Financing for Sustainable Development Report 2021

Inter-agency Task Force on Financing for Development

United Nations

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) provides additional data and analysis on 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.

Inquiries about the Task Force or its report and online annex can be sent to:

Financing for Sustainable Development Office
Department of Economic and Social Affairs
2 United Nations Plaza (DC2-2170)
New York, N.Y. 10017
United States of America
+1-212-963-4598

developmentfinance@un.org

http://developmentfinance.un.org

Federal Ministry
for Economic Cooperation
and Development

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 2021.* (New York: United Nations, 2021), available from: https://developmentfinance.un.org/fsdr2021.

United Nations publication

Sales No. E.21.I.6
ISBN: 978-92-1-101442-6

International trade as an engine for development

Chapter III.D

International trade as an engine for development

1. Key messages and recommendations

The COVID-19 crisis temporarily put the brakes on the contribution of trade to the Sustainable Development Goals, such as poverty alleviation, food security, and decent jobs. The unprecedented fall in tourism, for instance, drastically reduced external earnings of many developing countries, in particular small island developing States (SIDS) and least developed countries (LDCs). The impact of the drop in tourism is particularly severe on those with precarious jobs such as women, youth and migrant workers. With regard to LDCs, it is unlikely that the Sustainable Development Goal (SDG) target 17.11 was met (i.e., doubling their share in world exports by 2020). The crisis also highlighted the vulnerability of landlocked developing countries (LLDCs) due to their dependence on their transit neighbours.

Reigniting global trade is indispensable for achieving an inclusive and sustainable recovery from the COVID-19 crisis. Global trade was a major transmitter of demand and supply shocks across the globe. But the crisis also highlighted the fundamental importance of trade in making essential goods and services available to people in need. Trade remains a source of income, jobs and opportunities for women and men, and an important source of public revenue in many developing countries.

Life-saving vaccines and medical supplies still bypass many countries. Only a tiny fraction of vaccines and other medical supplies to fight the pandemic have reached LDCs and other low-income countries. COVID-19 vaccine production can be extended by localizing more production in developing countries. Different multilateral initiatives are also pursuing voluntarily sharing vaccine-related intellectual property rights and knowledge.

- *The international community should continue efforts to keep markets open to ensure equitable flows of essential goods and services in times of crisis;*
- *The international community must reject vaccine nationalism and protectionism, and meaningfully improve access for all countries to COVID-19 vaccines, including through facilitating technology transfer within the framework of multilateral rules, so as to encourage research and innovation while at the same time allowing licensing agreements that help scale up manufacturing.*

The multilateral trading system helped maintain transparency on trade measures during the COVID-19 crisis. The multilateral trading system could not prevent the initial proliferation of temporary protectionist measures such as export restrictions on essential medical supplies. However, the system supported a steady shift from the use of trade-restrictive measures in the early stage of the pandemic to the use of trade-facilitating measures, such as temporary elimination of import tariffs on essential supplies, in the latter half of 2020.

- *Countries are encouraged to fully meet their transparency obligations on trade measures taken to fight the pandemic and its socioeconomic impacts and ensure that these measures are consistent with their World Trade Organization (WTO) commitments.*

Still, the COVID-19 crisis prompts us to review the multilateral trading system, regional trade and investment agreements, and trade policy through the lens of an inclusive and sustainable recovery. The existing multilateral and regional trade agreements can be transformed to help countries pursue trade-led economic recovery in a manner that leaves no one behind.

- *Reforms are urgently needed to make the multilateral trading system responsive to sustainable development priorities. This calls for addressing, inter alia, the functioning of the dispute settlement system and reaching agreements on key issues under negotiation, such as fisheries subsidies;*

- *Multilateral and regional trade agreements and international investment agreements can be continually modernized with a view to enhancing their contribution to sustainable development, including public health, climate change, circular economy, decent jobs, and gender empowerment, particularly in times of crisis.*

Making trade more inclusive also requires addressing trade finance gaps that disproportionally affect small businesses and countries not fully integrated into global supply chains or the international financial system.

- *Facilitating a rapid transition to paperless trading can help reduce costs of transactions while streamlining trade finance verification process;*
- *Increasing coordination between multilateral development banks and the private sector can help fill trade financing needs, particularly those of small businesses in developing countries.*

The digital divide within and across countries persists. Rapid progress of digital technologies and e-commerce has become an effective tool for economic recovery. But the digital divide prevents equitable sharing of benefits from the digital economy and e-commerce. In addition, digital trade platforms have raised concerns about anti-competitive practices by dominant market players, as well as vulnerabilities of consumers to unfair and fraudulent business practices.

- *Governments and development partners should increase investment in infrastructure and technology and knowledge transfer to eliminate the digital divide;*
- *International and regional cooperation is essential for redressing cross-border anti-competitive practices and in combating fraudulent and deceptive cross-border commercial practices.*

This chapter starts by reviewing trends in world trade amid the COVID-19 crisis. It then examines the trade measures that affect the distribution of vaccines and other medical supplies. The following sections consider recent trade negotiations at the multilateral and regional levels; measures to facilitate trade and mitigate trade finance gaps; and ways to mainstream sustainable development in international trade, including by addressing the risks of anti-competitive practices of dominant digital platforms.

2. Developments in international trade

2.1 Trends in world trade

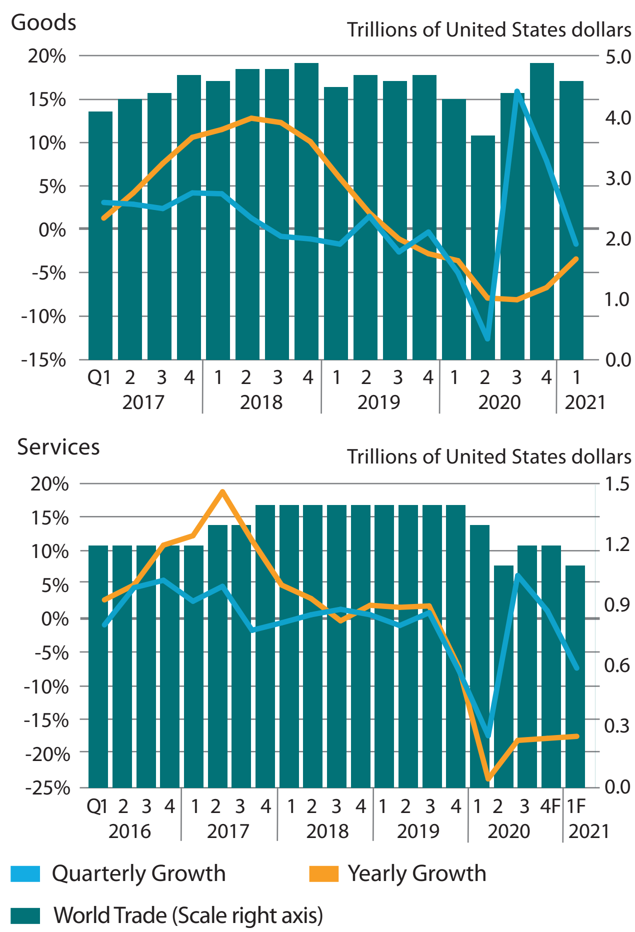
The COVID-19 pandemic brought great disruption to international trade in 2020. World trade in 2020 contracted by about 9 per cent from the previous year, with trade in goods declining by 6 per cent and trade in services declining by 16.5 per cent.[1] Following a significant fall in the first half of 2020, trade rebounded strongly in the third quarter, thanks largely to recovery in trade in goods. Trade in services continues to lag substantially below average (figure III.D.1).

Developing regions except East Asia have faced large and prolonged trade shocks under the COVID-19 pandemic. All regions experienced declines in both exports and imports during the first three quarters, with deep declines in the second quarter followed by sharp but incomplete recoveries in the third quarter (table III.D.1). West Asia/North Africa and South Asia have experienced export declines of over 40 per cent compared to the previous year in the second quarter. Trade among developing countries (South-South trade) also declined, but at a less pronounced magnitude. Impact on LDCs, both in terms of exports and imports, appears to be less pronounced than on other developing countries.

The COVID-19 crisis has highlighted the vulnerability of the landlocked developing countries due to their dependence on their transit neighbours. The introduction of cross-border restrictions aimed at combating the spread of COVID-19 by neighbouring transit countries affected the smooth flow of imported essential goods and services to LLDCs, including medical and pharmaceutical products and food. This highlights the importance for LLDCs and their transit neighbours to enhance cross-border collaboration by ensuring coordinated interventions between national border agencies during COVID-19.

The energy sectors, such as oil, gas, coal and other petroleum products, experienced the largest trade fall. These sectors experienced a drop of more than 35 per cent for January to September compared to the previous year (figure III.D.2). Steep declines in trade were also

Figure III.D.1
Global trade trends and short-term forecasts



Source: UNCTAD, Global Trade update (February 2021). Quarterly growth is the quarter-over-quarter growth rate of seasonally adjusted values. Yearly growth is the average growth rate of last 4 quarters. Figures for Q4 2020 are preliminary. Q1 2021 is a forecast.

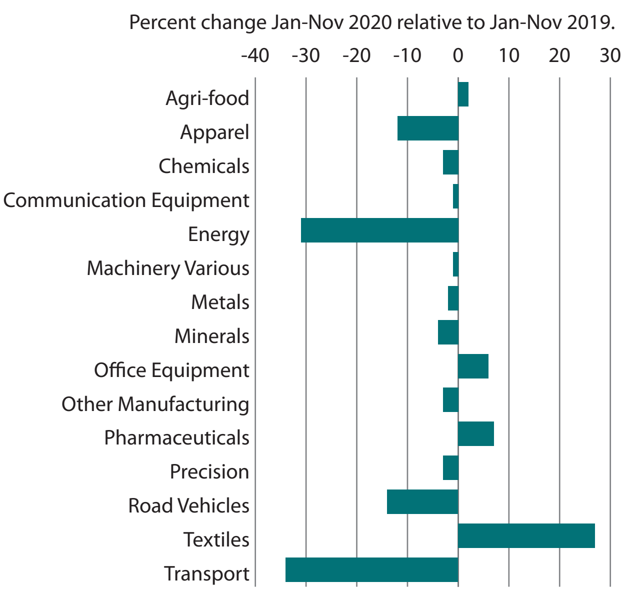
Table III.D.1
Changes in exports and imports in developed countries and developing regions, * 2020

	Q1 2020		Q2 2020		Q3 2020		Q4 2020	
	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports
World	-6		-21		-5		3	
South-South	-4		-17		-3		7	
Developed countries	-5	-6	-24	-22	-9	-5	-1	1
Developing regions:								
East Asia	-8	-1	-6	-12	6	0	13	10
Transition economies	-13	-3	-29	-20	-21	-5	-14	0
Latin America	-4	-6	-27	-31	-8	-17	3	-1
West Asia & North Africa	-9	-2	-42	-25	-21	-8	-18	-1
South Asia	-16	-10	-40	-48	-7	-18	7	-3
Sub-Saharan Africa	8	1	-28	-24	-9	-5	-4	3
LDCs	8	2	-18	-19	-2	-4	2	1

Source: UNCTAD, Key Statistics and Trends in International Trade 2020. UNCTAD calculations are based on national statistics. Changes are year over year. Data exclude intra-EU trade. Q3 statistics are preliminary.

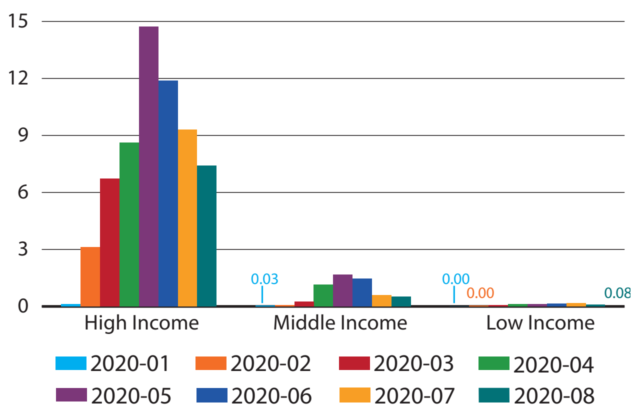
* Categorization of developing regions is based on the United Nations Standard Country or Area Codes for Statistical Use (M49).

Figure III.D.2
Changes in trade, by sectors
(Percentage)



Source: UNCTAD, Key Statistics and Trends in International Trade 2020.
Note: UNCTAD estimates based on national statistics. Changes are estimated from HS6 digits data of China, European Union, and United States. Data excludes intra-EU trade.

Figure III.D.3
Average year-on-year change in per-capita imports of medical supplies related to COVID-19
(Additional per-capita imports in USD)



Source: UNCTAD Global Trade Update.
Note: Estimates based on national statistics of China, the European Union and the United States. Categorization of high-, middle- and low-income countries corresponds to the World Bank definitions.

observed in the automotive sector, the apparel sector, and the metals and ores sectors.

Trade in essential medical supplies bounced back in the second quarter of 2020, but supplies were mostly absorbed by wealthier countries. In May 2020, exports of essential medical supplies from China, the United States of America and the European Union, representing about two thirds of world exports of these products, increased by over 70 per cent from the previous year to reach $46 billion per month.[2] However, only a tiny fraction of such medical supplies have reached low-income countries (figure III.D.3). Between April and August 2020, each citizen of a high-income country received, on average, an additional $10 per month in medical supplies. The number was about $1 per person in middle-income countries, and was a mere $0.10 in low-income countries.[3]

The massive fall in international trade in goods negatively affected the price of commodities. The decline of the UNCTAD Commodity Price Index in 2020 in the second quarter of 2020 was comparable to the declines experienced in 2015 and 2016 (figure III.D.4). When fuels are excluded, year-on-year changes are much more muted.

The crisis may have accelerated the reconfiguration of global value chains in favour of shorter and more flexible supply chains. Companies are expected to increasingly favour resilience over efficiency (characterized by small inventories and just-in-time delivery) and thus diversify their suppliers and shorten their supply chains.[4] This may affect the export interest of developing countries over time.

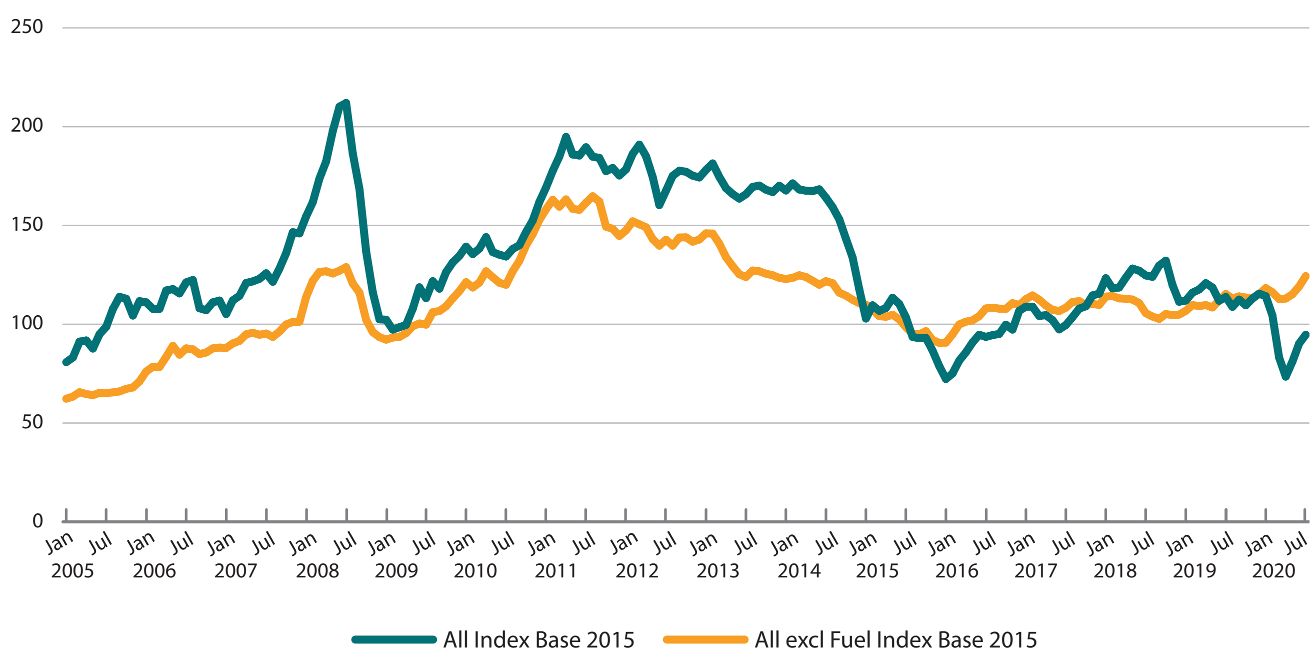
The unprecedented fall in tourism drastically reduced external earnings of SIDS and LDCs. Tourism has been a major component of services exports of many developing countries. International tourist arrivals were down by 700 million, or 70 per cent, in the first eight months of 2020 compared to the same period in 2019. This translates into a staggering estimated loss of $1.1 trillion in export revenues from international tourism in 2020.[5] SIDS, where tourism accounts for up to 80 per cent of total export revenues, were particularly affected.[6] Loss in tourism has a knock-on effect on other economic sectors that supply the goods and services travellers seek while on vacation, such as food, beverages and entertainment. It is estimated that for every $1 million lost in international tourism revenue, a country's national income could decline by $2 million to $3 million.[7] According to this estimate, employment of unskilled workers in the worst-affected countries, such as Thailand and Jamaica, could be reduced by about 25 per cent if two thirds of inbound tourism expenditure is eliminated.[8] The impact of loss in tourism is particularly severe on women, who account for a significant share of unskilled employment in tourism-related sectors (see section 6.2).

2.2 The progress of LDCs in meeting the trade-related SDG target 17.11

Meeting SDG target 17.11—doubling the LDC share of global exports by 2020—would imply bringing the LDC share of merchandise exports to about 2 per cent of world trade. This target is unlikely to be achieved given that the LDC share in 2019 remained at 1 per cent, as in the past several years (figure III.D.5.a). The share of exports of developing countries has remained at about 45 per cent. As regards trade in services, both LDCs and developing countries have increased their share over the last 20 years. In 2019, the LDC share in world services exports stood at 0.8 per cent compared to 30 per cent for developing countries (figure III.D.5.b).

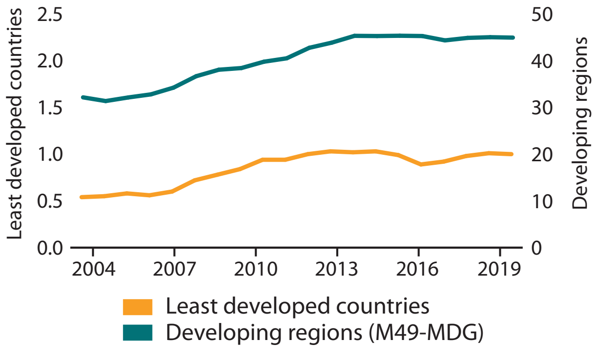
The new SDG Trade Monitor portal deepens the understanding of the linkages between trade and the SDGs.[9] Launched on World Statistics Day (20 October 2020) jointly by the International Trade Center

Figure III.D.4
UNCTAD Commodity Price Index
(2015 = 100)



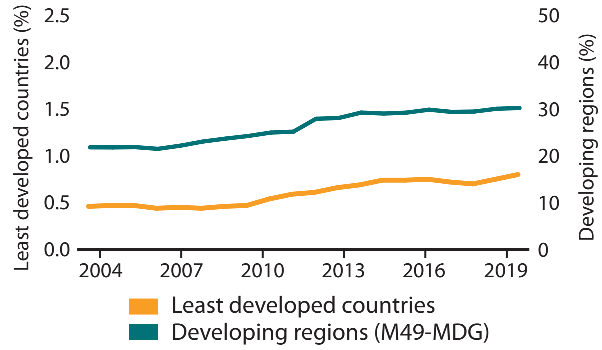
Source: UNCTAD (2020a).

Figure III.D.5.a
Share of exports of LDCs and Developing Countries in World Merchandise Exports
(2000 -2019, %)



Source: ITC/UNCTAD/WTO.

Figure III.D.5.b
Share of exports of LDCs and Developing Countries in World Services Exports
(2000 -2019, %)



Source: ITC/UNCTAD/WTO.

(ITC), the United Nations Conference on Trade and Development (UNCTAD) and the WTO, the SDG Trade Monitor allows users to access and download the up-to-date statistical information on six trade-related SDG indicators and other complementary indicators.

2.3 Trade-restrictive and trade-facilitating measures under the COVID-19 era

Trade tensions and uncertainty significantly affected trade prospects from 2017 to 2019, but the situation slightly improved in 2020. WTO members and observers introduced the lowest number of regular (i.e., those unrelated to the COVID-19 pandemic) trade-restrictive and trade-facilitating measures since 2012. The trade coverage of the regular import-facilitating measures stood at $731 billion (up from $545 billion in the October 2018–October 2019 period), while that of import restrictions came in at $441 billion (down from $747 billion). The lower number of trade-restrictive measures was likely due to four factors: a sharp decline in overall global trade flows; the diversion of government attention towards fighting the pandemic; a relative standstill in major bilateral trade tensions; and a general commitment to keep trade flowing.

Most of the 335 COVID-19-related measures taken on goods since the outbreak of the pandemic were trade-facilitating and temporary. Although most measures in the early stages of the pandemic were trade restrictive, at mid-October 2020, 195 (58 per cent) of all measures taken in response to the pandemic were of a trade-facilitating nature. A total of 140 measures (42 per cent) could be considered trade restrictive.

Export restrictions targeting products such as surgical masks, gloves, medicines and disinfectant were gradually phased out after their introduction in the early stages of the pandemic. About 39 per cent of the COVID-19 trade-restrictive measures implemented by WTO members and observers had been repealed by mid-October. By then, about 18 per cent of COVID-19 trade-facilitating measures had also been eliminated. The trade coverage of COVID-19 related trade-facilitating measures implemented since the beginning of the pandemic was estimated at $227 billion, while that of the COVID-19 trade-restrictive measures stood at $180 billion.

Members adopted 124 measures affecting trade in services in response to the pandemic. While most of these measures appear to be trade facilitating, some of the measures adopted also appear to be trade restrictive, including measures tightening foreign investment regimes. Measures adopted relate to telecommunications services, e-commerce services, and services supplied online, including bans on certain communication apps, as well as different types of taxation measures. Various Governments have also introduced new measures limiting foreign investment in areas considered strategic or linked to national security.

Transparency about trade-restrictive and trade-facilitating measures is key, but compliance with regular notification requirements of the various WTO agreements remains very uneven. Although there have been significant efforts by some delegations to bring their notifications further up to date, progress is slow. The lack of compliance with notification obligations across WTO bodies is problematic, as it undermines individual agreements and, more generally, the operation of the multilateral trading system.

The international community calls on Governments to minimize COVID-19 emergency trade restrictions, which can disproportionately harm LLDCs. In June 2020, heads of the United Nations Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States (UN-OHRLLS), UNCTAD, Economic Commission for Africa (ECA), Economic Commission for Europe (ECE), Economic Commission for Latin America and the Caribbean (ECLAC) and Economic and Social Commission for Asia and the Pacific (ESCAP) called on Governments to refrain from any unjustified restraints on traffic and goods in transit in order to ensure that goods, medical equipment and basic goods and commodities, can depart from and reach the LLDCs when needed, without delay or hindrance. UN-OHRLLS and the World Customs Organization issued a joint statement calling on LLDCs and their transit neighbours to enhance cross-border collaboration by ensuring coordinated interventions between national border agencies during COVID-19. Heads of WTO and the Food and Agriculture Organization (FAO) also issued a joint statement calling on Governments to minimize the impact of COVID-19-related border restrictions on trade in food.

2.4 Intellectual property rights and the response to the COVID-19 pandemic

As new COVID-19 vaccines start receiving regulatory authorization, questions have been raised as to whether Trade-Related Aspects of Intellectual Property (TRIPS) flexibilities are sufficient to ensure adequate and timely supply of COVID-19 vaccines to all countries. India and South Africa have initiated a discussion for a waiver from certain provisions of the TRIPS Agreement. The waiver, if granted, would allow countries not to protect and enforce certain intellectual property (IP) rights in relation to the prevention, containment or treatment of COVID-19 until extensive vaccination is in place globally and most of the world's population has developed immunity.[10]

Private-sector partnerships for the deployment of new technologies have facilitated the production of vaccines worldwide. AstraZeneca has granted licenses to vaccine manufacturers in developing countries, including Brazil and India, on a no-profit basis to produce its vaccine when it receives regulatory approval.[11] The pharmaceutical industry is reportedly engaged in various collaborations via, inter alia, sharing their compound libraries, processes or technologies, and partnering with public and private research organizations. In such collaborations, the industry negotiates terms of cross-licensing and sharing of IP rights, data and other inputs on a commercial and collaborative basis, but without necessarily disclosing the terms of these licenses. Yet, although developed countries are extensively engaged in funding private sector initiatives, the funding conditions often bypass issues related to sharing IP rights for the benefit of facilitating access to COVID-19 vaccines and other treatments.[12]

Initiatives at the multilateral level call for voluntary sharing of IP rights, data and knowledge in the fight against the COVID-19 pandemic.[13] The WHO has launched a COVID-19 patent pool as a repository for IP rights to support collaborative research and manufacturing to facilitate the development, production and supply of COVID-19 vaccines, treatments and tests.[14] The United Nations Technology Bank for LDCs has also initiated a technology sharing initiative to facilitate manufacturing of products necessary to combat COVID-19.[15] UNCTAD has developed guidelines and implemented capacity-building programmes on how to use the IP rights system to stimulate local production of pharmaceuticals.[16] The Medicines Patent Pool (MPP), which aims at enhancing voluntary licensing and patent pooling for improving access to life-saving medicines, has expanded its mandate in March 2020 to include the licensing of COVID-19 related health technology.[17] These initiatives remain at initial stage and it is not yet clear to what extent technology owners will participate in these initiatives.

National and regional IP offices have also taken initiatives to expedite or simplify their administration of the IP system, especially concerning patents and trademarks, and to provide practical support for firms seeking to develop products of potential benefit in combating the pandemic. Furthermore, transparency of legal and policy measures taken by WTO members is critical for information-sharing and policy responsiveness in a globally turbulent situation. Many are available through the WTO COVID-19 webpage[18] and the World Intellectual Property Organization (WIPO) COVID-19 IP Policy Tracker.[19] Lastly, a number of initiatives have addressed the voluntary sharing and pooling of IP rights, thus responding to the spirit of collaboration that is required for any global effort to tackle the COVID-19 pandemic.

Box III.D.1
The role of trade policies in ensuring adequate supply of vaccines, treatments and tests

The COVID-19 vaccine trade value chain intersects with trade-related policies and World Trade Organization (WTO) rules at multiple points, as such trade policies have an important role to play in ensuring adequate supplies of vaccines, treatments and tests in response to COVID-19. The WTO has produced a non-exhaustive checklist of trade-related policies that countries can use to foster dialogue and transparency and to encourage timely and safe development and delivery of COVID-19 vaccines. This checklist combines the issues of trade facilitation and intellectual property (IP) rules to help countries navigate and streamline the process of vaccine discovery and approval all the way to domestic delivery. The policies run along all stages of vaccine creation and delivery, including development; domestic approval in both manufacturing and importing countries; international distribution and border clearance; and domestic distribution. For example, in the initial stages, countries that develop vaccines should ensure that policies and regulations promote an effective and timely cross-border exchange of scientific information, data and physical samples. Existing IP frameworks should also incentivize development and support IP sharing. In vaccine manufacturing, countries can consider how components, inputs and raw materials can be expedited through streamlined export, import and transit controls as well as technology transfer and increased local production capacity. Likewise, it is important to have a comprehensive understanding of domestic and export market IP rights. Importing countries stand to gain by exploring means of fast-tracking domestic approval schemes—for example, by accepting domestic approval of producing countries or World Health Organization decisions, including vaccine pre-qualification.

Source: WTO

3. Progress on multilateral trade negotiations and WTO reform

The pandemic and its impact only compound the challenges that the multilateral trading system is facing. The pandemic has come on the heels of two years of increased trade tensions and uncertainty as Governments around the world introduced an unprecedented number of trade restrictions. While the WTO remains highly relevant to the operation of the global economy, with over 80 per cent of world trade conducted under its terms, some of its rules need to be updated to be a better fit for the modern digital economy. Without reform to the multilateral trading system, the international trade landscape could become more fragmented and polarized in the coming decades, to the detriment of small and poorer countries in particular.[20]

Over the course of the pandemic, WTO members have emphasized the critical importance of international cooperation and coordination to meet current challenges and the importance of open and predictable markets to foster a strong and inclusive recovery for all countries. They have also highlighted the adaptability in the multilateral trading system as crucial for the response to COVID-19. The tasks ahead are to ensure that trade contributes to making the COVID-19 response more effective, and that the trading system emerges from the crisis stronger and better equipped to respond to the aspirations of all countries.

Concluding the fisheries subsidies negotiations remains a priority for WTO members, not only to comply with the mandate in SDG target 14.6, but also as a test case for the credibility of the WTO negotiating function. Despite the challenges brought on by the COVID-19 crisis, the negotiations have been able to move forward significantly, although the deadline of 2020 was missed. Members aim to build on the momentum achieved in 2020 to forge an agreement early in 2021.

WTO members also continue to give high priority to the agriculture negotiations. Agricultural trade reform is more critical than ever, particularly in a COVID-19 environment. An outcome on trade distorting agricultural support remains a key priority for the WTO Twelfth Ministerial Conference (MC12) and is critical to safeguarding global food security. Members also started discussing the possible adoption by the WTO General Council of a decision on exempting foodstuffs purchased by the World Food Programme from export restrictions.

Effective special and differential treatment (SDT) for developing countries remains a fundamental pillar of any outcome that may be achieved at MC12. Some developing-country members remain disappointed at the reluctance by some other members to engage in a constructive discussion on SDT, especially given that the COVID-19 pandemic has exposed the vulnerabilities of developing countries from a health, economic and social perspective.

Progress has also been made in the Joint Statement Initiatives (JSIs) which have been launched by like-minded groups of WTO members to advance discussions on certain topics, such as investment facilitation, e-commerce, domestic regulation, and micro, small and medium-sized enterprises (MSMEs). Participants in these JSIs are currently working on concrete outcomes for MC12.

In the area of trade and women's economic empowerment, a decision has been taken to establish a WTO informal working group. The informal working group's objectives are to (i) continue to share best practices among members on increasing women's participation in trade; (ii) consider and clarify what "gender lens" is in the context of international trade; (iii) review how gender could be applied to the work of the WTO; (iv) review and discuss gender-related analytical work produced by the WTO secretariat; and (v) explore how best to support delivery of the WTO Aid for Trade Work Programme.

In the area of WTO reform, members are encouraged to see a growing international realization that fundamental WTO reform is both necessary and feasible. This reform must find solutions to the pressing problems faced by the multilateral trading system through improvements in the negotiating function of the WTO. It should also address both the functioning of the dispute settlement system, so that it regains its effectiveness, and the defects in its governance structure. Every Government of every WTO member that has the capacity to do so must consider how to improve on the WTO.

The response to the pandemic—both by the WTO secretariat and members—has been strong in terms of providing information to increase transparency. However, to date, the substantive collective response, in terms of determining what measures are needed to spur trade and to curb trade restrictions, has been weaker.

Despite what has been termed as fundamental "geostrategic tensions" between the major economies that may make finding agreements difficult, there are areas of common ground. These include, notably, general agreement that

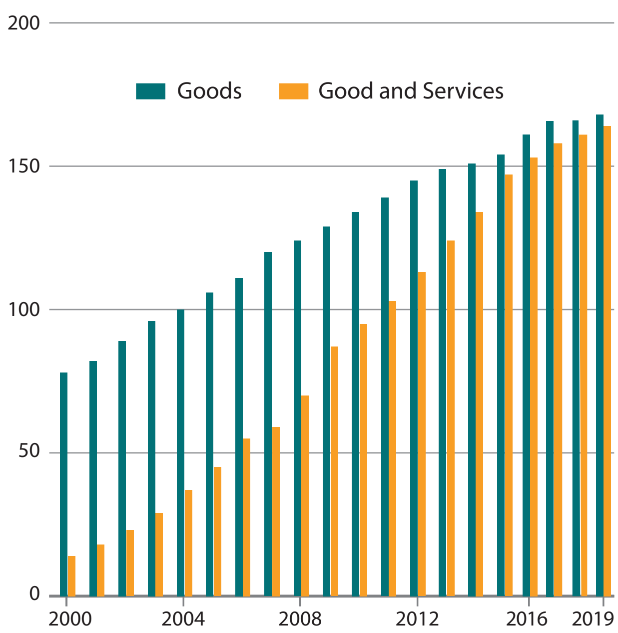
- Trade should facilitate access to essential goods and services to combat the pandemic;
- Trade policy should become a means to spur a global economic recovery and build back better;
- Trade should play its part in dealing with climate change.

4. Regional trade and investment agreements

4.1 Regional trade agreements

The international trading system is regulated by an increasing number of regional trade agreements (RTAs). The number of RTAs in force has almost doubled from less than 150 in 2005 to more than 300 in 2019 (figure III.D.6). In recent years, about half of all RTAs aim at so-called deeper integration—that is, those with trade rules going beyon d traditional tariffs and existing WTO agreements—to cover behind-the-border regulatory measures.[21]

Figure III.D.6
Regional trade agreements in force, 2000-2019



Source: UNCTAD, Key Statistics and Trends in International Trade 2020.
Note: UNCTAD secretariat calculations based on WTO RTAIS data and COMTRADE data.

Box III.D.2
Global Initiative on Model Provisions for Trade in Times of Crisis and Pandemic in Regional and other Trade Agreements: emerging recommendations

The ad hoc use of trade measures to counter the COVID-19 crisis in 2020 suggests that regional trade agreements played little role in minimizing trade disruptions in crisis situations. In an effort to better prepare for possible future crises, the United Nations Economic and Social Commission for Asia and the Pacific, together with the United Nations Conference on Trade and Development and the other United Nations Regional Commissions, and in collaboration with the World Trade Organization and other organizations, launched the Global Initiative on Model Provisions for Trade in Times of Crisis and Pandemic in Regional and other Trade Agreements in June 2020.

The Initiative organized a Policy Hackathon in July 2020, which collected substantive and innovative ideas from trade experts from government, academia, international organizations and civil society on possible provisions in regional trade agreements that could complement national trade policies during and after a crisis.

Key recommendations that emerged from the Global Initiative include the following:

(a) Regional and other trade agreements are encouraged to have provisions addressing trade measures in emergency or crisis situations. This can be achieved either by revising or extending existing provisions, or by creating a separate chapter on trade in times of crisis/emergencies and with clear but flexible definitions of "emergency situation" and "essential supplies," building upon existing international instruments whenever possible;

(b) Transparency and information-sharing are fundamental. It is recommended to raise transparency obligations under trade agreements, including publishing trade measures that have been taken during emergencies and information concerning the crisis situation;

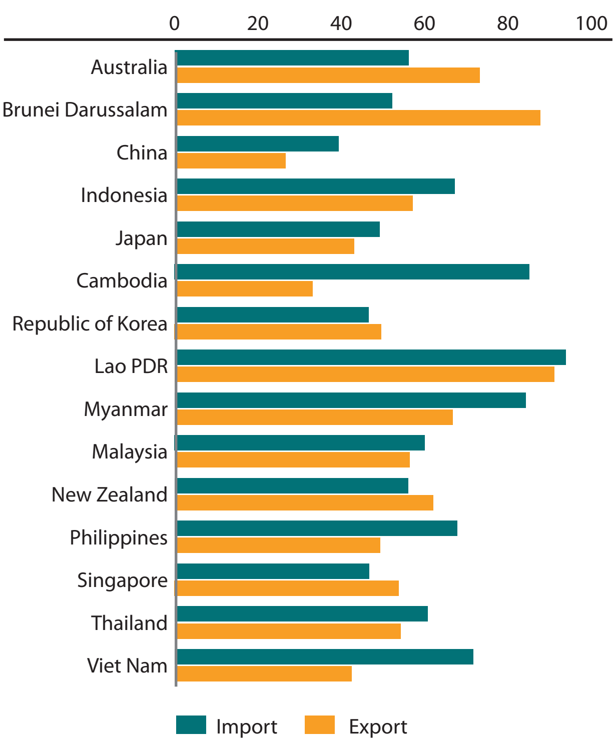
(c) Digitalization of trade procedures should be promoted;

(d) Crisis management needs sustainable development as the core objective. As such, making trade agreement provisions more inclusive, by addressing issues such as trade and climate change, gender empowerment in trade, and labour rights, is recommended.

All the ideas collected during the Policy Hackathon and discussed during the Initiative's webinar series are available in an online repository.[62]

Source: UN ESCAP.

Figure III.D.7
Share of intra-RCEP trade, by country



Source: UNCTAD, Key Statistics and Trends in International Trade 2020.
Note: UNCTAD calculations based on UNSD COMTRADE data.

More than 50 per cent of world trade in 2019 received most-favoured nation (MFN) tariffs agreed at the WTO. A large part of the remaining trade took place among countries that provide reciprocal preferential market access to each other (e.g., RTAs or bilateral trade agreements). In addition, about 7 per cent of world trade received unilateral (i.e., non-reciprocal) preferences such as the Generalized System of Preferences for developing countries and those provided specifically to LDCs.

The signing of the Regional Comprehensive Economic Partnership (RCEP) in November 2020 demonstrates a new impetus for deeper regional integration in Asia and the Pacific.[22] The RCEP as a group represents about 30 per cent of 2019 global gross domestic product (GDP). Its fifteen members include countries with the second and third largest GDP in the world (China and Japan) as well as LDCs (Cambodia, Lao People's Democratic Republic and Myanmar). It includes a landlocked country (Lao People's Democratic Republic) with all its transit neighbours. Intra-RCEP merchandise trade was close to $2.5 trillion in 2019, or about 13 per cent of global trade.[23] On average, the share of intra-RCEP merchandise trade accounts for about 40 per cent of the RCEP members' total trade (figure III.D.7). The share is particularly high for the imports of LDC members from the region (Cambodia, Lao People's Democratic Republic and Myanmar). One characteristic of intra-RCEP trade is that it has been driven by the growth of regional value chains, particularly communication equipment. Trade in intermediate inputs to communication equipment in 2019 (over $550 billion) claimed more than a quarter of intra-RCEP trade in the manufacturing sectors for the year.

The African Continental Free Trade Agreement (AfCFTA) is another prominent example of regional integration under way. The agreement aims at removing tariffs on 97 per cent of imported goods over a period of between 5 and 15 years. It also aims at reducing non-tariff barriers and at fostering standards harmonization, customs cooperation, and trade facilitation. Empirical analysis estimated that the continent's GDP could increase from $28 billion (low liberalization scenario) up to $44 billion (high liberalization scenario) after full AfCFTA implementation in 2040, compared to a baseline without tariff liberalization.[24] Although the COVID-19 crisis caused a delay, the start of trading under the AfCFTA officially started in January 2021, marking an important milestone for the continent.

4.2 International investment agreements

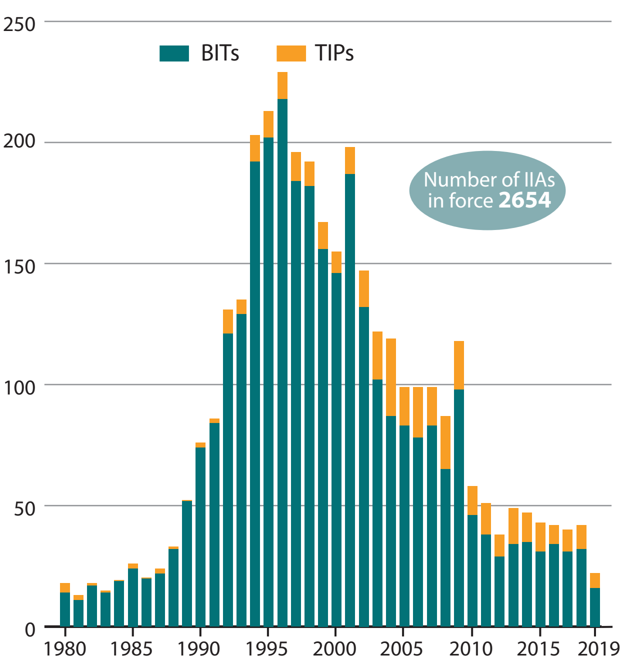
The year 2019 saw the lowest number of new international investment agreements (IIAs) in the past three decades. A total of 22 new IIAs were signed in 2019, of which 16 were bilateral investment treaties (BITs) and 6 were treaties with investment provisions (TIPs). At the same time, at least 34 IIAs were terminated—22 were unilaterally terminated, 6 were terminated by consent, 4 were replacements, and 2 expired. For the second time since 2017, the number of IIA terminations in a year exceeded the number of treaty conclusions. With 12 IIAs entered into force in 2019, there were a total of 2,654 IIAs in force at year-end 2019 (figure III.D.8).

As observed in recent years, the inclusion of specific "modernized" provisions with reform-oriented clauses continues to rise in new IIAs.[25] Such provisions aim at, inter alia, safeguarding States' policy space (e.g., with general exceptions for the protection of human health); the conservation of exhaustible natural resources; or limiting treaty scope (e.g., by excluding certain types of assets from the definition of investment).[26] A large number of new IIAs also included provisions relating to the promotion of sustainable development via, among others, making a reference in the preamble to the protection of health and safety, labour rights, and environment or sustainable development, and including provisions for the promotion of corporate and social responsibility.[27]

The number of new investor-State dispute settlement (ISDS) cases remained high, although below the average of the past five years. In 2019, investors initiated 55 publicly known ISDS cases pursuant to IIAs (figure III.D.9), the lowest number in the preceding five years. As some arbitrations can be kept confidential, the actual number of disputes filed in 2019 and previous years is likely to be higher. As investor–State arbitration remains at the core of broader IIA reform actions, countries continued to implement many ISDS reform elements in IIAs signed in 2019, using four principal reform approaches: (i) no ISDS; (ii) a standing ISDS tribunal; (iii) limited ISDS; and (iv) improved ISDS procedures.[28] The most recent data cover 1,061 treaty-based ISDS cases, scattered among different arbitration forums as of 31 July 2020.

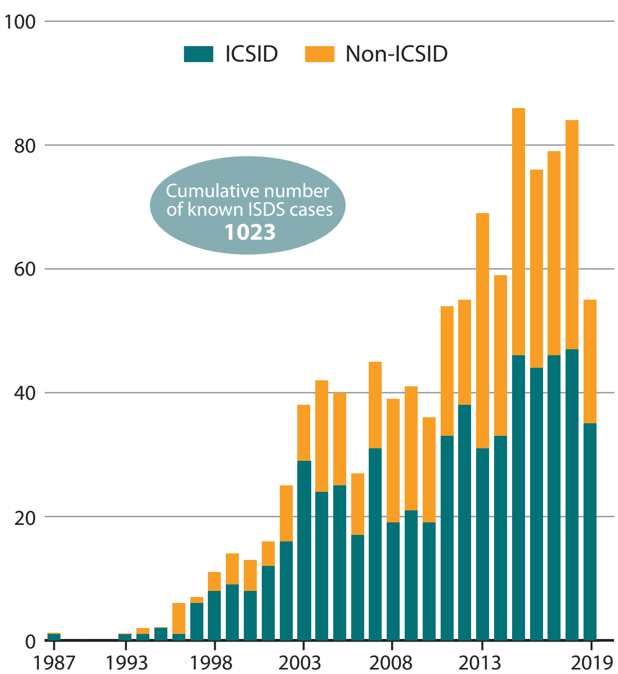
Emergency measures to tackle the COVID-19 crisis—such as lockdowns and travel bans—could expose Governments to legal disputes and litigation. Foreign investors may seek to recover compensation through a range of legal tools, including arbitration under the 2,600

Figure III.D.8
Number of IIAs signed, 1980-2019
(Annual number of IIAs)



Source: UNCTAD, IIA Navigator.
Note: This includes treaties (i) unilaterally denounced, (ii) terminated by consent, (iii) replaced by a new treaty and (iv) expired automatically.

Figure III.D.9
Trends in known treaty-based ISDS cases, 1987-2019
(Annual number of cases)



Source: UNCTAD, ISDS Navigator.
Note: ICSID = International Centre for Settlement of Investment Disputes. Information has been compiled from public sources, including specialized reporting services. UNCTAD statistics do not cover investor–State cases that are based exclusively on investment contracts (State contracts) or national investment laws, or cases in which a party has signalled its intention to submit a claim to ISDS but has not commenced the arbitration. Annual and cumulative case numbers are continually adjusted as a result of verification processes and may not exactly match case numbers reported in previous years.

or so international investment treaties in force worldwide. This could put States at risk of being ordered to pay a large sum to individual investors at a time when they are trying to rebuild from the crisis.[29]

The COVID-19 pandemic is expected to slow down the pace of new IIAs. In 2020 to date, a number of negotiating rounds for BITs and TIPs have been cancelled or postponed due to the pandemic. The COVID-19 mitigation measures are also likely to result in a reassessment by States of the role of IIAs in national development. Indeed, certain policy responses by Governments to mitigate the negative economic impact of the pandemic, depending on the way they are implemented, could expose Governments to arbitration proceedings initiated by foreign investors under IIAs and/or investor-State contracts. This highlights the need to safeguard sufficient regulatory space in IIAs to protect public health and to minimize the risk of ISDS proceedings, while protecting and promoting international investment for development.[30]

5. Facilitating international trade

5.1 Trade finance gaps and instruments

Developments in trade finance in 2020 have been largely driven by the impact of the COVID-19 pandemic. The issue of trade finance has resurfaced acutely, twelve years after the great financial crisis. While the current crisis was not financial in origin, access to trade credit has become more difficult in many countries than ever before. Trade finance gaps were already high before the crisis, in the order of $1.5 trillion globally, with gaps being the highest in proportion of demand in LDCs. MSMEs are also particularly affected by trade finance gaps.

Flows of trade finance plummeted during the first semester of 2020 due to the fall in trade flows, operational difficulties processing trade finance documents, and the retrenchment of international banks from the most vulnerable countries. The situation has since eased somewhat on the main routes of trade, thanks to the effects of payment deferral and guarantee schemes from national Governments, export credit agencies, and public development banks.[31] The demand for trade—and hence for trade finance—picked up at the end of the second quarter of 2020, after the easing of lockdowns.[32]

With the health crisis lasting, banks had been expecting increased payment failures from counterparties, beyond sectors initially impacted by the lockdowns, such as airlines, tourism and, to some extent, the automotive sector. In many developing countries, sovereign risk had deteriorated along with the corporate risk, resulting in increased caution by international banks to engage in cross-border trade finance. Importers' banks in poor and even middle-income countries could not find counterparties for financing of many goods, ranging from energy commodities to consumer goods. Domestically, the high demand on large banks for lending also explains the greater reluctance to engage in cross-border trade operations. In view of recorded and expected losses, several large banks (albeit not all) either limited lending for cross-border trade, or withdrew altogether from certain market segments and regions, leaving additional gaps in financing that are still difficult to fill.[33]

The countries most affected by greater selectivity of lending are those not fully integrated into global supply chains or the international financial system. As in previous economic crises, trade finance shortages have been most acute in Africa, Latin America and the Caribbean, Central Europe and developing Asia. Multilateral development banks (MDBs) have also been reporting an increasing demand for support from middle-income countries for trade transactions that would typically be supported by the private sector, such as the importation of grain and of energy commodities in preparation for the upcoming winter.

Multilateral development banks have been filling some of the gaps left by a withdrawing financial system. Trade finance programmes from MDBs have been integral to these institutions' crisis response and have been in high demand: the European Bank for Reconstruction and Development doubled its maximum intervention limit for trade finance, from €1.5 billion to €3 billion; demand for International Finance Corporation trade finance facilities increased threefold since the start of the crisis; the Asian Development Bank increased the number of trade transactions supported by its trade finance facilitation programme by 50 per cent; the African Development Bank and African Export Import Bank implemented exceptional measures to support local banks in having their letters of credit endorsed internationally; and the Islamic Trade Finance Corporation has also been working through local financial institutions to support small and medium-sized enterprises (SMEs) across its membership. Requests for MDB facilities have come from over 80 countries, showing the global extent of the problem.

International support and cooperation are required to address shortages in trade finance that have emerged during the crisis. In July 2020, heads of the WTO and six MDBs issued a joint statement pledging greater coordination in providing support to trade finance markets for developing countries and small businesses. The WTO expert group on trade finance will support this greater coordination and monitor the evolution of trade finance gaps. The WTO, the International Chamber of Commerce and B20 Saudi Arabia also issued a joint statement in July 2020 to urge private and public sector actors to work together to address trade finance gaps, for instance, by enabling a rapid transition to paperless trading and addressing regulatory constraints that hinder trade finance. Guidance specific to trade finance for SMEs has also been released in 2020, which describes the main trade finance structures available to SME importers and exporters and can help them reduce their trade-related costs.[34]

The situation is expected to remain challenging for the months to come, well into 2021. A combination of increased commercial risk and deteriorated sovereign risk deters many private sector banks from expanding financing. Trade credit insurers also warn that potential losses and claims had been simply delayed in some cases, thanks to Government programmes. This explains why there has not yet been a significant increase in claims payments.

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 2018, the most recent year for which data are available, global disbursements of Aid for Trade reached $45.1 billion. This represents a yearly increase of $1.7 billion (3.8 per cent) compared to 2017, and $25.8 billion

Box III.D.3
Aid for Trade and the African Continental Free Trade Area

Aid for Trade can improve national capacity to implement the African Continental Free Trade Area (AfCFTA) and benefit from the trade agreement. Financial initiatives supporting the Agreement's implementation, such as the AFREXIMBANK AfCFTA Adjustment Facility, may be a consideration for Aid for Trade donors in supporting structural transformation and long-term competitiveness. Beyond investments in infrastructure, initiatives can focus on capabilities to develop, harmonize and meet AfCFTA standards, and to build affordable and sustainable conformity assessment capacity and service (accreditation, certification, testing and inspection). It can also support public-private dialogue that facilitates value addition within the region and positive spillovers to other sectors, by supporting national AfCFTA implementation committees and the inclusive implementation of national and regional strategies for value chain development and trade. To ensure inclusive benefits from AfCFTA, efforts must be made to increase Aid for Trade projects that specifically target small and medium-sized enterprises, women and youth. Similarly, there is little focus within Aid for Trade on digitalization: only 1 per cent of all funding provided under Aid for Trade is currently allocated to information and communications technology solutions.[63] Regional Aid for Trade towards the AfCFTA can offer a platform for these partnerships.

Source: ECA

(149.2 per cent) compared to the 2006 baseline recorded following the launch of the Aid for Trade initiative. Commitments have also been on a steady increase. Overall, global Aid for Trade disbursed in 2018 has amounted to $455.5 billion, with 27 per cent of the total going to LDCs ($122.2 billion).

5.3 Trade facilitation

Since the entry into force of the WTO Trade Facilitation Agreement (TFA) in 2017, 153 of 164 WTO members (93 per cent) have ratified the TFA. Significant progress has also been achieved in its implementation. An estimated 66.5 per cent of commitments are being implemented, based on members' notifications to the WTO Trade Facilitation Committee.

The crisis caused by the COVID 19 pandemic highlighted the important benefits gained from implementation of the provisions of the TFA. Countries that had established channels to make trade-related information available were able to help government officials and traders keep up with the new and frequently changing requirements. Streamlined border procedures and border agency cooperation minimized disruption to supply chains and the delivery of essential goods. Digitalization of procedures helped keep goods and duties flowing across borders despite lockdowns and restrictions. Trade facilitation portals can also help by providing access to trade procedures of priority products, including medical and pharmaceutical ones.

Prioritizing implementation of the TFA provisions will help countries to overcome the barriers they faced in dealing with the crisis. For example, this could help countries that are still in the process of implementing the TFA to be in a better position to expedite the rapid delivery of vaccines. A key starting point would be more effective coordination among border agencies, cooperation between transit countries and their landlocked neighbours, cooperation with private sector, and reaching out to donors to obtain the necessary assistance.

A wealth of resources to assist with TFA implementation are available through the WTO Trade Facilitation Agreement Facility (TFAF). The TFAF was created to help developing-country and LDC WTO members find the support they need to implement the provisions of the TFA. It is funded by WTO members on a voluntary basis. It provides this support by making information on development-partner assistance programmes available on its website, conducting matchmaking, and offering project preparation and project implementation grants. Moreover, the website also provides access to a wealth of COVID-19-related resources as well as information on international standards and case studies for each provision of the TFA.[35]

6. Mainstreaming sustainable development in international trade

During 2020, international trade acted as a transmitter across the globe of economic disruption that stemmed from national emergency economic measures. Yet, international trade also plays a key role in fostering sustainable economic recovery. This section addresses selected policy areas that are important for countries in balancing the trade-led economic recovery with the aspiration of inclusive and sustainable growth in accordance with the 2030 Agenda for Sustainable Development.

6.1 Competition policy and consumer protection policy in e-commerce

The pandemic has highlighted the importance of digital technologies in general—and e-commerce in particular—as tools for continuing economic activity during the crisis. In 2019, an estimated 1.5 billion people—which accounts for 27 per cent of the world's population over 15 years old—shopped online. This represented a 7 per cent increase over 2018.[36] E-commerce has continued to grow—and rapidly—amid the crisis as more consumers moved to shopping online. This calls for the immediate elimination of the digital divide across countries as well as within a country, with specific considerations to women, youth and other marginalized segments within economy (see chapter III.G).[37]

Today's digital platforms can be highly non-competitive. Most digital solutions being used for e-commerce, teleworking, social media, or cloud solutions are provided by a small number of very large companies, based mainly in China and the United States. These companies have seen significant growth of their market valuations in the face of increased demand under the COVID-19 pandemic. Meanwhile, the increased market dominance of a handful of global digital players is accentuating concerns about the distribution of the values arising from the digital platforms, as well as about how to adequately protect online consumers and how to ensure fair competition in the digital economy.[38]

Market concentration is likely to increase in the COVID-19 "new normal".[39] On the one hand, smaller firms with fewer financial reserves have received disproportional damage from lockdown and other emergency measures. On the other hand, there has been a significant rise in the magnitude of surplus profits, mostly driven by top corporations. SMEs or start-ups may become attractive targets of mergers and acquisitions by dominant firms, especially by multinational companies.

Anti-competitive practices could be of particular concern in connection to dominant digital platforms. Google, Amazon, Apple, Facebook and Microsoft have made 19 acquisitions in 2020, which represents the fastest pace of acquisitions and strategic investments since 2015.[40] This contrasts with an overall short-term decline in cross-border mergers and acquisitions. In April 2020, such deals had decreased by more than 50 per cent compared to April 2019. There is a need for strong competition law enforcement and a robust merger control regime to address increasing market power and concentration in digital markets. Possible abuse of dominance by large digital platforms may go beyond the reach of existing competition laws. Therefore, new competition tools and pro-competition ex ante regulations to deal with gatekeeper digital platforms are necessary to address exploitative practices of these platforms and to keep markets open for new entry.

Consumers have become more vulnerable than before to unfair, misleading and fraudulent business practices, particularly in e-commerce.[41] As consumers turn increasingly to digital platforms for shopping or other purposes, underlying shortcomings, such as insufficient legal and institutional frameworks, have become more evident. Shortfalls particularly in cross-border transactions include limited coverage and efficacy of existing online dispute resolution mechanisms; insufficient reach of national enforcement against businesses based in other countries; and uncertainty over payment security and data protection.[42] Protecting consumers amid and after crises such as COVID-19 requires swift and decisive action. Adequate legal frameworks for consumer protection and competent and well-resourced institutions are key to effective responses to emerging challenges.

International and regional cooperation is essential for redressing cross-border anticompetitive practices and in combating fraudulent and deceptive cross-border commercial practices. In Africa, a significant number of regional economic communities already have regional competition rules·[43] The Competition Commission of the Common Market for Eastern and Southern Africa, for example, conducts cross-border merger reviews. Regional frameworks could also be more effective in better protecting consumers by providing a common platform for consumer protection authorities to cooperate and exchange information and experience. The African Consumer Dialogue and the Ibero-American Forum of Consumer Protection Agencies are good examples.

6.2 Trade anwd vulnerability: empowering women and migrant workers

Women account for a significant share of workforce in international trade. In developing countries women make up 33 per cent of the workforce of firms that trade internationally, compared with just 24 per cent of non-exporting firms. In some countries, they represent more than 50 per cent of the exporting firms' workforce. For example, many African countries rely on labour-intensive sectors to achieve export-led growth—sectors that have higher rates of women's employment, such as agriculture and garments and textiles.

Women entrepreneurs face many barriers to integration in international markets. Gender-specific challenges, including physical and sexual harassment, personal safety, bribery, corruption, time-consuming trade procedures and documentary requirements, and other traditional non-tariff barriers tend to be disproportionately higher for female small-scale traders. A key obstacle is also the lack of access to information on trade rules and to training on trade rules. Between 2019 and 2020, the WTO conducted three regional surveys on "Assessing women entrepreneurs knowledge gaps in trade" in East Africa, Latin America and the Caribbean and South Asia.

Market disruption and reduced mobilities under COVID-19 exacerbated barriers facing women as traders. Across regions, COVID-19-related restrictions on freedom of movement are affecting small-scale/informal cross-border traders, many of whom are women, who earn a living by making regular trips between countries.[44] Earnings from such informal trade are often the mainstay for their families and communities. Revenue forgone due to the cessation of trading activities squeezed their capital. This erodes their capacity to respond and recover when activities reopen for business,

Women are often not included in the design of government measures to mitigate the economic impact of COVID-19. Only about 10 per cent of measures such as fiscal and monetary measures directly target women's economic security.[45] Measures that support informal workers or MSMEs, especially in tourism, are expected to benefit women because they constitute a large proportion in these categories. Women's economic empowerment, in turn, is closely linked to their access to technology as well as digital skills, which calls for increased emphasis on these areas as part of inclusive and sustainable COVID-19 recovery measures.

Measures to address the non-tariff barriers faced by women cross-border traders play a key role in economic empowerment of women. Such interventions include gender-sensitivity training for customs officers and border officials, information desks at border posts, and gender focal points for police patrols. Regional approaches such as simplified trade regimes can reduce the cost of formal cross-border trade for small traders, encourage formalization, and strengthen their position in the face of future shocks.46 Innovations that have addressed these challenges during COVID-19, such as aggregation of goods by professional associations, should be harnessed, sustained and built upon post-COVID-19.47

The COVID-19 crisis has highlighted the plight of migrant workers worldwide, resulting in a steep decline in remittance flows (see chapter III.B). The number of migrants worldwide is estimated to have reached 281 million in 2020.[48] The COVID-19 pandemic has shed light on the important economic role they play in host countries. For example, in Europe, an estimated shortfall of up to 1 million seasonal agricultural workers impacted the timely supply of certain agricultural produce.[49]

Agreements on trade in services can enable safe, regular and orderly mobility. Trade agreements provide a platform through which measures can be put in place to facilitate mobility, including by removing barriers to the temporary movement of natural persons to supply services abroad, or "Mode 4" of trade in services. Multilateral commitments in this regard have been limited and conditioned by measures such as economic needs tests, quotas, or pre-employment requirements.[50] Access for

Mode 4 services providers is sometimes limited to those possessing formal qualifications, excluding skills and experience. Since 1998, qualification requirements and procedures, which are not trade barriers per se, have been addressed in the WTO Working Party on Domestic Regulation with the aim of developing any necessary disciplines to ensure that these measures, inter alia, do not constitute unnecessary barriers to trade in services.

6.3 Trade in environmental goods and services

Tackling climate change and other environmental crises requires the development and widespread dissemination of technological solutions around the world. Trade can serve as a powerful tool to help achieve this goal. Environmental goods and services perform a variety of functions to making production and consumption more sustainable. They comprise goods and services needed to, for example, produce clean and renewable energy; improve resource and energy efficiency; reduce pollution of air, water and soil; manage solid and hazardous waste; and treat wastewater and monitor environmental quality, among other important functions.

Trade barriers against environmental goods and services can increase the cost to firms, Governments and consumers when trying to access environmentally sound and affordable solutions. According to a World Bank study, the top 18 developing countries ranked by greenhouse gas emissions would be able to import 63 per cent more energy-efficient lighting, 23 per cent more wind power generation equipment, and 14 per cent more solar power generation equipment if the trade barriers they maintain on these goods were to be abolished. Trade-opening efforts need to address trading conditions for the components and capital goods necessary to produce environmental goods, not just the finished products. Negotiations on the Environmental Goods Agreement were launched by a group of 46 WTO members in 2014. The resumption and successful conclusion of the negotiations, which have not been active since December 2016, could give a boost to trade in environmental goods.[51] In November 2020, a group of WTO members announced their intention to intensify work on trade and environmental sustainability at the WTO by organizing the Trade and Environmental Sustainability Structured Discussions (TESSD) for interested WTO members as well as a dialogue with external stakeholders.[52]

It is equally important that trade-opening efforts tackle barriers affecting the international supply of services related to the environment. Services are essential to deliver environmental goods and ensure that they function properly. Examples include the construction of a geothermal power plant and the use of data analytics to improve energy efficiency in buildings. Other services unrelated to the delivery of environmental goods also play a key role in safeguarding the environment, such as sewage service. Several WTO members have recently expressed interest in resuming work on trade opening for environmental services that can help the rapid dissemination of environmentally sound technologies around the world.

In the margins of the 2019 United Nations General Assembly Leaders' Week in New York, Costa Rica, Fiji, Iceland, New Zealand and Norway launched an initiative to negotiate the Agreement on Climate Change, Trade and Sustainability (ACCTS). The ACCTS initiative is intended to demonstrate in practical terms how trade rules could be used to support climate-related and other environmental goals while generating momentum towards an eventual multilateral outcome.

Besides removing tariffs on environmental goods and the establishment of new and binding commitments for environmental services, ACCTS would include measures related to the elimination of harmful fossil fuel subsidies and the development of guidelines to inform voluntary eco-labelling programmes and mechanisms. ACCTS would be open for accession by other countries able to meet its obligations.[53]

6.4 Trade and circular economy: the case of plastics[54]

A transition towards a more resource efficient and circular economy has broad linkages with international trade. A circular economy is an economic paradigm that aims at minimizing pollution and waste, extending product lifecycles and enabling natural systems to regenerate. The linkages with trade can occur at various levels along the product value chain, such as trade in second-hand goods, end-of-life products and secondary materials, as well as trade in related services.[55]

Plastic pollution is one of the most pressing global environmental challenges alongside climate change and biodiversity loss. Over two thirds of plastic consumption comes in the form of packaging and building inputs, such as plastic pipes and vinyl siding. Plastics production and disposal processes generate substances that seriously pollute the air, water and ecosystems. Furthermore, plastic production, disposal and waste management are responsible for an increasing level of greenhouse gas emissions. It has been estimated that plastic-related greenhouse gas emissions may represent more than 1 per cent of the global annual carbon budget[56] and could represent up to 15 per cent by 2050, if no action is taken.[57]

The rising trade of plastic waste exacerbates environmental concerns, particularly for developing countries. In addition to being major producers and consumers of plastics and plastic products, developing countries are the main importers of plastic waste, 71 per cent ($4.3 billion in 2017) of which originates in developed economies.[58] In 2018, China, the largest importer, banned the import of non-industrial plastic waste. Other developing countries in Asia, including Indonesia, Malaysia, Thailand and Viet Nam, followed suit.[59]

Promoting trade in plastic substitutes would promote a more sustainable and circular plastics economy. Developing countries are key suppliers of materials—such as jute, cotton, natural rubber, milk protein, and paper and cardboard—that may substitute plastics in some of their functions. Developing countries, for instance, accounted for 92 per cent of jute exports and 94 per cent of natural rubber exports in 2019.[60] Replacing plastics with natural materials can significantly lower the health and the environmental risks; an increased demand for such materials creates trade and investment opportunities for the rural poor in many developing countries.Trade and trade policies are highly relevant to national and international efforts to shift towards a more resource-efficient and circular plastics economy. In 2020, a group of WTO members held the inaugural meeting of the WTO informal dialogue on plastics pollution and environmentally sustainable plastics trade.[61] Domestic policies such as eco-design and recyclability standards can increase the capacity to recycle and reuse plastic products. In this regard, harmonizing technical standards of material design and use can also facilitate the international trade and reuse of raw materials, bringing about positive benefits to the environment.

End Notes

1 UNCTAD Global Trade Update (February 2021).

2 The COVID-19 related essential medical supplies include personal protective equipment, disinfectants, diagnostic kits, oxygen respirators and other related hospital equipment, following the joint classification by World Customs Organization (WCO) and World Health Organization (WHO) of COVID-19 medical supplies.

3 While there are various reasons explaining such differences, the positive and significant relationship between the level of income of a country (measured by per capita GDP) and additional imports of COVID-19 medical supplies remain valid also in more detailed econometric analysis. On average, for each US$1000 increase in GDP per capita we observe additional monthly imports of COVID-19 related products worth almost US$1 since April 2020.

4 UN (2021). Word Economic Situation and Prospects 2021. 25 January 2021.

5 UNWTO (2020). World Tourism Barometer, Vol. 18, Issue No. 6, October 2020.

6 UN (2021). Word Economic Situation and Prospects 2021. 25 January 2021.

7 UNCTAD (2020). COVID-19 and tourism: Assessing the economic consequences. (UNCTAD/DITC/INF/2020/3). 2 July 2020.

8 The "moderate" scenario corresponds to a removal of one-third of inbound tourism expenditure, "intermediate" scenario corresponds to a removal of two-third (2/3) of inbound tourism expenditure, and the "dramatic" scenario corresponds to a removal of all inbound tourism expenditure in a year.

9 ITC/UNCTAD/WTO, SDG Trade Monitor https://sdgtrade.org/en

10 WTO, 2020. Waiver from certain provisions of the TRIPS Agreement for the prevention, containment and treatment of COVID-19: Communication from India and South Africa, IP/C/W/669. Geneva.

11 Fletcher, Elaine Ruth, et al., op cit.

12 By way of comparison, in the United States, the Bayh-Dole Act allows institutions to maintain IP rights over results of federally funded research and development, while the government maintains the right to use the invention. In exchange the institutions are required to engage in transfer and dissemination of the resulting technology.

13 A more detailed overview of international initiatives is included in the COVID-19 extract of the WTO-WIPO-WHO Study at https://www.wto.org/english/res_e/booksp_e/extract_who-wipo-wto_2020_e.pdf

14 WHO, 2020. COVID-19 Technology Access Pool (C-TAP). Available at https://www.who.int/publications/m/item/c-tap-a-concept-paper.

15 IISD, 2020. UN Tech Bank Supporting Local Production to Fill COVID-19 Shortages. Available at https://sdg.iisd.org/news/un-tech-bank-supporting-local-production-to-fill-covid-19-shortages/.

16 See, UNCTAD, 2020. Intellectual Property. Available at https://unctad.org/Topic/Science-Technology-and-Innovation/Intellectual-Property.

17 Medicines Patent Pool, 2020. COVID-19. Available at https://medicinespatentpool.org/what-we-do/disease-areas#pills-COVID-19.

18 www.wto.org/covid

19 https://www.wipo.int/covid19-policy-tracker/#/covid19-policy-tracker/ipo-operations

20 UN (2021). Word Economic Situation and Prospects 2021. 25 January 2021.

21 UNCTAD (2020). Key statistics and trends in trade policy 2020.

22 The fifteen members of the RCEP are: Australia, Brunei Darussalam, Cambodia, China, Japan, Indonesia, the Lao People's Democratic Republic, Malaysia, Myanmar, New Zealand, the Philippines, Singapore, the Republic of Korea, Thailand, and Viet Nam.

23 Trade involving China and Japan accounted for about a half of the total intra-RCEP trade in 2019.

24 United Nations Economic Commission for Africa. 2018. "An Empirical assessment of AfCFTA Modalities on Goods." UNECA. See: https://repository.uneca.org/handle/10855/41828 and https://repository.uneca.org/handle/10855/24379 for more details on the scenarios presented.

25 UNCTAD (2020). World Investment Report 2020.

26 Others included circumscribing the fair and equitable treatment (FET) obligation; and clarifying or omit indirect expropriation.

27 Several economic groupings and regional organizations have adopted non-binding Core Principles for investment policymaking set out in UNCTAD's Investment Policy Framework for Sustainable Development. Examples of guiding principles elaborated in collaboration, or jointly, with UNCTAD include the G20 Guiding Principles for Global Investment Policymaking, the Joint African, Caribbean and Pacific Group of States (ACP) – UNCTAD Guiding Principles for Investment Policymaking, and the D-8 Organization for Economic Cooperation – UNCTAD Guiding Principles for Investment Policymaking.

28 To support and accelerate IIA reform, UNCTAD will launch its IIA Reform Accelerator to provide a concrete policy tool with actionable recommendations to assist economies in reforming their IIA regimes in line with sustainable development objectives.

29 UNCTAD (2021). UNCTAD releases data on over 1,000 investor-state arbitration cases. 11 February 2021.

30 UNCTAD (2020). Investment Policy Monitor: Special Issue - Investment Policy Responses to the COVID-19 Pandemic. 4 May 2020.

31 WTO Document WT/WGTDF/W/96.

32 As an example, please see, Global Trade Review (GTR), "Asian trade finance stages a V-shaped recovery while supply chain finance demand surges", by Eleanor Wragg, dated 9 September 2020, available at www.gtreview.com.

33 Bank retreat is discussed in the following news item: "ABN-AMRO exit threatens commodity-trader liquidity squeeze", available at www.bloomberg.com (12 August 2020).

34 https://www.tradefinanceglobal.com/trade-finance/sme-guide/

35 TFAFacility.org

36 UNCTAD (2021). The UNCTAD B2C E-commerce Index 2020, 17 February 2021.

37 World Bank Group (2020). Leveraging ICT Technologies in Closing the Gender Gap (English). Washington, D.C.: World Bank Group. http://documents.worldbank.org/curated/en/891391578289050252/Leveraging-ICT-Technologies-in-Closing-the-Gender-Gap.

38 UNCTAD (2019). Digital Economy Report 2019: Value Creation and Capture: Implications for Developing Countries.

39 F. Jenny, May 2020, Competition law enforcement and the COVID-19 crisis: Business as (Un)usual?

40 See "Google, Amazon and Other Tech Cos. Making M&A deals Amid Pandemic" (PYMNTS.Com, 28 May 2020) and "The economy is reeling. The tech giants spy opportunities" (New York Times, 13 June 2020).

41 UNCTAD (2020), "COVID-19: Firmer actions needed to better protect consumers". 8 April 2020.

42 UNCTAD (2020). Impact of the COVID-19 on trade and development: Transitioning to a new normal. 19 November 2020.

43 Such regional economic communities include the Common Market for Eastern and Southern Africa, East African Community, West African Economic and Monetary Union, Economic Community of West African States and Economic Community of Central African States.

44 UNCTAD (2020b). "What future for women small-scale and informal cross-border traders when borders close?" 8 May 2020.

45 UNDP and UN Women (2020). COVID-19 Global Gender Response Tracker.

46 African Trade Policy Centre (Forthcoming b). Towards and Gender-Responsive Implementation of the AfCFTA: Defining the Role of the Regional Economic Communities. United Nations Economic Commission for Africa. United Nations Economic Commission for Africa.

47 ECA (2020d). Saving lives and money through the Africa Medical Supplies Platform. https://www.uneca.org/stories/saving-lives-and-money-through-africa-medical-supplies-platform

48 United Nations, Department of Economic and Social Affairs. (2019). International Migration 2020: Report.

49 International Organization for Migration. (2020). COVID-19: Policies and impact on seasonal agricultural workers. Issue Brief.

50 WTO (2009). Presence of natural persons (MODE 4): Background Note by the Secretariat. (S/C/W/305). 15 September 2009.

51 Environmental goods can include energy efficient LED bulbs, solar panels, solar cook stoves, air and water filters, machines for recycling solid waste, floating barriers to contain 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.

52 The TESSD are intended to complement the work of the Committee on Trade and Environment and other relevant WTO bodies and to support the objectives of the Marrakesh Agreement Establishing the WTO, which envisages a global trading system that protects and preserves the environment in accordance with sustainable development. A total of 53 WTO members currently participates in TESSD.

53 Switzerland formally joined the initiative in January 2020.

54 The contents of this sub-section are based on Communication on trade in plastics, sustainability and development by UNCTAD, which was circulated as a working document (JOB/TE/63) by Fiji and China to the WTO Committee on Trade and Environment on 3 July 2020.

55 OECD (2020) International Trade and the Transition to a Circular Economy. https://www.oecd.org/environment/waste/policy-highlights-international-trade-and-the-transition-to-a-circular-economy.pdf

56 A carbon budget refers to the tolerable quantity of greenhouse gas emissions that can be emitted in total over a specified time.

57 Barra, Ricardo and Sunday, Leonard (2018). Plastics and the circular economy. STAP, GEF, and UNEP.

58 UNCTAD calculation based on UN Comtrade.

59 The entry into force of the Basel Convention's Plastic Waste Amendments on 1st January 2021 will oblige member States to accelerate efforts to ensure plastic wastes are traded only with countries with infrastructure for their environmentally sound management. The UNECE e-Basel standard facilitates tracking transboundary movements of waster in compliance with the Convention.

60 UNCTAD calculation based on UN Comtrade.

61 Aiming to complement existing international processes in other fora – and avoid duplication – the informal dialogue will explore how improved trade cooperation, within the rules and mechanisms of the WTO, could contribute to domestic, regional and global efforts to reduce plastics pollution and transition to a more circular and environmentally sustainable global plastics economy. Possible subjects for discussion include improving transparency, monitoring trade trends, promoting best practices, strengthening policy coherence, identifying the scope for collective approaches, assessing capacity and technical assistance needs, and cooperating with other international processes and efforts. See WTO document WT/CTE/W/250, 15 December 2020.

62 Information is available in the following links: https://www.unescap.org/events/policy-hackathon-model-provisions-trade-times-crisis-and-pandemic-regional-and-other-trade; https://www.unescap.org/events/webinar-series-towards-model-provisions-trade-times-crisis-and-pandemic-regional-and-other; and https://www.unescap.org/resources/online-repository-contributions-policy-hackathon-model-provisions-trade-times-crisis-and

63 United Nations Conference on Trade and Development (2019, April 3). E-commerce holds huge promise for enhancing free trade in Africa.

developmentfinance.un.org

9 789211 014426