



Financing for Sustainable Development Report 2022

Inter-agency Task Force on Financing for Development

Bridging the Finance Divide



United Nations

Report of the Inter-agency Task Force
on Financing for Development

Financing for Sustainable Development Report 2022



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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.

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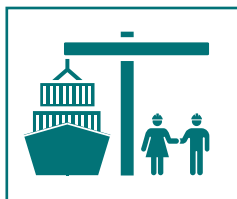
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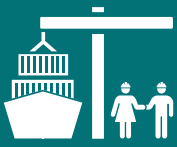
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International trade as an engine
for development



Chapter III.D



International trade as an engine for development

1. Key messages and recommendations

Global trade rebounded strongly from the unprecedented trade slump in 2020. Global trade in goods and services is expected to have reached an all-time high of \$28 trillion in 2021, surpassing its pre-pandemic levels by 11 per cent. However, there is no room for complacency. The pace of recovery is uneven across countries, with the poorest countries faring the worst due mainly to their structural vulnerabilities and lack of productive diversification. Meanwhile, the conflict in Ukraine and the unprecedented sanctions from several countries on the Russian Federation are affecting international trade. The severity of the disruptions on trade flows will critically depend on the intensity and duration of the conflict and the related sanctions.

The disruption in trade logistics that hampered global value chains (GVCs) is being corrected, albeit slowly.

The cost of international maritime trade, which covers over 80 per cent of world trade, remains significantly higher than the pre-COVID-19 level, adversely affecting GVC operations. A surge in container freight rates has also increased global import prices and could potentially fuel inflationary pressures in the coming years. This has imposed an extra financial burden on countries that rely on imports of essential goods, including medicines and foodstuffs. The global trade disruption during the pandemic constrained the fiscal capacity of developing countries with a high dependency on tariff revenues as a source of public revenue. *The implementation of trade facilitation reforms as well as the World Trade Organization (WTO) Trade Facilitation Agreement (TFA) is important to enhance the movement of goods, including medicines and foodstuffs, and reduce trade costs.*

During the pandemic, the trade finance gap widened from \$1.5 trillion to \$1.7 trillion. As private financial institutions became more risk-averse during the COVID-19 crisis, they were more inclined to reject the demand from micro-, small- and medium-sized enterprises (MSMEs), with a bigger impact on women-owned businesses, inhibiting them from

participating in international trade. *Streamlining company risk assessments and anti-money laundering regulations at the global level can help reduce trade finance costs and narrow the trade finance gap.*

The multilateral trading system played an instrumental role in encouraging restraint in the use of trade-restrictive measures but progress in multilateral trade negotiations remains insufficient. WTO members have demonstrated restraint in the imposition of new trade-restrictive measures related to the pandemic. They have supported the recovery by continuing to roll back restrictions adopted earlier in the crisis. *Further efforts are needed to advance multilateral policy coordination on issues such as disciplining harmful fisheries subsidies, addressing food security through continuous agricultural market reforms, re-energizing discussion on special and differential treatment and addressing the digital divide in view of opportunities provided by electronic commerce.*

Trade and investment policy actions are needed to address vaccine inequality and improve access for all countries to medical products and other technologies vital for combating the pandemic. Policy actions can help address supply chain barriers and enable the trade of much-needed medical supplies. They are also central to increasing the manufacturing capacity of countries and the transfer of technology and know-how. *WTO members are encouraged to agree on ways to improve the WTO response to COVID-19, including trade policy-related aspects of the pandemic response.*

Trade and investment policy actions are intricately connected to climate action as well. In addition to income gains, trade and investment support a transfer of critical technology in climate adaptation infrastructure. Carbon border price adjustments can disincentivize shifting production to countries with more carbon intensive production methods but can penalize producers from developing economies with

limited green technology. The majority of the international investment agreements currently in force fail to address environmental concerns that may arise from increased investment flows. Multilateral discussions remain best placed to coherently address the transfer of green technology to developing countries and a framework that enhances trade in environmental goods and services in a manner beneficial to developing countries. *The international community should continue to support developing countries' capacity building in reducing the carbon contents of their exports.*

2. Developments in international trade

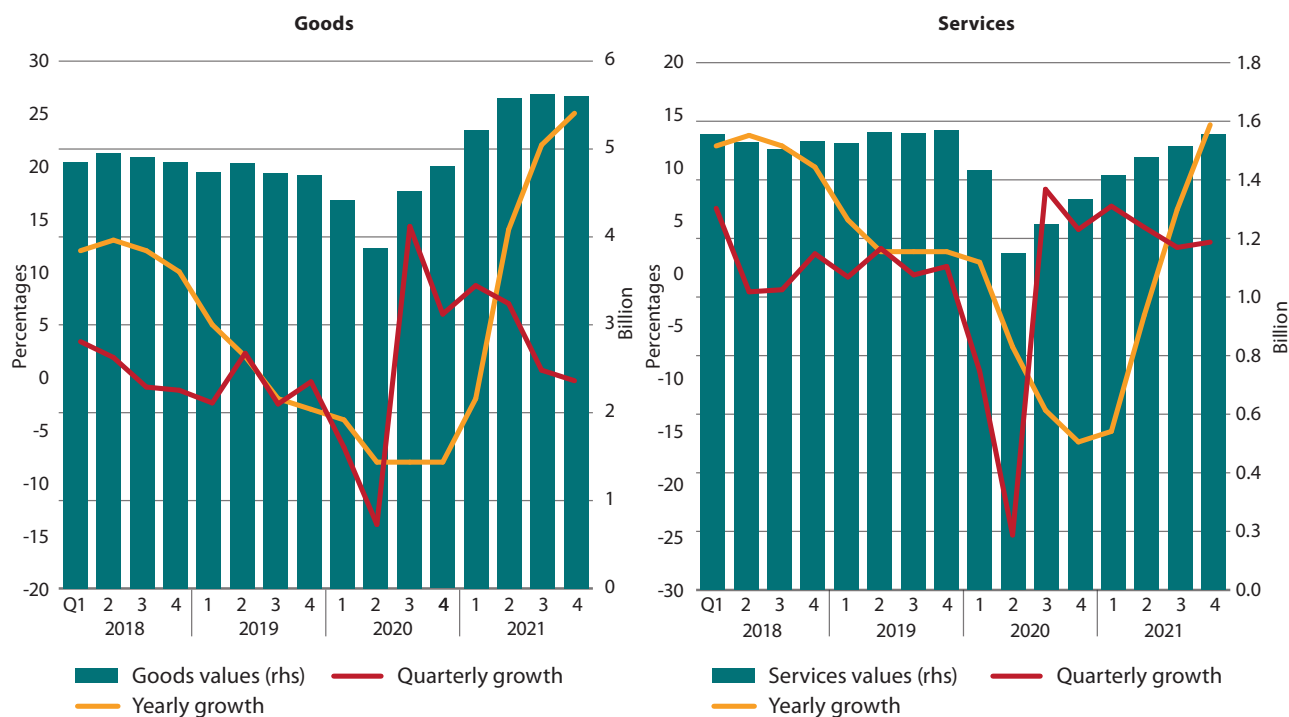
2.1 Trends in world trade

World merchandise trade rebounded strongly in 2021.¹ Global trade (in goods and services) is expected to have reached an all-time high of \$28 trillion in 2021, surpassing its pre-pandemic levels by 11 per cent. The significant merchandise trade growth in 2021 stemmed from a strong recovery in consumer demand and rising commodity prices. Among product sectors, commodities (energy products, metals and minerals) showed the highest growth, in the range of 40 to 60 per cent from January to September 2021 compared to the same period the previous year. However, the recovery in services trade remained muted, with important differences across service subsectors (figure III.D.1).

Commodity prices shot up as of mid-2020. Fuel, minerals, metals and food prices have increased considerably since the second quarter of 2020, reflecting rising demand. As of December 2021, fuel and food prices were 60 and 35 per cent higher than the level in December 2019, respectively (figure III.D.2). This surge poses challenges for the poorest segments of societies worldwide as they tend to allocate a significant portion of their disposable income to food and energy. Commodity price volatility and shocks expose commodity-dependent economies, many of them in Africa, to fiscal instability, pointing to the importance of diversification efforts. The conflict in Ukraine has also affected commodity markets and triggered an upsurge in the prices for fuel, food, fertilizer and selected metals/minerals of which the Russian Federation and Ukraine are major exporters. The two countries together supply 27 per cent of global wheat exports, 14 per cent of corn exports and 53 per cent of sunflower oil exports. The conflict could impact food security for countries dependent on these imports (for example, 48 per cent of wheat imported by Africa comes from the Russian Federation and Ukraine).²

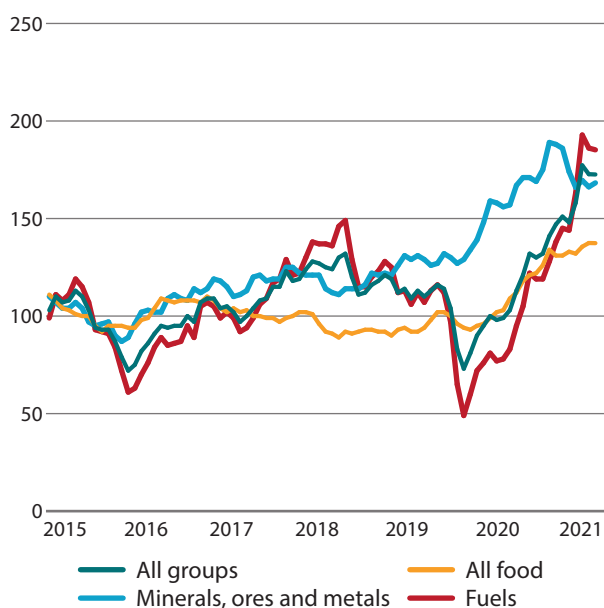
The pandemic also boosted trade in information and communication technology (ICT) goods and digitally delivered services. COVID-19 provided a strong impetus for businesses and individuals to adopt digital tools. The share of ICT goods in merchandise trade surged from around 13 per cent in 2019 to nearly 16 per cent in 2020—the most significant annual increase since 2000.³ The value of ICT services exports worldwide also increased by 6 per cent in 2020. Digitally delivered services, including insurance, business processes and finance, accounted for nearly 64 per cent of total services exports in 2020 as lockdown restrictions intensified the usage of online services in many economies.⁴

Figure III.D.1
World trade in goods and services, 2018–2021
(Percentages; Billions of United States dollars)



Source: GTU November 2021 issue.
Note: Fourth quarter 2021 is a nowcast.

Figure III.D.2
Commodity Price Index
(2015=100)



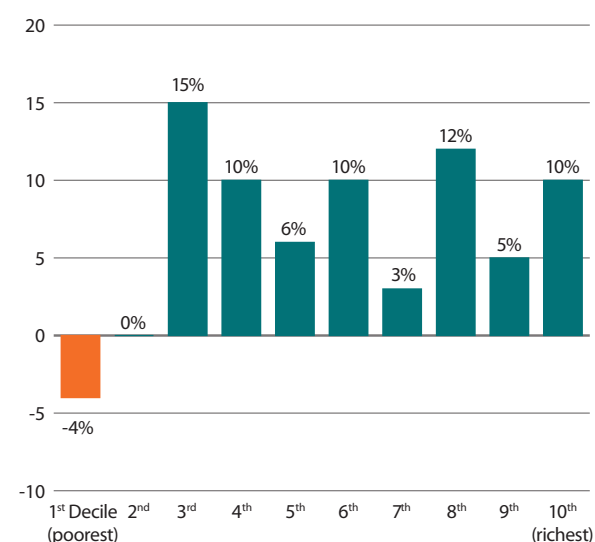
Source: UNCTADstat.

However, other sectors remained weak in the recovery phase, such as tourism-related services. In 2021, there were 1 billion fewer international tourist arrivals than during pre-pandemic levels, a 72 per cent fall from 2019. The decline compared to 2019 was significant in least developed countries (LDCs) (88 per cent decrease), landlocked developing countries (LLDCs) (79 per cent decrease) and small island developing states (SIDS) (67 per cent decrease).⁵ Overall, export revenues from international tourism are expected to total between \$700 and \$800 billion in 2021, slightly higher than for 2020 but still less than half the 2019 figure.⁶

Services sectors were also subject to many trade measures, with 138 (90 per cent) of the 153 reported COVID-19 related measures affecting trade in services still in force as of October 2021. Most of these measures appear to be trade-facilitating, including measures providing (or reintroducing) flexibility for transport services suppliers to ensure that supply chains are not disrupted. With respect to non-COVID-19 related services developments, restrictive policies mainly concerned foreign investment screening, communication services and Internet and other network-enabled services.

Recovery in merchandise trade has been uneven across countries, with the poorest countries faring the worst. In the first half of 2021, the exports of LDCs were 4 per cent below pre-pandemic levels, contrary to the trade recovery experienced by higher-income countries (figure III.D.3). Smaller economies have also been lagging in export recovery. The merchandise exports of the world's smallest economies in the first half of 2021 were 26 per cent below pre-pandemic levels. The positive relationship between export recovery and economic size is not driven by geography. Whether in Africa, Asia or Latin America, smaller economies' exports have recovered to a lesser extent than their larger neighbouring economies.⁷

Figure III.D.3
Trade growth in the first half of 2021 compared to 2019,
by GDP per capita
(Percentages)



Source: United Nations Conference on Trade and Development (UNCTAD). 2021. "International trade is back, but not for all". 6 October

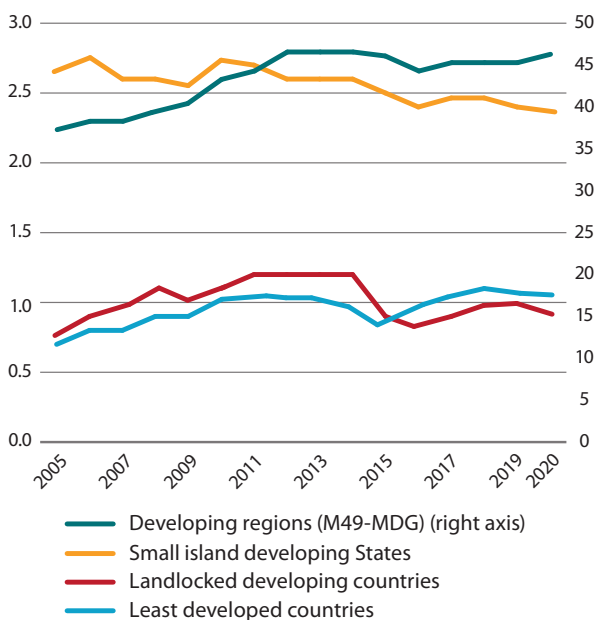
Prior to the COVID-19 crisis, vulnerable country participation in global trade was already limited. Sustainable Development Goal (SDG) target 17.11 (doubling LDCs' share of global exports by 2020) could not be met. While the share of developing regions' merchandise exports increased to 46 per cent of world trade in 2020 from 42 per cent in 2015, the share of LDCs' exports remained at just over 1 per cent, roughly the same level as in 2011. The stagnation of LDCs' exports in the past decade is significant compared to the 2001-2010 period, when their share almost doubled. The export shares of vulnerable groups such as LLDCs and SIDS also declined during this period (figure III.D.4).

The global trade downturn during the pandemic and uneven recovery penalizing structurally weak and vulnerable economies have also negatively impacted the public finances of developing countries with a high dependency on tariff revenues. On average, between 2015 and 2019, revenue from customs duties accounted for 16.2 per cent of the public revenue of LDCs, and 13.3 per cent and 15.6 per cent of LLDCs and SIDS, respectively, compared to the global average of 8.3 per cent.⁸

2.2 Trade logistics and global supply chains

Disruption in trade logistics at the beginning of the pandemic hampered the operation of GVCs. According to a survey conducted by the ITC, around 40 per cent of firms interviewed experienced reduced logistics services due to the COVID-19 crisis. The agricultural sector was particularly affected, making it difficult for businesses in this sector to reach international markets.⁹ International maritime trade volume, accounting for over 80 per cent of world trade, fell by 3.8 per cent in 2020, following weak pre-pandemic growth of 0.5 per cent in 2019.¹⁰ This already critical situation is being made worse by the war in Ukraine which has closed some of the major land routes linking Asia to Europe, putting more pressure on already congested ports and driving prices upwards while affecting trade globally.

Figure III.D.4a
Share of exports of LDCs, SIDS, LLDCs and developing regions in world merchandise exports (2005-2020) (Percentages)



Source: International Trade Centre (ITC)/UNCTAD/WTO.

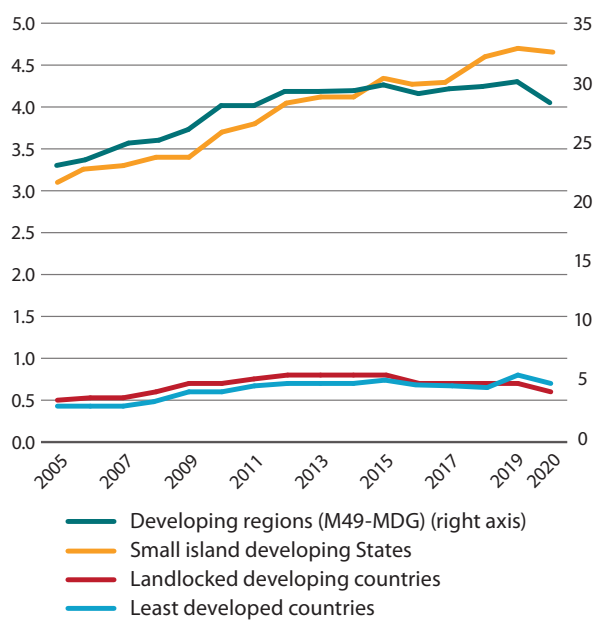
The current surge in freight rates will increase the cost of GVCs' operations and consumer prices. The recovery of shipping services capacity and port operations was too slow to meet the significant increase in demand for container shipping in 2021. Excess demand has pushed up freight rates worldwide. Container shipping rates, as reflected in the China Containerized Freight Index, increased by a factor of 2.5 between 2020 and 2021 and trebled compared to 2019 levels.¹¹ The Baltic Dry Index hit a decade-high level in early October 2021, increasing more than 13-fold from mid-February of that year.¹² Lingering high container freight rates in the short to medium term threaten to undermine GVC operations and generate inflationary pressures. UNCTAD predicts that the current freight rate surge can raise consumer prices by 10.2 per cent for products such as furniture, textiles, clothing and leather products, whose production is often fragmented across low-wage economies away from major consumer markets.¹³ The consumer price of products that are manufactured through integrated supply chains such as computers and electronic and optical products could increase by 11 per cent.

The surge in transport costs is devastating for the development financing capacity of import-dependent developing countries such as LDCs, LLDCs, SIDS and net food importing developing countries. Investment in supply chain resilience, particularly through trade facilitation, accelerating automation and digitalization and liberalizing trade in transport and logistics services, will help address high shipping rates.¹⁴

2.3 Trade policy responses to COVID-19

Countries have shown restraint in the imposition of new trade-restrictive measures and continue to slowly roll back restrictions adopted earlier in the pandemic. The multilateral

Figure III.D.4b
Share of exports of LDCs, SIDS, LLDCs and developing regions in world services exports (2005-2020) (Percentages)

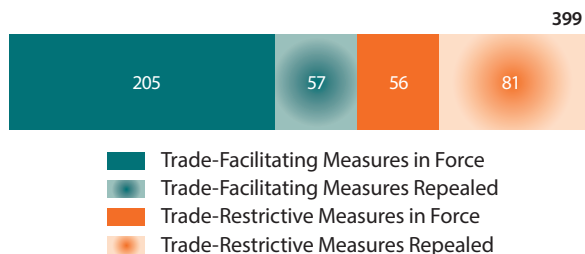


Source: International Trade Centre (ITC)/UNCTAD/WTO.

trading system has shown resilience and played an instrumental role in encouraging restraint in the implementation of traderestrictive measures. It will continue to underpin the foundation upon which a global economic recovery will be based.

The number of COVID-19-related trade facilitating measures has outnumbered trade-restrictive measures by nearly two to one. Since the outbreak of the pandemic, 399 COVID-19 trade and trade-related measures in goods have been implemented by WTO members and observers but many of them have already been phased out. As at mid-October 2021, 205 COVID-19 related trade-facilitating measures (e.g., reduction in import tariffs and import taxes) with an estimated trade coverage of \$112 billion and 56 trade-restrictive measures (e.g., export restrictions on medical supplies) with an estimated trade coverage of \$92 billion were still in force (figure III.D.5).

Figure III.D.5
COVID-19 trade and trade-related measures on goods, as at mid-October 2021 (Number)

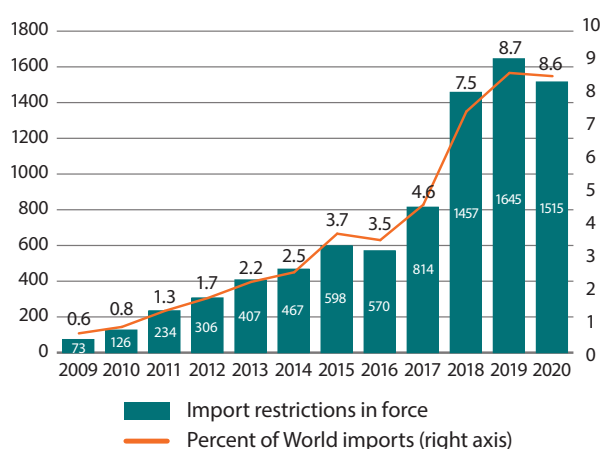


Source: WTO Secretariat.

Monitoring of non-COVID-19 trade measures reveals that while fewer restrictions were put in place between October 2020 and 2021, the stockpile of previous trade restrictions remains large.

Only a limited number of new COVID-19 trade and trade-related measures were recorded for WTO members on goods, mainly consisting of extensions of existing measures originally implemented in the early stages of the pandemic or the termination of some of these. Although the trade coverage of new import restrictions is relatively low, the stockpile of import restrictions implemented since 2009 which are still in force is estimated at \$1.5 trillion, representing 8.7 per cent of world imports as at mid-October 2021 (figure III.D.6).

Figure III.D.6
Cumulative Trade Coverage of import-restrictive measures on goods from 2009 to 2020
(Billions of United States dollars; Percentage)



Source: WTO Secretariat.

Note: The cumulative trade coverage estimated by the Secretariat is based on information available in the Trade Monitoring Database on import measures recorded since 2009 and considered to have a trade-restrictive effect. The estimates include import measures for which Harmonized System codes were available. The figures do not include trade remedy measures. The import values were sourced by the United Nations Comtrade database.

Initiations of trade remedy investigations have declined after reaching a peak in 2020. Trade remedy actions remain an important trade policy tool, accounting for 66 per cent of all non-COVID-19 related trade measures on goods.

Countries continued to use the sanitary and phytosanitary (SPS) and technical barriers to trade (TBT) Committees' transparency mechanisms to notify trading partners about their new SPS and TBT measures or changes to existing measures, and to discuss and often resolve specific trade concerns non-litigiously. Food safety was the most frequent objective identified in the 1,146 regular and the 284 emergency SPS notifications submitted between October 2020 and 2021. Most of the 2,378 new regular TBT notifications submitted indicated the protection of human health or safety as their main objective.

Since the outbreak of the pandemic, 76 intellectual property-related measures were implemented and many of them were extended. These measures included administrative and substantive measures. Members continued to fine-tune their domestic intellectual

property frameworks and to implement specific intellectual property measures to facilitate the development and dissemination of COVID-19-related health technologies.

3. Progress on multilateral trade negotiations and cross-border e-commerce

The COVID-19 Omicron variant and the evolving sanitary situation put brakes on the momentum in the lead up to the WTO's 12th Ministerial Conference (MC12) that was planned for late 2021.

Nonetheless, members have continued to show commitment to ongoing discussions to close remaining gaps in multilateral negotiations, including the WTO's response to the pandemic, fisheries subsidies, agriculture and other topics. On 23 February 2022, WTO members agreed to hold the MC12 during the week of 13 June 2022 in Geneva.

3.1 WTO response to the COVID-19 pandemic

At the end of December 2021, WTO members were nearing consensus on a multilateral response that will include a framework on how to tackle the current and any future pandemics from a trade perspective. The multilateral response covers six broad themes: (i) transparency and monitoring; (ii) export restrictions and prohibition; (iii) trade facilitation, regulatory coherence and cooperation, and tariffs; (iv) the role of services trade; (v) collaboration with other international organizations and engagement with other key stakeholders; and (vi) a framework for future pandemics and crises. The multilateral response, when agreed, is expected to take into account the outcome of discussions in the WTO's Trade-Related Aspects of International Property Rights (TRIPS) Council without increasing or diminishing the obligations of members under WTO agreements. The multilateral response should emphasize the central role of the multilateral trading system in promoting availability and ensuring equitable access of essential goods and services, particularly in developing countries and LDCs through the diversification of production and supply of such goods and services.¹⁵

3.2 TRIPS Council

Unfortunately, discussions in the TRIPS Council on the intellectual property aspects of the COVID-19 response have not produced convergence despite an intensified level of engagement. Two proposals promoting different tools to increase availability of COVID-19 treatments and vaccines are at the heart of the debate: (i) the waiver of intellectual property rights from certain provisions of the TRIPS agreement for the prevention, containment and treatment of COVID-19, led by India and South Africa; and (ii) a communication from the European Union, which seeks to clarify existing rules to enhance the effectiveness of the system and provide more legal certainty. While members seem united on the importance of the intellectual property system for innovation and for promoting research and development, political engagement is necessary to change the existing dynamic and achieve convergence.

3.3 Fisheries subsidies negotiations

Prior to the postponement of MC12, the fisheries negotiations experienced unprecedented momentum. A revised text was presented on 24 November 2021 in the form of a draft standalone agreement.¹⁶ However, it is important to note that the legal form of the outcome of the negotiations has not yet been agreed upon. Some sections of the draft still require political direction to reach consensus. Ministers have once again been asked to empower their respective delegations in Geneva to carry on negotiations to reach an agreement as, according to the Marrakesh Agreement establishing the WTO, the General Council can function as the Ministerial Conference when the latter is not in session to take decisions.

3.4 Negotiations on agriculture

Members have recently put forward a realistic starting point for negotiations on agriculture that covers issues including domestic support, public stockholding and market access.¹⁷ Export competition and restriction, cotton, the special safeguard mechanism, and cross-cutting issues of transparency are also expected to be covered in any negotiation. Despite broad agreement on the need to address trade-distorting domestic support and market access, WTO members remain intransigent on these issues. Moreover, export competition is hinged on enhanced transparency while numerous countries remain concerned that existing capacity constraints hinder their ability to meet WTO transparency obligations. Notably, a proposal has been tabled to exempt the World Food Programme's food purchases from export restrictions.

3.5 Discussions on special and differential treatment

Unfortunately, discussions among members on special and differential treatment (SDT) continue to be fundamentally divergent. Members, however, appear committed to continuous engagement, as signalled by paragraph 7 of the draft outcome document for MC12, in which members reaffirm the provisions of SDT for developing country members and LDCs as an integral part of the WTO and its agreements.

3.6 Cross-border e-commerce

Cross-border e-commerce continues to rise, increasing at double the rate of domestic e-commerce.¹⁸ The pandemic has had a positive impact on global retail e-commerce sales, which are estimated to have reached \$4.9 trillion in 2021, up 16.3 per cent from 2020.¹⁹ Cross-border e-commerce accounts for about 20 per cent of global e-commerce.²⁰ In 2021, 52 per cent of online shoppers purchased from both global and domestic websites and 69 per cent of online sellers said cross-border sales helped their business to grow.²¹ China dominates the cross-border e-commerce trade, with a predicted share of 41 per cent of the total in 2021.²²

Discussions in the WTO on its Work Programme on Electronic Commerce, including the issue of the moratorium on duties on electronic transmissions, continue to take place under the General Council. Some members argue that their capacity to finance development and industrial policies could be affected by the revenue loss due to the moratorium on electronic transmissions. As such, some delegations are seeking further clarity on the scope and impact of the moratorium,

including its revenue implications, before considering its extension. Other delegations, who are of the view that the moratorium brings economic benefits in digital trade to developing countries that may exceed the lost revenue,²³ support a permanent moratorium but can accept an extension until MC13. Given these differences, two separate draft Ministerial decisions were to be forwarded to Ministers for their consideration. One calls for the continuation of the Work Programme and the extension of the moratorium until MC13. The other contains language recognizing the development challenges and calling for the reinvigoration and continuation of the Work Programme until MC13. The draft decisions will therefore be considered when Ministers meet in June 2022 for MC12.

E-commerce discussions are also progressing among 86 WTO members negotiating trade-related e-commerce rules under the Joint Statement Initiative on E-commerce (JSI) launched at MC11 in 2017.

Negotiations are progressing under six broad themes: (i) enabling e-commerce; (ii) openness and e-commerce; (iii) trust and e-commerce; (iv) cross-cutting issues, such as transparency, domestic regulation, and cooperation; (v) telecommunications; and (vi) market access. In September 2021, the co-convenors (Australia, Japan and Singapore) circulated an updated consolidated negotiating text capturing progress made. Subsequently, in December 2021, the co-convenors issued a Ministerial Statement noting the convergence achieved on eight articles: (i) online consumer protection; (ii) electronic signatures and authentication; (iii) unsolicited commercial electronic messages (spam); (iv) open government data; (v) electronic contracts; (vi) transparency; (vii) paperless trading; and (viii) open internet access. The Statement recognizes the importance of supporting the engagement of developing and LDC members in the initiative and that the discussion on capacity building options and support for implementation will continue to deepen in 2022. JSI participants hope to secure convergence on the majority of issues by the end of 2022.

4. Regional trade and investment agreements

4.1 Regional trade agreements

Mega-regional trade agreements (RTAs) may change global trade flows. Starting with the entry into force of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) on 30 December 2018, the trend of the mega-RTA, that is, an RTA of significant economic size, continues. On 30 May 2019, the Agreement establishing the African Continental Free Trade Area (AfCFTA) entered into force and trading under the Agreement officially started on 1 January 2021. As of 31 January 2022, 54 out of 55 African Union member States have signed and 41 member States have deposited their ratification instruments to the African Union (see box III.D.1). As of 12 January 2022, however, the Agreement had not been notified to the WTO. On 1 January 2022, the Regional Comprehensive Economic Partnership (RCEP) among 15 Asia-Pacific countries, including China, the Republic of Korea and Japan, entered into force. It also has not been notified to the WTO. The RCEP, covering one third of global GDP, is expected to increase intra-RCEP trade by \$40 billion or 2 per cent.²⁴

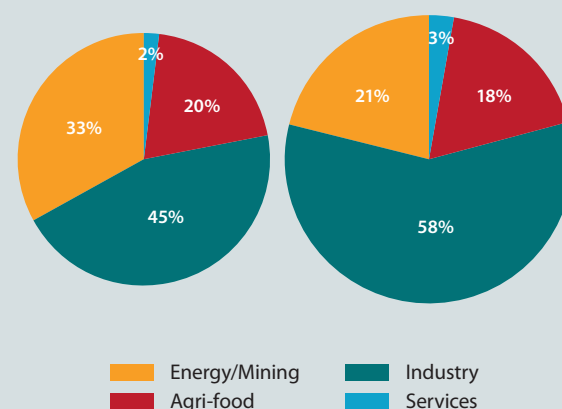
Box III.D.1

Economic implications of AfCFTA for Africa

The United Nations Economic Commission for Africa (ECA) and the Centre for International Research and Economic Modelling (CIREM) of the *Centre d'Etudes Prospectives et d'Information Internationales* (CEPII) released a comprehensive assessment of the economic implications of the AfCFTA for Africa.^a The study estimated that intra-African trade in 2045 under the AfCFTA would be about 35 per cent higher than in the absence of AfCFTA. The largest increase in intra-African trade is expected in the agri-food, manufacturing and services sectors at around 40 per cent each. The effective implementation of the AfCFTA is foreseen to help Africa industrialize and diversify away from energy and mining (see figure III.D.7), contributing to increases in GDP and welfare.

To achieve the benefits from the AfCFTA reforms, all African Union member States must sign and ratify the AfCFTA Agreement and rapidly develop national AfCFTA implementation strategies with clear action plans and roadmaps. In addition, all actors, particularly the private sector, must be fully engaged in the implementation of the AfCFTA reforms, with the support of Governments, so that the AfCFTA can effectively deliver on its promises.

Figure III.D.7
Intra-African trade composition in 2020 vs. 2045 after AfCFTA's implementation
(Percentage)



Source: ECA and CIREM-CEPII's calculations based on MIRAGE-e CGE model.

^a Assessment relying on computable general equilibrium modelling. For further details, see: https://uneca.org/sites/default/files/keymessageanddocuments/en_afcfta-infographics-11.pdf.

4.2 International investment agreements

The number of new international investment agreements (IIAs) continued to fall in 2020, recording a record low.

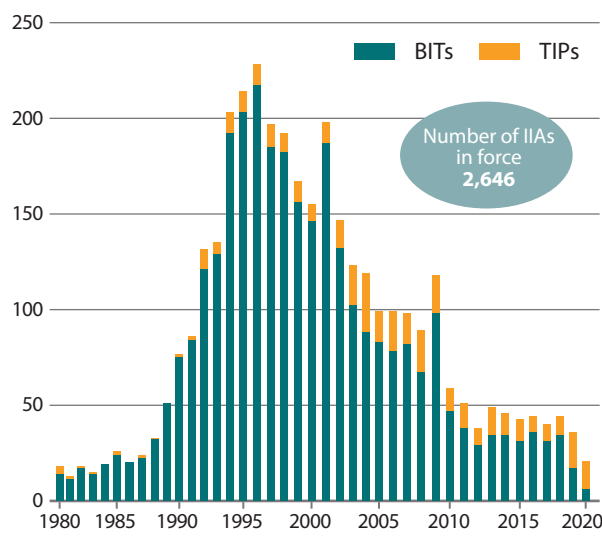
In 2020, the number of terminations of existing IIAs far exceeded the number of new IIAs, as has been the case in the preceding three years. A total of 21 new IIAs were signed in 2020, of which six were bilateral investment treaties (BITs) and 15 were treaties with investment provisions (TIPs). Twelve of the 21 new IIAs were rollover agreements concluded by the United Kingdom to maintain existing trade and investment relationships with third countries following its withdrawal from the European Union. At least 42 IIAs were terminated in 2020 of which 10 were unilateral terminations, 24 were terminated by consent, seven were replacements and one expired. With 18 IIAs entering into force in 2020, there were a total of 2,646 IIAs in force at year-end 2020 (figure III.D.8).

All IIAs concluded in 2020 contain reform-oriented provisions to preserve regulatory space and promote sustainable investment.²⁵ Such provisions contain refined language that clarifies States' obligations and safeguards States' policy space. For example, these include general exceptions for protecting human health or the environment as well as provisions to promote gender equality (e.g., including gender equality in the objectives of international trade and investment agreements).²⁶ Investor-State dispute settlement procedures in these new-generation IIAs are often reformed or entirely omitted, by specifying prescription periods for bringing claims or containing fork-in-the-road provisions.²⁷ In keeping with recent trends, IIAs concluded in 2020 continued to include specific proactive provisions on investment promotion and/or facilitation, such as enhancing the exchange of information on investment opportunities and facilitating the entry and sojourn of personnel.

IIA reform remains the priority for a sustainable development-oriented investment regime.²⁸ This is particularly so for the reform of the existing stock of 2,500 old-generation IIAs currently

in force. The vast majority of IIAs may no longer be fit for purpose. The challenges of the 21st century require reform of the stock of outdated IIAs, which fail to ensure an appropriate balance between investment protection and regulatory freedom. For example, old-generation IIAs fail to explicitly make room for regulatory action in the interest of public policy objectives, such as the protection of public health.²⁹ Similarly, as the climate crisis intensifies, outdated IIAs may prove to be ineffective in facilitating and promoting types of investments that could mitigate global

Figure III.D.8
Number of IIAs signed, 1980–2020
(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.

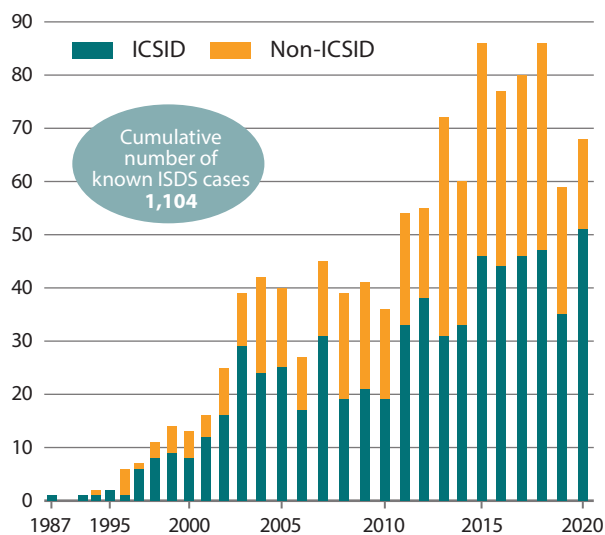
warming. The same old-generation IIAs allow investors to challenge State measures to combat environmental degradation and climate change.

The number of new investor-State dispute settlement (ISDS) cases remained high. In 2020, investors initiated 68 publicly known ISDS cases pursuant to IIAs and marked the largest number of International Centre for Settlement of Investment Disputes (ICSID) cases ever registered (figure III.D.9). This number exceeded that in 2019 but was below the five-year average. As some arbitrations can be kept confidential, the actual number of disputes filed in 2020 and previous years is likely higher. Investor-State arbitration remains at the core of broader IIA reform actions, and countries continued to implement many ISDS reform elements in IIAs signed in 2020. To date, 124 countries and one economic grouping are known to have been respondents to one or more ISDS claims. The cumulative number of known ISDS cases reached 1,104 treaty-based ISDS cases by the end of 2020.

Figure III.D.9

Trends in known ISDS cases, 1987-2020

(Annual number of cases)



Source: UNCTAD, ISDS Navigator.

Note: Information was compiled from public sources, including specialized reporting services. UNCTAD's statistics do not cover investor-State cases 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 due to verification processes and may not match exactly the case numbers reported in previous years.

5. Facilitating international trade

5.1 Trade facilitation

Despite the disruption in global trade, significant progress has been achieved in implementing trade facilitation measures.

According to the 2021 United Nations Global Survey on Digital and Sustainable Trade Facilitation, which reviews the progress of trade facilitation reforms across 144 countries, the global average implementation rate of 31 trade facilitation measures stood at 65 per cent in 2021.³⁰ The acceleration of digital transformation during the pandemic has contributed to increasing “paperless trade” and resulted in the increase in the overall

implementation rate by more than 5 percentage points between 2019 and 2021. Implementation still varies significantly around the world. Developed economies achieved the highest implementation rate at 82 per cent, while the Pacific Islands and sub-Saharan Africa recorded the lowest rates, at 40 per cent and 49 per cent, respectively. In terms of progress, South Asia achieved the highest increase, of more than 10 percentage points over the 2019 level, to reach a 58.5 per cent implementation rate in 2021.

Ratification and implementation of the TFA continues to progress, underlining the WTO membership's commitment to the Agreement.

Ninety-four per cent of all members have already concluded their domestic ratification process while the current rate of implementation commitments stands at over 70 per cent.³¹ This rate is, however, much lower for LDCs (41 per cent) and LLDCs (55 per cent). Meanwhile, initiatives were launched to further accelerate TFA implementation. A group of almost 50 WTO members tabled a proposal supporting the timely and efficient release of global goods through accelerated implementation of the Agreement.³²

Implementation of trade facilitation measures was found to be a useful tool to fight against negative implications of the COVID-19 pandemic.

In practically all countries, customs procedures had to be adjusted to ensure the smooth flow of goods. The TFA helped maintain transparency on trade measures taken during the crisis. Several WTO members also reported that COVID-19 had led to accelerated implementation of trade facilitation measures and the advancing of reforms, for example, in the area of digitization of documents required for customs.³³ They also stressed the importance of TFA measures such as the reduction of fees and charges, e-payment, facilitated clearance procedures, risk management and ease of transit.³⁴ Reference was further made to the importance of cooperation among border agencies and between members' customs agencies.³⁵

Simplifying customs procedures also reduces customs clearance trade costs.

The UNCTAD Automated System for Customs Data (ASYCUDA) continues to improve customs clearance processes for trade facilitation.³⁶ In Jamaica, the overall customs clearance time in 2020 was reduced to 32 hours. In Rwanda, the system led to over \$9 million of savings on the cost of purchasing forms and paying clearing agents to manually fill in forms and follow up on approvals in ministries.

5.2 Trade finance gaps and instruments

The deterioration in sovereign credit ratings during the COVID-19 pandemic (see chapter II) has discouraged local and international finance institutions from providing trade finance to developing-country clients.

The Asian Development Bank (ADB)'s 2021 survey reported a widening of the global trade finance gap—the difference in the demand for and the supply of trade finance—from \$1.5 trillion in 2018 to \$1.7 trillion in 2020.³⁷ The increase in the trade finance gap has affected mainly—although not exclusively—developing countries.

The increased rejection of trade finance applications was also linked to the higher risk and uncertainty prevailing during the pandemic.

The perception of risk and expectations of losses by lenders vis-à-vis borrowers is typically higher during periods of uncertainty. Local banks received fewer confirmation lines for letters of credit (or less funding in foreign exchange) from international banks for trade transactions and rejected more applications from local borrowers.

At the peak of the pandemic, MSMEs and women entrepreneurs suffered a persistent shortage in trade finance. According to the ADB, 40 per cent of SMEs' applications for trade finance were rejected, against 38 per cent for mid-size companies and 10 per cent for large companies. Women-owned MSMEs faced even greater difficulties in accessing trade finance: 70 per cent of trade finance applications of surveyed women were totally or partially rejected in 2020.³⁸ The cost of trade finance (e.g., confirmed letters of credit) was six to seven times more expensive in African than in Organisation for Economic Co-operation and Development (OECD) countries—a much larger difference than pre-pandemic.³⁹

Multilateral development banks increased their support to finance imports and exports during the pandemic. The International Finance Corporation (IFC) supported over \$20 billion in trade transactions, mainly in LDCs and other vulnerable countries. The ADB also processed larger amounts of transactions than prior to the pandemic—close to \$6 billion in 2020 and estimated to have increased in 2021. Other multilateral development institutions operating trade finance programmes recorded similar trends during the pandemic and upgraded their programmes accordingly (such as the European Bank for Reconstruction and Development, the African Development Bank, African Export Import Bank, the International Islamic Trade Finance Corporation and the Inter-American Development Bank). According to the IFC Bank Survey, many banks and companies in low-income countries continue to experience liquidity and correspondent banking stress.⁴⁰

National Governments, export credit agencies and development banks have also geared up their support to fill the trade financing gaps. For example, the Export-Import Bank of India started the “Ubharte Sitaare Programme” mainly focusing on MSMEs. The programme supports enterprises through a mix of debt, equity and technical assistance for capacity development. The Export-Import Bank of India also launched a new Trade Assistance Programme to bridge the trade finance gap through collaboration with other developing countries, and assists in capacity building, particularly for SMEs. In Kenya, for instance, the Export-Import Bank of India helped textile firms shift their production to pandemic-related goods as part of regional collaboration in Africa.⁴¹ The Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC), within the Islamic Development Bank (IsDB) Group, provided guarantees to health, agriculture and energy sectors through its export credit insurance and reinsurance solutions to facilitate imports and mitigate risks.

International cooperation is needed to help address the widening finance gap for the most vulnerable countries. Even though trade finance is not very risky, current bank regulations require high capital allocation for these loans. Moreover, anti-money laundering regulations are excessively constraining the sector by raising compliance costs. International cooperation in data collection and analysis on the trade finance gap, sharing of good practices and training on rules and regulations can help build domestic capacities for the private sector to access trade finance and for local banks to overcome regulatory compliance challenges.

The recovery of global merchandise trade in many countries has increased global demand for import and export finance. While risk appetite for trade transactions increased during the first half of 2021,⁴² the increased supply of trade finance has not caught up with the rising demand. According to the Berne Union, the association of export credit agencies, the broader trend in global trade finance markets suggests

that global liquidity has returned to the main routes of trade, along with increased demand and reduced risk perception. However, monetary tightening by central banks as well as geopolitical tensions may change risk perceptions in 2022. High global liquidity may also lead to a greater divergence in trade finance between developed and developing countries.

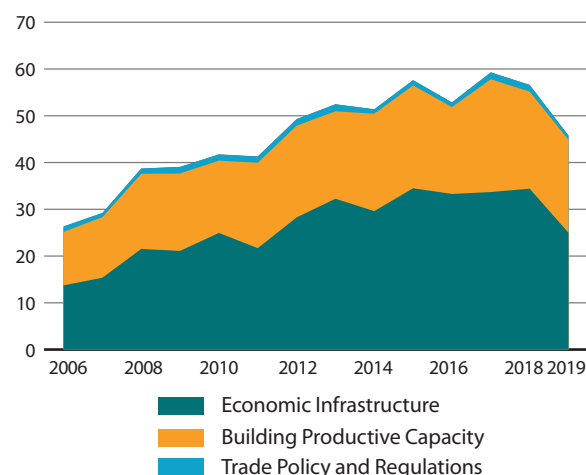
5.3 Aid for Trade

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 their supply-side capacity and the trade-related infrastructure they need to implement and benefit from WTO agreements and to expand their trade.

In 2019, the most recent year for which data are available, global disbursements of Aid for Trade reached \$45.8 billion. This represents a yearly increase of \$0.5 billion (1 per cent) from 2017, and \$25.6 billion (127 per cent) compared to the 2006 baseline recorded following the launch of the Aid for Trade initiative. Commitments have also been steadily increasing for all Aid for Trade components except for support to trade policy and regulations, which has been relatively stable at about \$1.2 billion on average (see figure III.D.10). Overall, global Aid for Trade disbursed from 2006 to 2019 has amounted to \$493 billion, with 27 per cent of the total going to LDCs (\$122 billion).

Preparations are under way for the 2022 Global Review of Aid for Trade. In March 2021, a stocktaking event was held to inform the 2020–2022 Aid for Trade Work Programme, the culmination of which is the 8th Global Review of Aid for Trade planned for early July 2022 under the theme “Empowering Connected Sustainable Trade”.⁴³ The Global Review is underpinned by a monitoring and evaluation exercise which seeks to survey (i) aid for trade priorities, (ii) policies for sustainable development, and (iii) policies for women's economic empowerment. In particular, the review will focus on understanding the potential of green growth and digital connectivity to achieve the multiple goals of the 2030 Agenda for Sustainable Development while promoting economic and export diversification.

Figure III.D.10
Aid for Trade commitments
(Billions of United States dollars, 2019 constant prices)



Source: OECD-DAC, aid activities database (CRS).

6. Mainstreaming international trade in the Sustainable Development Goals

6.1 The trade- and investment-related response to the COVID-19 pandemic

Trade and investment policies, including intellectual property rights regimes, have a major role to play in addressing the vastly unequal access to vaccines. Vaccination rates in high-income countries are seven times higher than in Africa. As underscored by the United Nations Secretary-General, there is a need to create the conditions for the local production of tests, vaccines and treatments in many more countries around the world.⁴⁴

Access to a full range of essential health products and services requires coordinated policy responses from trade, investment and intellectual property. Combating the COVID-19 pandemic calls for timely and equitable access to safe, effective and affordable tools such as vaccines, therapeutics, medicines, contact tracing software, diagnostics and personal protective equipment.⁴⁵ Failure to ensure access to COVID-19 vaccines in developing countries could cost the global economy around \$9.2 trillion.⁴⁶

Investment promotion in the health sector can help improve healthcare provision in developing countries. As a direct response to the pandemic, an increasing number of investment promotion agencies are targeting health services providers. In 2021, 48 per cent of national investment promotion agencies worldwide—32 per cent in LDCs—were promoting investment opportunities in the health sector on their websites and through social media.⁴⁷ Relevant examples are found in Africa through the Partnership for African Vaccine Manufacturing, Costa Rica and Uganda.⁴⁸

A full response to the COVID-19 crisis requires wide access to an extensive array of medical products and other technologies. These range from protective equipment to contact tracing software, medicines and diagnostics, as well as vaccines and treatments. The way in which the intellectual property system, framed in part by the TRIPS Agreement, is designed—and how effectively it is put to work, including through the full use of flexibilities in the WTO system—is a significant factor in facilitating equitable access to existing technologies and supporting the creation, manufacturing and dissemination of new COVID-19 technologies.

National and regional Intellectual Property Rights (IPR) offices can play a part. Irrespective of the outcome of the negotiation for a TRIPS waiver, countries may also review their domestic IPR laws to ensure the full utilization of existing flexibilities and to develop a well-functioning IPR system, including patent examination capacity. Some national and regional IPR offices have taken initiatives to expedite or simplify their administration of the IPR system, especially concerning patents and trademarks. These initiatives have provided practical support for firms seeking to develop products of potential benefit in combating the pandemic. Transparency of legal and policy measures taken by countries is critical for information-sharing and policy responsiveness in a globally turbulent situation.⁴⁹

Many IPR holders have also undertaken voluntary initiatives to share and pool these rights to collaborate in tackling COVID-19.

Open licensing models have been used collaboratively to develop and manufacture hardware to resolve supply chain weaknesses. Some firms have committed to non-exclusive and royalty-free licensing or have issued non-enforcement declarations of patent rights. There are also examples of free access to and reuse of COVID-19-related scientific literature protected by copyright and of shared knowledge to enable others to manufacture and use technologies. These voluntary initiatives have also included firms and universities, under the Open COVID-Pledge, granting free access to patented technologies and protected designs related to diagnosing, preventing, containing and treating COVID-19.

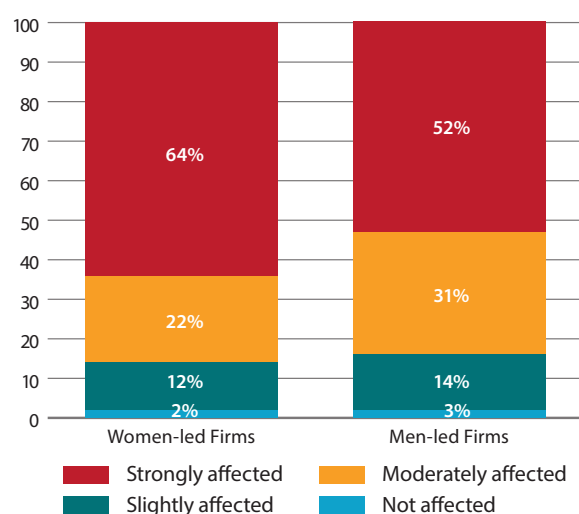
International health cooperation is necessary for controlling the pandemic in all countries. International cooperation contributes to the sharing of information and technology for the detection, prevention, treatment and control of COVID-19. This includes initiatives such as the Access to COVID-19 Tools (ACT) Accelerator, the Friends of the COVID-19 Vaccine Global Access (COVAX) Facility, Africa Vaccine Acquisition Taskforce Team (AVATT) and relevant pledging appeals. The World Health Organization (WHO) COVID-19 Technology Access Pool (C-TAP) allows developers of COVID-19 therapeutics, diagnostics, vaccines and other health products to license their intellectual property, knowledge and data with quality-assured manufacturers. Through voluntary, non-exclusive and transparent licenses, C-TAP can facilitate the scale-up of production through multiple manufacturers with currently untapped capacity. Other initiatives focus on providing access to information from the patent system. This includes the COVID-19 Search Facility in the World Intellectual Property (WIPO) PATENTSCOPE portal and the Medicines Patent Pool (MPP) with information on medicines in trials and vaccines for COVID-19. To facilitate access to medical treatments and health technologies for low- and middle-income countries, the MPP concluded licensing agreements for two experimental oral antiviral treatments for COVID-19 and a COVID-19 serological antibody diagnostic test, which can be non-exclusive and royalty-free depending on the terms of the agreements.⁵⁰

6.2 Women in trade in times of crisis

The COVID-19 crisis has had severe and damaging impacts on women's employment.⁵¹ With 740 million women globally in informal employment and in face-to-face services, women have been particularly hard hit by the crisis. In all regions and income groups, women have suffered greater employment losses than men. The disproportionate impact of the pandemic on women's employment is projected to narrow at the global level over the coming years, but a sizeable gap is nevertheless projected to remain.⁵² This is because the worst-affected sectors happen to be those that disproportionately hire women. For example, the apparel factory shutdowns during the COVID-19 crisis have inordinately adversely affected women.

Women-led businesses have been more affected by the COVID-19 crisis than those headed by men. COVID-19 adversely affected 64 per cent of women-led businesses, compared to 52 per cent of their men-led counterparts (figure III.D.11). About 42 per cent of women-led companies are micro-enterprises, compared to 22 per cent of men-led companies. Their small size may increase the difficulties women-led businesses face in complying with trade regulations. For example, in Pakistan, 66 per cent of

Figure III.D.11
Women-led firms more exposed to and affected by the COVID-19 crisis
 (Percentage)



Source: ITC calculations based on the ITC COVID-19 Business Impact Survey.

women-owned exporting companies faced difficulties with trade regulations, compared to 51 per cent of men-owned firms.⁵³ Lack of business skills training, insufficient market information and social constraints are additional major factors hindering women from achieving export success.

Integrating gender considerations into COVID-19 rescue measures and beyond is crucial. Almost all countries have made efforts to provide measures to mitigate the social and economic impacts of the pandemic. According to the COVID-19 Global Gender Response Tracker, among 3,112 measures that have been put in place so far, 1,299 measures have been classified as gender-sensitive as they address unpaid care (180 measures), violence against women (832) and women's economic security (287). Without directly targeting women, other measures can benefit women, including support to MSMEs, informal workers or specific economic sectors that intensively hire women, such as the tourism, and textiles and garment sectors. To create a better post-pandemic environment for women, a Joint Ministerial Declaration has also been adopted on the Advancement of Gender Equality and Women's Economic Empowerment within Trade, with the objective of launching it officially at the WTO's MC12. This declaration could be transformative as it could mainstream the analysis of trade and gender throughout the WTO's work rather than having it clustered in a specific working group or in specific meetings.

The COVID-19 pandemic has taken a toll on female migrant workers who form an essential part of services exports in the poorest countries. Female migrants from developing countries tend to be concentrated in the domestic work and health sectors where working conditions have been adversely affected by the pandemic.⁵⁴ Bilateral labour agreements between Governments in Africa and the Middle East (for example, between Ethiopia and Saudi Arabia) have made a concrete step towards protecting domestic migrant workers. These bilateral agreements could be spread wider and strengthened to follow international labour standards more closely. As regards trade agreements, a significant number of bilateral and regional trade agreements now include

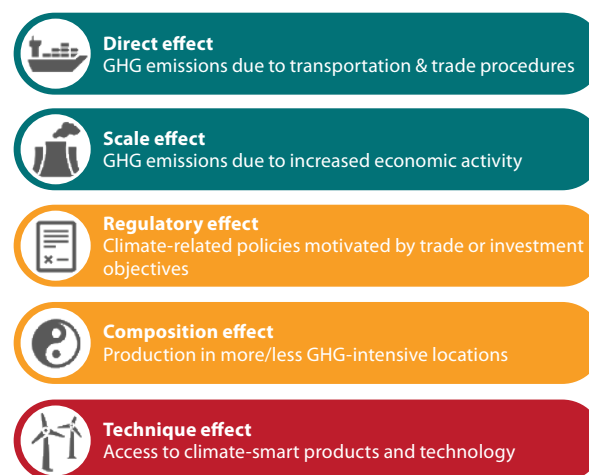
gender-related provisions.⁵⁵ By contrast, only four bilateral investment agreements to date include gender provisions.⁵⁶ Much work remains to be done on including gender as a meaningful provision in international agreements, including by empowering cooperation between the public and private sectors.

6.3 Trade and climate change

Trade and climate change are intricately connected. Figure III.D.12 shows that the effects of trade on greenhouse gas emissions can be broken down into five components. The first two components negatively impact greenhouse gas emissions. Indeed, trade directly contributes to emissions due to transportation and trade procedures. Trade also leads to greater economic activity, further increasing emissions. The third and fourth components have mixed impact. Trade-related regulations can be favourable to climate action. For example, climate-related provisions are now increasingly used in trade agreements. At the same time, some countries have reduced their environmental regulations to try to attract foreign direct investment. Depending on country specific production processes, trade can also lead to either decreased or increased emissions. For example, some countries may have weather conditions that allow them to produce food with a lower carbon footprint even after accounting for transport-related emissions. Finally, and perhaps most importantly, the fifth component has a positive impact as trade is crucial for spreading technologies to attain "green" economies and reduce emissions.⁵⁷

Climate change poses a competitiveness risk to MSMEs' participation in international trade. Around 68 per cent of the companies interviewed for the ITC's SME Competitiveness Surveys in sub-Saharan Africa said that environmental risks were significant for their businesses, with the share rising to 93 per cent among firms in the primary sector.⁵⁸ Despite these concerns, only 38 per cent of MSMEs interviewed have invested in climate change adaptation measures, while 60 per cent of large firms had invested in at least one measure to reduce exposure to environmental risks.

Figure III.D.12
Effects of trade on greenhouse gas emissions

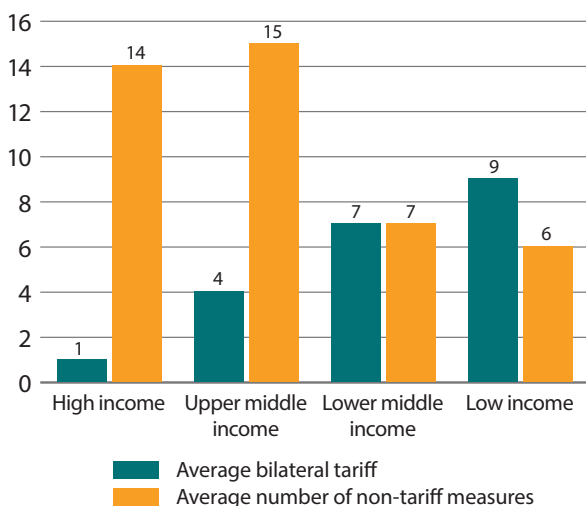


Source: ESCAP, UNEP (United Nations Environment Programme) and UNCTAD, 2021. Asia-Pacific Trade and Investment Report 2021: Accelerating Climate-smart Trade.

Figure III.D.13

Tariffs and non-tariff measures on environmental goods by income group, 2019

(Percentage and number)



Source: World Bank and WTO. 2021. The Role of Trade in Developing Countries' Road to Recovery. Based on ITC, UNCTAD and WTO data.

Note: Environmental goods are those that help decarbonize the economy, mainly clean and renewable energy and energy-efficient goods.

Reducing trade barriers can support adaptation to climate change

in several ways. For example, trade policy can contribute to enlarging global markets for renewable energy. This can be achieved via reduced tariff rates on the components of the solar photovoltaic system or wind turbines.⁵⁹ Reducing tariff and non-tariff barriers on environmental goods and services can contribute to a cross-border spread of cleaner production

technologies. While higher-income countries tend to impose fewer tariffs on environmental goods, they impose more non-tariff measures such as technical standards (figure III.D.13) than lower-income countries. Trade policies to improve access to environmental services are also relevant as these services are increasingly important for the installation, maintenance, optimization, upgrading, marketing and distribution of green technologies (see box III.D.2).

Changing trade patterns can contribute to a greener export structure.

Diversifying export markets can help countries to reduce dependency on carbon-intensive production and exports. Because intra-African exports are less concentrated in fuel-related commodities than Africa's exports to the rest of the world, the increase in intra-African exports has reduced the carbon dioxide equivalent (CO₂e) in African exports from 8.52 kg per US dollar in 1990 to 4.61 kg per US dollar in 2017.⁶⁰ Furthermore, Africa's international trade is intensive in shipping, which accounts for 2 to 3 per cent of greenhouse gas emissions globally.⁶¹ Although energy efficiency in shipping has improved, more is needed to reduce annual emissions from ships by at least 50 per cent by 2050 compared to 2008 as suggested by the International Maritime Organization (IMO). In June 2021, the IMO approved a new measure to reduce greenhouse gas emissions, which would reduce the average ship speed by 2.8 per cent and increase average maritime shipping costs by 1.5 per cent. While the costs of this measure are still considered smaller than typical variations in freight rates,⁶² countries such as LDCs and SIDS would need financing and other support to address these costs and the effects in trade flows.⁶³

If unilaterally applied, carbon price adjustments may have a limited impact on mitigating climate change globally.

In July 2021, the European Commission adopted a proposal that will require importers of certain carbon-intensive products (initially aluminium, cement, iron and steel, electricity and fertilizer) to buy certificates to account

Box III.D.2**Trade and climate action in Asia and the Pacific**

In the Asia-Pacific region, greenhouse gas emissions more than doubled between 1990 and 2018. Exploring the synergies between trade and climate change-related initiatives has thus become more important than ever.

Several economies in the region have set mandatory emissions standards on imports of vehicles, required labels for energy ratings and banned trade in chlorofluorocarbons, which are a significant source of greenhouse gas emissions. Other trade and investment policies can help the region to improve the environmental performance. In 16 out of 26 economies examined in Asia and the Pacific, the average applied tariffs on carbon-intensive fossil fuels were lower than those on environmental goods.

Also, 21 out of these 26 economies applied more non-tariff measures on imports of environmental goods than on imports of carbon-intensive fossil fuels. In addition, economies in Asia and the Pacific have increased the share of carbon-intensive fossil fuels in their trade since 2015 and spent around \$175 billion per year to subsidize fossil fuels. Abolishing these subsidies may not always be immediately politically feasible, but

such resources can be transferred over time to finance climate-smart measures and other policies for sustainable development, including more targeted policies (such as direct cash transfers) to help the most vulnerable.

Trade policy in the region can also play an important part in helping to address climate change. Eighty-five per cent of the RTAs signed after 2005 by at least one Asia-Pacific economy contain one or more climate-related provisions. Trade facilitation can also make the trade transaction process less carbon-intensive. This includes digital trade facilitation such as automated customs and paperless trade systems. The transparency and efficiency of trade procedures has improved since 2015, continuing to advance between 2019 and 2021.

Trade and the environmental policies of trading partners can also generate development effects. The carbon border taxes being considered by the region's trade partners may push several Asia-Pacific economies out of key markets. This points to the need for more robust social safety nets and multilateral cooperation so that the climate policies of all countries would "leave no one behind".

Source: ESCAP, UNEP, UNCTAD, Asia-Pacific Trade and Investment Report 2021: Accelerating Climate-smart Trade and Investment for Sustainable Development, 2021.

for the embedded emissions through a new Carbon Border Adjustment Mechanism (CBAM).⁶⁴ The CBAM is intended to complement the European Union Emissions Trading System (EU ETS) and address carbon leakage, that is, shifting production of carbon-intensive goods from the European Union to third countries that have more carbon-intensive production methods.⁶⁵ Such mechanisms remain controversial as it would also increase the price of goods from countries without carbon pricing, which include the poorest, most vulnerable and least technologically advanced countries, and could act as a trade barrier. According to an UNCTAD study, at the price of \$44 per tonne of embedded CO₂ emissions, the CBAM would reduce developing countries' exports across the targeted sectors to the European Union by

1.4 per cent.⁶⁶ Finding appropriate tools to redress the trade effects and facilitate the technology transfer of green technologies may be a prerequisite for political acceptance of carbon pricing.

Reducing emissions worldwide would require a speedier transition to more efficient production and transport processes in developing countries. ESCAP, UNEP and UNCTAD have estimated that eliminating fossil fuel subsidies would reduce global emissions by 3.2 per cent, a much more significant impact than all existing carbon price schemes globally.⁶⁷ Achieving transition to sustainable energy would also require a speedier transfer of finance, knowledge and environmental technology to developing countries.

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(Brunei Darussalam, Cambodia, Indonesia, the Lao People's Democratic Republic, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Viet Nam), Australia, and New Zealand, and three East Asian major economies that are China, Republic of Korea, and Japan.

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