

First session of the Preparatory Committee for the fourth International Conference on Financing for Development

Multi-Stakeholder Round Table Discussion on “International Trade as an Engine of Development”

Wednesday, 24 July 2024, 11:30 – 13:00

Concept Note and guiding questions

The Addis Ababa Action Agenda highlights the critical role of international trade in driving economic growth, reducing poverty, and narrowing the development gap between countries. The Addis Agenda also recognizes the potential of **international trade to contribute to sustainable development** by promoting inclusive growth, reducing poverty, and supporting environmental sustainability.

In the past several decades, international trade has acted as an engine for development for many developing countries, but trade dynamism has weakened markedly since the 2008 world financial and economic crisis. Trade expansion was also uneven. Poor and vulnerable countries in Africa and Latin America and the Caribbean remain largely marginalized; many developing countries mainly export unskilled labor and low-value-added goods; and many vulnerable countries remain dependent on raw commodities exports. In the face of the secular slowdown in international trade and rising protectionist sentiments and actions, increased efforts are needed to **integrate developing countries productively into the global trading system**.

The World Trade Organization (WTO) has played a central role in facilitating multilateral trade cooperation since its establishment in 1995, in a period of rapid trade expansion. But economic shifts and divergent interests among members has led to a stalling of multilateral negotiations, with countries turning to bilateral and regional trade agreements and in some cases plurilateral negotiations, resulting in a complex web of overlapping arrangements. Challenges have also emerged in the WTO's dispute settlement mechanism. In parallel, protectionist sentiments have risen and contributed to trade tensions and restrictions. Such international trade interventions are increasingly impacting developing countries, and undermine the ability of the international trading system to facilitate sustainable development. The trade financing gap has also increased further.

To address these challenges, several proposals have been put forward for consideration. These include comprehensive reforms to improve the functioning and prevent further fragmentation of the multilateral trading system and better align it with sustainable development, to revisit and modernize regional and bilateral trade and investment agreements to fully align them with the SDGs, and the potential to establish multilateral trade finance mechanisms and measures to ensure the proper functioning of commodity markets.

Guiding questions for discussion

1. Enhancing market access and integration
 - What strategies can be implemented to enhance vulnerable developing countries' greater integration into global trade greater and ensure the inclusive sharing of trade gains among people and countries?
 - How can the international community enhance trade-related capacity building in developing countries and to improve their market access and value chain upgrades?
 - What innovative approaches would help commodity-dependent developing countries to benefit from more inclusive sharing of trade gains?
2. Strengthening the multilateral trading system
 - How can the international community align trade rules fully with sustainable development?
 - How and through which provisions can RTAs enhance coherence between trade, investment and sustainable development?
3. Trade finance
 - What kinds of trade finance instruments and mechanisms would facilitate the productive integration of developing countries into the global economy?
 - How can trade finance help commodity-exporting countries unlock value from resources and promote developing countries' participation in higher-value global value chains?
 - What strategies can be implemented to improve the availability and effectiveness of risk mitigation instruments in trade finance, and how can multilateral development banks (MDBs) and other international financial institutions play a more significant role in supporting these efforts?
4. Leveraging trade for sustainable development
 - What policies and initiatives can be implemented to ensure that trade contributes to reducing inequalities?
 - How can trade practices be aligned with climate and biodiversity goals to promote environmental sustainability without exacerbating inequality in trade growth?