Financing for Sustainable Development Report 2020

Inter-agency Task Force on Financing for Development

This report is a joint product of the members of the Inter-agency Task Force on Financing for Development. The Financing for Sustainable Development Office of the United Nations Department of Economic and Social Affairs serves as the coordinator and substantive editor of the Financing for Sustainable Development report.

The online annex of the Task Force (http://developmentfinance.un.org) comprehensively monitors progress in implementation of the Financing for Development outcomes, including the Addis Ababa Action Agenda and relevant means of implementation targets of the Sustainable Development Goals. It provides the complete evidence base for the Task Force's annual report on progress in the seven action areas of the Addis Agenda (chapters III.A–III.G). The report is by necessity more concise and selective and should thus be read in conjunction with the online annex.

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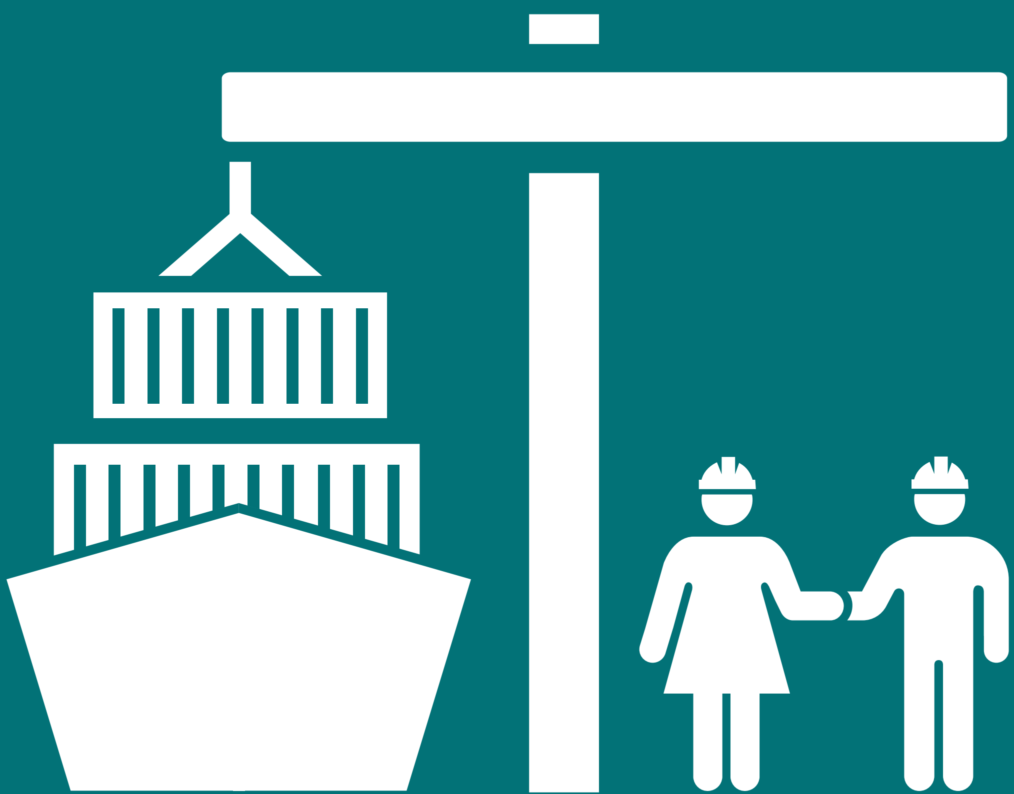
The production of this report and the online annex of the Inter-agency Task Force are generously supported by the Federal Ministry for Economic Cooperation and Development of Germany.

How to cite this report:

United Nations, Inter-agency Task Force on Financing for Development, *Financing for Sustainable Development Report 2020*. (New York: United Nations, 2020), available from: https://developmentfinance.un.org/fsdr2020.

United Nations publication
Sales No.E.20.I.4
ISBN 978-92-1-101422-8

INTERNATIONAL TRADE AS AN ENGINE FOR DEVELOPMENT



Chapter III.D

International trade as an engine for development

1. Key messages and recommendations

International trade has contributed to economic growth, poverty reduction and private financial flows across countries supported by strong international cooperation, embodied in the multilateral trading system. Recent trade tensions have challenged the way international trade works. Additionally, the COVID-19 crisis will have a significant impact on trade, particularly trade in services. Any response to the crisis that would further advance protectionism will contribute to slow down post-crisis recovery.

Despite its considerable achievements, the multilateral trading system faces challenges today on a scale unseen for decades. Over the past two years, Governments have introduced trade restrictions covering a substantial amount of international trade. This trend needs to be reversed. ***Governments need to show strong collective leadership and coordination in curbing the imposition of new trade-restrictive measures and reducing the accumulated stock of restrictions.***

Another major challenge for the multilateral trading system is the paralysis of the World Trade Organization's (WTO) Appellate Body, which no longer has enough members to rule on trade disputes. ***It is important for WTO members to identify potential solutions to the current gridlock. At the same time, some members have agreed to work on interim options to keep a two-stage dispute settlement mechanism operational while a more permanent solution is agreed.***

The multilateral response to these formidable challenges will shape the course of the global economy for decades to come. ***Many members have shown a clear willingness to preserve and strengthen the global trading system under the WTO. They need to turn these words into action.***

WTO reform should make the multilateral trading system more reactive to twenty-first century geoeconomic realities so it can continue its important role in delivering the 2030 Agenda for Sustainable Development. For instance, WTO members are working on new trade rules aimed at reducing harmful fishing subsidies that cause overfishing and overcapacity. Agriculture negotiations, which historically have been an important issue for developing countries, have also been reenergized. Groups of WTO members are also exploring potential future rules on investment facilitation, e-commerce and domestic regulations on services trade, as well as on micro, small and medium-sized enterprises, and empowering women in the world economy. ***The WTO Twelfth Ministerial Conference, to be held in Kazakhstan in June 2020, will be a landmark for these efforts.***

To enhance the contribution of international trade to sustainable development, immediate action to address two other issues must be taken by the international community. The first is to put in place measures to address the ongoing challenges faced by least developed countries (LDCs) in international trade. This may include agreeing on possible follow-up to SDG target 17.11, which calls for doubling the LDC share in global trade by 2020. Such follow-up would include building trade and productive capacities so that the provision of preferential market access to LDCs can contribute more to export growth as well as economic diversification. ***This would require continual supportive mechanisms such as Aid for Trade and the Enhanced Integrated Framework. Countries which graduate from the LDC category in the coming years could also be provided with temporary market access provisions to ensure a smooth transition and reduce the impact of a sudden loss of preferences.***

The second is to upscale actions at the national and the international levels to better distribute the gains from trade. For example, the introduction of new technology plays a significant role in helping smaller producers and businesses receive gains from international trade (e.g., through e-commerce). Empowerment through digital technologies can also foster the upward mobility of women beyond the informal sector.

To help small-scale producers and businesses reap opportunities from e-commerce and the digital economy, international support must be increased, including in the form of Aid for Trade, to improve the physical and institutional e-commerce readiness of developing countries. Any comprehensive rules on e-commerce being explored should also effectively address specific needs of developing countries.

Making trade more inclusive also requires addressing trade finance gaps that disproportionally affect smaller companies and impede the ability of countries to seize all trade opportunities that would otherwise be available. ***Multilateral efforts to address trade finance gaps cooperatively need to continue, including helping local banks leverage technology to digitalize paper-intensive products and streamline verification processes***.

One possible channel to enhance the positive impact of trade upon inclusive and sustainable development is through sustainable bilateral agreements and regional trade agreements (RTAs) and/or international investment agreements (IIAs). Newer generations of such agreements are designed with a sustainable development orientation, such as economic empowerment of women, respect of basic human rights, and environmental sustainability. ***New or renegotiated agreements should address synergies between trade, investment and socioeconomic and environmental policy, as well as possible negative linkages, and aim to distribute economic gains from trade to those who need it most, including smaller producers and businesses in developing countries***.

2. Developments in international trade

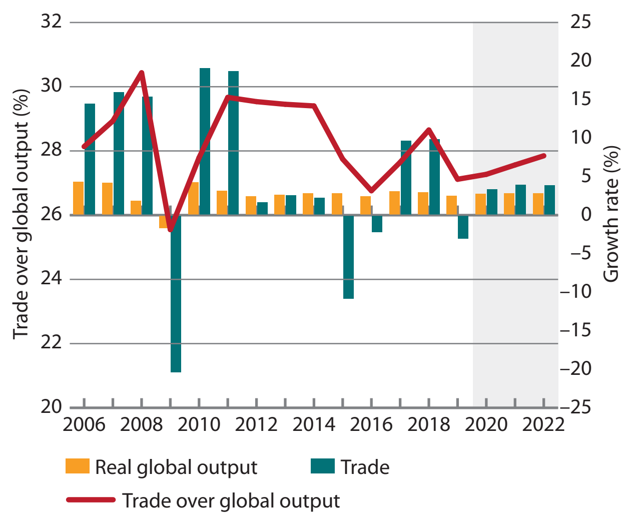
2.1 Trends in world trade

The value of international trade in 2018 continued to grow, following a strong rebound in 2017 from the negative growth experienced in the preceding years. The total value of trade in goods and services reached $24.5 trillion in 2018, representing about one third of global output. The value of South-South trade in goods reached $5.6 trillion in 2018, its highest level since 2011. As shown in figure III.D.1, the global trade-to-output ratio, an indicator of the degree of globalization of economic activity, also rose, from 27 per cent in 2017 to almost 29 per cent in 2018.[1]

Preliminary data for 2019, however, suggests that the value of world trade contracted by 3 per cent from the previous year, with initial forecasts for 2020 and 2021 indicating moderate growth if ongoing trade tensions among major economies are contained and the international trading environment regains stability. However, these forecasts require a downward revision considering the impact of COVID-19 crisis upon international trade flows. The crisis could result in at least a $50 billion decrease in merchandise exports across global value chains according to preliminary estimates.[2] Trade in services, particularly those involving the physical movement of persons such as tourism and transport, will also be significantly affected.

Prior to the crisis, the trade tensions between China and the United States of America have been a significant trigger of the global trade decline. Trade between the world's two largest economies fell sharply in 2019 (figure III.D.2). Bilateral export growth turned negative at the end of 2018 and shrank by more than 10 per cent during the first nine months of 2019. Other economies' export growth showed a much more moderate decline. This pattern contrasts with that of the trade slowdown in 2015 and 2016, when bilateral trade between China and the United States fared better, on average, than trade in the rest of the world.

Figure III.D.1
Trade growth and trade to GDP ratio
(Percentage)



Source: UNCTAD secretariat calculations, based on IMF Directions of Trade Statistics, and China, United States and EU national statistics. Data for the rest of world exports for August and September 2019 are preliminary.

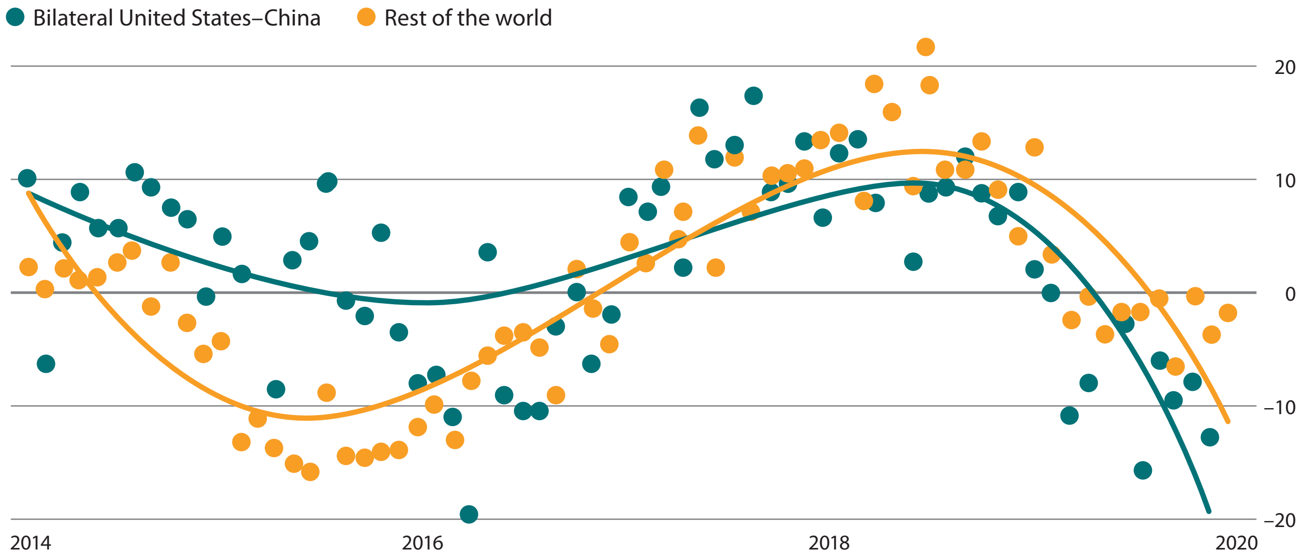
Commodity prices also impact the value of merchandise trade and showed a mixed pattern in 2018. For example, food prices fell on average by 6.5 per cent from 2017, while fuel prices rose by 27.5 per cent.[3] In the first half of 2019, commodity prices were quite volatile.[4]

Although modest compared to the $19 trillion value of world trade in goods, the value of world trade in services reached $5.5 trillion in 2018, more than doubling its 2015 value. The categories of services exports that increased most included travel, transport, and information and communications technology (ICT). Developing countries are becoming important suppliers of goods-related services, business services and ICT services.

Global exports of ICT services and digitally deliverable services—services delivered remotely through ICT networks—has grown particularly quickly. In 2018, exports of digitally deliverable services, at $2.9 trillion, accounted for 50 per cent of global services exports. Among LDCs, such services more than tripled between 2005 and 2018, to reach an estimated 16 per cent of total services exports.[5]

The spread of ICT services also enhances the rapid growth of e-commerce (i.e., in-country and cross-border buying and selling of goods and services using the Internet). The United Nations Conference on Trade and Development (UNCTAD) estimates that the global value of e-commerce grew by 13 per cent in 2017, to reached $29 trillion, corresponding to 36 per cent of the world gross domestic product (GDP).[6] Global business-to-business (B2B) e-commerce represents 87 per cent of this amount, while business-to-consumers (B2C) e-commerce accounts for the rest. The top three countries in B2C e-commerce sales were China, the United States, and the United

Figure III.D.2
US-China bilateral trade flows in goods
(Percentage change vs same month previous year)



Source: UNCTAD secretariat calculations, based on IMF Directions of Trade Statistics, and China, United States and European Union national statistics. Data for the rest of world exports for August and September 2019 are preliminary.

Kingdom of Great Britain and Northern Ireland.

While most online shoppers buy from domestic suppliers, some 21 per cent, or 277 million people, made a cross-border purchase in 2017, up from 15 per cent in 2015.[7] Cross-border B2C e-commerce sales, measured by the value of merchandise exports, is estimated to have reached $412 billion in 2017—about 11 per cent of total B2C e-commerce sales, up from 7 per cent in 2015. E-commerce is expected to spread widely in the coming years, due partly to the increasing use of mobile money, particularly in developing countries (see chapter III.B).

By reducing the trade costs associated with distance, e-commerce allows businesses, big and small, to reach a broader network of buyers; access the most competitive suppliers; tap into global markets; and participate in global value chains (GVCs). But, transforming this potential into reality is not automatic. Currently, wide variations in e-commerce readiness between and within countries enhances the risk of benefits from e-commerce being unequally distributed.[8] In particular, Internet access costs, combined with network reliability and quality of e-commerce related service, continue to be a major barrier for e-commerce in many developing countries.

2.2 Least developed countries in international trade

The share of LDC exports in global merchandise trade remained marginal, at just above 1 per cent in 2018 (figure III.D.3). As regards services trade, LDCs recorded significant year-on-year growth, reaching a global share of 0.8 per cent at the end of December 2018.

Yet, the speed of growth falls short of achieving SDG target 17.11—that is, doubling the share of LDCs in global exports by 2020. Using the year 2011 as the baseline, the LDC share in world exports in 2019 should be about 2 per cent.

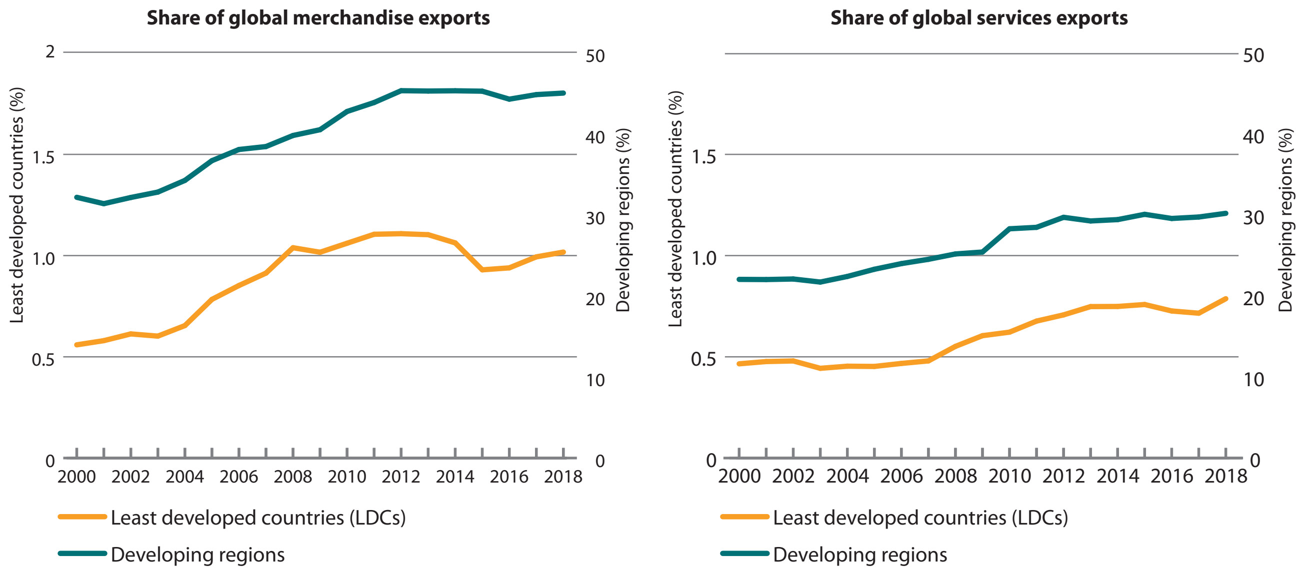
Commodity dependency—a state where exports of primary commodities account for more than 60 per cent of a country's merchandise export revenue—is a serious burden on LDC capacity to finance the SDGs, as fluctuations in earnings from commodity exports directly influence countries' public revenues.[9] In the period 2013-2017, almost two thirds (64 per cent) of developing and transition countries were commodity dependent.[10] Of the 46 LDCs for which data is available, 39 were classified as commodity dependent.[11]

Commodity prices in 2017/18 remained significantly below their 2011 peak levels, which contributed to worsening external balances and debt sustainability indicators for many commodity-dependent developing countries.

Climate change adds an additional layer of risk and uncertainty for these countries. In 2017, 37 commodity-dependent developing countries, many of which are LDCs, were ranked among the 40 most vulnerable countries (i.e., less ready to successfully adapt to climate change).[12] A global shift towards low-carbon economies also raises uncertainties for countries dependent on oil, gas and coal exports.[13]

There is an urgent need to redress ongoing trade challenges facing LDCs. As a first step, discussion of and agreement on the follow-up to SDG target 17.11 is imperative. Doubling the share of LDCs in global trade does not necessarily measure whether export growth contributes to the economic diversification of LDCs, which is a necessary condition for sharing gains from trade more widely across populations. Indicators such as the product concentration and diversification indices or the market concentration and structural changes indices may be considered for this purpose.[14]

Figure III.D.3
Share of LDCs and developing countries in World Trade, 2018
(Percentage)



Source: ITC/UNCTAD/WTO.

Second, support measures to help LDCs accelerate horizontal and vertical diversification, including into service sectors, must be upscaled. The provision of preferential market access to LDCs on a transparent, stable and predictable basis remains essential for this purpose. In this context, it would be useful if there were an internationally agreed guideline for appropriate transitory market access provisions for countries that graduate from the LDC category (see chapter III.C).

2.3 Trade restriction and facilitation

Trade tensions and uncertainty continue to affect trade prospects and could significantly change the structure of GVCs. WTO members implemented 102 new trade-restrictive measures from mid-October 2018 to mid-October 2019. While this represents a decrease in the number of trade-restrictive measures from the previous year, the trade coverage of import-restrictive measures is estimated at $746.9 billion, a 27 per cent increase from the 2017-2018 period and the highest recorded figure since October 2012 (figure III.D.4). Measures included tariff increases, bans, quantitative restrictions, stricter customs procedures, import taxes and export duties.

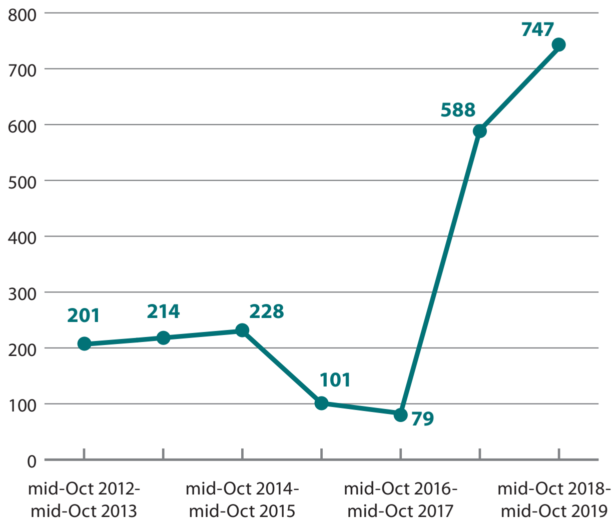
The stockpile of import restrictions implemented since 2009, and still in force, suggests that 7.5 per cent of world imports are affected by import restrictions implemented over the last decade. Although WTO members implemented 120 measures aimed at facilitating trade, the trade coverage of the import-facilitating measures implemented is estimated at $544.7 billion, approximately $200 billion less than the coverage of new trade-restrictive measures. These measures largely reduced or eliminated tariffs, export duties and import taxes.

Non-tariff measures (NTMs), which include technical and regulatory requirements, can also be trade-distorting and substantially increase trade costs. Trade costs of NTMs are estimated to be more than double that of ordinary customs tariffs, estimated to be up to 1.6 per cent of global GDP, or $1.4 trillion. At the firm level, business surveys conducted by the International Trade Centre show that 56 per cent of the exporters in Asia and the Pacific and 44 per cent in the Middle East and North Africa regions are affected by NTMs.[15] Sanitary and phytosanitary (SPS) measures and technical barriers to trade account for the bulk of NTMs. The difficulties for companies do not originate solely from the strictness of regulatory requirements, but also from related administrative procedures. Common issues include unharmonized product standards among close regional partners; inability to prove compliance due to insufficient laboratory facilities in the country; and lack of information on market requirements. The added costs of complying with NTMs are disproportionately higher for small and medium-sized enterprises (SMEs), who lack the financial and human resources to overcome them.

NTMs have become a key concern for traders as well as for trade policy-makers aiming to ensure that trade can continue to support sustainable development. Capacity-building support is critical to helping developing countries addressing challenges emerging from such NTMs. For example, the Standards and Trade Development Facility helps developing countries gain and maintain access to markets by tackling SPS gaps. This facility promotes global collaboration on electronic SPS certification, which aims to improve efficiency and security, as well as reduce time and costs to trade.[16]

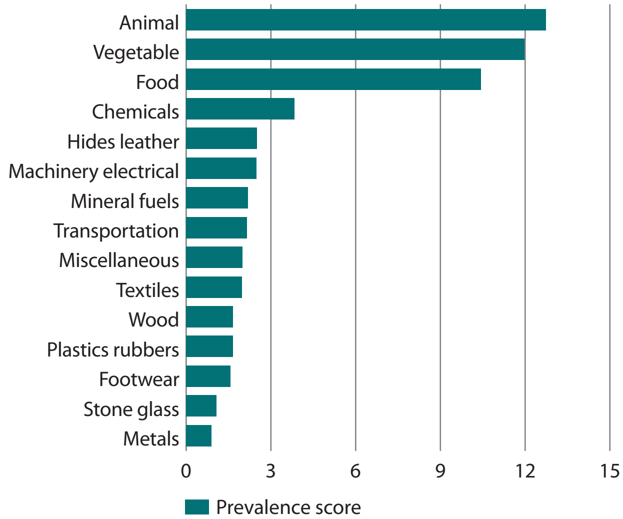
As shown in figure III.D.5, animal, vegetable and food sectors are particularly affected by NTMs. These sectors face, on average, 11 NTMs per tariff line, compared to 2 or less in other product sectors. Prevalence of NTMs in agrifood sectors is particularly high among developed economies (figure III.D.6). The effect of NTMs is thus often harsher for low-income countries, particularly those whose export basket is tilted towards agricultural products, and for small firms.[17]

Figure III.D.4
Trade coverage of new import-restrictive measures in each reporting period (not cumulative)
(Billions of United States dollars)



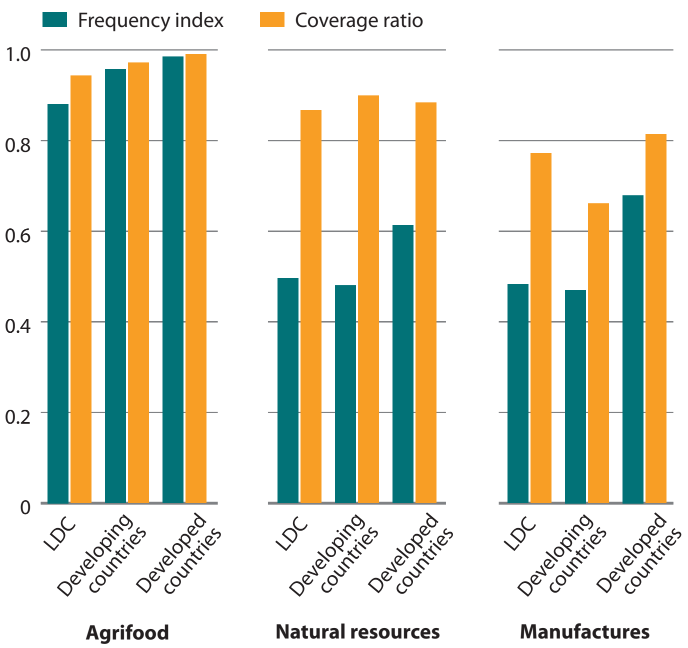
Source: WTO Secretariat.

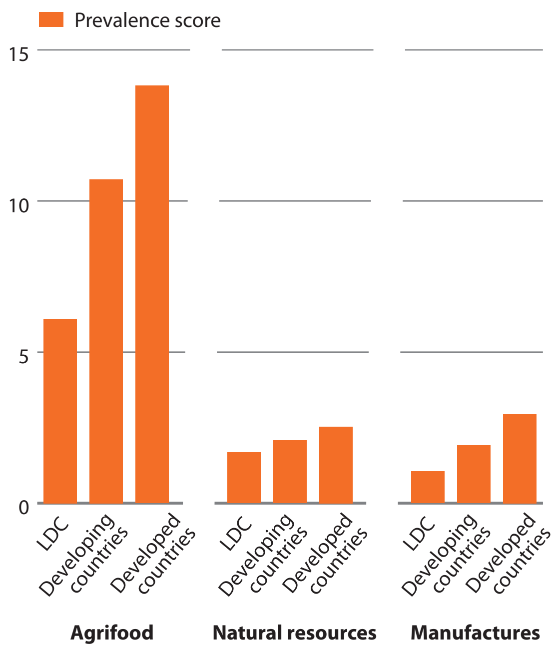
Figure III.D.5
NTM in world trade, across sectors, 2018
(Average number of NTMs per tariff line)



Source: UNCTAD based on TRAINS database.

Figure III.D.6
NTM usage, by product sectors and UN development status, 2018





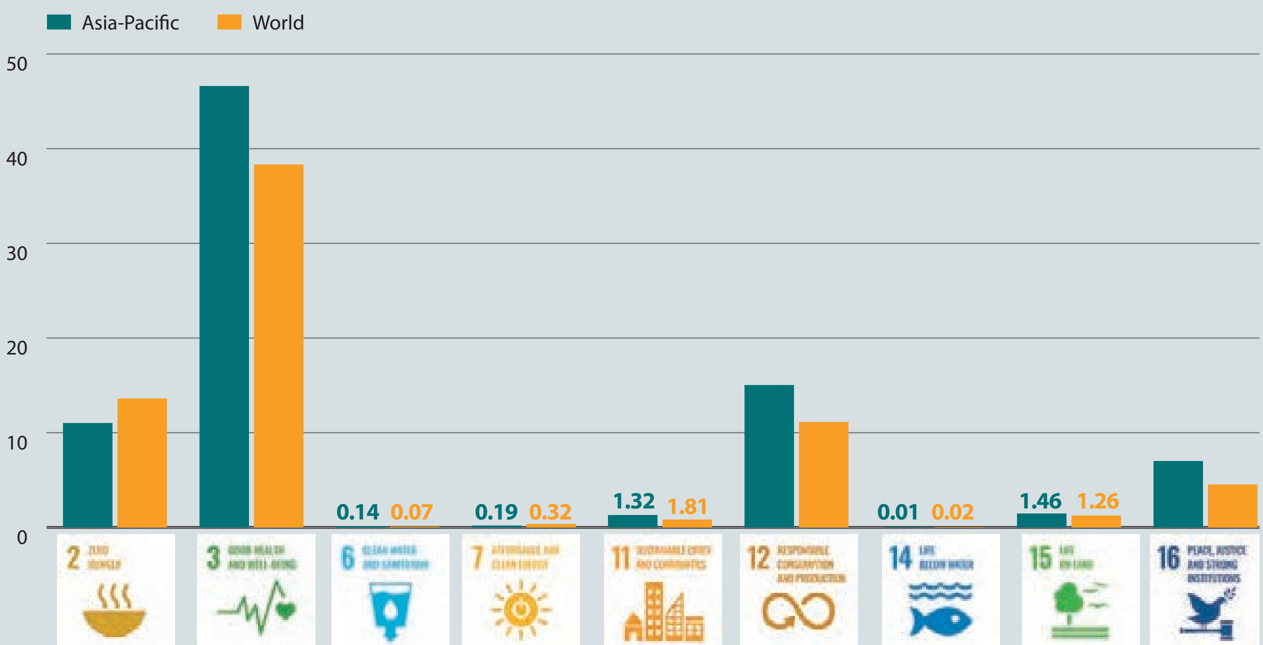
Source: UNCTAD based on TRAINS database.
Note: The Frequency Index captures a country's share of tariff lines (of products with positive trade) that are subject to at least one NTM. The Coverage Ratio captures the percentage of import value that is subject to NTMs, weighted by import values. The Prevalence Score indicates the average number of distinct NTMs applied on regulated products.

Box III.D.1
Non-tariff measures and the Sustainable Development Goals

During the past two decades, tariffs in the Asia-Pacific region have been halved thanks to multilateral and regional trade agreements, as well as unilateral efforts. At the same time, the number of non-tariff measures (NTMs) has risen significantly. Almost half of NTMs in Asia and the Pacific directly address Sustainable Development Goals (SDGs).[61] The highest share of SDG-related NTMs directly address Goal 3 (Good Health and Well-being) (see figure III.D.1.1). NTMs that address this Goal include regulation of medicines, food safety, technical regulations on vehicle safety, and regulations on trade, and packaging of alcohol and tobacco products. NTMs that arise due to international agreements (such as the Montreal Protocol on Substances that Deplete the Ozone Layer) and address Goal 12 (Responsible Consumption and Production) are also prevalent, highlighting the need for international collaboration to achieve SDGs.

While other Goals are addressed by relatively fewer NTMs, they are nonetheless important for sustainable development. However, the analysis indicates that some SDG targets remain unaddressed by trade regulations. For example, only 10 per cent (approximately) of the economies in Asia and the Pacific have at least one NTM addressing illegal, unreported and unregulated (IUU) fishing and illegal timber trade. As such, there seems to be more scope for Member States of the United Nations in this region to address these aspects of sustainable development through trade measures.

Figure III.D.1.1
Distribution of NTMs that directly address SDGs, by Goal
(Share of NTMs that address SDGs in percentage)



Source: Economic and Social Commission for Asia and the Pacific and UNCTAD, Asia-Pacific Trade and Investment Report 2019 (New York, 2019).

NTMs as policy instruments are not inherently good or bad. They often serve important purposes, such as protection of human, animal and plant health, or protection of the environment, and can therefore help achieve the 2030 Agenda (box III.D.1). Nonetheless, caution should be exercised to ensure that any such measures do not place an unnecessary burden on compliant traders.

Furthermore, any regulations must be non-discriminatory in nature, meaning both foreign and domestic producers are affected equally. The key challenges for policymakers are evaluating whether NTMs are the most effective tools for achieving the public policy objectives and, if so, how to strike the right balance between their positive (intended) effects and the cost to traders (and ultimately consumers) associated with them. In many cases, reducing the cost to traders does not mean outright removal of NTMs, but rather ensuring that NTMs are coordinated across economies and that compliance procedures are simplified and digitalized.

3. The multilateral trading system

The multilateral trading system overseen by the WTO has contributed significantly to the unprecedented economic development that has taken place over the last decades. Greater certainty over trade policies creates predictability that allows long-term business planning and investment. The recent erosion of predictability and certainty has made the system's value more evident. However, the system is now in jeopardy.

3.1 Progress on multilateral trade negotiations and WTO reform

WTO rules are an important means for pursuing inclusive trade and economic growth. One of the core principles that underpin the functioning of the multilateral trading system is that of non-discrimination. The most-favoured nation and national treatment provisions of the WTO prohibit arbitrary discrimination among trading partners and promote an inclusive approach to the sharing of benefits from government trade concessions.

These benefits should not be taken for granted. For the WTO to keep working and delivering on development goals, the system needs to be supported and strengthened.

There are several challenges to the system's ability to keep on functioning as it has in the past. These include the marked increase in trade-restrictive measures—often referred to as trade wars—and the impasse over the Appellate Body, which is weakening the ability of WTO to resolve trade disputes among members.

To address these challenges, WTO members have already started working on strengthening mechanisms of cooperation and building confidence in the trading system, through reforms aimed at updating the WTO rulebook and the ways the organization operates. These efforts for reform cover all the main functions of the organization.

The first is the dispute settlement and addressing the impasse in the appointments to the Appellate Body. This is of the utmost importance in preserving the rules-based trading system which protects all WTO members, and makes sure that the rules remain enforceable. A well-functioning dispute settlement mechanism benefits all members that rely on the rule of law to defend their trade interests.

The dispute settlement mechanism suffered a setback at the end of 2019 when members could not agree on reforms for the Appellate Body. Since then, consultations with members have started to identify potential solutions. At the same time, many members are weighing an array of creative interim options to keep two-stage dispute settlement operational while a permanent arrangement is found. In particular, a group of WTO members agreed in January 2020 to work together to put in place a transitional mechanism for appeals of WTO panel reports in disputes among themselves.

The second area of focus is on improving the regular work of the WTO councils and committees. These bodies monitor how members observe the current rules of the WTO. Several members have insisted on the need to improve transparency among the membership's trade policies. Clearly, it is vital that members meet their obligations on transparency and notifications—although some members say they need assistance to do so.

The third area of focus is advancing negotiations at the WTO. In the short term, the key multilateral test is the negotiations on fisheries subsidies. At the end of 2019, there was a reset in these negotiations. This is not just a trade issue; it is a sustainable development issue as well. Failing to successfully conclude these negotiations will not just be bad for marine fish stocks, it will also affect the credibility of the WTO and cast doubt on the feasibility of multilateral rulemaking.

Another important issue that has made it to the top of the agenda is the question of who should continue to benefit from Special and Differential Treatment for developing countries. Some members feel that eligibility for special and differential treatment should be determined before any negotiations start. Others feel that potential flexibilities, and the extent to which members can use them, should be part of a negotiation. Still others want the present system of self-denomination and undifferentiated Special and Differential Treatment for developing countries to continue. The Trade Facilitation Agreement shows that functional, good-faith solutions on Special and Differential Treatment are possible, although other templates and alternatives may also be found.

Work has already started in more concretely defining the desired outcomes for the Twelfth WTO Ministerial Conference (MC12), to be held in Kazakhstan in 2020. Some long-standing issues, such as agriculture and food security, continue to be on the docket as items that need to be addressed.

Groups of members are also working towards new rules on a range of issues (e-commerce, investment facilitation, domestic regulation in services) that aim to make trade more efficient and predictable in cutting-edge sectors of the economy. Members are seeking, as well, to make it easier, safer and more viable for women and smaller businesses to participate in global trade. However, some members are of the view that the WTO should finish the work on issues that were mandated at the Doha Ministerial Conference before embarking on discussions of other issues.

Many members are looking towards MC12 as a possible target for delivering some tangible outcomes on reform. In the meantime, some members have taken steps to address the most urgent issues. In January 2020, China and the United States concluded their Phase One trade deal which has resulted in a truce in their trade tensions including some dismantling of trade barriers that were imposed earlier.

3.2 Treatment of e-commerce in the WTO

A recent WTO study has found that by lowering costs and increasing productivity, digital technologies could provide an additional boost to trade by up to 34 per cent by 2030.[18] But developing countries may face barriers specific to their circumstances, including disadvantages in terms of digital connectivity.

Addressing such barriers requires efforts to promote competition and encourage investment in telecommunications, especially in rural areas and countries most in need. Trade agreements play a role in this. For example:

- The General Agreement on Trade in Services (GATS) supports enhanced Internet access by promoting competitiveness in telecommunications;
- The WTO Information Technology Agreement (ITA) facilitates the diffusion of technologies around the world through the elimination of tariffs on a number of IT products, thereby enhancing their affordability.

Over the past few years, there has also been growing interest in discussing e-commerce issues in more detail at the WTO. This is happening under two tracks:

The first is the existing Work Programme on Electronic Commerce, which was established in 1998 to examine all trade-related issues relating to global e-commerce. At the end of 2019, under this Work Programme, WTO members agreed to maintain the current practice of not imposing customs duties on electronic transmissions (i.e., online trade of digitalized products such as e-books and software) until MC12. Since 1998, WTO members have periodically renewed the moratorium at each ministerial conference. The work in the run-up to MC12 will include structured discussions on issues that would help Ministers take an informed decision.

The second track is the Joint Statement Initiative on Electronic Commerce, which was launched on the margins of the Eleventh WTO Ministerial Conference (MC11) in 2017. At MC11, 71 WTO members issued a Joint Statement on Electronic Commerce, in which they agreed to initiate exploratory work together towards future WTO negotiations on trade-related aspects of e-commerce. In January 2019, 76 WTO members issued a second Joint Statement on Electronic Commerce, in which they confirmed their intention to commence negotiations on trade-related aspects of e-commerce. This initiative, which is open to all WTO members, now includes 83 members representing over 90 per cent of global trade. In 2019, six negotiating rounds were held around "streamlined texts" drawn from members' proposals. These negotiations seek to achieve a high standard outcome that builds on existing WTO agreements and frameworks in order to further enhance the benefits of e-commerce for businesses, consumers and the global economy. Negotiations will continue in 2020 with the aim of reaching a consolidated text by MC12.

Outside the multilateral trading system, ensuring a truly inclusive digital revolution that facilitates the participation of smaller players in the global economy will require providing support to small business owners to take advantage of digital technologies. It also requires tackling complex and sensitive issues, such as privacy, Internet neutrality, consumer protection and data flows. The lack of clear legal and regulatory frameworks on these issues can undermine confidence in online trade and erode consumer trust.

The international community beyond the WTO also needs to consider how competition policies can be used to prevent trade gains from becoming disproportionally captured by dominant players, such as online marketplace platforms. It is important to ensure not only free but also fair competition in digital markets, where small firms face challenges in their contractual relationship with big platforms. Competition law provisions on unfair trade practices and abuse of superior bargaining position would empower national competition authorities in protecting the interests of smaller firms vis-à-vis big businesses. Pro-competition rules and regulations for digital markets platforms—such as interoperability, data sharing, open standards and data portability for consumers—could promote competition in these markets.[19] There is a clear need for regional and/or international cooperation and coordination in this area to effectively enforce competition rules in support of smaller firms.

4. Bilateral and regional trade and investment agreements

Against increasing uncertainties over the multilateral trading system and heightened trade tensions, countries need to continue deepening economic integration by forming new, or strengthening existing, bilateral and regional agreements on trade and investment.

4.1 Bilateral and regional trade agreements

According to the WTO Regional Trade Agreements Database, 304 regional trade agreements (RTAs) are in force as of February 2020, as compared to 291 in January 2019.

Among developed economies, the European Union (EU) has formed large-scale bilateral free trade agreements (FTAs) with developed-country partners, which include the Canada-EU Comprehensive Economic and Trade Agreement (provisional application started in September 2017) and the EU-Japan Economic Partnership Agreement (entered into force in February 2019). The United States renegotiated its existing RTAs, such as the US-Korea Free Trade Agreement (September 2018), the US-Mexico-Canada Agreement (previously NAFTA) (USMCA, 30 November 2018), and signed new ones such as the US-Japan Trade Agreement (September 2019). While the United States withdrew from the Trans-Pacific Partnership (TPP) Agreement, it has been revived to become the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) by the other original TPP signatories. The CPTPP entered into force on 30 December 2018.[20]

RTA negotiations have intensified through South-South and South-North configurations as well. The members of the Association of Southeast Asian Nations (ASEAN) along with six regional partners have been negotiating the Regional Comprehensive Economic Partnership Agreement (RCEP) since 2012. In November 2019, India suggested it would stay out of RCEP. If India decided to remain in RCEP, it would create the world's largest RTA in terms of population, combined GDP and trade.[21] Meanwhile, the negotiations on the African Continental Free Trade Area (AfCFTA) were concluded in March 2018. The AfCTA creates a market comprising more than 1.3 billion people and a combined national income of $2.5 trillion (see box III.D.2).[22] To facilitate the monitoring of AfCFTA implementation and address data gaps, the development of the African Trade Observatory was agreed in 2019.

Box III.D.2
African Continental Free Trade Area entering operational phase

The African Continental Free Trade Area (AfCFTA) entered into force on 30 May 2019, following the deposit of the instrument of ratification by the twenty-second African Union member state. The Agreement has been ambitious from the start, with negotiations launched only in July 2015. In terms of number of members, the Agreement is the largest since the establishment of the World Trade Organization. The AfCFTA is also ambitious in scope: in addition to trade in goods, negotiations have covered trade in services, with investment, competition policy, and intellectual property rights being tackled in the second phase of the negotiations. It has also been agreed that a third phase of negotiations will be carried out, focusing on e-commerce.

The liberalization of trade in goods covers 90 per cent of tariff lines to be liberalized over 5 years (10 for LDCs), with an additional 7 per cent of goods indicated as sensitive and subject to a longer transition period of 10 years (13 years for LDCs). Three per cent of goods can be excluded from liberalization.[62] The Economic Commission for Africa has estimated that, at this level, the liberalization of trade in goods will increase the value of intra-African trade by 15 to 25 per cent (compared to the baseline scenario of no AfCFTA).[63] The share of intra-African trade would also rise, between 40 and 50 per cent compared to the start of implementation.[64] Most importantly, the free trade area would largely impact trade in industrial goods, increasing its value by 25 to 30 per cent, providing a boost to Africa's industrialization agenda. Substantial additional gains are also expected from liberalization beyond trade in goods.

At the time of this writing, the member states are preparing their tariff schedules for trade in goods and the rules of origin, as well as their commitments on trade in services in the five priority sectors: transport, communications, financial services, tourism and business services. Implementation is planned to start on 1 July 2020, supported by a dedicated AfCFTA secretariat to be established in Accra. The second phase of the negotiations is also expected to start in 2020. The AfCFTA is a centrepiece of Agenda 2063: the Africa We Want, agreed in 2013 by the members of the African Union.

The Second High-level United Nations Conference on South-South Cooperation (BAPA+40), held in Buenos Aires in March 2019, also reaffirmed the importance of strengthening South-South trade cooperation, including through the Global System of Trade Preferences among Developing Countries (GSTP). Established in 1989, the GSTP agreement provides a framework for preferential tariff reductions among 43 developing countries. The São Paulo Round (SPR) of negotiations on GSTP was concluded in 2010 but has not yet entered into force. UNCTAD preliminary research finds a welfare gain of $14 billion from the implementation of the SPR by just eleven signatory countries.[23]

Recent RTAs aim at deeper economic integration of member countries covering issues that are important for the achievement of sustainable development in the environmental and social dimensions, particularly economic empowerment of women (see section 6.2).

4.2 Bilateral and regional investment agreements

International investment policymaking remains highly dynamic. In 2018, 40 new international investment agreements (IIAs) were signed. The new treaties included 30 bilateral investment treaties (BITs) and 10 treaties with investment provisions (TIPs). The country most active in concluding IIAs was Turkey with eight BITs, followed by the United Arab Emirates with six BITs and Singapore with five treaties (two BITs and three TIPs). Some of the new treaties are megaregional, having novel features and involving key investor countries. The new treaties brought the number of IIAs to 3,317 (2,932 BITs and 385 TIPs). By the end of the year, 2,658 IIAs were in force (figure III.D.7).

At the same time, the number of IIA terminations continued to rise. In 2018, at least 24 terminations entered into effect ("effective terminations"), 20 of which were unilateral and 4 of which were due to replacements (through the entry into force of a newer treaty). This included 12 BITs terminated by Ecuador and 5 by India. By the end of the year, the total number of effective terminations reached 309 (61 per cent having occurred since 2010).

Many countries are developing new model treaties and guiding principles to shape future treaty making. This will have a significant impact on the global IIA regime. Many of these developments have benefited from the work of UNCTAD on IIA-related technical assistance and capacity-building.

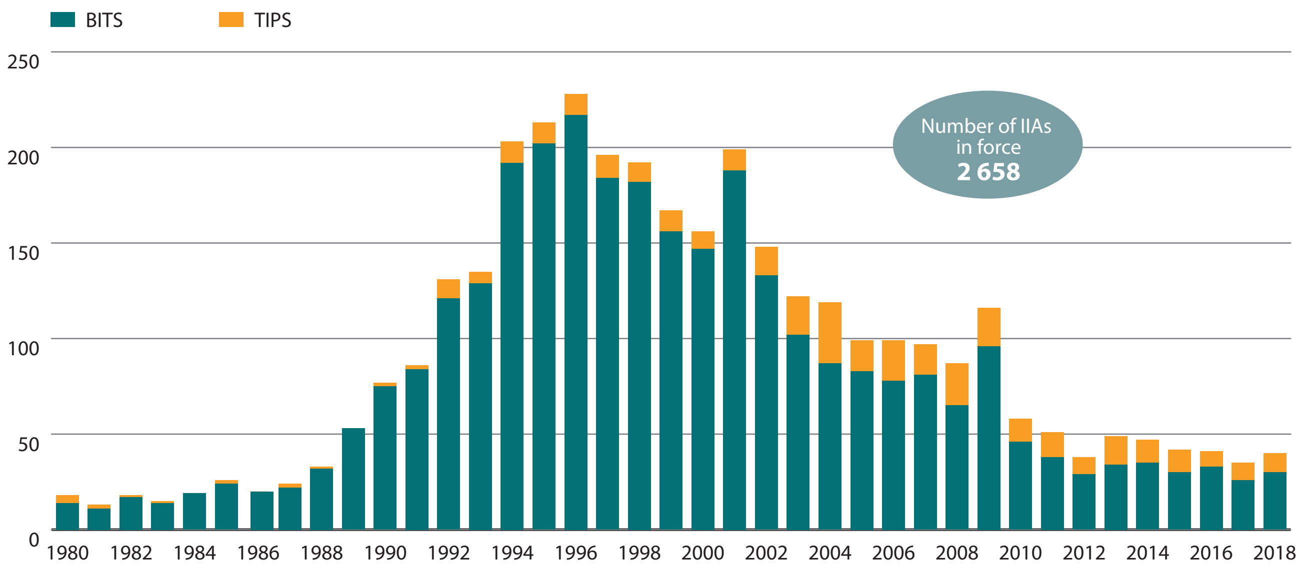
The surge in investor-state dispute settlement (ISDS) cases continues. In 2018, investors initiated 71 publicly known ISDS cases pursuant to IIAs, nearly as many as in each of the previous three years. As of 1 January 2019, the total number of publicly known ISDS claims had reached 942 (figure III.D.8).

Almost all known ISDS cases have thus far been based on old generation investment treaties. To date, 117 countries have been respondents to one or more ISDS claims. As some arbitrations can be kept confidential, the actual number of disputes filed in 2018 and previous years is likely to be higher. Over two thirds of the publicly available arbitral decisions rendered in 2018 were decided in favour of the investor, either on jurisdictional grounds or on merits. By the end of the year, 602 ISDS proceedings had been concluded.

Forward-looking IIA reform is well under way. All treaties concluded in 2018 contain several reforms that are in line with either the UNCTAD Reform Package for the International Investment Regime[24] or the UNCTAD Investment Policy Framework for Sustainable Development.[25] Modern treaties often include a sustainable development orientation, preservation of regulatory space, and improvements to or omissions of investment dispute settlement. The most frequent area of reform is the preservation of regulatory space. Some recent IIAs or treaty models also contain explicit references to gender equality.

- Sustainable development orientation. IIAs concluded in 2018 include a large number of provisions explicitly referring to sustainable development issues (including the right to regulate for sustainable development-oriented policy objectives). Of the 29 agreements reviewed, 19 have general exceptions—for example, for the protection of human, animal or plant life or health, or the conservation of exhaustible natural resources. Sixteen recognize that the parties should not relax health, safety or environmental standards to attract investment. Twenty five of the preambles refer to the protection of health and safety, labour rights, the environment or sustainable development. Finally, corporate social responsibility (CSR) obligations and the inclusion of proactive investment promotion and facilitation provisions are becoming more prevalent, although they still do not feature consistently in recent IIAs. This is especially true for CSR provisions, which appeared in only 13 of the 29 IIAs.
- Preservation of regulatory space. Treaties concluded in 2018 include elements that aim more broadly than ever at preserving regulatory space and/or minimizing exposure to investment arbitration. The number of new treaties that incorporate these reforms are substantial. Elements include (i) general exceptions (19 IIAs); (ii) clauses that limit the treaty scope (e.g., by excluding certain types of assets from the definition of investment (27IIAs)); (iii) clauses that limit or clarify obligations (e.g., by omitting or including more detailed clauses on fair and equitable treatment (FET) (all 29 IIAs) and/or indirect expropriation (23 IIAs)); and (iv) clauses that contain exceptions to transfer-of-funds obligations and/or carve-outs for prudential measures (all 29 IIAs). Notably, 28 of the 29 treaties omit the so-called umbrella clause (thus also narrowing the range of possible ISDS claims).
- Investor-State arbitration. Investor-State arbitration is also a central focus of IIA reform.[26] It continues to be controversial, spurring debate in the investment and development community and the public at large. About 75 per cent of IIAs concluded in 2018 contain at least one ISDS reform element, and many contain several. Most of the reform

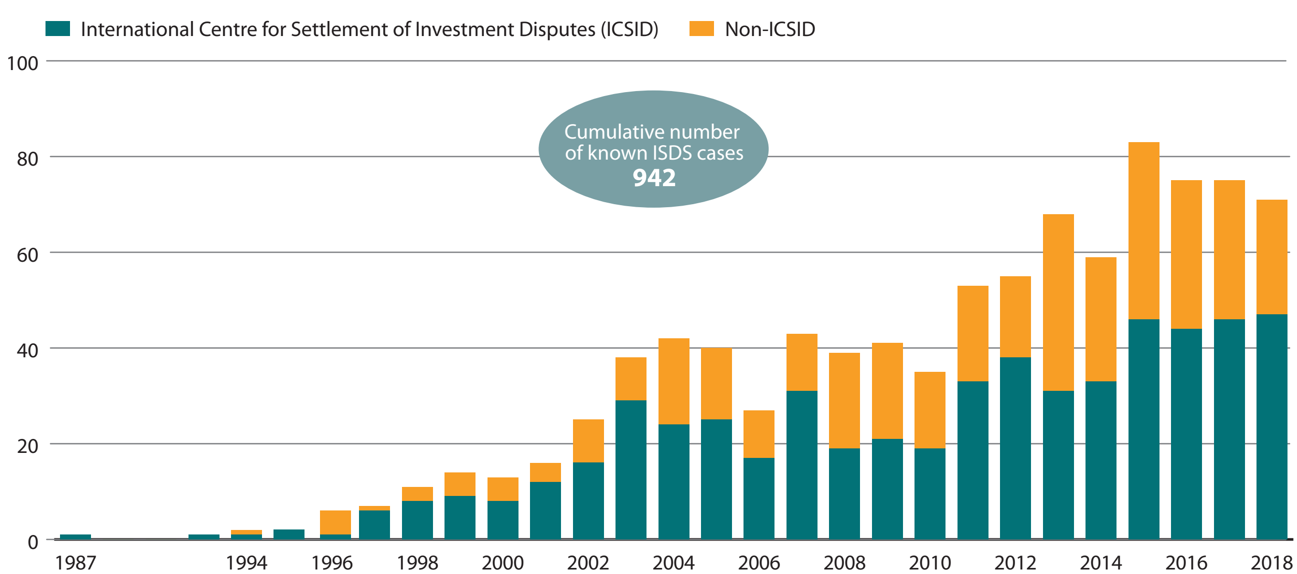
Figure III.D.7
Number of IIAs signed, 1980–2018
(Annual number of IIAs)



Source: UNCTAD, World Investment Report 2019, based on UNCTAD IIA Navigator.[a]

a Comprehensive, user-friendly and free of charge database, UNCTAD International Investment Agreements Navigator. Available at https://investmentpolicy.unctad.org/international-investment-agreements/.

Figure III.D.8
Trends in known treaty-based ISDS cases, 1987–2018
(Annual number of cases)



Source: UNCTAD, World Investment Report 2019, based on UNCTAD ISDS Navigator.[a]

a Ibid.

elements related to ISDS are in line with the options identified by UNCTAD in the Investment Policy Framework for Sustainable Development. Five principal approaches emerge from IIAs signed in 2018 (used alone or in combination): (i) no ISDS (4 IIAs entirely omit ISDS); (ii) a standing ISDS tribunal (1 IIA); (iii) limited ISDS (19 IIAs); (iv) improved ISDS procedures (15 IIAs); and (v) an unreformed ISDS mechanism (6 IIAs). Some of the reform approaches have more far-reaching implications than others. ISDS reform is being pursued across various regions and by countries at different levels of development. In parallel, multilateral engagement on ISDS reform is gaining prominence, involving several institutions such as UNCITRAL and the International Centre for Settlement of Investment Disputes.

But comprehensive reform is only just beginning. IIA reform is progressing, but much remains to be done. UNCTAD policy tools, including the Reform Package for the Global Investment Regime, have spurred initial action to modernize old generation treaties. Increasingly, countries interpret, amend, replace or terminate outdated treaties. However, the stock of old generation treaties is 10 times larger than the number of modern, reform-oriented treaties.

IIA reform actions are also creating new challenges. New treaties aim to improve balance and flexibility, but they also make the IIA regime less homogenous. Moreover, innovative clauses in new treaties have not yet been tested in arbitral proceedings. Different approaches to ISDS reform—ranging from traditional ad hoc tribunals to a standing court, or to no ISDS—add to broader systemic complexity. Moreover, reform efforts are occurring in parallel and often in isolation. Effectively harnessing international investment relations for the pursuit of sustainable development requires holistic and synchronized reform through an inclusive and transparent process that can be supported by the United Nations system.

5. Facilitating international trade

5.1 Trade finance gaps and instruments

Access to affordable trade finance is a condition for successful international trade, similar to rapid clearance of customs and efficient transportation. Without access to trade finance, many entrepreneurs cannot trade and compete. Yet, the lack of local access to trade finance was cited as an obstacle to economic diversification by 60 developing WTO members and by 14 donor respondents in a recent survey.[27]

Trade finance is normally a high-volume and low-cost source of finance. The risk of default is small, with a global average of 0.2 per cent, and with little difference across countries. However, underdeveloped financial sectors in some countries have not been able to provide sufficient and affordable trade finance services.

As a result, there are significant gaps between supply and demand, estimated at $1.5 trillion in 2018 (stable compared to 2017) in an industry survey led by the Asian Development Bank (ADB).[28] SMEs are particularly affected, since 45 per cent of their trade finance proposals were rejected by surveyed banks. Half of the rejected SMEs abandoned trade transactions, as they were unable to find appropriate alternative financing. Rejections are explained by a variety of factors, including lack of collateral, lack of proper information available during the application process, and lack of profitability for banks. The survey is rather pessimistic about short-term prospects for reducing trade finance gaps: 60 per cent of respondent banks expect the global trade finance gap to increase in the next two years.

Trade finance gaps have been compounded by the decline in correspondent banking. Following the global financial crisis in 2008-2009, about 20 per cent of the correspondent banking relationships have disappeared, with Africa, the Caribbean, Central and Eastern Europe and the Pacific Islands the most affected regions. Such declines negatively impact trade finance since local banks need international correspondent banks to confirm their letters of credit, engage with them in supply chain finance, and clear trade-related payments in foreign currency. The adoption of new anti-money-laundering and countering the financing of terrorism (AML/CFT) regulations have increased the cost and the perceived risk of operating in some developing countries, and led some international banks to terminate their correspondent banking relationships.[29] To help address these risks, the ADB "scorecard" project has aimed at developing trade finance tools such as the joint "suspicious activity report".

The complexity of trade finance also results from the continuous use of paper-intensive products, such as paper letters of credit. Digitalization can help reduce the operational costs for trade finance providers. By reducing the need for multiple record-keeping infrastructures, technology solutions, such as distributed ledgers, can also increase market transparency and decrease the need for verification and reconciliation of multiple records held by different intermediaries (see chapter III.G). In several test-cases, processing times have been reduced from more than a week to just a few hours.[30] At present, these successful pilot cases involve proprietary and limited closed-loop solutions among small groups of certified partners. In order to implement such technologies at a global scale, there will be a need for harmonized standards and interoperability between different systems. Capacity development for financial institutions in developing countries will also be needed to increase digitalization. To date, these institutions have been slow to adopt new technologies, with those actors surveyed complaining about the high cost and the lack of global standards for digital finance (lack of "interoperability" of digital platforms).

Given the large gaps in commercial trade finance for SMEs, especially in the poorest countries, MDBs are an important source of trade finance in developing countries, under so-called trade finance facilitation programmes. For example, in the last two years, ADB doubled the number of trade transactions it supported involving SMEs, with 3,500 SMEs supported in 2018.

Capacity-building is key to helping local banks comply with new financial regulations, as well as for adopting new technologies. The WTO, International Finance Corporation, and Financial Stability Board (FSB) are working together to inform trade finance providers about relevant regulatory requirements, promote tools to make compliance more effective and less costly for local banks, and help them attract new correspondents.[31] For example, the WTO and FSB have been encouraging the development of synergies between legal identifiers provided by the Global Legal Entity Identifier Foundation and the World Customs Organization.

Country diagnoses are necessary if capacity-building and country advice are to be well targeted and effective. WTO currently examines the possibility of more systematically integrating trade finance in diagnostic trade integration studies of the Enhanced Integrated Framework, which is a multilateral partnership dedicated to assisting LDCs.

5.2 Aid for trade

SDG target 8.a calls for increased Aid for Trade support for developing countries, particularly LDCs. The objective of the Aid for Trade initiative is to help these countries build the supply-side capacity and trade-related infrastructure they need to implement and benefit from WTO agreements, and to expand their trade.

In 2017, the most recent year for which data is available, global disbursements of Aid for Trade reached $43.1 billion. This represents a yearly increase of $4.2 billion (11 per cent) compared to 2016, and $25.8 billion (136 per cent) compared to the 2006 baseline recorded following launch of the Aid for Trade initiative. Commitments have also been on a steady increase. Overall, global Aid for Trade disbursed in 2006-2017 has amounted to an overall $409 billion, 27 per cent ($108.5 billion) has gone to LDCs.

The Seventh Global Review of Aid for Trade was organized in 2019 by the WTO on the theme "Supporting Economic Diversification and Empowerment". The report underpinning the review highlights the continuing centrality of economic and export diversification as a policy objective among developing countries, and the role that economic empowerment can play to facilitate this process as well as benefit from it.[32] The Aid for Trade new work programme for 2020-2021 will address the theme of "Empowering connected, sustainable trade".

5.3 Trade facilitation

Since the entry into force of the WTO Trade Facilitation Agreement (TFA) on 22 February 2017, 148 of 164 WTO members, representing 90 per cent, have ratified the TFA. Significant progress has also been achieved in its implementation. An estimated 64.7 per cent of notifiable commitments are being implemented, based on members' notifications to the WTO Trade Facilitation Committee (TFC) (see also box III.D.3 for updates on the implementation of trade facilitation measures).

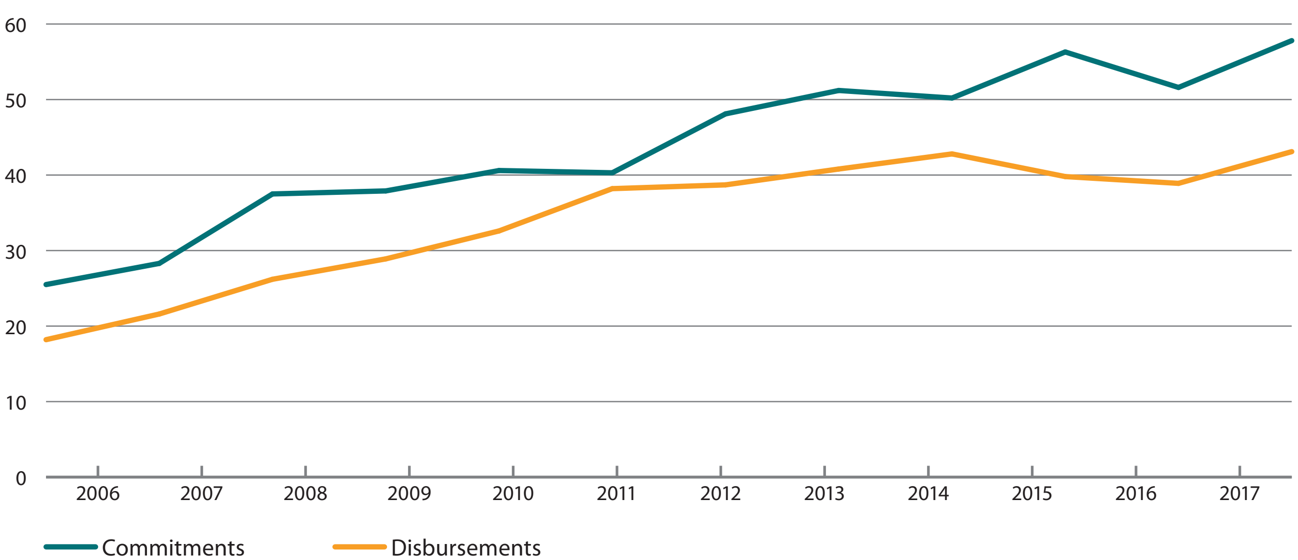
In addition to those members that are already implementing the TFA in full, all developing countries now have roadmaps for the implementation of the Agreement. These members had to notify the committee of their individual plans for full implementation of the TFA, based on the unique flexibilities provided by the Agreement, by August 2019.

To support developing-country implementation efforts, the WTO has established the Trade Facilitation Agreement Facility (TFAF), funded by WTO members on a voluntary basis. Its main goals are to assist developing-country and LDC members in submitting notifications to the WTO Trade Facilitation Committee in a timely fashion, and to establish and reinforce national trade facilitation committees to coordinate implementation of the Agreement. For example, TFAF supported WTO developing-country and LDC members to submit a total of more than fifty notifications to the WTO TFC within six weeks of the respective TFAF event.

6. Promoting international trade that is consistent with the Sustainable Development Goals in an era of disruptive technologies

To fully reap the benefits of trade, countries must mainstream trade into their national sustainable development strategies and integrated national financing frameworks. This is because trade has cross-cutting effects in

Figure III.D.9
Aid for Trade disbursements and commitments
(Billions of United States dollars)



Source: OECD Aid for Trade Database.

Box III.D.3
United Nations Global Survey on Digital and Sustainable Trade Facilitation: 2019 Results

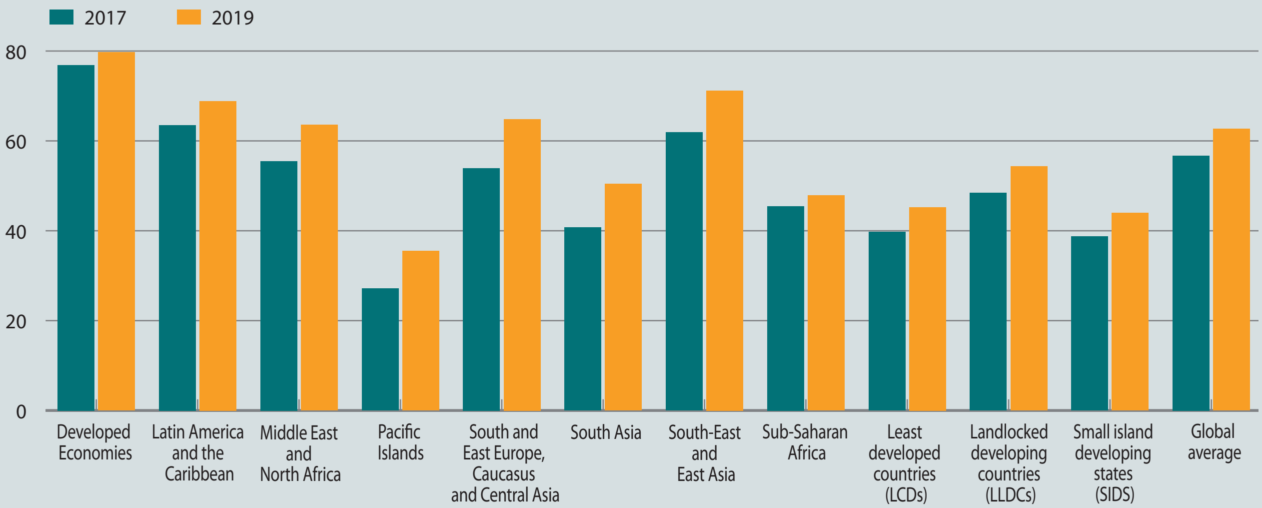
The United Nations Global Survey on Digital and Sustainable Trade Facilitation, conducted jointly by the five United Nations Regional Commissions with the support of a wide range of global and regional partners, provides a comprehensive picture of the state of implementation of trade facilitation and paperless trade. The most recent Survey was conducted in 2019 and covers 128 economies.

The Survey's scope is not limited to World Trade Organization (WTO) Trade Facilitation Agreement (TFA) provisions but also includes many TFA+ measures, including

- Digital trade facilitation measures to enable the use and exchange of electronic trade data and documents; and
- Sustainable trade facilitation measures specifically targeted at small and medium-sized enterprises (SMEs), the agricultural sector and women.

As shown in the figure below, the global average implementation of an ambitious and forward-looking subset of the WTO TFA+ measures included in the Survey stands at 62.7 per cent. Implementation in sub-Saharan Africa, which includes some of the poorest countries in the world, is only 47.8 per cent, second only to the Pacific Islands. Countries with special needs (least developed economies, landlocked developing countries and small island developing States) achieve implementation rates ranging between 43 and 55 per cent, which is significantly below the global average implementation rate.

Figure III.D.3.1
Trade facilitation implementation around the world between 2017 and 2019
(Percentage)



Source: UNCTAD, World Investment Report 2019, based on UNCTAD ISDS Navigator.

Progress has been made in essentially all the countries covered by the Survey between 2017 and 2019. Implementation at the global level has, on average, increased by approximately 6 percentage points over the last two years.

The survey reveals that countries have made particularly good progress on implementing TFA measures—for example, transparency measures such as publishing regulations on the Internet or organizing consultations prior to issuing new regulations. Many countries have also started to implement paperless trade measures, including development of electronic single window facilities. However, little attention has been given so far to implementation targeted at women and SMEs. In addition, cross-border paperless trade (i.e. the exchange of electronic trade data and documents across borders) remains essentially at the pilot stage, often limited to bilateral exchange of a specific document. Accelerating progress in this area could help reduce trade costs significantly, but requires more intensive intergovernmental cooperation. Recognizing this, members of the Economic and Social Commission for Asia and the Pacific (ESCAP) have adopted a Framework Agreement on Facilitation of Cross-Border Paperless Trade in Asia and the Pacific, aimed at building capacity and cooperation on paperless trade.

Source: United Nations Global Survey on Digital and Sustainable Trade Facilitation 2019. Available at https://untfsurvey.org/.

the economy and significant linkages to other sectors. Mainstreaming trade policies into development plans enhances coherence in the use of trade as a proactive tool in achieving poverty reduction and economic transformation.

6.1 Impact of technological changes on global value chains

Technological change, such as digitalization, is opening new channels for value addition and can ignite broader structural change in the organization of global value chains (GVCs). Emerging digital technologies such as blockchain, three-dimensional (3D) printing, automation and robotics, and artificial intelligence all suggest the growing importance of data analytics.

Digital technologies also reduce trade costs, and this is likely to be a push factor for GVCs. Most importantly, digital technologies make more services tradeable by reducing the need for face-to-face interaction in services trade. This creates opportunities for services providers, such as micro, small and medium enterprises operating from their home base, to participate in GVCs. There is a large scope for smaller firms and for developing countries to grab the opportunities that trade in services provides.[33]

Digitalization also increases the importance of data flows. In virtually every value chain, the ability to collect, store, analyse and transform data brings added power and competitive advantages. Digitalization and datafication affect the way GVCs are governed. Lead firms in GVCs are adopting business models that increasingly rely on data, facilitated by digital technology that provides new methods for value chain management. As a result of datafication of GVC management, value is increasingly captured by lead firms that control the data, while firms in the manufacturing and assembly segments become interchangeable.

From a geographical perspective of the emerging global data value chain, most countries are data suppliers. Lead multinational corporations receive most of the data and can turn them into digital intelligence that can be monetized and used to generate value-added data products (see also chapter II and its box II.4 on the data economy). From the perspective of the global data economy, the work being done in developing economies other than China is typically of low value. The consequence of these dynamics is that, instead of latecomer economies catching up in the data economy, their subordinate status may get accentuated. The risk is that most countries, and particularly LDCs, will become exporters of raw data and importers of value-added data products, with little domestic ability to potentially change this status.[34]

Further, certain new technologies are reducing the rationale of GVCs itself, such as 3D printing that makes the geographical relocation of tasks redundant. This can disrupt international trade in goods while boosting trade in designs. Automation and robotics technology also significantly influence the future of GVCs, as it reduces the comparative advantage developing countries have due to cheaper labour costs. The technology allows lead firms in developed countries to "reshore" the manufacturing and assembly segments.[35] In 2018, global sales of industrial robots (those used mainly in the automotive, electrical/electronic and metal industries) doubled between 2013 and 2017. This trend seems set to continue.[36]

Yet, there is still no conclusive evidence that GVCs are receding for the time being; for instance, GVCs appear to have remained stable for electronics where they are well developed.[37] The impact might thus differ depending on the sectors.

6.2 Women as producers and traders

Trade policy influences economic empowerment of women as producers or consumers through, inter alia, impacts on wages and price changes for consumption products.[38]

UNCTAD examined key differences and similarities of the trade and gender nexus in the context of two regional trade liberalization entities: the East African Community (EAC) and the Southern Common Market (MERCOSUR).[39] Despite differences in terms of the stages of development, extent of gender inequalities, and legal frameworks on gender equality, the trade and gender implications of regional integration are very similar across the two regions.[40] In both regions, the process of regional integration has been accompanied by a shift of sectoral employment structures towards the services sector, which absorbs the largest share of total female employment, particularly in MERCOSUR. However, in services, women are segregated in lower-skilled services sectors.

As regards the manufacturing sector, regional tariff liberalization contributed towards a feminization of labour: it increased the female employment share in manufacturing firms, but mainly for workers involved in basic tasks. There was little change for those in charge of more managerial responsibilities. This could be explained by the fact that the gender wage gap makes female workers a source of competitive advantage for exporting firms; hence the demand for their labour tends to rise in the unskilled and labour-intensive modes of production. Another reason for this may be that trade-induced technological upgrading reduces the need for physically demanding skills, in turn improving employment opportunities for women relative to men.

In order to enable women to receive quality employment opportunities from trade liberalization, it is imperative that trade policy changes be systematically assessed from a gender perspective, with special attention given to social norms that tend to associate women with secondary roles in the labour market. In this regard, trade policy changes need to be accompanied by measures in support of economic empowerment of women, such as promoting access to vocational training and skill certification programmes.

A review of trade policies of 111 WTO members from 2014 to 2018 shows that most members (about 70 per cent) have integrated women's empowerment in their national or regional trade strategy in order to enhance women's workforce participation;[41] for example, some strategies aim at promoting female employment and access to male-dominated economic sectors. While most countries establish general gender objectives in their trade policies, some measures can also be very specific. These include financial and non-financial incentives in support of women-owned/led companies, training programmes for women farmers and fisherwomen, and preference in government procurement to companies that implement gender-equality or wage-equality policies.

Digital technologies can also foster the upward mobility of women beyond the informal sector and subsistence levels. For example, the rapid uptake and expansion in Africa of mobile finance applications, such as mobile money, is strengthening the potential for a wider variety of alternative financing and insurance schemes available to women entrepreneurs (see chapter III.B). Leveraging new networks of women leaders in e-commerce in different developing regions can also give women leaders more visibility as role models and provide them with opportunities to influence the policy debate at national and international levels.[42] Online platforms can also be used to showcase businesses from women entrepreneurs and help companies to include more women-owned/led businesses in their supply chains. For example, the International Trade Commission SheTrades initiative aims to connect 3 million women entrepreneurs to international markets by 2021.[43]

6.3 Trade, jobs and inequality

Trade reforms have contributed to reducing income inequality between countries as well as significantly reducing poverty. Trade can also have a pro-poor bias within countries by disproportionately reducing the prices faced by poorer households.[44] More generally, it is important to note that trade is not a main factor behind increased inequality within countries,[45] as technological change has played a key role.[46] At the same time, the reallocation of resources necessary to reap the benefits from trade can also have adverse consequences. When reallocation is costly, adverse effects on certain individuals and communities can be large and long-lasting if not addressed properly and promptly.

Resorting to protectionism to improve distribution of benefits from trade is not a solution, as it would only reduce the overall amount of gains. Trade is a catalyst for economic growth and development as recognized in the SDGs. Accordingly, policies, including trade promotion, should not only pursue efficiency gains but also aim to help small firms and producers, marginalized workers, and women and youth in poorer countries to receive gains from participating in international and/or regional trade.[47] Governments also need to implement adjustment policies to make sure that economic gains are spread more evenly and that workers affected by job displacement are supported—for instance through labour-market policies (e.g., job training and income support).

Considering the issue of more equitable share of trade gains to all types of workers, there is evidence that including labour rights in trade agreements will benefit workers in developing countries;[48] investment in education and training of poor households is another means. With regard to providing equal opportunities to firms: e-commerce, ICT services, export promotion initiatives, and promoting the inclusion of technical assistance and Aid for Trade programmes in bilateral and regional agreements all have great potential for levelling the playing field between small and large firms in accessing global markets.

Trade policy should also provide equal opportunities to all countries. A key policy issue is safeguarding the open, transparent and predictable multilateral trading system (target 10 of SDG 17). It is also important, inter alia, to (i) ensure that any reform process is inclusive of lower-income countries through, inter alia, updating and modernizing special and differential treatment (SDG targets 10.A, 17.11 and 17.12); and (ii) provide meaningful market access opportunities that address tariff escalation and trade-distorting subsidies in agriculture.

6.4 Addressing challenges related to illegal wildlife trade and illegal unreported and unregulated fishing

While legal, sustainable, and traceable trade in wildlife can have great benefits in terms of conservation and sustainable development, illegal trade in wildlife undermines conservation efforts and has devastating economic, social and environmental impacts. Illegal wildlife trade is a big business, often run by international criminal networks that traffic wildlife and animal parts much like illegal drugs and arms. By its very nature, it is extremely difficult to obtain reliable figures for the volume and value of illegal wildlife trade. Data collected through the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) currently amounts to roughly 42,500 seizure records covering the period

Box III.D.4
Gender in bilateral and regional trade agreements

A number of regional trade agreements (RTAs), especially those negotiated in recent years, include provisions explicitly referring to gender or gender-related issues. These gender-related provisions are highly heterogeneous and differ in terms of their language, scope and location in the RTA and in their commitments. In most cases, gender provisions in RTAs aim to increase cooperation between the RTA partners to improve training and entrepreneurship or ensure gender equality in the workplace.

More extensive provisions on trade and gender have appeared in recent RTAs, including trade and gender sections or chapters. The trade and gender chapters in RTAs increase the visibility of gender issues within trade instruments, reflecting the views that trade policy can be used to foster gender equality and women's economic empowerment. Such chapters, however, still represent a small first step forward. They do not set specific gender-related goals or standards to comply with, do not require the harmonization of legislation on gender equality between the parties, and, for the most part, are not subject to dispute settlement under the agreement.

Other RTAs are conducting ex ante assessments of their potential impact on women and formulate the provisions of the agreement according to the results of the assessment, with a view to making trade agreements more gender responsive. In March 2018, negotiations started between Canada and the four members of Mercosur (Argentina, Brazil, Paraguay and Uruguay) for a possible FTA. Canada conducted a gender-based analysis called GBA+ to assess how the benefits and opportunities resulting from the FTA would be shared among different groups of women, men and non-binary people.[65] The GBA+ approach is to assess the likely impact of the FTA on women and other disadvantaged groups, then to formulate provisions that address the identified shortcomings. For example, findings from GBA+ reveals the presence of discrimination in the workplace in the form of gender wage gap; discrimination based on sexual orientation and gender identity; and gender-based harassment, bullying and violence. These shortcomings could be addressed through provisions in the Labour Chapter of the Agreement. As the FTA between Canada and MERCOSUR is under negotiation, the final text will be the result of the views and priorities of all negotiating parties.

2013-2018, involving about 1,900 species in various product formats, from live animals to medicinal products containing animal parts.[49] According to the World Bank, estimates for the value of illegal wildlife trade run between $5 billion and $23 billion per year.[50]

The serious nature of wildlife crime is well recognized and reflected in many documents adopted at the highest levels in many different forums. The SDGs specifically address tackling illegal trade in wildlife through specific targets under Goal 15, and the first ever United Nations General Assembly resolution adopted in 2015 on this issue calls for firm and strengthened national measures and an enhanced regional and global response.[51] The subsequent General Assembly resolution adopted in 2017 reinforces the focus on key areas in the fight against illicit trafficking in wildlife, and places strong emphasis on the role of CITES and the importance of implementing the decisions and resolutions adopted by its governing bodies.[52]

Regarding illegal, unreported and unregulated (IUU) fishing, this issue is addressed in the SDGs through targets under Goal 14. According to the Food and Agriculture Organization (FAO), about 33 per cent of fish stocks today have reached overfished status. Overfishing is the consequence of increasing commercial interest on targeted species and enlarged fishing capacity of contemporary fishing fleets. This is exacerbated by IUU fishing and harmful subsidies. IUU fishing across the world's oceans is estimated to catch about 11 million to 26 million tonnes of fish annually, with a value of $26 billion to $35 billion.[53] This suggests that in each 5 dollars of globally traded seafood, 1 dollar could be of illegal origin.

IUU fishing has detrimental impacts not only on global fisheries but also on marine biodiversity and ecosystems, in addition to its criminal, labour rights violations, and human rights abuse aspects.[54] In 2014, the General Assembly declared IUU fishing as one of the biggest threats to sustaining fish stocks globally.[55] IUU fishing causes significant losses of resources, income, jobs and livelihoods. As an example, estimates indicate that West Africa loses more than $1.3 billion a year due to IUU fishing.[56]

There are global regulatory tools such as the FAO International Plan of Action, the Global Record of Fishing Vessels, and the Agreement on Port State Measures to combat and deter IUU fishing.[57] Nevertheless, most developing countries, and particularly LDCs and small island developing States lack the capacities or the resources to set effective fish management systems and mechanisms to enforce anti-IUU tools and regulations. The most sensible action is to transfer resources from harmful fisheries subsidies to management activities. According to the World Bank, investing in fish stocks management will increase global gains by $83 billion.[58] In June 2019, three United Nations agencies—FAO, UNCTAD and the United Nations Environment Programme—proposed an Inter-Agency Plan of Action to support the implementation of several SDG 14 targets, such as 14.4 (restoring fish stock through regulating overfishing and IUU fishing) and 14.6 (eliminating fisheries subsidies contributing to IUU fishing), in selected developing countries over the next 5 years.[59] An essential requirement for an effective management of fish resources is the timely acquisition of information on stocks and catches and the exchange of such information between stakeholders. The United Nations Economic Commission for Europe, through its United Nations Centre for Trade Facilitation and e-Business (UN/CEFACT), has developed a global data exchange standard, which helps improve fisheries information management, thus contributing to the prevention of overfishing and the collapse of global fish stocks.[60] A prohibition on subsidies to IUU fishing is also being discussed in the context of WTO Fisheries Subsidies negotiations.

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14 The product concentration index shows to which degree exports and imports of individual economies or of groups of economies are concentrated on a few products rather than being distributed in a more homogeneous manner among several products. The diversification index indicates to what extent the structure of exports or imports by product of a given economy or group of economies differs from the world pattern (UNCTADStats on Product Concentration and Diversification Indices).

15 The ITC NTM Business surveys series covers already 75 countries across the World, for more information, see https://ntmsurvey.intracen.org/home.

16 Find out more and get in touch: www.standardsfacility.org / STDFSecretariat@wto.org.

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