example of this was the WTO's Trade Facilitation Agreement, which is designed to cut red tape and bureaucracy at the border. By having transparent, predictable and easy-to-use border procedures, companies can reduce the amount of disruption businesses still feel as a result of the COVID-19 pandemic.

Will government action make things better or worse?

For many governments, where geopolitical and national security concerns are increasingly taking priority over ease of doing business for companies, simply advocating for more of the same is not going to resonate.

It is not yet clear whether this mix of government policies will yield anything positive. Arguably, a second-best outcome might be that these government policies do not do anything at all, but there is a material risk that they have a negative impact.

In Michael Gasiorek's recent article "Supply Chain Resilience: The dangers of 'pick n mix'," he says policy responses, in many cases, have been designed to protect domestic producers and stifle competition.[40] In the long run, this could mean higher prices for consumers and stifled innovation. In Raghuram Rajan's article "Just Say No to 'Friend-Shoring'," he makes a similar argument – that friend-shoring will lead to higher prices and not much resiliency.[41]

First steps toward actual supply chain resiliency

As companies look at their supply chains through the geopolitical lens described in this article, it is easy to feel overwhelmed by the sheer complexity and range of measures being implemented around the world.

Business leaders need to start with the assumption that there is a significant likelihood of seeing increased government intervention in their supply chains, limitations on or rejections of cross-border investments, export controls, restrictive trade measures, and greater regulatory scrutiny. With those assumptions, it then becomes possible to acknowledge steps to assess those risks and boost supply chain resiliency.

37 "FACT SHEET: President Biden Takes Bold Executive Action to Spur Domestic Clean Energy Manufacturing," *The White House website*, 6 June 2022. Find it here

38 "UKEF provides record £3.6bn to help UK businesses construct hospitals, electric railways and offshore wind across the globe," *UK government website*, 8 June 2022. Find it here

39 "Keys to resilient supply chains: policy tools for preparedness and responsiveness," *OECD website*. Find it here

40 "Supply Chain Resilience: The dangers of 'pick n mix'," *UK Trade Policy Observatory*, April 2022. Find it here

41 "Just Say No to 'Friend-Shoring'," *Project Syndicate*, 3 June 2022. Find it here

The first step as part of this work should include undertaking a detailed supply chain assessment. This isn't simply what is coming from where. Rather, it should be a serious undertaking, sponsored by the leadership of the business, to assess the following risk factors:

- **Geography:** Identifying which products are over reliant on geographical concentration. This should be mapped against a geopolitical risk profile of those geographies where the business has significant concentration.
- **Raw materials:** Identifying the critical raw materials for the company's products across the supply chain.
- **Critical components:** Identifying the critical components for products, with particular attention to components originating from single suppliers and any necessary software and machinery. This should also include a complete overview of any relevant product standards or labeling requirements across different jurisdictions.
- **Cybersecurity:** Audit cybersecurity protocols and carry out vulnerability testing throughout the supply chain of the business and those of its suppliers.
- **Capacity:** Stress-test the capacity of the supply chain, logistics and customs business functions to identify whether they can address and navigate high-impact supply chain disruptions.

Businesses are likely to face lower levels of political risk on investments in markets aligned with their home country's bloc. This will apply to both new and existing investments relating to research and development (R&D) collaboration, manufacturing and commercial sales. Where possible, businesses should assess whether they can avail of government subsidies offered to incentivize such moves.

These actions will be particularly crucial for companies in the growing number of sectors deemed strategic for economic or national security reasons, such as semiconductors, computer and telecommunications equipment, electric vehicles (EVs), pharmaceuticals, and critical infrastructure.

Key actions for businesses to create supply chain resilience

The war in Ukraine and geopolitical tensions between the US and China, among other disruptions, are creating significant supply challenges for companies around the world. Establishing long-term supply chain resiliency, which reduces the possible risks described throughout this article, will vary by company, but corporate leaders should have three broad priorities as they adjust to the new geopolitical environment:

1. Assess current and future geopolitical risks.

Use a structured approach for identifying, monitoring and assessing geopolitical risks arising from long-term changes to the world order, and incorporate these assessments into enterprise risk management (ERM) frameworks, which are aligned with supply chain monitoring. Doing so will provide real-time insights into the supply chain performance.

2. Establish a cross-functional geostrategic team.

Include representatives from across business functions (including trade strategy, supply chain, customs, logistics, government affairs, legal and finance) to capture the different aspects of supply chain resiliency. This should include C-suite sponsorship and leadership to work across the relevant business functions.

3. Refine company strategy to match new geopolitical realities.

Conduct a global footprint assessment for geopolitical risks and adjust accordingly, and proactively include geopolitical risk analysis in strategic planning processes, especially supply chain sourcing decisions, grants and incentives, and market-entry strategies. ■

1 1st footnote

2 2nd footnote

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Narrowing the gender disparity gap in trade: if not now, when?

Gender has long been a topic in international law and trade, from the Convention on the Elimination of All Forms of Discrimination against Women (CEDAW)[1] to the more recent 2017 World Trade Organization (WTO) Buenos Aires Declaration,[2] but there is continued recognition that these accords need to be strengthened.

As the business community increasingly focuses on social and environmental issues, what are some of the key gaps for women in business? And how can business leaders confirm that the dialogue around gender parity strikes more than just a chord with employees and actually leads to meaningful and sustainable change among those who govern trade mechanisms?

The Global Gender Gap 2021 Report indicates that the gap for economic participation and opportunity will take 267.6 years to close.[3] Many believe that this is too long and that society should act now to close the gender gap in trade, using the gender-specific data that is now readily available to inform and guide better trade strategy decisions.

The gender representation gap

The World Economic Forum (WEF) has found that around the world women generally have been disproportionately affected by the COVID-19 pandemic compared to men, taking on more

1 *UN website*. Find it here

2 "Joint Declaration on Trade and Women's Economic Empowerment on the Occasion of the WTO Ministerial Conference in Buenos Aires in December 2017," *WTO website*. Find it here

3 "Global Gender Gap Report 2021," *World Economic Forum website*, 30 March 2021. Find it here

caregiving responsibilities than men and as a result experiencing reductions or adjustments around their paid work.

At a global level in trade, the COVID-19 response presents a case study of gender disparity in representation across the intersections of decision-making in health, trade and politics. Below are several key statistics around the pandemic response:

- In the global health sector, women hold only 30% of leadership roles.[4]
- Men hold 82% of the top-grade positions in the WTO.[5]
- Among approximately 200 governments, only 21% have appointed female ministers.[6]

Studies suggest that women experience more barriers than men to trade in foreign markets in any case. Women (particularly those in developing countries) face inequitable access to finance; a lack of gender diversity in customs facilities; insufficient access to basic information on how to trade; overly bureaucratic requirements to provide evidence; institutional, societal and cultural barriers; and reduced access to skill-building activities at the foundational level across education and digital literacy. In developing countries, the impact of these barriers remains acute for vulnerable households, which tend to benefit more from lower consumer prices gained from trade.

These barriers also have an impact in developed countries. For example, the Organisation for Economic Co-operation and Development (OECD) recently analyzed trade and gender in New Zealand and found that a 25% increase in New Zealand tariff rates on imported goods would help purchasing power in more vulnerable household types, such as single-parent households with dependent children, most often led by women.[7] In the United Kingdom (UK), the picture is similar. By the end of 2020, there were no longer any Financial Times Stock Exchange (FTSE) 100 companies with all-male boards, and women made up 33% of board positions on FTSE 100 and FTSE 250 boards – an increase of 50% over the last five years.[8] However, despite this progress, equity gaps have been exacerbated by the COVID-19 pandemic, and they threaten to undo the work already done. Before the pandemic, the UK lagged behind its international counterparts in closing the gender pay gap across politics, economics, health and education. These conditions have worsened since the pandemic began, and the WEF noted that the country fell from 15th to 23rd in its Global Gender Gap Report in just two years.[9]

The business case for change

Despite these stark figures, the business case for gender equality is often overlooked in relation to trade and investment. For example, trade liberalization typically increases women's wages and economic equality. Incentivizing better jobs for women brings them from the informal to the formal sectors, where they enjoy better labor rights and protections. Further, sectors with significant exports bring new jobs that require new skills. For women in developing countries in particular, this can narrow the wage gap. According to the World Bank, if developing countries doubled their manufacturing exports, women's share of total manufacturing wages would increase from 24% to 30%.[10]

Applying better gender-related data to trade strategy in this area could help address barriers to women's access to markets.

Looking again at the UK, it is the leading European country for starting a business. More than 5.5 million UK businesses (99.9% of the country's business population) are small and medium enterprises (SMEs), which account for half of private sector turnover. Therefore, as the UK's export strategy accelerates, business leaders actively diffusing information on trade facilitation and access to networks to SMEs will be vital to the effort to scale up and ensure a wider awareness of these trade opportunities. An independent review commissioned by the UK Treasury estimated that up to £250 billion of new value could be added to the UK economy if women started and scaled new businesses at the same rate as UK men. Although women represent a third of SME owners in the UK, there is a huge, unrealized opportunity here, and a sharper lens on

4 "2021 Global Health 50/50 Report," *Global Health 5050 website*. Find it here

5 "Women and the WTO: Gender Statistics (1995-2016)," *WTO website*, 2017. Find it here

6 "Facts and figures: Women's leadership and political participation," *UN Women website*. Find it here

7 "Trade and Gender Review of New Zealand," *OECD website*, 1 June 2022. Find it here

8 "UK boards meet gender target, but there are still too few women in senior leadership roles – just eight female CEOs in FTSE100," *Ernst & Young LLP*, 7 October 2021. Find it here

9 "Global Gender Gap Report 2021," *World Economic Forum website*, 30 March 2021. Find it here

10 "Women and Trade: The Role of Trade in Promoting Women's Equality," *The World Bank website*, 30 July 2020. Find it here

gender could be used to enable the scaling up of SMEs owned by women – with potentially significant benefits to the UK economy.

How do we facilitate change?

WTO initiatives

On 12 June 2022, during the WTO Twelfth Ministerial Conference (MC12), the Informal Working Group on Trade and Gender issued a statement[12] reaffirming its commitment to advancing gender equality in trade. The first work plan on trade and gender at the WTO is now underway, focusing on applying a gender lens to WTO policy, supporting the Aid for Trade program and issues related to collecting gender-disaggregated data. The WTO Gender Research Hub will also be launching the first World Trade Congress on Gender in December 2022.[13]

While this progress toward more thorough research is clearly welcome, binding commitments in international agreements, if negotiated and critically enforced between partner countries, may also help address these inequalities. However, gender provisions in international law are often not obligatory, and men dominate the lawmaking structures such as dispute resolution. A 2017 WTO report[14] highlighted that less than half (123 of

12 "Trade and gender co-chairs affirm commitment to gender equality in trade at MC12," *WTO website*, 12 June 2022. Find it here

13 "World Trade Congress on Gender: Deadline for submitting papers extended to 1 July," *WTO website*, 4 May 2022. Find it here

14 "Women and the WTO: Gender Statistics (1995-2016)," *WTO website*. Find it here

268) WTO dispute panels have included women. Of the panels that included women, only 14% of legal representatives were women and only 6% of panels were chaired by women.

Trade agreements

For trade policymakers, gender mainstreaming, the public policy strategy to achieve equality among genders, offers a way of integrating gender perspectives into preparation, design and implementation of policies in all political, economic and societal spheres of trade agreements. It can also help with addressing the intersectionality of gender with other identities in trade provisions, such as ethnicity, with migrant women and women with disabilities being particularly disadvantaged. Tackling gender disparities should not be done in isolation, and trade agreements can be key in supporting hard and soft power mechanisms.

An example is the gender equality chapter in the UK-Australia Free Trade Agreement (FTA).[15] It is the first time Australia has included such a chapter, and it commits the signatories to evidence gathering and sharing to increase women's access to markets, leadership networks, finance and education, with a particular focus on science, technology, engineering and mathematics (STEM). It will also establish a dialogue between government representatives to promote the views of women workers, business owners and entrepreneurs on advancing women's economic empowerment in trade and investment. The chapter should be considered a positive statement of intent; however, successful implementation will require sustained effort.

Though some countries, like Chile, have included gender chapters in FTAs, but as with the UK-Australia agreement, generally trade and gender language reflects only best practices, rather than imposing obligations on companies and governments. Increasing female policymaker representation would support both sharper language and integrating gender perspectives; for example, there could be explicit mandates for equal male and female members on dispute panels or supporting agreement structures, such as a Trade and Gender Committee. While some doubt the extent to which trade agreements can generate immediate results, they can be an effective first step for countries with less gender equity.

Efforts are also underway to promote mutually reinforcing gender and trade policies with international, stand-alone agreements. At MC12, Canada, Chile, Mexico and New Zealand met to welcome Colombia and Peru as the newest members of the 2020 Global Trade and Gender Arrangement, with Argentina and Ecuador also announcing their intention to join.[16] This arrangement builds on previous knowledge-sharing endeavors to establish a more substantive working group to drive new activity and cooperation.

For trade agreements to work in support of gender equality, the marriage of domestic policy with trade and strategic goals is often overlooked. For example, for the UK to achieve its science and technology superpower goal by 2030, it will need to accelerate narrowing the gender gap within the STEM space. Women represent only 24% of all jobs in STEM industries[17] and in engineering account for just 14%.[18] The UK will need a dual approach to nurture and pass on innovative skills to its workforce: ensuring mobility provisions within its trade agreements to attract the best female talent and requiring all education tiers to have a forward-thinking digital and STEM agenda that pursues gender equality.

Conclusion

The post-COVID-19 landscape presents an ideal opportunity to set the conditions for a fairer, more equitable society. A serious commitment to sustainable trade and business requires actions to progress women's access and representation throughout policy decision-making and in business. The Global Gender Gap Report 2021 indicates the gap for economic participation and opportunity will take 267.6 years to close, highlighting just how much there is to do. So, if not now, when? ■

15 "Chapter 24: Trade And Gender Equality," *UK government website*, Find it here

16 "Ministerial Joint Statement – Inclusive Trade Action Group (ITAG) – Twelfth WTO Ministerial Conference in Geneva, Switzerland – June 13 2022," *New Zealand Foreign Affairs & Trade website*, 14 June 2022. Find it here

17 "Statistics," *WISE Campaign website*. Find it here

18 "Useful Statistics," *The Women's Engineering Society website*, March 2022. Find it here

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What the WTO's 12th Ministerial Conference means for business

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On 17 June 2022, World Trade Organization (WTO) members overcame a pessimistic outlook to deliver a series of agreements and decisions at the end of the Twelfth Ministerial Conference (MC12) that together are being called the Geneva Package. [1]

The WTO hailed the meeting outcome as "unprecedented."[2] It covers a series of decisions on fisheries subsidies, the WTO response to emergencies, food safety and agriculture, and WTO reform. But what does it mean for businesses?

Let's consider each of the measures in the Geneva Package in turn.

Preventing customs duties on electronic transmissions

WTO members agreed at MC12 to extend the moratorium on imposing customs duties on electronic transmissions until MC13 (expected to take place in December 2023).[3] There was a material risk that this moratorium was not going to be renewed. This had alarmed many services and digital companies that could have, theoretically, faced a whole new raft of customs duties where none had previously been levied.

The extension allows businesses that transfer data across borders a degree of relief (as seen from the Global Services Coalition's response to the news).[4] However, business should not be complacent that this moratorium will necessarily continue indefinitely. A number of WTO members are increasingly reluctant to pay the increasing price of agreeing the moratorium at each successive WTO ministerial conference.

Eliminating harmful fisheries subsidies

Probably the most significant non-business outcome from MC12 was the Agreement on Fisheries Subsidies, agreed by all WTO members.[5] These negotiations have been ongoing for 20 years and are aimed at eliminating harmful fisheries subsidies in order to halt the decline in fish stocks around the world. In the end, the version that trade ministers agreed on was a slimmed-down version of the draft text that had been negotiated prior to the meeting. [6]

1 "MC12 Outcome Document," *World Trade Organization*, 22 June 2022. Find it here

2 "WTO members secure unprecedented package of trade outcomes at MC12," *World Trade Organization*, 17 June 2022. Find it here

3 "Work Programme on Electronic Commerce," *World Trade Organization*, 22 June 2022. Find it here

4 "Global Services Coalition Congratulates Trade Ministers and applauds extension of the Moratorium on Customs Duties on E-Transmissions at WTO MC12," *Global Services Coalition press statement*, 17 June 2022. Find it here

5 "Agreement on Fisheries Subsidies," *World Trade Organization*, 22 June 2022. Find it here

6 "WTO Members Clinch a Deal on Fisheries Subsidies," *Institute for International Sustainable Development website*, 17 June 2022. Find it here

This leaves unfinished work for countries to continue to improve on in the future, not least ensuring that the agreement is ratified by two-thirds of the WTO membership and enters into force as soon as possible. The agreement was coupled with a new Fisheries Funding Mechanism, which is designed to help developing countries implement the agreement.[7]

For the vast majority of businesses, the WTO Agreement on Fisheries Subsidies will not impact their day-to-day operations in any way. However, it does matter to them for two reasons: first is the totemic importance that these negotiations had taken on for many countries as evidence as to whether the WTO could still deliver; second is the increasing interlinking of trade and environmental issues, which is explored later in this article.

What's in a TRIPS waiver?

Early on in the COVID-19 pandemic, India, South Africa and other developing countries argued that certain parts of the WTO Agreement on Trade-Related Intellectual Property Rights (TRIPS) were prohibiting the dissemination of vaccine technologies and know-how to developing countries and should, therefore, be suspended. Certain countries, most notably the United Kingdom (UK) and Switzerland, disagreed that the TRIPS agreement was causing these problems, a position also shared by many life sciences companies. In the months running up to MC12, a convoluted and confused negotiating process meant that going into the meeting, the status of the negotiating text and possible outcomes were far from certain.

At almost the last moment of the conference, WTO members adopted a Ministerial Decision on the TRIPS Agreement, which allows WTO members to authorize the use of the subject matter contained in a patent relating to COVID-19 vaccines without the consent of the right holder.[8] The decision sets out a number of caveats and procedures for such an authorization and is limited to five years.

The reaction from both nongovernmental organizations and the life sciences sector indicates that not everyone agrees with the decision. Critical comments include:

- From the US Chamber of Commerce: "Intellectual property rights helped deliver COVID-19 vaccines in record time, and today the world is awash in vaccine doses. We can't let this unfortunate measure set a precedent for undermining IP rights."[9]
- From the South Centre: "An insufficient multilateral response."[10]

WTO members were also able to adopt a Ministerial Declaration on the WTO Response to the COVID-19 Pandemic and Preparedness for Future Pandemics.[11] It essentially says the WTO should do more in the event of future pandemics and that a stock-taking exercise will be undertaken to assess the response to the COVID-19 pandemic.

For many life sciences businesses, the main concern going forward is that the decision concerns itself with patents for COVID-19 vaccines, but the decision also sets out that no later than six months from the date of the Decision, WTO members must decide whether it should be extended to cover the production and supply of COVID-19 diagnostics and therapeutics, which is potentially a much more significant development.

Reforming the WTO

While the overall MC12 Outcome Document is short on meaningful statements for business, the one exception to this is paragraph three of the outcome document, which concerns WTO reform.[12]

"3. We acknowledge the need to take advantage of available opportunities, address the challenges that the WTO is facing, and ensure the WTO's proper functioning. We commit to work towards necessary reform of the WTO. While reaffirming the foundational principles of the WTO, we envision reforms to

7 "WTO Fisheries Funding Mechanism readied to provide support for ending harmful subsidies," *World Trade Organization website*, 14 June 2022. Find it here

8 "Ministerial Decision on the Trips Agreement," *World Trade Organization*, 22 June 2022. Find it here

9 "WTO Ministerial Delivers Mixed Results on Business Priorities; Further Action Needed," *U.S. Chamber of Commerce website*, 17 June 2022. Find it here

10 "Trips Waiver: An Insufficient Multilateral Response. Trips-Consistent National Actions Are Called For," *South Centre*, 21 June 2022. Find it here

11 "Ministerial Declaration on the WTO Response to the COVID-19 Pandemic and Preparedness for Future Pandemics," *World Trade Organization*, 22 June 2022. Find it here

12 "MC12 Outcome Document," *World Trade Organization*, 22 June 2022. Find it here

improve all its functions. [...] The General Council and its subsidiary bodies will conduct the work, review progress, and consider decisions, as appropriate, to be submitted to the next Ministerial Conference."

WTO reform matters to businesses. Ensuring that the WTO can function and deliver outcomes that support a rules-based trading system are foundational to companies' ability to trade with any sort of certainty and reliability. Following MC12, the International Chamber of Commerce strongly welcomed "ministers responding to the calls of business to properly begin the hard work of reforming all of the WTO's functions."[13]

While each WTO member undoubtedly has views as to what WTO reform will mean, the fact that this has been acknowledged and a pathway forward has been set is significant. This also includes restoring a fully functional dispute settlement system in the WTO by 2024.

Before moving on to some of the more significant outcomes that took place plurilaterally (or among subsections of the WTO membership), there were a number of other multilateral outcomes, including:

- Ministerial Declaration on the Emergency Response to Food Insecurity[14]
- Ministerial Decision on World Food Programme Food Purchases Exemption from Export Prohibitions or Restrictions[15]
- Sanitary and Phytosanitary Declaration for the Twelfth WTO Ministerial Conference: Responding to Modern SPS Challenges – Ministerial Declaration[16]
- Work Programme on Small Economies – Ministerial Decision[17]
- TRIPS Non-violation and Situation Complaints – Ministerial Decision[18]

Domestic Regulation for Services

At MC12, Georgia, Timor-Leste and the United Arab Emirates announced that they are joining the initiative on Services Domestic Regulation, which successfully concluded negotiations in December 2021.[19]

The declaration was adopted by 67 members (now 70) in December 2021. It set out new disciplines on making the regulatory environment more conducive to business and lowering trade costs for services suppliers seeking to access foreign markets. The new provisions for Services Domestic Regulation should enter into force at the end of 2022. As a result, businesses can look to new opportunities and improved information relating to trade in services.

13 "ICC welcomes WTO's responsiveness to business needs," *International Chamber of Commerce*, 17 June 2022. Find it here

14 "Ministerial Declaration on the Emergency Response to Food Insecurity," *World Trade Organization*, 22 June 2022. Find it here

15 "Ministerial Decision on World Food Programme Food Purchases Exemption from Export Prohibitions or Restrictions," *World Trade Organization*, 22 June 2022. Find it here

16 "Sanitary and Phytosanitary Declaration for the Twelfth WTO Ministerial Conference: Responding to Modern SPS Challenges," *World Trade Organization*, 22 June 2022. Find it here

17 "Work Programme on Small Economies," *World Trade Organization*, 22 June 2022. Find it here

18 "Trips Non-violation and Situation Complaints," *World Trade Organization*, 22 June 2022. Find it here

19 "Georgia, Timor-Leste and United Arab Emirates join initiative on services domestic regulation," *World Trade Organization website*, 13 June 2022. Find it here

E-commerce and digital trade

The Joint Statement Initiative (JSI) on e-commerce issued a statement by the co-convenors of the negotiations (Australia, Japan and Singapore) providing an update on its progress.[20] They also launched the E-Commerce Capacity Building Framework to help developing countries seize digital opportunities.

The importance of digital trade and e-commerce to modern businesses and the global economy cannot be overstated. These live negotiations are significant in developing global rules on e-commerce and managing the divergence of different digital standards.

What about smaller businesses?

At MC12, the JSI on Micro-, Small- and Medium-Sized Enterprises (MSMEs) launched the Trade4MSMES platform.[21] Although still in the process of improvement, the platform provides a wealth of information aimed at helping smaller businesses trade internationally.

Trade and environment

The interrelationship between trade and the environment is an increasingly important topic.[22] During MC12, the participants of the Trade, Environment and Sustainability Structured Discussions (TESSD) set out the concrete work taking place and the establishment of four informal working groups on environmental goods and services, trade-related climate measures, circular economy and circularity, and subsidies. Separately, additional work is ongoing through the Informal Dialogue on Plastics Pollution and Fossil Fuel Subsidy Reform Initiative. MC12 also saw the launch of a new ministerial coalition of the EU, Ecuador, Kenya and New Zealand to establish a Coalition of Trade Ministers on Climate.[23]

Business engagement in these different trade and environment initiatives has been substantial over the past six months, as the participating WTO members have invited numerous private sector representatives to provide technical inputs into the various discussions. This will continue to be a considerable option for engagement as the negotiations progress.

Trade and gender equality[24]

The three co-chairs of the Informal Working Group on Trade and Gender – Botswana, El Salvador and Iceland – issued a statement at MC12 highlighting the achievements of WTO members' joint work and reaffirming their commitment to advancing gender equality in trade.[25]

Separately, Canada, Chile, Mexico and New Zealand welcomed Colombia and Peru as the newest members of the Global Trade and Gender Arrangement (GTAGA).[26] The GTAGA is a groundbreaking trade instrument on gender and is designed to support concrete actions and remove barriers to trade to promote women's economic empowerment. Businesses should be including trade issues as part of their diversity and inclusion strategies.

Incorporating WTO issues into companies' trade strategies

MC12 showed the range of potential trade issues relevant for companies' trade strategies and the opportunities that may be available to them.

While quick progress cannot be expected when dealing with the 164 different governments of the WTO, neither should stasis be expected, as MC12 has demonstrated. Therefore, businesses can make the WTO part of their long-term strategic trade planning in three ways:

20 "Co-convenors welcome good progress in e-commerce talks, launch capacity-building framework," *World Trade Organization website*, 13 June. Find it here

21 *Trade4MSMES website*. Find it here

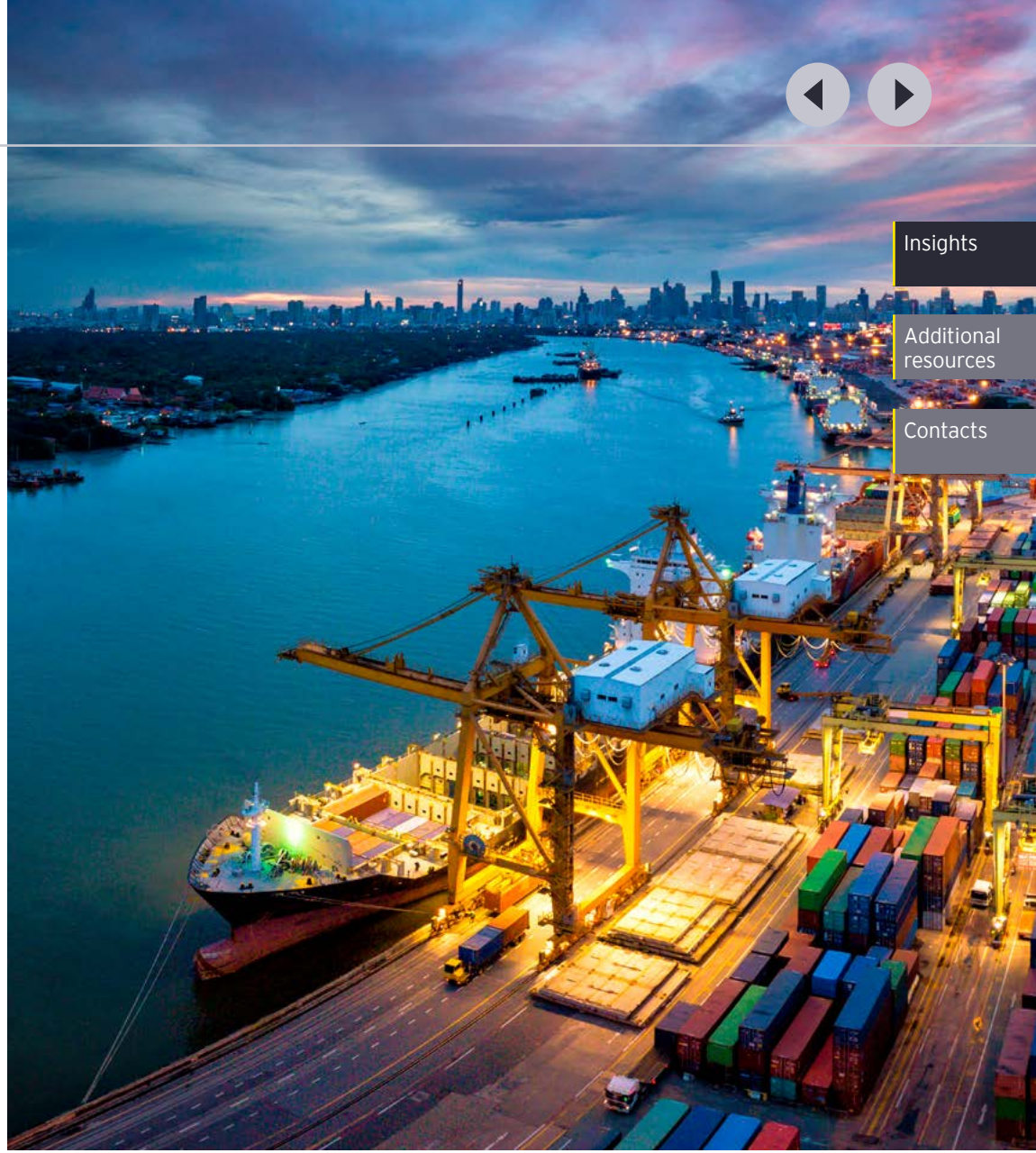
22 "How sustainable trade can support net zero targets," *EYGM Limited*, 17 June 2021. Find it here

23 "The EU teams up with Ecuador, Kenya, New Zealand to forge cooperation on trade and climate," *European Commission website*, 13 June 2022. Find it here

24 See the article "Narrowing the gender disparity gap in trade – if not now, when?" by Sally Jones in this publication, page 11.

25 "Trade and gender co-chairs affirm commitment to gender equality in trade at MC12," *World Trade Organization website*, 12 June 2022. Find it here

26 "Ministerial Joint Statement – Inclusive Trade Action Group (ITAG) – Twelfth WTO Ministerial Conference in Geneva, Switzerland – June 13 2022," *New Zealand Foreign Affairs & Trade website*, 14 June 2022. Find it here



1. By building a detailed understanding of the WTO

To benefit from the trade opportunities that are opening up around the world, it is important that businesses have a comprehensive understanding of WTO trade rules and processes and make it a core part of their long-term trading strategies. Among other advantages, mastering these rules can empower businesses to shape the right responses to shifting global tariffs and trading relationships; reduce risks, costs and delays in their trade networks; make the best use of their supply chain operating models; and take full advantage of increasingly sophisticated and powerful digital technologies.

2. By drawing on the WTO's vast institutional knowledge

The WTO is a rich source of information that can help businesses to build a trade strategy that meets their objectives. It has numerous trade databases filled with information ranging from the tariffs in a particular country to lists of the most recent trade-related standards and regulations being implemented by WTO members. Having access to the right advice and support is critical to navigating the global trade landscape.

3. By including the WTO when engaging governments

Experience shows that a well-informed business community can play a significant part in influencing its government's position on trade issues, for example, in the fields of e-commerce or trade and the environment. By including the WTO and the different initiatives underway on the agenda when engaging with governments, businesses have a real opportunity to shape the way their countries will trade in the global economy. ■

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G7 Trade Ministers' key statement on global trade issues

The Trade Ministers from the Group of Seven (G7) countries[1] met on 14 and 15 September 2022 to discuss and exchange views and ideas on approaches and joint responses to global economic disruptions, trade frictions and rising challenges for global trade. On 15 September 2022, the ministers issued a statement that touched on a number of key issues affecting international trade[2].

The war in Ukraine

The ministers condemned Russia's actions in Ukraine and renewed their commitment to sanctions, the suspension of the Most-Favored-Nation treatment for products from the Russian Federation and to coordinating efforts in the relevant G7 working groups on measures affecting trade with Russia. The statement noted that the war has triggered disruption in agricultural production, supply chains and trade, causing particular concern for developing and least developed countries. The ministers stated their commitment to keeping food and agricultural markets open, transparent, and predictable and they called on all partners to avoid unjustified restrictive trade measures. In this context, the ministers welcomed the Ministerial Declaration on the emergency response to food insecurity adopted at the 12th Ministerial Conference of the World Trade Organisation (WTO)[3]. They also reaffirmed their support for the government and people of Ukraine and committed to supporting Ukraine's reform and recovery efforts through trade.

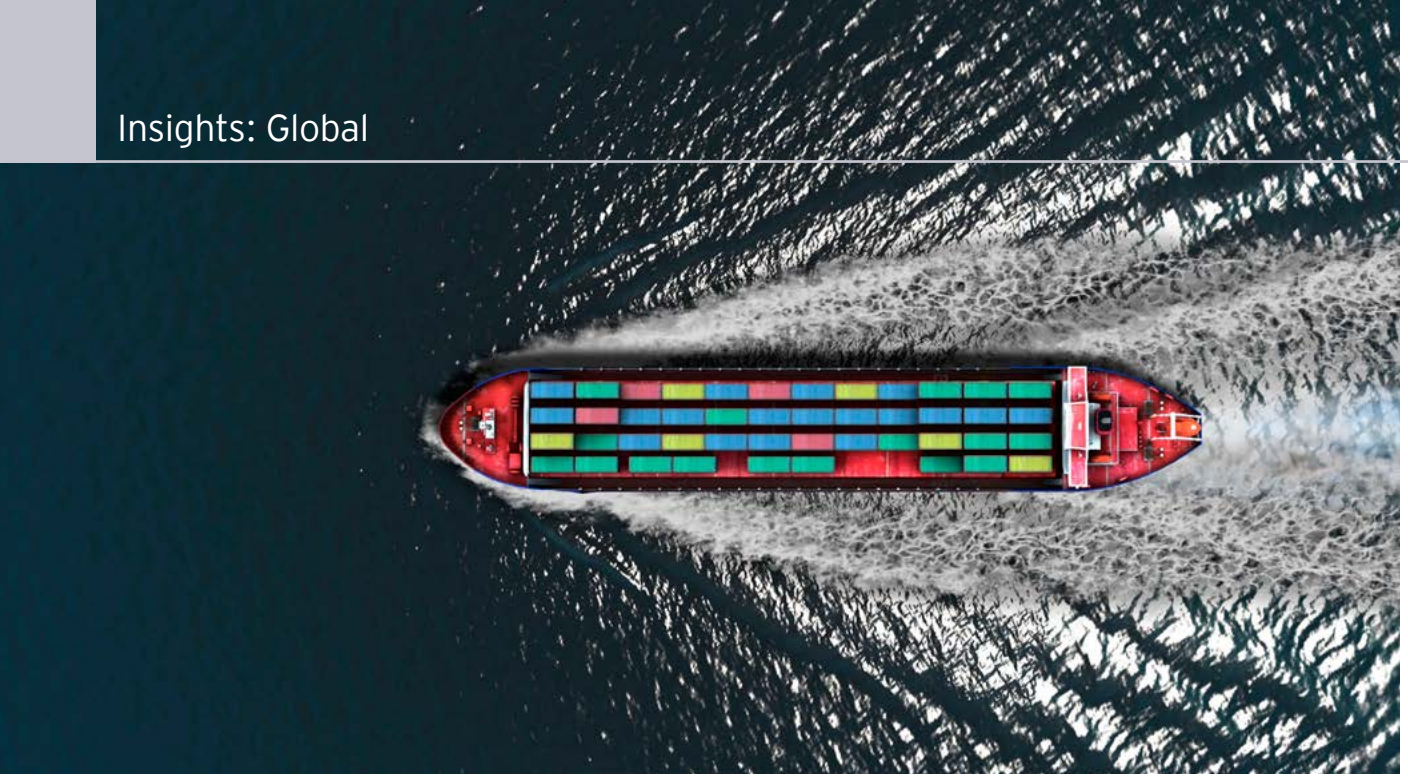
Reforming the WTO and modernizing its rulebook

The ministers reaffirmed a commitment to reviving and reforming the rules-based multilateral trading system with the World Trade Organization (WTO) at its core and their intention to working together with the aim of reforming the WTO and improving the WTO rulebook. They expressed the view that the global trade rulebook must enable economic transformation, promote sustainable, inclusive, and resilient growth, and be responsive to the needs of people globally. The ministers said that the 12th WTO Ministerial Conference (MC12) has demonstrated that the WTO can deliver meaningful results as the global rulemaking organization on trade by providing responses to today's challenges such as sustainable development, the future of our oceans, the continued health crisis, and the food security crisis. They committed to engaging constructively on ideas to reform all functions of the WTO as agreed at MC12, with a view to achieving concrete progress by MC13. They also committed to finding a permanent solution to the Moratorium on Customs Duties on Electronic Transmissions and reiterated their commitment to the G7 Digital Trade Principles as adopted in 2021 to create open digital markets and data free flows with trust.

1 The G7 countries in 2022 are Canada, France, Germany, Italy, Japan, the United Kingdom and the United States.

2 "G7 Trade Ministers Statement", *Office of the United States Trade Representative website*, 15 September 2022. Find it here

3 See the article "What the WTO's 12th Ministerial Conference outcomes mean for business' in this publication, page 15.



Resilient and sustainable supply chains

The ministers noted diversifying trade and expanding trading relations on a mutually beneficial basis is key to ensuring well-functioning supply chains and to improving the resilience and sustainability of global economies. They said that they will continue to seek new opportunities to work together to support supply chain robustness, as well as to enhance existing collaboration by continuing to share insights and best practices on mechanisms for identifying, monitoring, and minimizing market vulnerabilities and potential logistical bottlenecks in advance of shocks. This includes addressing export restrictions and trade barriers at the international level.

The ministers believe that trade and trade policy can be drivers for environmental and social sustainability. In this context, the G7 will actively engage in the discussions at the WTO, including on facilitating trade in environmental goods and services, on promoting the circular economy, and on how trade-related climate measures and policies can best contribute to climate and environmental goals and to meeting Paris Agreement and Glasgow Pact commitments while being consistent with WTO rules and principles.

The statement went on to recall the G7 Leaders' Communique of June 2022 and the G7 Trade Ministers' Statement on Forced Labor in October 2021. The ministers recommitted to taking measures to strengthen cooperation and collective efforts towards eradicating the use of all forms of forced labor and child labor in global supply chains, including measures that promote corporate due diligence, and will enhance predictability and certainty for businesses.

Levelling the playing field and addressing economic coercion

The ministers said they will step-up efforts to work toward creating a level playing field in trade. Shared concerns include unfair practices, such as all forms of forced technology transfer, intellectual property theft, lowering of labor and environmental standards to gain competitive advantage, market-distorting actions of state-owned enterprises, and harmful industrial subsidies, including those that lead to excess capacity. They will also promote discussions at the WTO on how to improve transparency to shed light on and reduce challenges posed by non-market policies and practices that harm the global economy, and on modernizing the global trade rulebook.
The use of trade-related economic coercion is a particular concern, as it undermines economic security, free and fair trade in the multilateral trading system, global security and stability and aggravates international tension. To fight attempts at economic coercion, the ministers will enhance cooperation and explore coordinated approaches to address economic coercion both within and beyond the G7 in relevant fora to improve assessment, preparedness, deterrence, and response to such actions. ■

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