



WTO OMC

## **SUBSTANTIVE INPUTS TO THE 2016 HLPF - WTO'S CONTRIBUTION TOWARDS THE 2030 AGENDA AND THE SDGS**

Trade is recognized as an engine for inclusive economic growth and poverty reduction that contributes to the promotion of sustainable development both by the 2030 Agenda and its accompanying Sustainable Development Goals, as well as, the Addis Agenda of Action on Financing for Development. Accounting for more than 50% of low-income countries' GDP, international trade can be an important source of finance to both the private sector and the public sector in developing countries. Trade growth enhances a country's income generating capacity, which is one of the essential prerequisites for achieving sustainable development.

Households' welfare depends on the diversity, quality and price of the product they purchase; similarly, in today's global production networks, firms' capacity to export increasingly depends on their access to competitive inputs. Trade improves both the consumer surplus and the prospective competitiveness of domestic firms. An increase in exports enhances the country's income growth at least at the aggregate level. Market access conditions, both foreign market access for a country's exports and domestic market access for imports, are thus an important determinant of the effectiveness of trade as a means of implementation. A predictable trading environment can also help to promote long term investments that could further enhance the productive capacity of a country.

On top of that, open trade relations and closer economic ties also favor regional integration, convergence toward common international best practices and an overall stability of the international system. The concession of preferential treatment for developing and least developed countries on labor intensive products help diversifying exports and is beneficial for the reduction of inequality within and across countries.

However, there are some significant challenges in order to realize the potential of trade to pursue sustainable development and ensure no one is left behind. The main challenges are:

1. strengthening the multilateral trading system to avoid that the proliferation of RTAs which exacerbate the marginalization of low-income or small and vulnerable economies in world trade and,
2. supporting "complementary actions" and policy coherence at the national and regional level in order for trade to serve as a mean of implementation and become a main driver in reducing inequality by generating productive employment, decent work, women's empowerment and food security.

More concretely, trade-related issues in the SDGs are reflected primarily under SDG 17 - Strengthen the means of implementation and revitalize the global partnership for sustainable development which has three trade-specific targets.

Target 17.10 calls for the promotion of the multilateral trading system under the WTO, "including through the conclusion of negotiations within its Doha Development Agenda".

Target 17.11 aims to "Significantly increase the exports of developing countries, in particular with a view to doubling the least developed countries' share of global exports by 2020" this latter part concerning LDCs mirrors one of the objectives in the Istanbul Programme of Action for the LDCs.

Target 17.12 also focuses on LDC issues and calls for Members to "Realize timely implementation of duty-free and quota-free market access on a lasting basis for all LDCs, consistent with WTO decisions, including by ensuring that preferential rules of origin applicable to imports from LDCs are transparent and simple, and contribute to facilitating market access".

Regarding the implementation of the target 17.10, the Nairobi Ministerial Declaration, adopted at the WTO's 10<sup>th</sup> Ministerial Conference in December 2015, contains a strong commitment of all Members to advance negotiations on the remaining Doha issues. This includes advancing work in all three pillars of agriculture, namely domestic support, market access and export competition, as well as non-agriculture market access, services, development, TRIPS and rules.

Members acknowledged that this work shall maintain development at its centre and provisions for special and differential treatment shall remain integral. Members also agreed to continue to give priority to the concerns and interests of least developed countries.

Members also agreed at WTO's 10<sup>th</sup> Ministerial Conference in Nairobi that officials should work to find ways to advance negotiations and request the Director-General to report regularly to the General Council on these efforts. And while Members concurred that officials should prioritize work where results have not yet been achieved, some wished to identify and discuss other issues for negotiation; others did not. Members also clarified that any decision to launch negotiations multilaterally on such issues would need to be agreed by all Members.

Regarding the implementation of target 17.11 increasing exports of developing countries and, in particular, doubling LDCs' share in world exports is not only an end but also a means to achieve inclusive growth and poverty reduction.

The 2008–2009 financial crisis changed world trade dynamics by causing a slowdown of global merchandise trade has been somewhat compensated by high growth in trade in services, that witnessed also a larger participation from developing countries. Overall the amount of South-South trade equalled trade among developed countries. Nevertheless, the expansion and development GVCs has left many developing raw commodity-suppliers outside the production processes.

In 2014, the value of LDC merchandise exports was US\$ 217 billion. It took 15 years to see the share of LDCs in world exports almost doubled, from 0.6 per cent in 2000 to 1.1 per cent in 2014. The share of LDCs in world merchandise imports grew even faster over the same period, from 0.7 per cent in 2000 to 1.4 per cent in 2014, reaching US\$ 246 billion.

The key driver of export growth in this period was a massive rise in the prices of fuels, ores and metals, reflecting the high demand in emerging countries, notably China. However, with the drop in commodity prices, the last 3 years witnessed an increasing divergence in the share of exports vis à vis the share of imports of goods held by LDCs. This could have negative impact in the LDCs balance of payments, it is therefore important that the international community remain vigilant to ensure that the gains from the commodity price boom are not undone in the current cycle.

Turning now to target 17.12, market access for LDCs remains an important issue for the WTO. The implementation of duty-free, quota-free market access (DFQF) is regularly monitored in the WTO Committee on Trade and development, which conducts annual reviews on the steps taken by WTO Members to provide duty-free, quota-free market access to LDCs.

In addition, market access for LDCs was the subject of two decisions at WTO's 10<sup>th</sup> Ministerial Conference in Nairobi. One decision provides guidelines on Preferential Rules of Origin which seek to facilitate LDCs' export of goods to both developed and developing countries under unilateral preferential trade arrangements in favour of LDCs. It provides detailed directions on specific issues, such as methods for determining when a product qualifies as "made in an LDC", and when inputs from other sources can be "cumulated" — or combined together — into the consideration of origin. It also calls on preference-granting members to consider simplifying documentary and procedural requirements related to origin.

The second decision in favour of LDCs adopted at Nairobi, covers the very important issue of preferential market access in the area of services. In this decision Ministers extended the lifespan of a 2011 decision enabling WTO members to grant LDC services and services providers preferential access to their markets for 15 years.

The Nairobi Ministerial Decision on Operationalization of the Services Waiver encourages discussions among members on technical assistance aimed at increasing the capacity of LDCs to participate in services trade. It also urges Members who have not yet notified their preferences to

the WTO's Trade in Services Council to promptly do so and sets up a review to monitor the operation of the notified preferences.

But the trade-related targets in the SDGs are not only found in SDG 17. There are other trade related targets where WTO has also been making great progress.

SDG 2 on 'zero hunger' contains target 2.b which urges countries to 'Correct and prevent trade restrictions and distortions in world agricultural markets, including through the parallel elimination of all forms of agricultural export subsidies and all export measures with equivalent effect, in accordance with the mandate of the Doha Development Round.'

WTO Members can claim to have made a substantial contribution towards achieving the goal of zero hunger through the adoption in Nairobi of the WTO Ministerial Decision on Export Competition. This decision eliminates export subsidies and sets out new rules for export credits, international food aid and exporting state trading enterprises.

By ensuring that countries will no longer be able to resort to trade-distorting export subsidies (and measures of equivalent effect) this decision will help to level the playing field in agriculture, aiding farmers in many developing and least developed countries.

There remains work to do to eliminate all restrictions and distortions in agricultural markets, but eliminating export subsidies is a momentous achievement. Indeed, it is the most significant reform of global agricultural trade in the history of the WTO – and one which will help to improve the quality of life of future generations, particularly in low-income countries that depend on trade in agricultural products.

In addition, a group of WTO members agreed a deal to expand the Information Technology Agreement. This will eliminate tariffs on 200 new-generation IT products. Trade in these products is now worth around \$1.3 trillion each year which amounts to 10% of global trade. Because the signatories of this agreement have agreed to apply it in accordance to the most-favoured nation principle of WTO its benefits of this will be available to all WTO members. This agreement has a bearing on both the science, technology and innovation chapter of the Addis Agenda, and SDG 9 on increasing access to information and communications technology.

Together, breakthroughs reached in Bali and Nairobi will have real-world economic effects, which can help to improve people's lives, particularly in developing and least-developed countries.

Another trade-related target is contained in Target 8.a which urges countries to 'Increase Aid for Trade support for developing countries, in particular LDCs, including through the Enhanced Integrated Framework'.

Aid for Trade was also in the agenda for the Nairobi Ministerial Conference and in this regard Ministers recognized the importance of and continuing need for the Aid-for-Trade Initiative and of according priority to the needs of LDCs.

The biennial Aid-for-Trade Work Programme for 2016-2017 has as its overarching focus "Promoting Connectivity" by reducing trade costs, including in the area of services' trade. The Work Programme aims to help developing countries connect to trade so that they are able to fully exploit their potential.

The programme will further deepen analysis of how high trade costs inhibit the integration of developing countries into global value chains and restrict their economic development and will focus on activities related to gender and women's empowerment, upgrading infrastructure for developing countries, e-commerce and digital trade, and micro, small and medium-sized enterprises (MSMEs). These activities will culminate in the Sixth Global Review of Aid for Trade which is tentatively scheduled for mid-2017.

An important step towards ensuring inclusiveness in international trade in accordance with the principle of no one left behind was the adoption of a Trade Facilitation Agreement (TFA) at the WTO's 9<sup>th</sup> Ministerial Conference held in Bali in December 2013. This agreement has as its main objectives to reduce the bureaucracy to trade and decrease trade costs.

The TFA sets out a series of measures to expedite the passage of goods across borders inspired by best practices worldwide. This will help reduce trade costs at all stages of import and export operations. This means lowering costs to reach the border, at the border and behind the border. By speeding up the clearance of goods across borders, trade facilitation could give a big boost to trade in perishable agricultural products, and is likely to have the same effect on intermediate manufactured goods. The latter are extremely important for integration into global value chains in which the delivery and predictability of the delivery date is essential.

WTO estimates that trade costs of developing countries amount to applying a tariff and ad valorem tariff of 219% to international trade. Even in high-income countries, the ad valorem equivalent of trade costs would be 134% for the same product. By some estimates, the full implementation of the TFA has the potential to reduce trade costs of Members 14.3% on average. The range of reduction in trade costs will be between 9.6% and 23.1%. After the full implementation of the TFA, it is expected that the greatest reduction of average trading costs, by over 16%, will take place in African countries and LDCs. Full implementation will reduce trade costs by 18% in manufactured goods and 10.4% in agricultural products.

By reducing the variable and fixed costs associated with exporting, trade facilitation will increase exports of enterprises already participating in international trade and more importantly it will also make it possible for smaller enterprises to join international markets.

These benefits also translate into improved performance globally. WTO estimates that for the period 2015-2030, the implementation of the TFA could increase world exports by 2.7% annually, and global GDP growth by more than half a percentage point a year.

The TFA will enter into force once two-thirds of members, i.e. 108 members, have domestically ratified a Protocol of Amendment and notified the WTO of their acceptance of this Protocol. The Protocol will amend the WTO Marrakesh Agreement to incorporate the TFA into its legal framework. This Protocol of Amendment was opened for acceptance last November 2014 through a Decision taken by the General Council. Under this decision no deadline has been set for Members to accept the Protocol.

The process to ratify the Protocol needs to be undertaken at the national level by each member. The steps necessary to achieve ratification depend on the constitutional requirements of the member. This process therefore varies from member to member and could involve, for example, ratification by Parliament or by executive order.

To date 77 Members have ratified the Protocol; this is well above half the number of ratifications needed for the TFA to enter into force. Given the rate at which members are completing their ratification process we can be optimistic about the TFA's prompt entry into force and implementation.

WTO will continue to work closely with UNCTAD and ITC, in what we have called the Geneva trade hub, to provide support to members in their implementation of the Agenda 2030 and in monitoring progress towards its achievement.

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