World Trade Organization

SUSTAINABLE DEVELOPMENT GOALS

Mainstreaming trade to attain the Sustainable Development Goals

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Contents

Executive summary

The WTO is central to achieving the 2030 Agenda for Sustainable Development and its Sustainable Development Goals (SDGs), which set targets to be achieved by 2030 in areas such as poverty reduction, health, education and the environment. The SDGs put significant emphasis on the role that trade plays in promoting sustainable development and recognize the contribution that the WTO can make to the 2030 Agenda.

Historically, trade has proven to be an engine for development and poverty reduction by boosting growth, particularly in developing countries. Rapid growth greatly contributed to the unprecedented reduction of poverty levels which led to the early achievement of the Millennium Development Goal to reduce poverty by half by 2015.

Trade works for developing countries because opening up to trade increases a country's economic growth as it allows each country to use its resources more efficiently by specializing in the production of the goods and services it can produce more competitively. By increasing growth, trade can also make available the necessary resources to implement other development targets in the social and environmental sphere. Trade also contributes directly to poverty reduction by opening up new employment opportunities, and reducing the prices of goods and services for poor consumers, including foodstuffs.

Integration into the multilateral trading system, as embodied by the WTO, also helps the long-term growth prospects of developing countries by providing them with access to new markets, new technologies and new investment, making their development sustainable. For all these reasons, trade and the WTO will continue to play a key role in the achievement of SDG 1 on ending poverty as well as several of the other goals in the 2030 Agenda.

But in order for countries to fully reap the benefits of trade, it is necessary to adopt approaches which aim to mainstream trade into their national sustainable development strategies. This is because trade has cross-cutting effects in the economy and significant linkages to other sectors. Therefore, mainstreaming trade policies into development plans enhances coherence in the use of trade as a proactive tool in achieving poverty reduction and fulfilling other SDGs among all stakeholders.

Further efforts to strengthen and reform the WTO can help to support efforts at the national level and ensure that the benefits of trade are spread more widely. The series of successes at the WTO in recent years illustrates how the trading system can help to tackle priority trade issues for developing countries. The Trade Facilitation Agreement, the expansion of the Information Technology Agreement, the amendment of the TRIPS (Trade-related Aspects of Intellectual Property Rights) Agreement easing access to medicines and the agreement to abolish agricultural export subsidies will all deliver important benefits.

Moreover, the different approaches represented by these agreements show that the system is adaptable and dynamic in its response to the changing landscape and emerging challenges.

By delivering and implementing trade reforms which are pro-growth and pro-development, and by continuing to foster stable, predictable and equitable trading relations across the world, the WTO will play an important role in delivering the Sustainable Development Goals, just as it did with the Millennium Development Goals before them.

This report identifies the following steps which would help to ensure that international trade contributes to accelerating progress in achieving the SDGs:

1. Mainstream trade into national and sector strategies to achieve the SDGs.
2. Strengthen the multilateral trading system so that it can continue supporting inclusive growth, jobs and poverty reduction.
3. Continue reducing trade costs including through full implementation of the WTO's Trade Facilitation Agreement.
4. Build supply-side capacity and trade-related infrastructure in developing countries and LDCs.
5. Focus on export diversification and value addition.
6. Enhance the services sector.
7. Apply flexible rules of origin to increase utilization of preference schemes.
8. Ensure that non-tariff measures do not become barriers to trade.
9. Make e-commerce a force for inclusion.
10. Support micro, small and medium-sized enterprises to engage in international trade.

How trade contributes to delivering key Sustainable Development Goals

SDG 1: No Poverty
There is increasing evidence that well planned and strategically executed trade policy initiatives can impact positively on sustainable poverty reduction. Trade opening has also generated higher living standards through greater productivity, increased competition and more choice for consumers and better prices in the marketplace.

SDG 2: Zero Hunger
Eliminating subsidies that cause distortions in agriculture markets will lead to fairer more competitive markets helping both farmers and consumers while contributing to food security. The WTO's 2015 decision on export competition eliminated export subsidies in agriculture, thereby delivering on Target 2.B of this goal.

SDG 3: Good Health and Well-being
One of the main objectives under SDG 3 is to ensure access to affordable medicines for all. An important amendment to the WTO's TRIPS Agreement recently entered into force. This measure will make it easier for developing countries to have a secure legal pathway to access affordable medicines in line with Target 3.B of this goal.

SDG 5: Gender Equality
Trade can create opportunities for women's employment and economic development. Through trade, job opportunities for women have increased significantly. Jobs in export sectors also tend to have better pay and conditions. Export sectors are an important job provider for women in developing countries.

SDG 8: Decent Work and Economic Growth
Trade-led inclusive economic growth enhances a country's income-generating capacity, which is one of the essential prerequisites for achieving sustainable development. The WTO's Aid for Trade initiative can make a big difference in supplementing domestic efforts in building trade capacity, and SDG 8 contains a specific target for countries to increase support under this initiative.

SDG 9: Industry, Innovation and Infrastructure
Trade produces dynamic gains in the economy by increasing competition and the transfer of technology, knowledge and innovation. Open markets have been identified as a key determinant of trade and investment between developing and developed countries allowing for the transfer of technologies which result in industrialization and development, helping to achieve SDG 9.

SDG 10: Reduced Inequalities
At the global level, changes in development patterns have been transforming prospects of the world's poorest people, decreasing inequality between countries. WTO rules try to reduce the impact of existing inequalities through the principle of Special and Differential Treatment for Developing Countries. This allows the use of flexibilities by developing and least-developed countries to take into account their capacity constraints.

SDG 14: Life Below Water
The WTO plays an important role in supporting global, regional and local efforts to tackle environmental degradation of our oceans under SDG 14. The Decision on Fisheries Subsidies taken by WTO members in December 2017 is a step forward in multilateral efforts to comply with SDG Target 14.6, committing members to prohibit subsidies that contribute to overcapacity and overfishing, and eliminate subsidies that contribute to illegal, unreported and unregulated fishing, with special and differential treatment for developing and least-developed countries. Members committed to fulfilling this commitment by the 12th Ministerial Conference.

SDG 17: Partnerships for the Goals
SDG 17 recognizes trade as a means of implementation for the 2030 Agenda. The targets under this goal call for: countries to promote a universal, rules-based, open, non-discriminatory and equitable multilateral trading system; the increase of developing countries' exports and doubling the share of exports of least-developed countries (LDCs); and the implementation of duty-free and quota-free market access for LDCs with transparent and simple rules of origin for exported goods. The WTO is the key channel for delivering these goals.

Chapter 1

Mainstreaming trade to expand economic opportunities for poverty reduction

The United Nations General Assembly formally adopted the 2030 Agenda for Sustainable Development at a summit held in New York from 25 to 27 September 2015, which was attended by some 150 heads of state and government.

Hailed by leaders as a "defining moment for people and the planet", a "victory for multilateralism" and a "blueprint for a better future", the Agenda contains the Sustainable Development Goals (SDGs), which set targets to be achieved by 2030 in 17 areas, including poverty, health, education and the environment. The intergovernmental negotiations for the 2030 Agenda, which spanned almost three years, featured broad participation by civil society and other stakeholders.

The 2030 Agenda and the SDGs reflect the convergence of two, previously separate processes: (1) the Millennium Development Goals (MDGs); and (2) the global discussions on sustainable development. The 2030 Agenda calls for completing the unfinished business of the MDGs while embracing the concept of sustainable development. This includes the urgent need to ensure that economic growth, environmental protection and social inclusion are considered as part of an integrated and indivisible development agenda.

The 2030 Agenda calls for "universal" action by poor and rich countries alike, marking a departure from the MDG focus on donor-recipient relationships. Another crucial innovation of the 2030 Agenda compared with the MDG framework is the understanding that without taking environmental sustainability into account, any gains on the poverty or economic growth fronts will be at best short-lived and at worst impossible to attain.

It is also widely acknowledged that the 2030 Agenda comes with a hefty price tag. This calls for supplementing current donor commitments with broader resource mobilization strategies involving private capital while ensuring that investment is fully aligned with the SDGs. In order to further strengthen the framework to finance sustainable development and the means of implementation for the 2030 development agenda, the international community has agreed to the Addis Ababa Action Agenda that resulted from the Third International Conference on Financing for Development in July 2015.

Trade is recognized as an engine for inclusive economic growth and poverty reduction that contributes to the promotion of sustainable development both by the 2030 Agenda and its accompanying SDGs as well as the Addis

Ababa Agenda. International trade can be an important source of finance to both the private sector and the public sector in developing countries. Trade growth enhances a country's income-generating capacity, which is one of the essential prerequisites for achieving sustainable development. New approaches to capacity development for reliable data and information governance will contribute to understanding those interlinkages better and guaranteeing a consistent and trusted measurement of progress across all indicators.

Over the past 15 years, accelerated economic growth in developing countries has resulted in narrowing of the income gap between developing and developed countries.

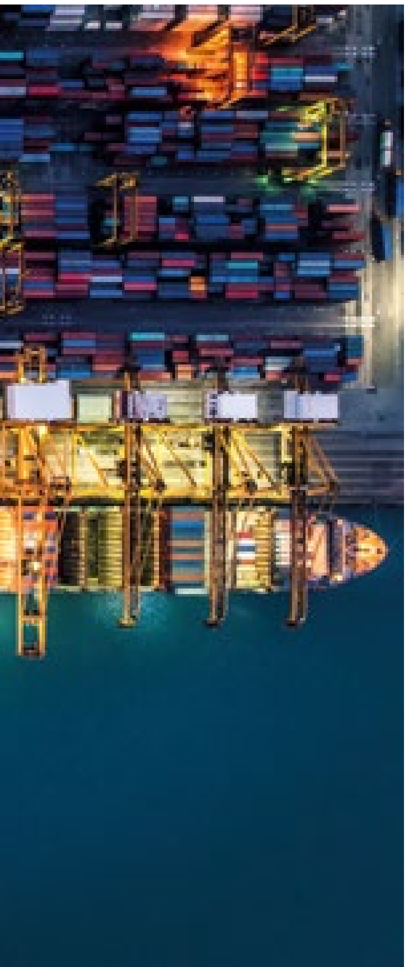
The growth spurt in developing countries has been dramatic: after growing a mere 1.5% annually in the 1990s, incomes have grown by 4.7% per year on average thereafter. Meanwhile, annual per capita income growth in the developed world slowed to just 0.9%, down from 2.8% in the 1990s.

Trade and the WTO have contributed significantly to the unprecedented economic development that has taken place in the last decade and a half.

Developing country G-20 members have done particularly well (5.2% growth) while both least-developed countries (LDCs) and other developing countries have grown 3.7%. Given their size, rapid industrialization and greater trade openness among developing countries, G-20 members such as China, India and Brazil may have drawn along other developing countries.

Higher demand for commodities, such as minerals, ores and fuels, resulted in higher prices in the 2000s, consequently boosting incomes in resource-exporting developing countries, including many LDCs. Developing economies as a whole now constitute around half of both global output and global trade (rising from 39% and 32% respectively in 2000).

This rapid growth, fuelled in part by trade, greatly contributed to an unprecedented reduction of poverty levels, leading to an early achievement of MDG 1 which aimed at halving, between 1990 and 2015, the proportion of people whose income is less than one dollar a day. According to the most recent estimates published by the World Bank, in 2013, 10.7% of the world's population lived on less than US$ 1.90 a day (the current definition of



extreme poverty) compared with 12.4% in 2012. In 1990, which constituted the baseline for the MDGs, the proportion of people living in extreme poverty was close to 35%. Poverty eradication figures prominently as the first SDG in the 2030 Agenda, and trade continues to be an important factor in achieving progress towards this goal.

Trade and the WTO have contributed significantly to the unprecedented economic development that has taken place in the last decade and a half. For example, trade has allowed many developing countries to benefit from the opportunities created by emerging new markets, to integrate into the world market through global value chains at lower costs and to reap the rewards from higher world commodity prices.

The WTO has played a key role by providing certainty regarding the commitments of its members, thereby creating a predictable environment that allowed economic activity to flourish. It has also given flexibilities to developing countries to address their specific economic needs and has helped contain protectionism, thus helping to safeguard the economic gains made by developing countries in the past.

The opportunities that trade generates for greater economic growth, for improved social development and for reducing poverty are well established. Trade contributes to the realization of the SDGs and, as an enabler, serves as a foundation from which to build national, regional and international policies for sustainable development.

More concretely, the WTO has already started to deliver on specific SDG targets, such as Target 2.B in SDG 2 on zero hunger, which calls for the elimination of trade distortions in agriculture markets, including the phase-out of export subsidies. In December 2015 at the WTO's 10th Ministerial Conference held in Nairobi, ministers adopted the Decision on Export Competition in Agriculture which, among other disciplines, prohibits the use of export subsidies in agriculture largely delivering on Target 2.B. This was among the first targets to be achieved just a few months after the adoption of the SDGs.

Seeing trade as an enabler and understanding its role as a catalyst is to think of trade as being the oil in an engine which propels various sectors of socio-economic activity. Because of its special role in development, more and more governments are adopting strategies which aim to mainstream trade into their national development strategies.

Mainstreaming trade, however, requires a deliberate effort to integrate trade into the various dimensions of government activity and policy making. It also requires public and private sector participation, creating and establishing statistical capacity to measure progress and many rounds of consultation to ensure trade, alongside finance and investment, technology and capacity building, all work towards creating the structure to allow a country to benefit from trade and to see social, economic and environmental improvements.

Mainstreaming – How countries can get organized to deliver on the SDGs

Trade is a fundamental component of the 2030 Development Agenda, most prominently anchored through Goal 17 on global partnerships as a key means of implementation for delivering on the main goal of eradicating poverty (Goal 1).

The true value of trade, however, is essentially interwoven throughout the SDGs, with explicit trade targets across SDG 2 on zero hunger, SDG 3 on good health and well-being, SDG 8 on decent work and economic growth, SDG 10 on reduced inequalities, SDG 12 on responsible consumption and production, and SDG 14 on life below water, and even more deeply underpinning targets in almost all of the SDGs. This is clearly seen in the role of trade in stimulating economic growth, investments into productive capacity including agriculture, supporting clean energy, public health and education, infrastructure development and innovation as well as key linkages to investments.

Trade can be used as a proactive tool in achieving poverty reduction in various national development goals.

The wide inclusion of trade issues across the SDGs is not surprising given that trade in itself is not a readily definable sector. Unlike education, or mining for example, trade links to other sectors, making sector linkages to trade-related policies and institutions fundamentally important. The related plans and investments are most often driven and owned by non-trade specific stakeholders, meaning that trade policies and mechanisms need to be effectively mainstreamed into these sectoral and national plans and mechanisms developed to assist with follow-through and implementation. Such an approach ensures that trade can be used as a proactive tool in achieving poverty reduction in various national development goals.

Through joint work by the Enhanced Integrated Framework (EIF) – a global partnership between LDCs, donors and international agencies to support the LDCs – and the United Nations Development Programme (UNDP), a systematic method for mainstreaming trade into national development strategies has been developed. This analysis is currently available in the form of a publication and an EIF module and will shortly be available on the WTO e-learning platform. While focused on the LDCs, the framework could be applicable more widely and identifies the three core means of mainstreaming: at the levels of policy, institutions and resourcing.

The most pivotal of these three areas is the policy dimension, where trade issues need to be effectively included in national planning frameworks and critically, in national, sectoral and sub-national plans and implementation strategies. For many stakeholders, this involves increasing the understanding and awareness of how trade links to the specific sector or area, and proactively engaging in the policy cycle. Tools such as the EIF's Diagnostic Trade Integration Studies (DTISs) play a core role in providing the analytical base for engagement with wider stakeholders.

Vanuatu: Effective mainstreaming of trade into national policy

Vanuatu's Trade Policy Framework (TPF) is a key national policy that guides the development of many trade-related policies, including on productive capacity and tourism. The TPF has a clearly defined matrix of priority activities that is reviewed three times a year at the meetings of the National Trade Development Committee (NTDC). The NTDC, chaired by the Deputy Prime Minister, brings together all related ministries, the private sector, civil society and development partner representatives to provide a forum for multi-stakeholder dialogue before decisions are taken by the National Trade Council and the National Council of Ministers. The Ministry of Trade, Industry and Tourism's Trade Development Unit services the NTDC and coordinates with development partners. Since the policy and institutional frameworks were established, more than US$ 30 million has been leveraged and channelled through these mechanisms to support trade-related activities in areas including agricultural value chains and tourism infrastructure.

At the institutional level, strong institutions are needed for trade policies, including multi-stakeholder committees backed by effective management capacity in the lead trade agency, to facilitate policy coordination, analysis and implementation. Institutional linkages and their effective utilization are critical not only for the development of inclusive policies but also for ensuring effective implementation of these policies through relevant ministries and other partners. Not only is it important to establish or strengthen trade-specific mechanisms, the means by which trade engages with other mechanisms needs to be a proactive process.

Finally, trade needs to be mainstreamed into resourcing. Trade activities often constitute a very small part of national budgets and donor programmes so a strong case needs to be made for the allocation of resources for trade-related investments. Importantly, this is not necessarily directly through the Ministry of Trade budget, it is most often by including trade-related priorities within the resourcing mechanisms for specific sectors.

The role of the Trade Ministry, however, is to highlight these mechanisms to government, development partners and investors. For LDCs, the EIF-financed DTIS Action Matrix and the resulting medium-term programming frameworks provide a prioritized set of actions for the leveraging of resources. Furthermore, effective linkages with in-country donor groups in the private sector and the role of the EIF donor facilitators provide an avenue for mainstreaming trade priorities into donor programming.

Mechanisms such as the EIF have a specific mandate to support the mainstreaming of trade into national policy. This objective is pursued by strengthening coordination and implementation capacity in trade ministries (and multi-stakeholder committees on trade) and by encouraging more effective donor coordination, engagement and supply-side investments. Over the last few

years, significant progress has been made by the LDCs in the mainstreaming of trade. A total of 69% of EIF countries now have trade policy integrated into national development plans and a similar proportion have established effective trade coordination mechanisms.

A series of initiatives have been put in place by the international community to mainstream the SDGs into national processes. Adopted by the United Nations Development Group (UNDG) in October 2015, the Mainstreaming, Acceleration and Policy Support (MAPS) approach provides a framework for UN entities in particular to assist national governments in the integration of SDGs into national policy.

By helping to raise public awareness and through analytical studies and policy development, the MAPS will include multi-agency missions to assist in the review and preparation of country mainstreaming plans for the SDGs. It is critical that trade stakeholders, both from the international development community as well as within countries, proactively participate in these activities. Given the greater focus on trade issues in the SDGs than was evident in the MDG process, this provides a new opportunity for trade-related stakeholders to engage more actively. Further resources available for increasing awareness of how to integrate the SDGs include "Preparing for Action National Briefing Package: The 2030 Agenda and SDGs" prepared by the United Nations Institute for Training and Research and UNDG.

Linking trade with key sectors: A focus on agriculture

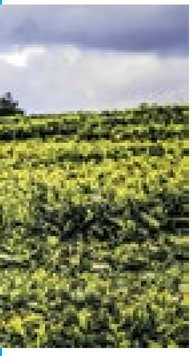
Agriculture is critically important for many developing countries. In the LDCs, the sector accounts for 69% of total employment, with an equal proportion of men and women. In addition to providing trading opportunities, agriculture provides an important means of adding value through agro-processing. Over the last ten years, there has been strong investment in policy and institutional frameworks that leverage public and private sector investment. For instance, the African Union's Comprehensive Africa Agriculture Development Programme establishes National Agriculture Investment Plans across member states of the African Union. With strengthened trade-related mechanisms, such as through the EIF and the Standards and Trade Development Facility (STDF – see box on page 28), there is a clear opportunity to engage in the planning and implementation of these agriculture plans.

Creating an open environment for trade through global partnerships

To support the sustainable development agenda, it is important to create an open environment for trade, including through e-commerce, that generates equal opportunities for economic growth and development while guaranteeing a safe environment for consumers and businesses. Striking this balance will require a global approach that promotes dialogue and the open exchange of information between actors so as to fully understand the links between trade, economic growth and poverty reduction, and to address the challenges posed by a constantly evolving trade and economic landscape.

It is important to create an open environment for trade, including through e-commerce.

Past experience has demonstrated that market access conditions, for both a country's exports and imports, are important in determining the effectiveness of trade as a means of implementing a development agenda. The WTO and previously the General Agreement on Tariffs and Trade (GATT) have been working for a long time towards improving market access conditions worldwide and have enjoyed a significant level of success. The focus of work has now broadened towards ensuring that markets remain open, free of distortions and easy for traders to do business.



Here, the WTO has also had a number of successes, with the adoption of the Trade Facilitation Agreement (TFA) and a Decision on Export Competition in Agriculture. The TFA, adopted at the WTO's 9th Ministerial Conference in Bali in 2013, entered into force in February 2017. It has as its main objectives to reduce bureaucracy surrounding trade and to decrease trade costs. It does this by setting out a series of measures that WTO members may adopt to expedite the passage of goods across borders which are inspired by global best practices.

The TFA was a landmark agreement in global trade – the first major multilateral agreement for 20 years, and the first in the history of the WTO. Trade facilitation is particularly beneficial for small and medium-sized enterprises (SMEs), increasing their opportunities to access the global market by reducing the costs of exporting and importing. Reducing trade costs will have a greater impact on SMEs because they suffer more from administrative burdens, and their exports are more sensitive to border delays. Moreover, many trade facilitation measures contained in the Agreement directly contribute to meeting the SDGs, such as SDG 9.C on "access to the internet", SDG 16.5 on "reducing corruption and bribery" and SDG 8.3 on "formalization and growth of micro, small and medium-sized enterprises".

Another success has been the adoption of the WTO Ministerial Decision on Export Competition at the WTO's 10th Ministerial Conference in Nairobi. With this decision, WTO members made a substantial contribution towards achieving the goal of zero hunger in SDG 2.

The decision eliminates agricultural export subsidies and sets out new rules for export credits, international food aid and exporting state trading enterprises. By prohibiting the use of trade-distorting export subsidies and measures of equivalent effect, this decision helps to level the playing field in agriculture, aiding farmers in many developing and least-developed countries. This is the most significant reform of global agricultural trade in the history of the WTO – and one which will help to improve the quality of life of future generations, particularly in low-income countries that depend on trade in agricultural products.

These recent WTO negotiating successes prove that the trading system does deliver for development. To ensure that the WTO continues to deliver positive outcomes that support the implementation of the SDGs and the 2030 Agenda, it is important to keep strengthening the system, delivering new reforms and resisting the imposition of new barriers to trade.

In an increasingly interdependent and multipolar world economy, it is the responsibility of all actors – governments, civil society, the private sector and multilateral institutions – to ensure that trade continues to drive development and economic growth, and also that all segments of the population understand and support the indispensable role it plays. Multilateral institutions, including the WTO, are also responsible for bolstering global economic cooperation and ensuring that efforts to deliver on the promises made in the 2030 Agenda for Sustainable Development remain well-coordinated.

Trade finance: Oiling the wheels of trade

Trade finance plays a key role in helping developing countries participate in global trade. Easing the supply of credit in regions where trade potential is greatest could have a big impact in helping small businesses grow and in supporting the development of the poorest countries. The availability of finance is also essential for a healthy trading system.

Today, up to 80% of global trade is supported by some sort of financing or credit insurance. However, there are significant gaps in the provision of trade finance and therefore many companies cannot access the financial tools they need.

Following the 2008-09 economic crisis, small and medium-sized enterprises (SMEs) have found it increasingly difficult to access this vital form of credit. While requests by multinational companies are rejected in only 10% of cases, the figure for SMEs is 58%. The lack of adequate trade finance is particularly acute in Africa and developing Asia.

To address this issue, the WTO and multilateral development banks have been examining how to improve the supply of trade finance for smaller players and economies with weak provision. At the same time, growing importance is attached to a regulatory dialogue to incorporate the trade finance dimension into existing financial regulations.

Chapter 2

The economic dimension of trade in the SDGs

Pursuing inclusive broad-based growth that delivers opportunities for all

Trade can play an important role in boosting economic growth and supporting poverty reduction. The increased market access opportunities it offers can help countries create jobs, improve incomes and attract investments. The SDGs put significant emphasis on the role that trade plays in promoting sustainable development and recognize the contribution that the WTO can make to the 2030 Agenda.

As explained, trade can make a major contribution to achieving SDG 1 on eradicating poverty. Another central contribution will be to support SDG 8 on promoting "sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all". This is at the very heart of the WTO's mission.

Historically, trade has played an enormous role in eradicating poverty and promoting prosperity in the developing world. In 1990, more than half the citizens of developing countries lived on less than US$ 1.25 a day. By 2015, that rate had dropped to 14%. Without trade, these remarkable improvements would never have been achieved. Empirical evidence shows that the more a country is open to trade, the faster its economy grows.

The developing country share of world merchandise exports increased to over 40% in 2009 and has remained stable since then. In commercial services trade, the share has risen from around 25% to roughly 35%. Trade between developing countries has also grown in importance, accounting for 52% of developing countries' exports in goods in 2013.

Among the various benefits of trade is that it improves both the purchasing power of consumers and the prospective competitiveness of domestic firms. This is because a household's welfare depends largely on the diversity, quality and price of the products it can purchase; similarly, in today's global production networks, a firm's capacity to export increasingly depends on access to competitive inputs.

Measuring progress towards achieving trade-related SDG targets in the economic sphere

Trade and investment are important ingredients for global economic integration, growth and prosperity.

An increase in exports enhances the country's income growth at least at the aggregate level. Market access conditions, both foreign market access for a country's exports and domestic market access for imports, are thus an important determinant of the effectiveness of trade as a means of supporting growth. A predictable trading environment can also help to promote long-term investments that could further enhance the productive capacity of a country.

Trade and investment are important ingredients for global economic integration, growth and prosperity. Trade accounts for a significant share of low-income countries' gross domestic product (GDP) and as such is a significant source of finance to both the public and private sectors.

Another substantial source of finance is foreign direct investment (FDI), and naturally the two are very closely interrelated. For example, the main channel for trade in services concerns the supply of services through a commercial presence abroad, which involves foreign investment. This mode of supply, which is not captured by balance-of-payments trade statistics, is estimated to account for approximately 55% of world services trade.

Equally, services sectors are the predominant destination for FDI, accounting for about two-thirds of the global FDI stock. FDI is fundamental because it is the main vehicle for the supply of services in foreign markets and it is critical in enabling global supply chains to function properly. Therefore, more open trade policies can boost FDI and strengthen a positive relationship between the two.

In adopting the 2030 Agenda for Sustainable Development, the UN General Assembly decided that progress in achieving the SDGs would be reviewed using a global set of indicators. The WTO contributes regularly to the UN monitoring process.

The backbone of the monitoring process is the indicator framework developed by the Inter-Agency and Expert Group on Sustainable Development Goal Indicators. Therefore, when reporting on progress made towards the achievement of SDGs, the WTO follows the UN approved framework.

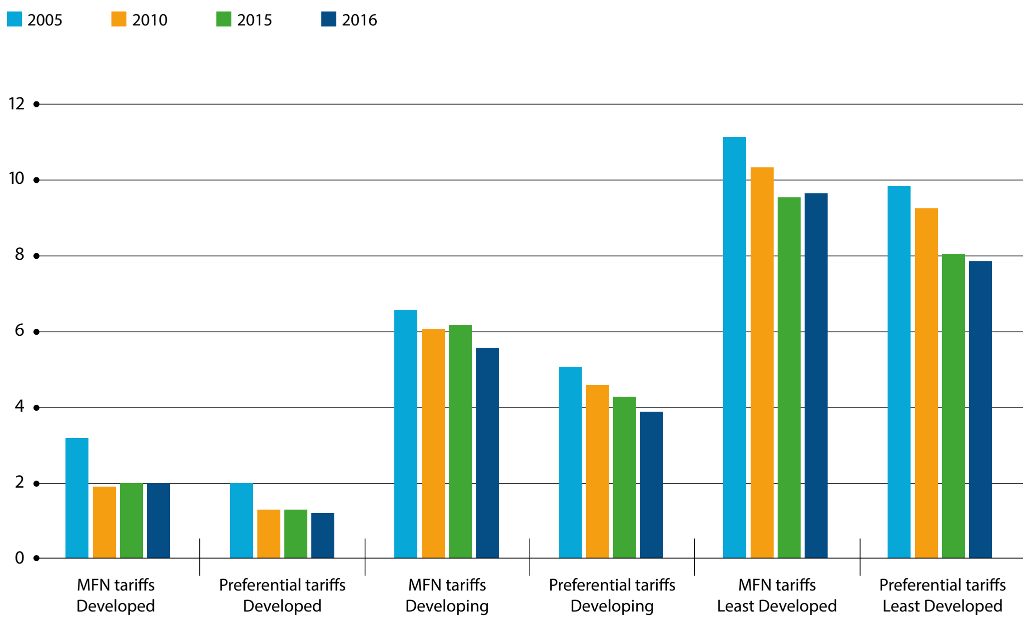
SDG 17: Strengthen the means of implementation and revitalize the global partnership for sustainable development

The core of the targets that relate to trade and the WTO can be found in SDG 17. Target 17.10 asks countries to "promote a universal, rules-based, open, non-discriminatory and equitable multilateral trading system under the World Trade Organization, including through the conclusion of negotiations under its Doha Development Agenda".

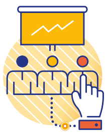
Tariff schemes negotiated under the multilateral trading system (most-favoured nation or MFN tariffs) or under preferential agreements (preferential tariffs) vary widely across country groups. In general, the lower the income level, the higher the overall tariff level as well as the difference (in percentage points) between tariffs applied within the multilateral trading system and those granted in the context of bilateral and regional agreements. In addition, large variations across sectors are observed.

The progressive reduction of import tariffs through multilateral commitments has paved the way to the creation of a rules-based, open, non-discriminatory and equitable multilateral trading system. In recent years, however, tariff reduction has been faster in the context of less inclusive bilateral and regional agreements (see Figure 1). Such agreements also tend to guarantee significantly better conditions of access in relation to trade in services. While these agreements can favour economic integration, more efforts in the improvement of the multilateral trading system are necessary in order to ensure that no country is left behind.

Figure 1: **Import tariffs applied under the multilateral system and preferential agreements (%)**



Source: ITC/UNCTAD/WTO, 2018



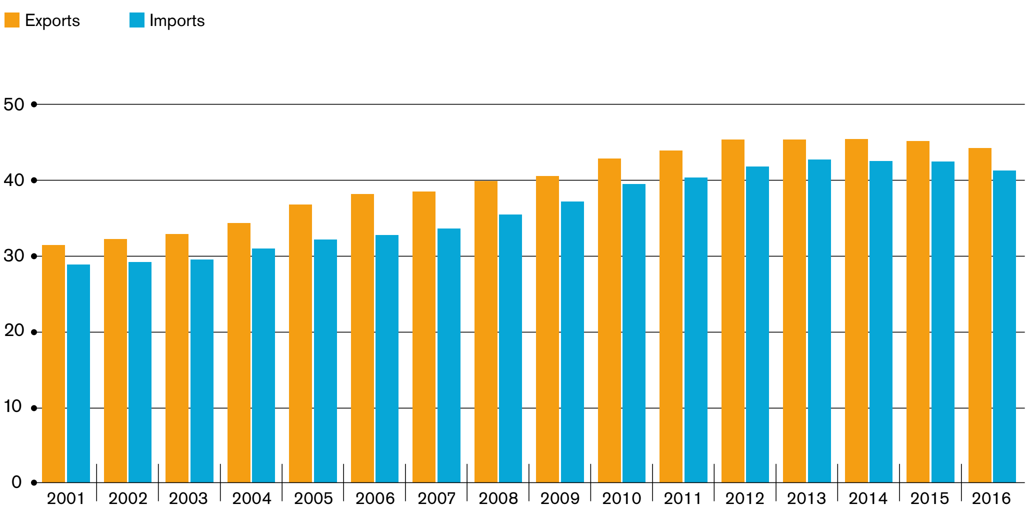
Developing countries' share of global services exports grew from 21% in 2001 to 29% in 2016. Their share of global services imports from 2001 to 2016 grew from 26% to 37%.

The second trade-related target under SDG 17 is Target 17.11, which calls for countries to "significantly increase the exports of developing countries, in particular with a view to doubling the least developed countries' share of global exports by 2020". The chosen indicator for this target is developing countries' and LDCs' share of global exports in terms of value.

Developing countries have continued to increase their share in international trade in the past 15 years. In world merchandise exports, their share increased from 31% in 2001 to 44% in 2016 (see Figure 2), maintaining an overall trade surplus vis-à-vis the world. However, their trade has achieved little growth during the global trade slow-down in recent years. The average annual growth rate of developing countries' share in world merchandise export was measured at around 3% between 2001 and 2010, and has remained unchanged since then. As regards LDCs, the 2011-2020 Istanbul Plan of Action for LDCs and the SDG Target 17.11 made a pledge to double LDCs' share in global exports by 2020. However, between 2011 and 2016, LDCs' share in world merchandise exports decreased from 1.1% to 0.9% (see Figure 3). Much of this change may be explained by a recent fall in commodity prices, as exports of many LDCs are concentrated in a number of primary commodities, such as minerals, ores and fuels. As a result, LDCs' trade deficit has been increasing since 2011.

As regards world trade in services, developing countries' exports and imports accounted for 29% and 37% respectively of around US$ 4.8 trillion of world services trade in 2016. Their share has been increasing constantly from 21% of world exports and 26% of world imports in 2001 to 29% and 37% respectively in 2016 (see Figure 4). As regards LDCs, their share remains low, at 1.4% of world services imports and less than 1% of world services exports (see Figure 5).

Figure 2: **Developing regions' share in global merchandise trade, 2001-2016 (%)**

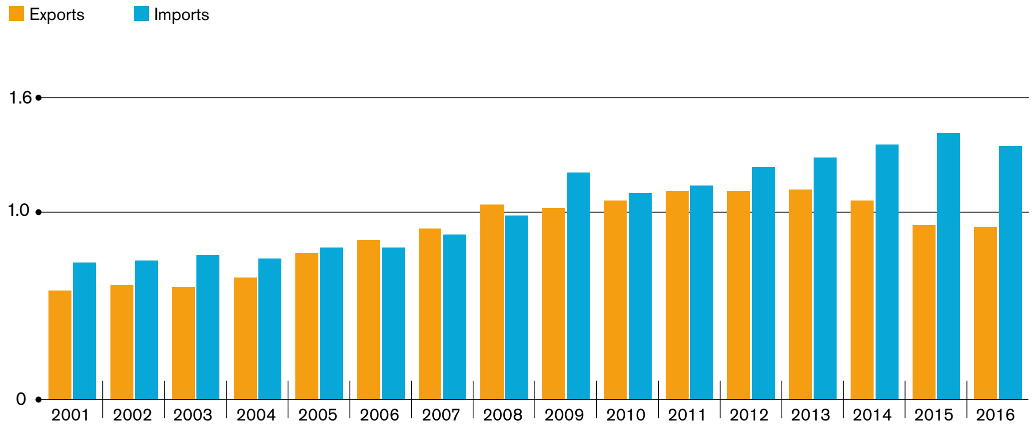


Source: ITC/UNCTAD/WTO, 2018

Developing countries' share in world merchandise exports increased from 31% in 2001 to 44% in 2016.

LDCs' share in world merchandise exports was 0.9% in 2016.

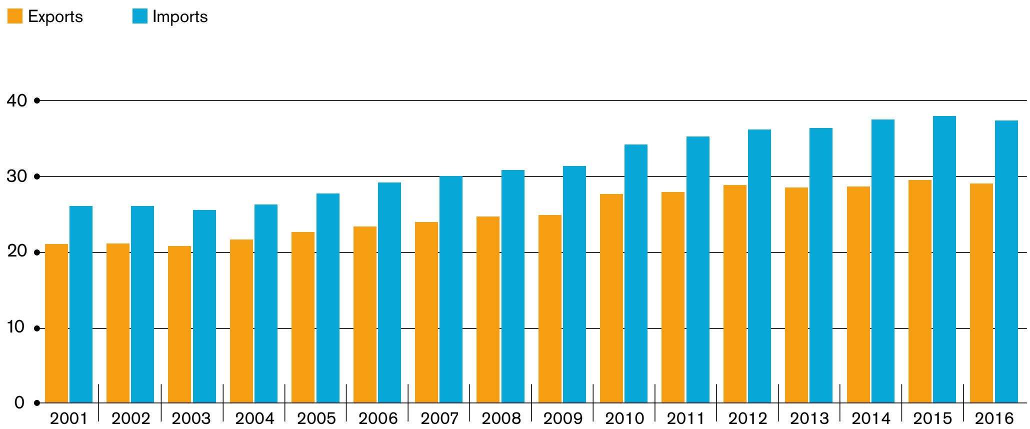
Figure 3: **Least developed countries' (LDCs) share of global merchandise exports and imports (%)**



Source: ITC/UNCTAD/WTO, 2018

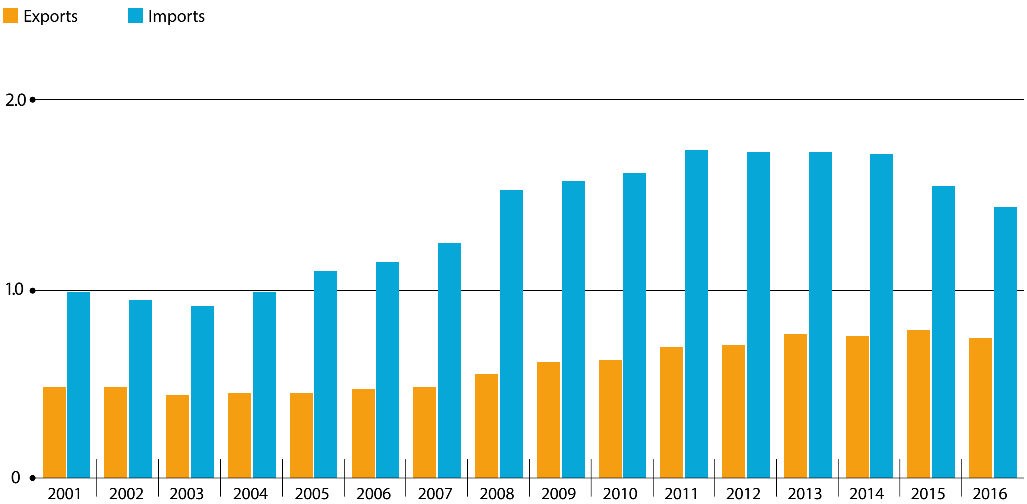
Developing countries' share of global services exports increased from 21% in 2001 to 37% in 2016.

Figure 4: **Developing regions' share of global services exports and imports 2001-2016 (%)**



Source: ITC/UNCTAD/WTO, 2018

Figure 5: **Least developed countries' (LDCs) share of global services exports and imports (%)**



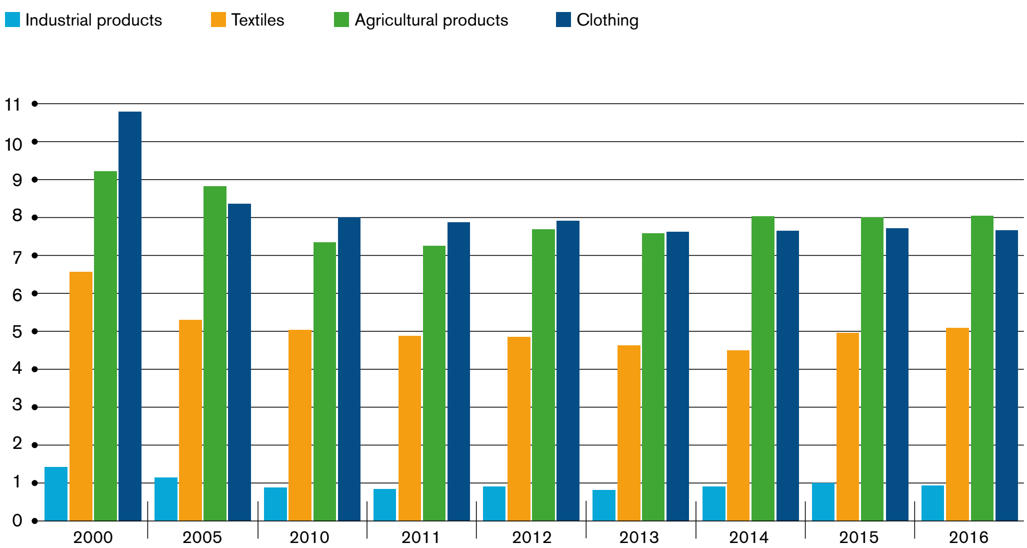
Source: ITC/UNCTAD/WTO, 2018

Lastly, Target 17.12 calls for countries to "realize timely implementation of duty-free and quota-free market access on a lasting basis for all least developed countries, consistent with World Trade Organization decisions, including by ensuring that preferential rules of origin applicable to imports from least developed countries are transparent and simple, and contribute to facilitating market access". For this target, the indicator used is average tariffs faced by developing countries, LDCs and small island developing states for products exported to developed countries.

In the case of tariffs applied to products from developing countries, there was a slight increase for textiles exports in 2016 (see Figure 6). This is largely explained by the exclusion of China and Thailand from the European Union's Generalized System of Preferences (GSP) scheme, which grants preferential tariffs to imports from developing countries. Import tariffs applied by developed countries to products originating in LDCs have remained stationary and below 2% on average. However, in key sectors such as clothing, the average duty is much higher. This can partly be explained by the exclusion of apparel from the United States' GSP scheme for Asian LDCs such as Bangladesh and Cambodia (see Figure 7).

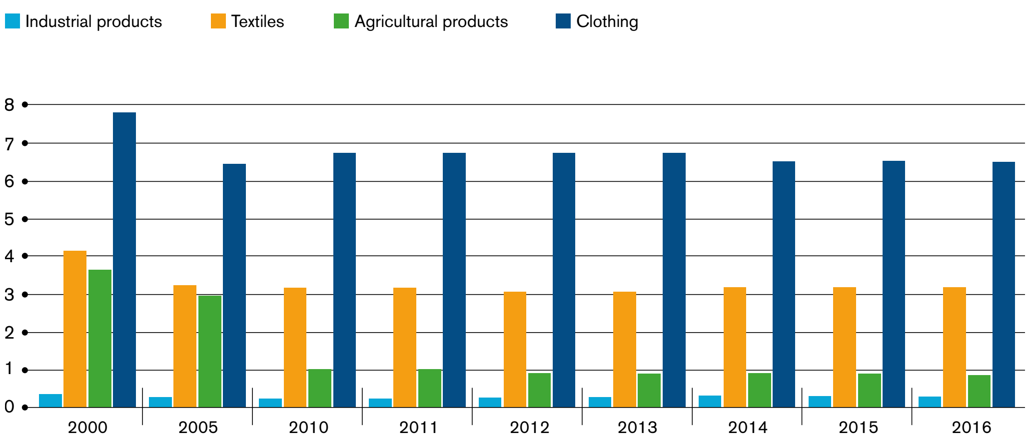
The average tariffs applied by developed countries to clothing exports from developing countries has fallen from 11% in 2000 to less than 8% in 2016.

Figure 6: **Average tariffs applied by developed countries to exports of developing countries (%)**

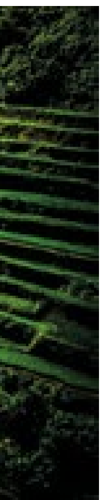


Source: ITC/UNCTAD/WTO, 2018

Figure 7: **Average tariffs applied by developed countries to exports of LDCs (%)**



Source: ITC/UNCTAD/WTO, 2018



SDG 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

In addition to the contribution that trade can make to promoting inclusive sustainable growth and full productive and decent employment, SDG 8 also contains a specific target related to aid for trade, calling for countries to "increase Aid for Trade support for developing countries, in particular least developed countries, including through the Enhanced Integrated Framework for Trade-Related Technical Assistance to Least Developed Countries".

WTO members launched the Aid for Trade initiative at the 6th Ministerial Conference in Hong Kong in 2005. Aid for Trade focuses on supporting developing countries, particularly the least-developed, in building trade capacity, enhancing their infrastructure and improving their ability to benefit from trade-opening opportunities. The WTO works on Aid for Trade in cooperation with other international organizations, such as the World Bank, the International Monetary Fund, the Organisation for Economic Cooperation and Development, the Inter-American Development Bank, the Islamic Development Bank and many more.

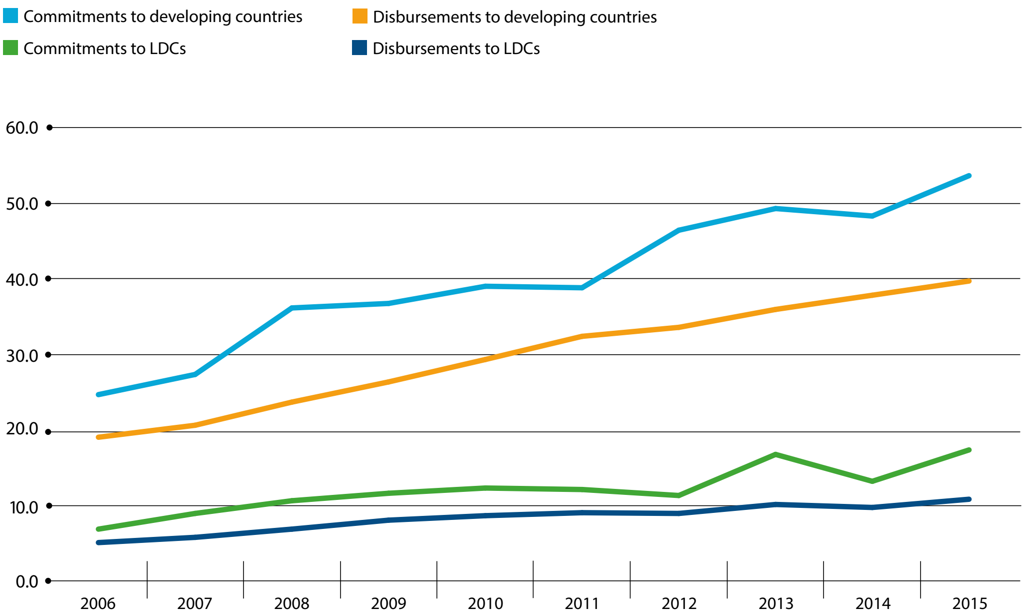
Figures from the OECD suggest that Aid for Trade disbursements totalled US$ 333.1 billion for the period 2006-2015. A little more than half of this total (US$ 174.7 billion) has been for projects related to infrastructure development.

The latest data show that disbursements reached US$ 39.8 billion in 2015 – the highest amount for a single year so far. A total of 146 developing countries have benefited from this support to date – mainly in Africa and Asia, with 27% of the total going to LDCs. Indeed, disbursements to LDCs have grown steadily, rising from US$ 5.4 billion annually in 2006 to US$ 11.7 billion in 2015, an increase of US$ 1.2 billion on 2014 (see Figure 8).

US$ 333bn

Aid for Trade disbursements totalled US$ 333.1 billion from 2006 to 2015, according to the OECD. Just over half of this total (US$ 174.7 billion) has been for projects related to infrastructure development.

Figure 8: **Annual Aid for Trade commitments and disbursements, 2006-2015 (in US$ billion, 2015 constant)**

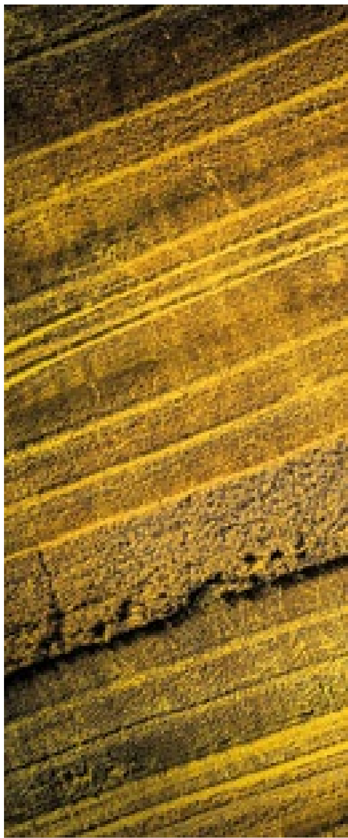


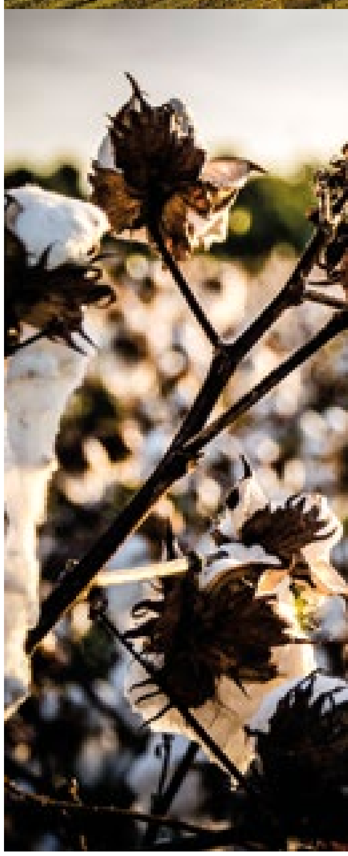
Source: OECD-CRS, Creditor Reporting System

Building supply-side capacity and trade-related infrastructure in developing countries is hugely important in helping them to take full advantage of the opportunities offered by the multilateral trading system. Alongside the development of more open markets, these activities are a proven recipe for greater growth, development, poverty reduction and job creation. In the current economic and political climate, where donor financing is becoming harder to find, it is ever more important to make sure that the funds available are put to the most effective use.

Enhancing the effectiveness of Aid for Trade is one of the main issues that the international community discusses at the Aid for Trade global reviews that are hosted by the WTO. The latest of these reviews was held in Geneva in July 2017, resulting in a number of key messages. First, there is a close synergy between Aid for Trade, the SDGs and the Vienna Programme of Action for the Landlocked Developing Countries 2014-2024. Indeed, achieving economic growth is a key objective for these initiatives. This has been recognized in the SDGs, with Target 8.A calling for an "increase in Aid for Trade support for developing countries, particularly LDCs". It is important, therefore, to ensure that Aid for Trade continues to deliver, with enhanced coordination across the international community.

Secondly, Aid for Trade has to respond to the specific needs of the individual recipients of funding. Therefore, it is necessary to examine their range of needs more closely to ensure that they are being met. For example, it may be necessary to direct help to particular sectors and be ready to prioritise support on the basis of the specific needs. These may not necessarily be the traditional sectors such as transport, energy, agriculture and financial services that currently receive most funding.





Inclusive trade requires an improvement in connectivity – both physical infrastructure and digital networks.

Thirdly, trade facilitation and reducing trade costs are enormously important. With the entry into force of the TFA, implementation of the Agreement is a priority for both developing countries and donors. High trade costs have the potential to exclude many firms, particularly small companies, from export markets and to reinforce economic isolation. Reducing those costs must therefore remain an important focus, which can be viewed in the broader context of the sustainable development challenges that WTO members face.

Fourthly, connectivity is vital. It is clear that inclusive trade requires an improvement in connectivity – both physical infrastructure and digital networks. Without connectivity, there can be no trade between sellers and buyers. Indeed, digital connectivity is essential for growth across sectors. From tourism to agriculture, being connected electronically is fundamental.

However, without an affordable connection, individuals and firms cannot access the marketplace via the worldwide web. And without the necessary skills and regulatory environment in place, micro, small and medium-sized enterprises may have a hard time competing in the global marketplace. It is important, therefore, to work towards bridging the gaps in connectivity – both digital and physical.

Failure to do so would be to reinforce existing inequalities between developed and developing economies, and within countries between women and men, rural and urban, and large and small firms. Aid for Trade must be mobilized to address this challenge.

Fifthly, gender issues need to be mainstreamed into Aid for Trade activities. Women play a key role in economic development and trade can be used as a tool for women's empowerment, while also helping to achieve SDG 5 on gender equality. Increasing women's participation in the economy means more jobs, more economic autonomy, more growth and more poverty reduction.

The Enhanced Integrated Framework: A global partnership for LDCs

The Enhanced Integrated Framework (EIF) brings together partners and resources to help least-developed countries (LDCs) use trade for poverty reduction, inclusive growth and sustainable development. The EIF is a global partnership between LDCs, donors and international agencies, underpinned by a multi-donor trust fund, which provides financial and technical support to build trade capacity in 48 LDCs and three graduated countries.

The EIF is the only global Aid for Trade programme exclusively designed for LDCs and therefore is uniquely placed to help countries develop sustainable trade strategies. Through a multilateral approach, the EIF ensures a coordinated, transparent and efficient delivery of Aid for Trade.

The EIF has its own Executive Secretariat, which is tasked with the overall coordination and implementation of the EIF's objectives and programme of activities. The Secretariat is housed in the WTO and headed by an Executive Director, who is appointed by the WTO Director-General in agreement with the EIF Board. For more information, visit www.enhancedif.org.

Specifically referenced in SDG Target 8.A on Aid for Trade is the Enhanced Integrated Framework (EIF), the only global Aid for Trade programme dedicated to addressing the trade capacity needs of LDCs (see page 27).

Numerous tools are available within the EIF to support LDCs and to assist progress in achieving the SDGs. These include the EIF's Diagnostic Trade Integration Studies, which provide the analytical base for coordinating activities among stakeholders, and a variety of investment projects in building trade capacity in LDCs. Phase Two of the EIF started in January 2016. So far, pledges of US$ 90 million have been received from 15 donors, accounting for one-third of the required budget for the full duration of the programme (2016-2022).

Standards and Trade Development Facility: Safe trade solutions for developing countries

The Standards and Trade Development Facility (STDF), housed and managed by the WTO, is driving forward the SDGs through its projects worldwide. In line with SDG 17, the STDF brings together partners – the UN Food and Agriculture Organization, the World Bank, the World Health Organization, the World Organisation for Animal Health and the WTO – and donors, governments, businesses, and regional and international organizations to help developing countries meet international standards for food safety, animal and plant health and to access global markets.

In addition to the STDF's Trust Fund supported by 17 donors with US$ 55 million since 2006, partners have mobilized a further US$ 23.5 million to promote good practice on topics ranging from trade facilitation to public-private partnerships in the area of sanitary and phytosanitary (SPS) measures.

Thanks to the STDF's 160 investment projects in food safety, animal and plant health, more farmers, processors and traders – mostly in LDCs or low-income countries in Africa, the Asia-Pacific and Latin America and the Caribbean – have developed the know-how to gain access to global markets. This is helping to drive sustainable economic growth, tackle poverty, promote food security and support environmental protection in developing countries, helping to fulfil SDGs 1, 2, 5, 8, 10, 14 and 15. For more information, visit ***www.standardsfacility.org.***

Chapter 3

The social dimension of trade in the SDGs

Improving living standards through trade

Trade plays a critical role in addressing hunger, food security, nutrition and sustainable agriculture, contributing to healthy lives and wellbeing, employment and growth.

However, benefiting from trade also presents challenges. The LDCs, the most impoverished and vulnerable countries in the world, have over the past two decades increased their share in world exports of goods and commercial services. However, despite their gradual integration into the world market, their share in world trade still stands at about 1%.

According to the 2016 Least Developed Countries Report published by the United Nations Conference on Trade and Development (UNCTAD), poverty in LDCs "has been and remains most pervasive, with almost half of their total population still living in extreme poverty". However, challenges also apply to developing and developed countries.

Thanks to the gains made in the past years, the developing world has seen an unprecedented increase in the proportion of the population belonging to a more connected and better educated middle class. It is important to ensure that this trend continues and that past gains are not undone as a result of the sluggish recovery of the global economy since the financial crisis and that any future gains do not go primarily to the richest segments of society.

It is crucial, therefore, to ensure that trade is inclusive, that its benefits are widely shared, and that those who are negatively impacted are actively and effectively assisted in adjusting to new economic opportunities.

For small and medium-sized enterprises (SMEs), currently the largest global employers, and for particular segments of the workforce, such as women and young people, difficulties in accessing international markets has limited their ability to reap the benefits of trade. This situation needs to be addressed.

Various policy approaches will be appropriate for individual countries but evidence suggests that a mix of trade opening and support programmes, such as education and skills development programmes, for those who are negatively affected by trade will help countries address these issues, and fulfil SDG 8: fostering sustained, inclusive and sustainable economic growth, as well as full, decent, and productive employment.

Empowering women through international trade

31%
The global internet user gender gap in LDCs in 2016 was 31%, compared with 12% globally (source: ITU).

Many job opportunities for women are concentrated in export-oriented industries.

Trade can create opportunities for women's employment and economic development. Through trade, job opportunities for women have increased significantly. The Aid for Trade monitoring exercise in 2017 revealed that most WTO members – least-developed, developing and developed – believe that trade can play an important role in empowering women and contributing to achieving SDG 5 on gender equality.

Many job opportunities for women are concentrated in export-oriented industries. And they often have higher pay and better conditions than equivalent domestic-oriented jobs. Exporting companies in developing countries employ more women than non-exporters. Women constitute up to 90% of the workforce in export processing zones in many developing countries, such as Honduras, Jamaica or Sri Lanka.

Jobs in export sectors tend to have better pay and conditions than those in the informal sector, which is an important job provider for both women and men in developing countries. Export processing zones offer better and more stable jobs, higher income and more fairly paid work with better conditions than in the informal sector. Data is not available for all countries but in 15 out of 43 countries (where data exists) women account for more than 70% of non-agricultural informal employment, according to "The World's Women 2015" of UNstats. Through export-related jobs, women also have access to training, helping them to remain in the formal sector.

Globally, the services sector is currently the largest source of employment for women – 62% were engaged in this sector in 2015, according to the ILO's "Women at Work 2016". In Latin America and the Caribbean, Eastern Europe, Southern Europe and other developed regions, "The World's Women 2015" reveals that more than 70% of employed women work in the services sector.

Increasing participation in the services sector in low-income countries in areas such as tourism, finance, health, education, distribution and environment has a positive impact on women's economic empowerment. However, ideally women should be encouraged and supported to participate in all sectors.

The monitoring and evaluation undertaken for the Aid for Trade Global Review 2017 shows that 61% of developing countries believe that financial services can contribute to women's economic growth; 66% believe that tourism is an important sector for women; 57% regard education services as a key sector for empowering women; and 47% consider information and communication technology (ICT) as a sector with the potential to foster women's economic development.

Mali: Integrating women and small producers into global value chains

Global value chains provide an opportunity for women to realize their potential. For instance, through programmes funded by the Enhanced Integrated Framework in Mali, over 460 women involved in a mango value chain, growing fruit and producing jam, were able to earn higher wages. They have learned how to comply with the necessary sanitary and phytosanitary standards for global trading; they have developed sound agricultural practices; and they have received marketing support for both national and international markets. Support for the mango value chain contributed to raising the production levels to over 5,600 pots of mango jam and over 1,500 pots of mango compote and increasing exports of both fresh and processed mango, which totalled approximately US$ 22 million in 2015. The women involved in this programme have been able to harness the opportunities provided by trade to sell their products worldwide.

New technologies, online platforms and e-commerce provide a relatively easy and inexpensive way of allowing small businesses to enter foreign markets, of expanding women-owned businesses and of facilitating women's entrepreneurship. Bringing a greater proportion of women online would contribute up to US$ 18 billion to the annual GDP of 144 developing countries, according to a study by Intel Corporation.

A digital gender divide persists in many countries, with women having less access than men to the internet. The global internet user gender gap was 12% in 2016. In LDCs, it was 31%, according to the International Telecommunication Union.

Empowering SMEs has a direct impact on women. One-third (10 million) of the world's SMEs are women-owned. In the European Union, women constitute 34.4% of the self-employed and 30% of start-up entrepreneurs. Trade has increased incentives for girls to attend school. In Indian villages, for example, where services outsourcing has increased employment opportunities for young women, girls are more likely to be in school than those living in villages where no such trade links exist.

While trade can help, it cannot empower women alone. To be effective, actions on trade need to be accompanied by gender-friendly policies developed at the national and regional levels on wages, budgeting for gender-related issues, access to education and finance, and certification of women-owned businesses.

It is crucial to ensure that the benefits of trade are widely shared.

10 million

Ten million (one-third) of the world's SMEs are women-owned. Empowering SMEs has a direct impact on women.

Trade, technology and innovation

Trade, technology and innovation have an interlinked relationship that can lead to a virtuous circle in support of development when countries have open markets. Classic economic theory states that trade leads to gains for countries that engage in it. These include gains derived from countries being able to specialize in the traded goods and services where they are most efficient. This maximizes sustainable production in the country and at a global level while also benefitting consumers world-wide who can now get the highest-value and lowest-cost products and services.

Trade also produces gains from increased competition and the transfer of technology, knowledge and innovation that trade stimulates. First, open markets favour competition, allowing inflows of capital and imports of technologically intensive goods.

Exposing domestic firms to international competition stimulates them to innovate and increase productivity. This adds to their existing comparative advantages, making them ready to export and driving even more trade. Indeed, open markets have been identified as a key determinant of trade and investment between developing and developed countries, allowing for the transfer of technologies which result in industrialization and development. This is particularly the case when developing countries have a well-functioning intellectual property protection system in line with the WTO's Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS).

The freer flow of goods and ideas, aided by advances in transport and telecommunications technologies, have resulted in the creation of regional and global value chains that have changed the face of production and trade. This has had important implications for developing countries, which can now integrate into global markets by exporting just one component of a product without needing to develop the industrial base that would allow them to manufacture the finished product. This also has implications for poverty reduction as trade offers opportunities for better paid jobs. A significant share of jobs is related to trade – either exports or imports – and both exporters and importers pay higher wages. This is because trading is a skill-intensive activity.

Nevertheless, it is important to be mindful of the negative effects wrought by technological advances. These include unemployment, inequality and other negative consequences. Dealing with these effects requires a far-reaching response that goes beyond trade measures. It requires action in a number of areas – for example, to ensure that people have the right skills to access the jobs created in today's markets and to benefit from trade. More active and cross-cutting labour market policies are essential. These include education and skills building, help for smaller companies and increased support to the unemployed to help them adjust to the changing economic landscape.

Adjustment to changes in trade and technology is key to improving incomes and efficiency. Therefore, government adjustment policies have an important role to play. These approaches need to be tailored to a country's specific situation and policy objectives.

International agencies can play a valuable role in sharing experiences across countries as well as fostering dialogue and cooperation on macro-economic and other policy issues that will help to promote an environment more conducive to economic stability and growth. This environment is underpinned by an open rules-based multilateral trading system, with opening to global markets helping to reduce the costs of domestic adjustment, whether to trade, technology or other types of challenges. Strong and well-enforced trade rules encourage competition and reassure citizens that international trading is conducted in a fair manner.

Measuring progress towards achieving trade-related SDG targets in the social sphere

SDG 2: End hunger, achieve food security and improved nutrition and promote sustainable agriculture

Agriculture remains the largest source of employment, GDP and exports in many developing countries. Agricultural trade can therefore contribute to achieving SDG 2 in numerous ways.

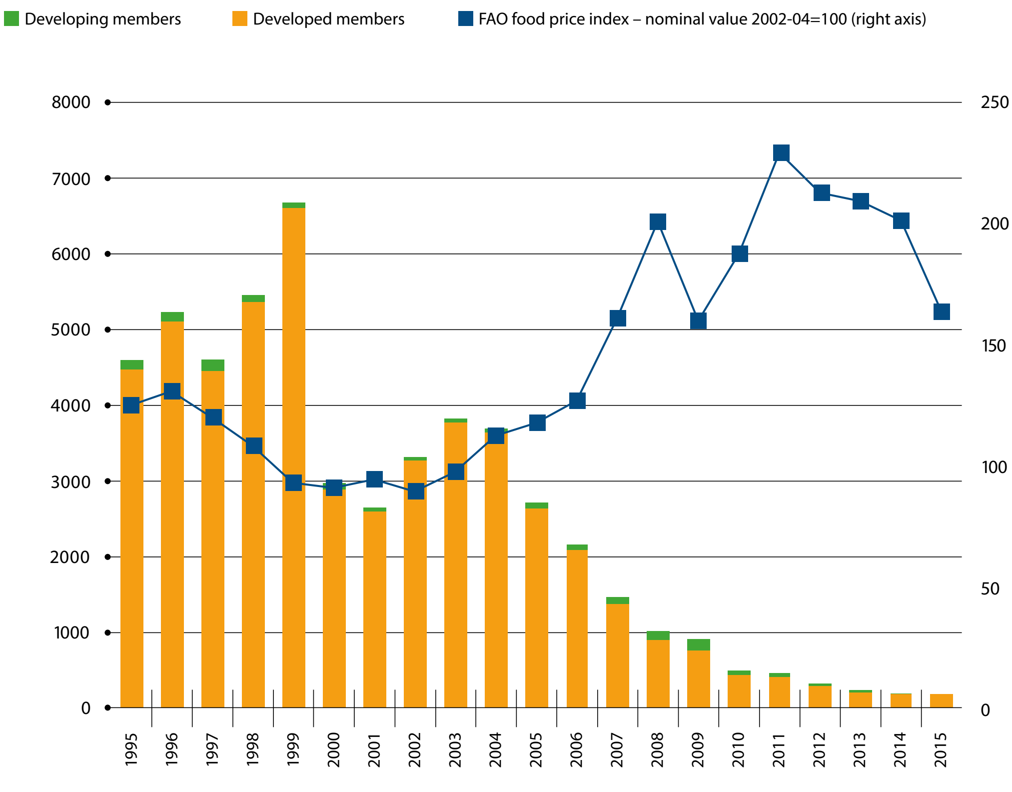
Many studies conducted in recent years have confirmed that open and non-distorted trade is a key component in food security strategies, facilitating prompt and reliable access to food produced abroad. In addition, reducing distortions such as subsidies in the agriculture sector can help ensure that farmers adapt to the needs of domestic and global markets. Through efforts to promote market integration, including through the reduction of distorting policies, poor farmers can participate more effectively in global value chains and benefit from improved incomes while consumers benefit from access to nutritious food.

An open, rules-based trading system is critical to improve food security. Disciplines included in WTO legal agreements are an integral part of this rules-based system. The Agreement on Agriculture includes provisions that seek to level the playing field for trade in agriculture while ensuring that governments have policy choices to support their agricultural sectors. The Agreement contains rules on market access, domestic support and export competition. Its implementation helps to contribute to a transparent, undistorted production and investment environment, which is an essential element of food security.

SDG 2 includes a target that explicitly concerns the removal of agricultural export subsidies. Target 2.B of SDG 2 urges countries to "correct and prevent trade restrictions and distortions in world agricultural markets, including through the parallel elimination of all forms of agricultural export subsidies and all export measures with equivalent effect, in accordance with the mandate of the Doha Development Round".

At the WTO's 10th Ministerial Conference held in Nairobi in 2015, WTO members delivered a major part of this target by adopting the WTO Ministerial Decision on Export Competition. This decision eliminates agricultural export subsidies and sets out new rules for export credits, international food aid and exporting state trading enterprises. By ensuring that countries will no longer be able to resort to trade-distorting export subsidies and measures of equivalent effect, this decision will help to level the playing field in agriculture, aiding farmers in many developing and least-developed countries. As shown by Figure 9, export subsidy outlays reached record low levels in 2015. By abolishing these subsidies, as agreed in the WTO Ministerial Decision on Export Competition, they cannot be increased in the future.

Figure 9: **Governments' budgetary outlays for export subsidies (US$ million)**



Source: WTO members' notifications

While the Agreement on Agriculture has contributed to improving the predictability and transparency of the global agricultural trading system, many WTO members consider that certain aspects of the rules could be improved. Work continues on important topics such as domestic support, public stockholding for food security, safeguard measures and export restrictions.

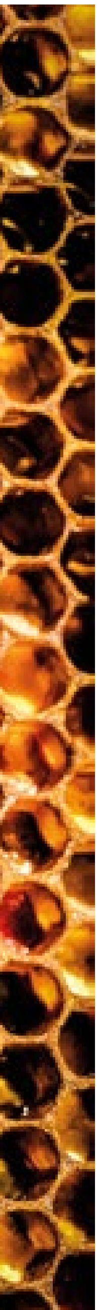
Food safety, and sanitary and phytosanitary (SPS) issues in general, are integral to SDG 2 and policies focusing on these issues can have important trade impacts. Target 2.1 aims to ensure, by 2030, access by all people to safe, nutritious and sufficient food all year around.

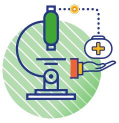
To contribute to nutrition and food security, food needs to be safe and to comply with sanitary and phytosanitary requirements. Such requirements are also important to reduce food waste – for example, post-harvest losses due to pests. Furthermore, compliance with SPS measures is crucial for participation in trade, which is another tool to fight hunger and food insecurity. By providing a framework for these SPS measures, the WTO's SPS Agreement facilitates the attainment of SDG 2.

The SPS Agreement recognizes the right of WTO members to impose measures that restrict trade when this is necessary to ensure food safety and to protect animal and plant health. It contains disciplines to constrain countries from using these measures as unnecessary barriers to trade – for example, by requiring that measures be based on scientific principles or on international standards. Harmonization of SPS requirements on the basis of international standards, such as Codex standards, promotes food safety and public health while simultaneously lowering costs and facilitating trade.

The SPS Agreement's framework of rights and disciplines therefore contributes to ensuring that safe food is available and can be traded without unnecessary barriers. This is important for exporters, and especially for SMEs in developing countries, who are often affected by such barriers. Access to export markets can be an important source of revenue, thus contributing to food security. But it is also important for importing countries, who need secure access to safe food at affordable prices.

SDG 3: Ensure healthy lives and promote well-being for all at all ages





US$ 570bn

In 2015, worldwide imports of health-related products was more than US$ 570 billion; trade in medical equipment, such as ultrasound and MRI equipment, exceeded US$ 110 billion.

Target 3.B of SDG 3 calls for countries to "support the research and development of vaccines and medicines for the communicable and non-communicable diseases that primarily affect developing countries, provide access to affordable essential medicines and vaccines, in accordance with the Doha Declaration on the TRIPS Agreement and Public Health, which affirms the right of developing countries to use to the full the provisions in the Agreement on Trade-Related Aspects of Intellectual Property Rights regarding flexibilities to protect public health, and, in particular, provide access to medicines for all".

The TRIPS Agreement establishes certain minimum standards for the protection and enforcement of intellectual property rights which can stimulate investment in research and development activities, in particular in the pharmaceutical sector. At the same time, Article 7 of the TRIPS Agreement puts these standards into the broader policy context by stipulating that "intellectual property rights should contribute to the promotion of technological innovation and to the transfer and dissemination of technology, to the mutual advantage of producers and users of technological knowledge and in a manner conducive to social and economic welfare, and to a balance of rights and obligations".

As part of this balance, the TRIPS Agreement includes a number of flexibilities that can help to design the intellectual property (IP) regime in a manner that is supportive of access to affordable essential medicines and vaccines, some of which were also clarified through the Doha Declaration on the TRIPS Agreement and Public Health.

Among the flexibilities in the TRIPS Agreement is an extended transition period until 2033 during which LDCs are not required to provide for the protection of patents and undisclosed information, such as clinical trial data. Also, WTO members are free to put in place an IP regime that allows them to "parallel import" originator medicines – without the permission of the intellectual property holder – from third countries where these are sold at lower prices. They also have the option to apply certain exceptions and limitations – for example, to patent rights, such as compulsory licences.

The possibility to grant special compulsory licences for the production and export of medicines to countries mostly reliant on import of medicines was added to the existing TRIPS flexibilities when members first agreed to a waiver decision in August 2003 and then to the Protocol Amending the TRIPS Agreement in December 2005. The aim is to make it easier to access affordable generic copies supplied by third-country suppliers. To do so, the amendment sets aside a provision of the TRIPS Agreement that could otherwise limit exports of pharmaceuticals manufactured under compulsory licences to countries that are unable to produce them.

The amendment to the TRIPS Agreement entered into force on 23 January 2017 after a campaign to encourage governments to follow through on the commitments they had made. It applies to all members who have accepted it. The amendment has been implemented in the domestic legislation of about 85% of the world's exporters of pharmaceutical products. Consequently, developing and least-developed countries in this group now benefit from a sound and secure additional legal pathway to access affordable medicines according to WTO rules.

The contribution that trade can make to ensuring access to medicines goes beyond intellectual property issues. Other trade-related policies also have a role to play. Most countries are overwhelmingly reliant on imports to service their pharmaceutical needs. In 2015, worldwide imports of health-related products exceeded US$ 570 billion; trade in medical equipment, such as ultrasound and Magnetic Resonance Imaging equipment, exceeded US$ 110 billion.

64%

By 2016, 50% of developing countries' products benefited from a duty-free treatment when exported to developed countries. This ratio rises to 64% in the case of products exported by LDCs.

Despite important initiatives to broaden the geographical base of production, an increased need for affordable medicines across the globe means a greater dependence on trade to ensure access to those medicines. Indeed, access to medicines for most countries still requires some reliance on international trade. For those countries in greatest need, the dependence is greatest. Yet, these countries are the ones that face the greatest obstacles to trade – and that means higher prices, uncertainty in supply and delays in access.

Obstacles, costs and delays impeding trade ultimately affect public health. WTO analysis suggests that these delays and costs amount, in effect, to an ad valorem tariff of 300% for LDCs. This means that to tackle access to medicine issues effectively, it is important to look at a broad spectrum of trade-related policies. This includes implementing trade facilitation measures in line with the WTO's Trade Facilitation Agreement, reducing tariffs on medicines, medical products and inputs to locally produced medicines, and supporting the convergence of regulations around common international standards which is promoted by the WTO's Technical Barriers to Trade Agreement.

SDG 10: Reduce inequality within and among countries

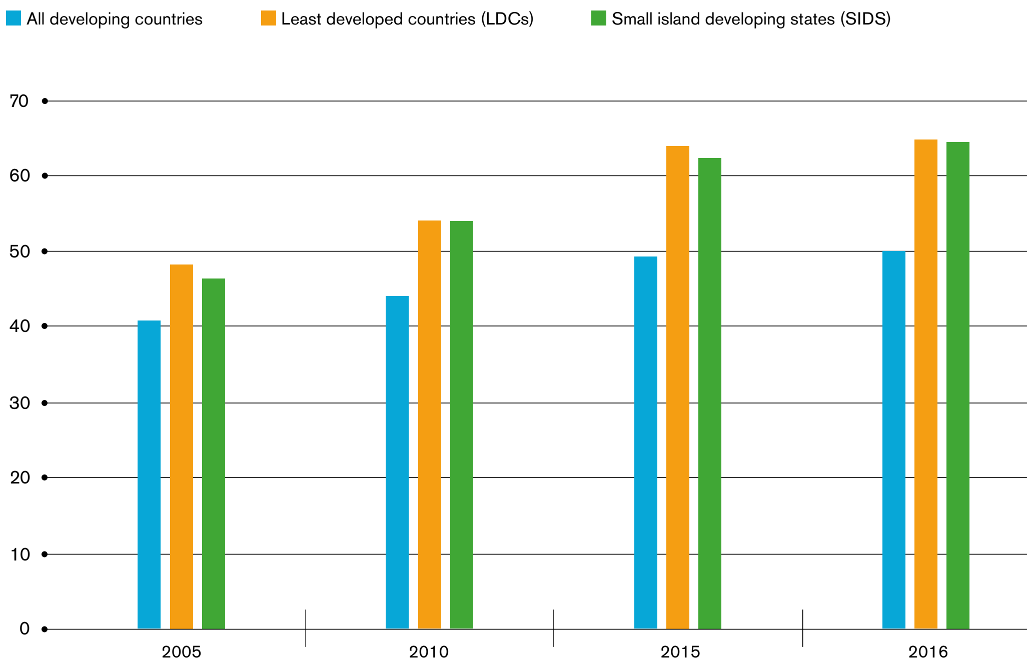
Target 10.A of SDG 10 calls for countries to "implement the principle of special and differential treatment for developing countries, in particular least developed countries, in accordance with World Trade Organization agreements". The indicator for this target is the proportion of tariff lines applied to imports from LDCs and developing countries with zero-tariff.

Thanks to a ministerial decision taken at the WTO's 6th Ministerial Conference in Hong Kong, most developed countries already provide full or significant duty-free quota-free access (DFQF) to their markets for LDCs. DFQF access in the Generalised System of Preferences – programmes by developed countries granting preferential tariffs to imports from developing countries – shows that duty-free coverage ranges from 100% to 37% in 2017.

While all developed country members of the WTO (according to WTO definitions of developed) have preferential schemes in place, close to a dozen other WTO members have also notified DFQF schemes put in place in favour of LDCs. The coverage of duty-free tariff lines ranges from 99.9% to 31%.

The number of products exported by lower-income countries to international markets on a duty-free basis has gradually increased over the last decade. By 2016, 50% of developing countries' products benefited from a world-wide duty-free treatment.

Figure 10: **Share of total exports facing zero-tariff (%)**



Source: ITC/UNCTAD/WTO, 2018

This ratio rises to 64% in the case of products exported by LDCs (see Figure 10). The rate of improvement has been faster, however, for LDCs in respect to developing country exports, indicating the international community's continuous efforts to grant preferential treatment to countries with lower income levels.

For services exports, a waiver adopted in December 2011 allows LDCs to benefit, on a non-most favoured nation (MFN) basis, from preferential market access. Under this waiver, 24 WTO members have thus far submitted notifications of preferential treatment for LDC services and service suppliers. The highest number of preferences apply to business services, particularly "other business services" which include many outsourced back-office services, as well as professional services, financial services, transport and telecommunications. Many preferences have also been extended in transport, tourism and recreational services.

Although improvements in preferential tariff treatment for LDCs have slowed down in some key sectors, the relative preferential margins enjoyed by LDC exports – the difference between the preferential tariff rate applicable to exports from LDCs and the corresponding MFN rate – have increased over time.

Chapter 4

The environmental dimension of trade in the SDGs

Using trade to achieve better economic growth and better environmental outcomes

Achieving better economic growth and better environmental outcomes is an indispensable condition for achieving the SDGs. If economic growth continues along its current environmentally unsustainable trajectory, the world risks compromising the prospects for future growth and human well-being, and even undoing much of the progress made on both fronts during the past 50 years, according to an OECD study. Forests, wetlands and other forms of "natural capital", which make up almost 40% of the total wealth in developing and least-developed countries, are under increased pressure due to air, water and soil pollution along with rising greenhouse gas emissions, says a recent World Bank report.

International trade, underpinned by the WTO's open, transparent and non-discriminatory framework of global trade rules, has an important role to play in national and global efforts to confront these challenges.

Trade itself has direct environmental impacts, including greenhouse gas emissions from international shipping and aviation. Efforts to reduce such impacts are extremely important to achieve sustainable development. However, trade can also serve as a powerful tool which countries at different stages of development can use to buttress economic growth that is environmentally sustainable.

Using trade to bring about greater mutual supportiveness between the economy and the environment will not happen automatically. It will require sustained efforts by governments and other stakeholders to align trade, environmental and other policies more closely to sustainable development, and to treat those policies as an indivisible package to make sure that progress in one domain does not undermine progress in the others.

A practical way to bring trade and environmental policies closer together consists of reducing

barriers to trade in goods and services that can help to make production and consumption greener and more sustainable. Those goods and services (often referred to as "environmental goods and services") perform a variety of functions that are essential for achieving the SDGs. These include generating clean and renewable energy, improving energy and resource efficiency, reducing pollution of air, water and soil, managing solid and hazardous waste and monitoring environmental quality.

Trade barriers on goods and services that help perform environmental functions may hamper their diffusion across borders. This could further reinforce some of the bottlenecks that delay the achievement of a wide range of SDGs, including SDG 3 on good health and well-being, SDG 6 on clean water and sanitation, SDG 7 on affordable and clean energy, SDG 13 on climate change and SDG 15 regarding life on land.

Trade in sustainable goods can open up significant economic opportunities.

Tackling trade barriers improves the access of governments, companies and consumers to the larger, more competitive global market of high-quality, low-cost environmental goods and services. Having to pay less for the best available green technologies can encourage governments, companies and individuals to leapfrog outmoded technologies while giving them more environmental "bang" for each dollar invested in reducing pollution or increasing resource and energy efficiency.

A study by the World Bank found that eliminating import barriers in the top 18 developing countries ranked by emissions of greenhouse gases would increase imports by 63% for energy-efficient lighting, 23% for wind power generation, 14% for solar power generation and close to 5% for clean coal technology. At the same time, more open trade in environmental goods and services can help domestic companies to tap into a rapidly growing global market estimated at US$ 2 trillion per year by 2020.

Since 2014, 46 WTO members have been working towards a deal – known as the Environmental Goods Agreement or EGA – to cut tariffs on environmental goods. EGA participants account for the majority of world trade in environmental goods. Examples of such goods include energy efficient LED bulbs, solar photovoltaic panels, solar cook stoves, air and water filters, machines to handle, recycle, compost and incinerate solid waste, floating barriers to contain and clean oil spills, devices to prevent turtles and aquatic mammals such as dolphins from being trapped in fishing nets and a broad range of instruments to monitor environmental quality.

EGA participants have consulted with a broad range of experts and stakeholders, and have conducted their own assessments to ensure that the products contained in the EGA would benefit the environment. Once concluded, the negotiations could give an additional boost to trade in

US$ 2 trillion per year

More open trade in environmental goods and services can help domestic companies to tap into a rapidly growing global market estimated at US$ 2 trillion per year by 2020.

environmental goods, which has been growing quickly during the last few years. For example, exports of wind turbines have increased from US$ 185 million in 2000 to about US$ 3.2 billion in 2014. This corresponds to an average growth rate of around 22% per year, compared with less than 9% for all merchandise exports. During the same period, exports of polysilicon, a key input in the production of solar cells, increased at an average rate of 17% per year.

An additional means to ensure that trade and environmental policies pull in the same direction revolves around resource efficiency, including efforts by companies to re-use materials instead of extracting and transforming new ones. This trend could, if scaled up, help make a dent in the 10 million tons of material that are designated as waste every day at factories and households around the world, according to a recent study. It could also give impetus to SDG 12 on sustainable production and consumption, SDG 9 on industry and innovation, SDG 11 on sustainable cities and SDG 13 on climate change, among others.

However, trade barriers may sometimes create bottlenecks for resource efficiency, including efforts to use waste as a resource rather than simply disposing of it. For example, import prohibitions on used or discarded components may sometimes prevent recycling companies from obtaining inputs in sufficient quantities, rendering their activities uneconomical, or barriers on refurbished goods may limit the extent to which refurbishing businesses can export and enjoy economies of scale.

Tackling these and other trade barriers could play a role in creating new economic opportunities while helping companies move away from "linear" production models. Such linear production typically involves extracting and processing virgin materials into finished goods, then using and discarding them for landfilling or incineration, often at a high cost to human health and the environment. At the same time, trade initiatives in this area must be accompanied by coordinated efforts to ensure that waste does not pose a threat to human health and the environment. Such efforts should aim to strengthen national and global frameworks to prevent trade from becoming a conduit for illegal waste trafficking, and to improve the capacity of developing and least-developed countries to control trade in hazardous wastes and to manage waste in a way that is safe for people and the environment.

Using trade to connect producers to the growing demand for sustainable goods offers an additional avenue to achieve greater synergy between trade and environmental policies, while promoting SDG 12 on sustainable production and consumption and SDG 2 on sustainable agriculture. Trade in sustainable goods can open up significant economic opportunities, in particular for small agricultural producers in developing and least-developed countries who make up the bulk of the rural poor.

Consumers and companies are often willing to pay more for goods that are organic, that have a lower environmental footprint, or that otherwise meet national and international environmental standards. By connecting producers to the rapidly growing global demand for such goods, trade can serve as a powerful financing tool for economic development in rural communities. At the same time, trade can provide incentives for the adoption of environmentally friendly production practices and more broadly for the sustainable management of biodiversity and ecosystems. The global market for sustainable natural resource products has been estimated at US$ 50 billion by the International Trade Centre.

For trade to play its full role in supporting markets for sustainable goods, a key step is to correct the trade restrictions and distortions faced by producers of such goods when accessing foreign markets. Ensuring that sustainability standards in particular are transparent, that they do not discriminate or restrict trade unnecessarily and that they are based on relevant international standards, in line with WTO principles, can go a long way towards opening up new trade opportunities, especially for small and medium-sized producers in developing and least-developed countries.

Equally important are targeted efforts to strengthen the capacity of small and medium-sized producers to seize trade opportunities for sustainable goods. As part of these efforts, special attention should be paid to developing a well-functioning and reliable "quality infrastructure" so that demonstrating compliance with relevant sustainability standards does not become an overly costly and time-consuming burden and does not discourage small and medium-sized producers from participating in trade.

Turning into reality the opportunities to use trade as a bridge between a better economy and a better environment requires international cooperation. Such cooperation can be more fruitful and productive if it is rooted in a shared understanding of the rapidly evolving and expanding interaction between trade and the environment, and of the challenges and opportunities arising from that interaction. The WTO provides a forum – the Committee on Trade and Environment or CTE – to help WTO members develop such a shared understanding. This forum works by bringing WTO members together to discuss trade and environment-related issues so that they can learn from each other's national experiences to ensure that trade and environment policies work hand in hand.

Since its establishment in 1995, the CTE has become the pre-eminent global forum for policy dialogue on trade and environment issues. For example, the Committee played a groundbreaking role in showing how the use of certain forms of fisheries subsidies not only distorted trade but also led to unsustainable environmental resource exploitation. As early as 1997, important proposals were submitted at the CTE highlighting fisheries as a good example of a natural resource sector where removing certain forms of subsidies would generate significant benefits for trade and for the environment. The ensuing discussions showed significant scope for trade action to address an environmental problem, and helped garner the necessary consensus to launch the process of WTO negotiations referred to under SDG 14.6 (see page 49).

In addition, the CTE is a focal point for information exchange, coordination and cooperation between the WTO and multilateral environmental agreements (MEAs), including the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES), the hazardous chemicals and wastes conventions (Basel, Rotterdam and Stockholm Conventions) and the United Nations Framework Convention on Climate Change (UNFCCC). This role of the CTE as a forum for information exchange and policy dialogue has fostered a harmonious co-existence between the WTO and MEAs while assisting countries in their collective efforts to manage the complex interaction between trade and environment in a coherent and effective manner.

Measuring progress towards achieving the trade-related SDG targets in the environmental sphere

SDG 14: Conserve and sustainably use the oceans, seas and marine resources for sustainable development

SDG 14 on ocean conservation is one of many SDGs where the WTO plays an important role in supporting global, regional and local efforts to tackle environmental degradation. In particular, Target 14.6 urges countries "by 2020, [to] prohibit certain forms of fisheries subsidies which contribute to overcapacity and overfishing, eliminate subsidies that contribute to illegal, unreported and unregulated fishing and refrain from introducing new such subsidies, recognizing that appropriate and effective special and differential treatment for developing and least developed countries should be an integral part of the World Trade Organization fisheries subsidies negotiation".

SDG 14 on ocean conservation is one of many SDGs where the WTO plays an important role in supporting global, regional and local efforts to tackle environmental degradation.

At the WTO's 11th Ministerial Conference held in Buenos Aires, members adopted a Ministerial Decision on Fisheries Subsidies. Under this decision, members agreed to continue to engage constructively in the fisheries subsidies negotiations, with a view to adopting an agreement by the next Ministerial Conference in 2019 on comprehensive and effective disciplines that prohibit certain forms of fisheries subsidies that contribute to overcapacity and overfishing, and eliminate subsidies that contribute to illegal, unreported and unregulated (IUU) fishing. The decision recognizes that appropriate and effective special and differential treatment for developing country members and least-developed country members should be an integral part of these negotiations.

Members also re-committed to implementation of existing notification obligations under Article 25.3 of the Agreement on Subsidies and Countervailing Measures, thus strengthening transparency with respect to fisheries subsidies. While this obligation is not new, accurate notifications can improve the level of understanding on current subsidization practices in the fishing sector by WTO members.

The Decision on Fisheries Subsidies is a step forward in multilateral efforts to comply with SDG 14.6 in that for the first time the WTO membership has committed itself to achieving this target by the 12th Ministerial Conference in 2019. Therefore, the next two years will be key in defining the technical ground for common disciplines and in finding the political will needed to achieve a multilateral outcome.

Chapter 5

Emerging issues requiring the attention of the international community

Keeping up with the evolving character of international trade

Over the past 20 years, international trade has undergone major changes. One main factor leading to these changes has been the unprecedented pace of technological innovation, which is transforming the traditional way of conducting trade. Supported by increasingly fast and efficient technology, e-commerce has been growing at significant rates. While global trade growth continues to be slow, e-commerce was valued at US$ 22.1 trillion in 2015, a 38% increase from 2013.

The adoption of e-commerce has helped businesses overcome some of the traditional obstacles to international trade. By reducing the trade costs associated with physical distance, e-commerce allows a larger number of businesses – including those located in remote areas – to access the global marketplace, reach a broader network of buyers and participate in global value chains. For micro, small and medium-sized enterprises (MSMEs), this means the ability to overcome issues related to economies of scale.

At the same time, consumers benefit by gaining access to a broader selection of products from a wider range of suppliers and at more competitive prices. Beyond trade benefits, e-commerce has also improved access in other areas, such as education, health, information and culture.

Information and communications technologies (ICT) allow access to timely and up-to-date market information. Thanks to advances in mobile technologies, farmers can use their phones to access information on foreign markets and prices for their agricultural produce, or make and receive payments without the necessity of a bank account. This can translate into improved incomes for those living in rural areas. Since women in many developing countries and LDCs are involved with trade in rural areas, it has offered them access to markets they could not reach before.

E-commerce also offers new opportunities for employment. Developments in ICT have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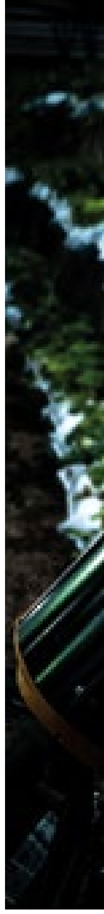


facilitated cross-border trade in services and allowed businesses to engage in commercial activities which were previously not considered technically or financially feasible.

As most IT enabled businesses have the advantages of low capital and skills requirements, these new income-earning opportunities are available to a broader section of the population and can help promote inclusive economic growth. Moreover, with the increase of online education services, the internet also provides additional opportunities for training and skills improvement, thus supporting the development of a more skilled labour force.

The recent expansion of the ITA provides for the elimination of import tariffs on 201 new-generation ICT products.

Ensuring access to technology for ICT enabled trade

A broader uptake of e-commerce, supported by ICT adoption, offers significant opportunities for growth, development and job creation. However, as these opportunities are not accessible to everyone, the benefits of digital trade continue to be unevenly distributed. While some developing countries have been making significant headway in recent years, others are struggling to keep up.

Unequal levels of digital development can limit some countries' ability to successfully participate in e-commerce. ICT gaps exist also within countries, where those living in rural areas often lack the access to ICT services and infrastructure that is available to those living in urban centres. It is important that the international community strives to ensure that the opportunities that digital trade can offer are made available to all.

The SDGs recognize the important role that ICT can play for economic development. SDG 9.C urges the international community to work to "significantly increase access to information and communications technology and strive to provide universal and affordable access to the Internet in least-developed countries by 2020".

Trade rules can help achieve this goal by eliminating restrictions that prevent traders from accessing communications and payment systems, by allowing the market entry and operation of digital platforms and other cross-border services, by ensuring the interoperability of trade networks and by fostering the development of regulatory frameworks.

The WTO's Information Technology Agreement (ITA) commits its participants to eliminate tariffs on a number of IT products, making an important contribution to reaching SDG Target 9.C.

The recent expansion of the ITA in 2015 provides for the elimination of import tariffs

and other duties and charges on an additional 201 new-generation ICT products valued at over US$ 1.3 trillion per year, including multi-component integrated circuits, touch screens, GPS navigation equipment, telecommunications satellites, portable interactive electronic education devices and medical equipment. By 2019, it is estimated that 95.4% of ITA participants' import duties on these products will be fully eliminated. This will contribute to the affordability and broader dissemination of IT products globally.

The WTO's General Agreement on Trade in Services (GATS) also makes a significant contribution to reaching SDG Target 9.C. Under the GATS, WTO members have taken commitments guaranteeing levels of treatment under market access and national treatment for a number of digitally enabling and digitally-enabled services, thereby fostering competition, transparency and predictability.

Services sectors provide the foundation of the digital infrastructure and are key to improving the use of, and access to, ICT. Telecommunications and computer services represent the transport layer for the electronic supply of services and for ICT-enabled trade in both goods and services. Both these sectors benefit from fairly high levels of GATS market access commitments.

Services such as the Internet, mobile telephony and data transmission reduce costs incurred in the exchange of goods and services. They provide the backbone for online retail and wholesale trade, for online marketplaces and for supporting logistics service. They have, for example, made global IT and business process outsourcing profitable and have made global value chains easier to manage and operate.

ICT has led to expanded export opportunities for developing countries because they have enhanced the tradability of services and offered more effective online tools for trade in goods. Cross-border data communications services also allow companies to coordinate inventory management, logistics and relations with their subsidiaries and partners across the globe.

Combined with innovation and regulatory frameworks often incorporating GATS disciplines and more open financial services markets, ICT has also made significant advances possible in online and mobile payment solutions. ICT-enabled financial services, for example, are expected to play a significant role in enhancing financial inclusion, a factor that will permit wider participation in both domestic and international economies by consumers and SMEs.

Services trade policy plays a key role in the development of the infrastructure services that enable digital trade, with resulting impacts on the economy as a whole. Indeed, services trade policies involve a range of measures that determine the level of competition in the market and affect the level of foreign investment allowed.

95%

By 2019, it is estimated that 95.4% of ITA participants' import duties on IT products will be fully eliminated.

Financial services: E-payments promote economic inclusion

Financial inclusion has become a public policy priority around the world and has gained a place on the reform agenda both at the international and national levels. Its importance has also been recognized in SDG Target 9.3, which seeks to increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets.

The increased emphasis on financial inclusion reflects a growing realization of its implications for reducing poverty and boosting prosperity. A leading example of services considered critical to financial infrastructure and inclusion is e-payments. E-payments offer benefits such as improving financial inclusion and economic empowerment, lower transaction costs, improved convenience, increased security, and enhanced governance and transparency. Electronic payments have also boosted e-commerce. Over the past few decades, electronic payments have enabled retailers to expand into the Internet and encouraged the growth of a multitude of online enterprises.

Although circumstances vary greatly from market to market, successful experiences in a majority of markets and contexts have had common elements. These include ensuring: (i) the availability of core infrastructure, e.g. mobile networks, broadband, roads, electricity, ID systems; (ii) consumer readiness and trust; (iii) digitization of government payments and receipts; and (iv) an enabling regulatory environment. Challenges persist, however, and prominent among them is that inadequate regulatory frameworks can pose barriers to deployment. Yet, when regulation is well-formulated, it ceases to be a barrier but rather drives progress. Rules and regulations can be made to be pro-financial inclusion, proportionate to risk and enable a competitive market.

Trade policy in services can contribute to the development of electronic payments in various ways. First, it can foster the implementation of an enabling regulatory environment, including market conduct and consumer protection regulation, a level playing field between the different suppliers of e-payment services and the interoperability of different payments systems and networks. Secondly, it may support the rollout of new products and technologies. Thirdly, it may enhance the functioning of electronic payments systems by supporting the development of the necessary physical infrastructure.

The global emphasis on the development of electronic payment systems as a development tool may lead to a greater emphasis in the future on the role that trade agreements may play in supporting such initiatives. In Africa and elsewhere, e-payment systems are often supplied via mobile phones. This has had positive results for the availability of e-payment systems, particularly in rural communities.

Open trade and investment policies in the telecommunications sector constitute a key building block helping to reduce the digital divide.

Over the past 25 years, the regulation of the telecommunications sector has undergone fundamental transformations, as the large majority of countries has moved from monopolies to regulatory environments encouraging effective competition, with reduced barriers to entry. In addition, they have often privatised the previously state-owned incumbents.

Currently, more than 100 WTO members have adopted pro-competitive telecommunications regulatory principles in their GATS schedules of commitments. This change in policy approach is linked with enhanced affordability as well as higher quality and greater diversity of telecommunications services. Accordingly, open trade and investment policies in the telecommunications sector, supported by adequate regulatory frameworks, constitute a key building block for developing quality infrastructure and helping to reduce the digital divide. Consequently, they provide a platform for taking advantage of digital opportunities.

While connectivity and ICT access are necessary conditions for digital opportunities, they are not sufficient for people to automatically benefit from the greater opportunities offered by online trade. A range of other economic and regulatory barriers can still hinder the promotion of digital connectivity. Under-developed financial and online payment systems are an obvious obstacle to online transactions. At the same time, poor IT skills mean that businesses might not always be able to effectively use e-commerce to improve and expand their activities.

Other complex and sensitive issues include consumer protection, privacy, internet neutrality, competition and data flows. In addition, the lack of clear legal and regulatory frameworks undermines confidence in online trade and erodes consumer trust. While bigger companies are often in a position to overcome these obstacles, smaller companies might not have sufficient resources or skills to do so, especially when trading across borders.

To assist in bridging some of the technological and regulatory gaps, international organizations need to pool together their resources and experiences. A lot of work is already being done in this regard and opportunities for information exchange and coordination are being established. One of these opportunities was the Global Review of Aid for Trade held in July 2017 under the theme "Promoting Trade, Inclusiveness and Connectivity for Sustainable Development".

The Review's underlying monitoring and evaluation exercise aimed at identifying the different circumstances in which countries find themselves with respect to e-commerce and the specific challenges that they face. It allowed for meaningful interaction between donors, recipients and providers of technical assistance on the need and availability of resources to address different aspects of e-commerce, including development of ICT infrastructure and connectivity.

At the same time, UNCTAD's eTrade for All initiative, of which the WTO is a partner, brings together international organisations, regional development banks and national agencies to support developing countries' participation in e-commerce. The WTO is also working closely with the World Bank, the ITC, the OECD and, more recently, with the ITU to explore complementarities and further areas for cooperation. In consultations with national governments and the private sector, these initiatives and many others will contribute concretely to fostering a coherent approach to the various aspects of e-commerce.

Chapter 6

Recommendations on ways to accelerate progress in achieving the SDGs

Mainstream trade into national and sectoral strategies to achieve the SDGs

Because of trade's role in supporting sustainable development, more and more governments are adopting measures which aim to mainstream trade into their national sustainable development strategies. As trade is closely linked with other sectors and investments are driven by a variety of stakeholders, trade policies need to be mainstreamed into national and specific-sector sustainable development plans. Such an approach ensures that all stakeholders work hand in hand in using trade as a tool for reducing poverty and fulfilling other SDGs. By mainstreaming trade into national policy, institutional and resourcing considerations, countries can make headway in achieving a range of SDG targets, including those relating to participation in international trade, decent work and sustainable economic growth, reducing poverty and strengthening environmental protection.

Strengthen the multilateral trading system

Building on recent successes, the WTO needs to keep on delivering results to further improve the multilateral trading system and to adapt to the changing nature of international trade. Work remains to be done to eliminate distortions in agricultural markets and to continue improving market access for goods and services, including those which directly support the achievement of SDG 7 on clean and affordable energy and SDG 6 on clean water. Further work is also needed to tackle other issues, such as curbing subsidies that cause overfishing. The WTO is already working in these areas, and WTO members are discussing a range of possible measures. The ability of the trading system to continue supporting inclusive growth, jobs and poverty reduction is dependent on it being continually strengthened. WTO members should therefore keep working to improving the trading system while also resisting protectionist policies. A strong trading system is essential for delivering the SDGs, just as it was in delivering the Millennium Development Goals (MDGs).

Continue reducing trade costs

18 million jobs

Full implementation of the Trade Facilitation Agreement is estimated to create 18 million jobs in developing countries and reduce trade costs by 14.3%.

The competitiveness of developing countries and least-developed countries (LDCs) is undermined by the high transaction and transport costs associated with international trade. The use of trade facilitation measures, including full implementation of the WTO's Trade Facilitation Agreement (TFA), will make it easier for small enterprises in developing countries and LDCs to sell their products in international markets. Full implementation of the TFA is estimated to reduce trade costs by 14.3% on average and to create 18 million jobs in developing countries. Reducing trade costs will help to narrow inequalities and to accelerate progress in achieving SDG targets related to sustainable economic growth, gender equality and participation in international trade. In addition, reducing trade costs can help developing countries tap into the rapidly growing global market for sustainably sourced and produced goods, thereby supporting their own efforts to achieve better environmental protection and better trade opportunities.

Build supply-side capacity and trade-related infrastructure

One of the WTO's priorities is to continue to mobilize resources for developing countries and LDCs through the Aid for Trade initiative so that they can improve their supply capacity, strengthen trade-related infrastructure and add value to their exports. To maximize the benefits of Aid for Trade, funding needs to be targeted, going to where it is needed the most. Improving the capacity of developing countries to trade will help to accelerate achievement of the SDG targets on sustainable economic growth, fostering industrialization, innovation and infrastructure, improving energy and resource efficiency, reducing inequalities among countries and increasing participation in world trade.

Focus on export diversification and adding value

With the current decline in commodity prices, developing countries and LDCs are receiving less income for their raw material exports. Diversification into other exports should be high on the list of priorities, therefore, for countries dependent on commodity exports. The urgent need to adapt to changing environmental conditions makes trade diversification even more important. To assist their diversification efforts, these countries need predictable market access conditions and capacity building. This will help in achieving decent work and economic growth, fostering industrialization, innovation and infrastructure, reducing inequalities among countries and increasing participation in world trade.

Apply flexible rules of origin to increase utilization of preference schemes

Strict rules of origin can impede exporters' access to preferential treatment for their goods and services. It is important, therefore, that the rules of origin in developing countries' regional trade agreements (RTAs) and in the preferential schemes offered by importing markets work hand in hand. This will help producers in developing countries make the necessary arrangements for their production processes that will allow them to benefit from the market access opportunities created by RTAs and preferential schemes. By adopting more flexible rules of origin, more developed countries will help less developed countries foster industrialization, innovation and infrastructure, reduce inequalities and increase decent work, achieve economic growth and participate more fully in world trade.

Enhance the services sector

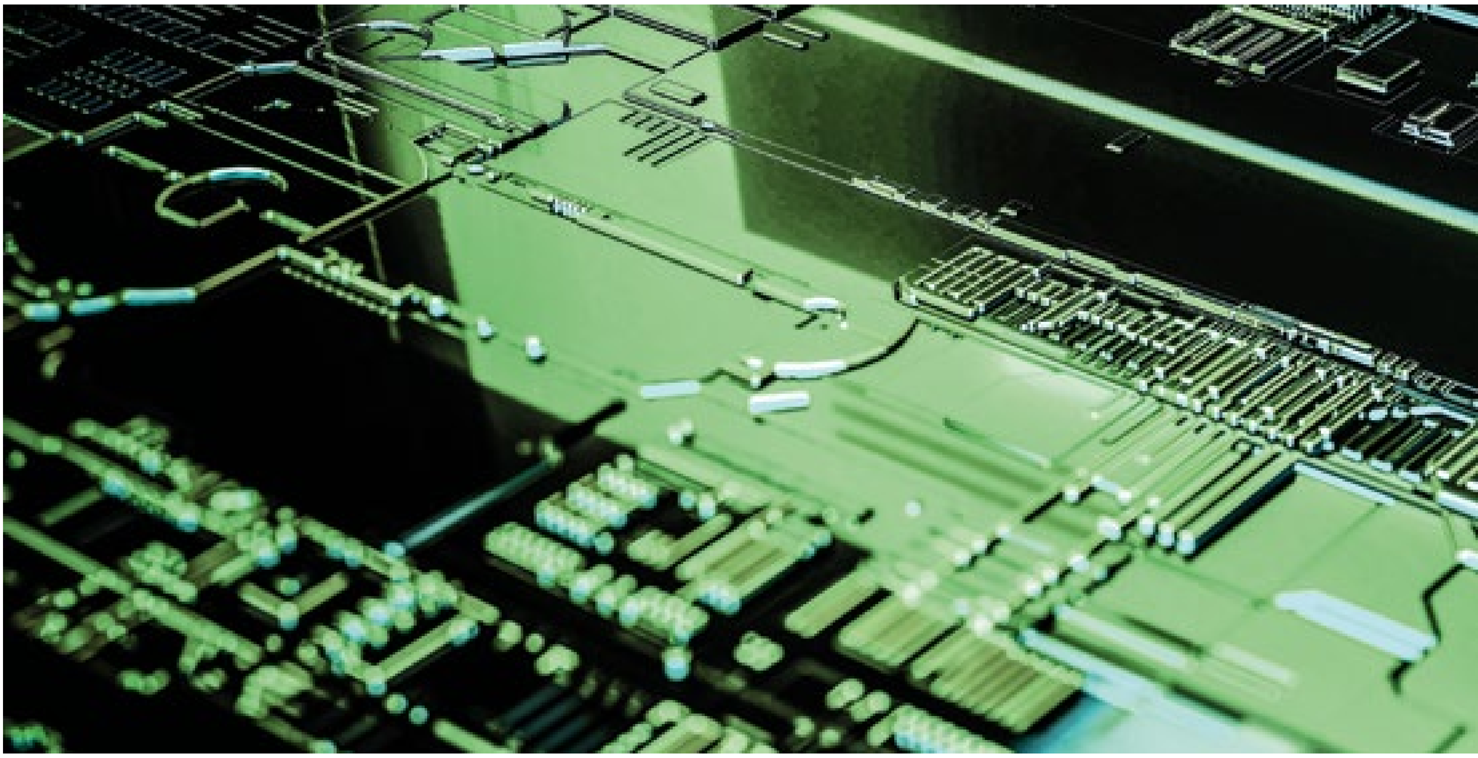
In many developing countries, the services sector has a large share of GDP and employment. Services play a particularly important role in helping developing countries participate in global value chains, especially if they lack the infrastructure to fully take part in trade in goods. Moreover, services help to ensure that key environmental and other sustainable development technologies deliver benefits. The services sector therefore has enormous potential for supporting inclusive and sustainable development. Enhancing the services sector will contribute to providing education opportunities, improving gender equality, achieving decent work and economic growth, fostering industrialization, innovation and infrastructure, reducing inequalities within and among countries, promoting clean and affordable energy, and increasing participation in world trade.

Ensure that non-tariff measures do not become barriers to trade

Governments use non-tariff measures (NTMs), such as food labelling requirements, for a number of reasons, including for the protection of health and the environment. While such measures may have specific health or environmental objectives, it is important to ensure that they are not used as a disguised form of trade protectionism. The WTO offers many tools that can help countries achieve this balance. These include disciplines on transparency, non-discrimination, avoidance of unnecessary barriers to trade, and the use of international standards.

In addition, the WTO has forums such as the Committee on Technical Barriers to Trade to discuss trade concerns arising from NTMs before they turn into trade conflicts. The WTO also helps developing countries build their capacity in this area, including through e-Ping, an alert system that helps producers keep up with product requirements in foreign markets, and the Standards and Trade Development Facility, a global partnership that helps developing countries implement international sanitary and phytosanitary standards regarding food safety and animal and plant health.

Since NTMs are broadly used, including in sectors such as agriculture, environment and health, ensuring that they are not barriers to trade helps governments to pursue vital goals such as food security, access to medicines, and sustainable production and consumption while also helping to increase economic growth, reduce inequalities, provide decent work and increase participation in world trade.

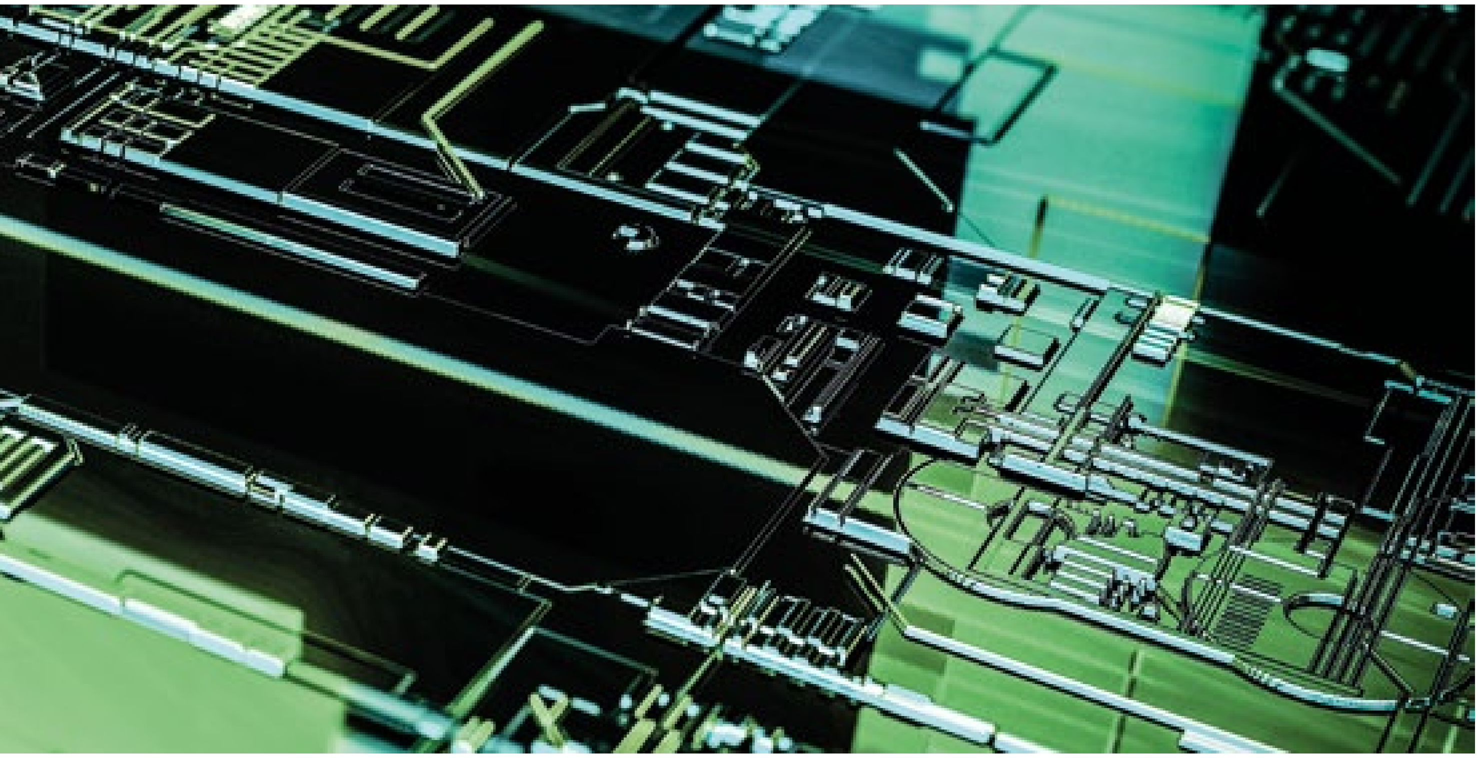


Make e-commerce a force for inclusion

E-commerce has had a significant impact on global trade, supporting growth, development and job creation. By reducing the trade costs associated with distant markets, e-commerce allows businesses to easily access the global marketplace, reach a broader network of buyers and participate more fully in international trade. In this way, e-commerce can also help to make trade more inclusive, encouraging the participation of small businesses in global trade. It is therefore important to ensure that e-commerce works as an effective platform for smaller companies in developing countries and LDCs to reach new markets.

Any multilateral action on e-commerce would need to be accompanied by significant support to improve digital connectivity, capacity and infrastructure in those countries that need it the most, in line with infrastructure targets under SDG 9. Making full use of e-commerce opportunities will also help to narrow inequalities and contribute to the achievement of SDG targets related to sustainable economic growth, gender equality and participation in international trade.

Making full use of e-commerce opportunities will help to narrow inequalities and contribute to the achievement of SDG targets.



Support micro, small and medium-sized enterprises (MSMEs) in participating in international trade

Trading internationally is more costly and difficult for MSMEs than for big companies which have more resources. To help MSMEs participate more fully in international trade, it is important to reduce trade costs.

The first priority is to help MSMEs meet sustainability standards and to conform with other international regulations so that they can take advantage of the growing economic opportunities arising from global supply chains.

Secondly, to help MSMEs gain consumer confidence, it is important to ensure that MSMEs can trade their products in a timely fashion with competitive prices and reliable customer support. Thirdly, trade finance for MSMEs needs to be made more readily available. Given the importance of MSMEs for many economies, supporting them will contribute to gender equality, increasing decent work and economic growth, fostering industrialization, innovation and infrastructure, reducing inequalities within and among countries and increasing participation in world trade.

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Mainstreaming trade to attain the Sustainable Development Goals

The WTO is central to achieving the 2030 Agenda for Sustainable Development and its Sustainable Development Goals (SDGs), which set targets to be achieved by 2030 in areas such as poverty reduction, health, education and the environment. The SDGs put significant emphasis on the role that trade plays in promoting sustainable development and recognize the contribution that the WTO can make to the 2030 Agenda.

By delivering and implementing trade reforms which are pro-growth and pro-development, and by continuing to foster stable, predictable and equitable trading relations across the world, the WTO will play an important role in delivering the Sustainable Development Goals, just as it did with the Millennium Development Goals before them.

WORLD TRADE ORGANIZATION

World Trade Organization
Centre William Rappard
Rue de Lausanne, 154
1211 Genève 2
Switzerland
Tel. +41 (0)22 739 51 11
Fax +41 (0)22 731 42 06
Email: enquiries@wto.org
Website: www.wto.org

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