WTO OMC

WTO'S SUBSTANTIVE INPUT FOR THE 2017 HIGH LEVEL POLITICAL FORUM ON SUSTAINABLE DEVELOPMENT

A. Pursuing inclusive broad-based growth that delivers opportunities for all and ensures that no one is left behind

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 Ababa Action Agenda 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.

Trade has played an enormous role in eradicating poverty and promoting prosperity in the developing world. In 1990, more than half the citizens of developing countries lived on less than US$ 1.25 a day. By 2015, that rate had dropped to 14%. Without trade, these remarkable improvements would never have been achieved. Since 2000 alone, the developing country share of world trade has increased from 33% to 48%. In commercial services trade, the share has risen from around 25% to roughly 35% over the same period. And South-South trade has also grown in importance, accounting for 52% of developing countries' exports in goods in 2013.

Among the various benefits of trade is that it improves both consumer choice and the prospective competitiveness of domestic firms. This is because a household's welfare depends on the diversity, quality and price of the products it can purchase; similarly, in today's global production networks, a firm's capacity to export increasingly depends on access to competitive inputs. 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.

Trade and investment are important ingredients for global economic integration, growth and prosperity. Trade accounts for a significant share of low-income countries' GDP and is a significant source of finance to both the public and private sectors to implement the Sustainable Development Agenda.

Another substantial source of finance is Foreign Direct Investment, and naturally the two are very closely interrelated. For example, services trade now accounts for almost two thirds of global inward FDI stock. And FDI is fundamental because it is the main vehicle for the supply of services in foreign markets. It is critical in enabling global supply chains to function properly. Therefore, more open trade policies can boost FDI and strengthen a positive relationship between the two.

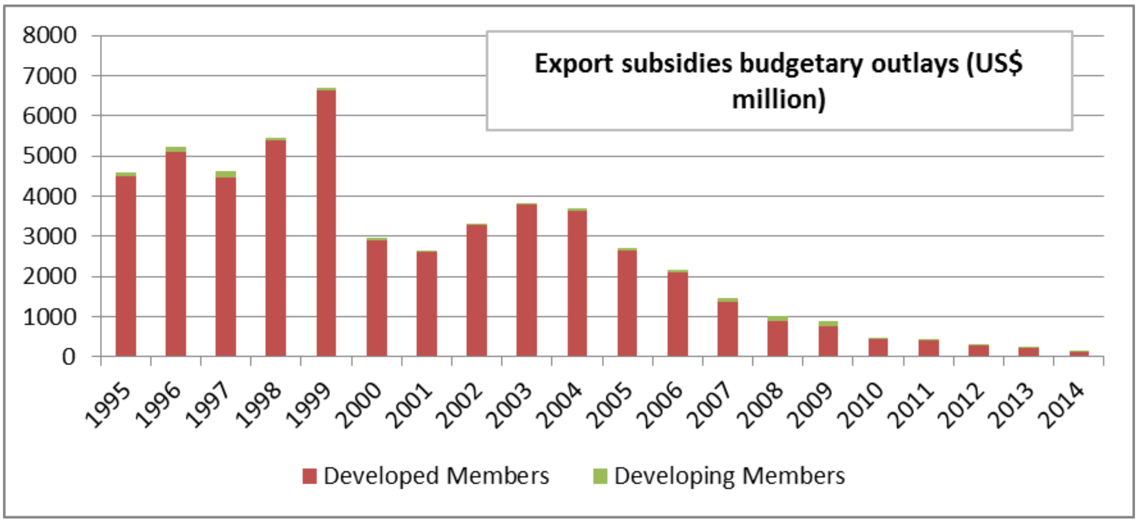
B. Measuring progress towards achieveing the trade and WTO related SDG targets

Along with the recognition of trade as playing an enabling role and as an engine for sustainable development in the Agenda 2030, the SDGs contain a number of targets that relate directly to trade and the work of the WTO. WTO in partnership with UNCTAD and ITC is closely involved in monitoring of progress towards the achievement of these targets. The three organizations use indicators that have been chosen by the UN Statistical Commission in consultation with all involved stakeholders. Although it is still the initial stages of implementation of the agenda, some significant progress has been made.

a. SDG:2 End hunger, achieve food security and improved nutrition and promote sustainable agriculture

Target 2.b of SDG 2 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." At the WTO's 10th Ministerial Conference held in Nairobi in 2015, WTO Members made a substantial contribution towards achieving this target through the adoption 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.

The indicator chosen to quantify progress towards achieving this target is export subsidies being provided by countries. As can be seen from the chart below for 2014 export subsidies budgetary outlays have reached record low levels.



Source: WTO Members notifications

In the context of preparations for WTO's 11th Ministerial Conference, WTO Member governments are discussing important topics such as domestic support, public stockholding for food security and safeguard measures. An agreement on these issues would help correct the remaining restrictions and distortions in agriculture markets and thus reinforce efforts to fully deliver the mandate under target 2.b.

b. SDG:3 Ensure healthy lives and promote well-being for all at all ages

Target 3.b of SDG 3 calls for countries to "Support the research and development of vaccines and medicines for the communicable and non-communicable diseases that primarily affect developing countries, provide access to affordable essential medicines and vaccines, in accordance with the Doha Declaration on the TRIPS Agreement and Public Health, which affirms the right of developing countries to use to the full the provisions in the Agreement on Trade-Related Aspects of Intellectual Property Rights regarding flexibilities to protect public health, and, in particular, provide access to medicines for all". On 6 December 2005, WTO Members approved a Protocol that proposed an amendment to the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (the TRIPS Agreement) to make it easier for poorer countries to obtain cheaper generic versions of patented medicines. The amendment sets aside a provision of the TRIPS Agreement that could otherwise limit exports of pharmaceuticals manufactured under compulsory licenses to countries that are unable to produce them.

For the amendment to enter into force, acceptance by two thirds of WTO Members was required. Since 2015, considerable momentum had built up regarding the acceptance of the TRIPS amendment, following initiatives in the General Council and the TRIPS Council. Thus, the WTO received 32 instruments of acceptance of the amendment over the past two years alone – a marked increase from the average rate of slightly over five per year from 2005 to 2014.

The amendment to the Agreement entered into force on 23 January 2017, when the two-thirds threshold was reached. It applies to all Members who have accepted it. For developing and least-developed countries in this group of Members, it means that they now benefit from a secure legal pathway to access affordable medicines according to WTO rules.

The contribution that trade can make to ensuring access to medicines goes beyond intellectual property issues. Other trade-related policies also have a role to play. Most countries are overwhelmingly reliant on imports to service their pharmaceutical needs. In 2014, reported worldwide imports of pharmaceutical products exceeded $523 billion; trade in electro-medical apparatus such as ultrasound and Magnetic Resonance Imaging equipment exceeded USD100 billion. Despite important initiatives to broaden the geographical base of production, increased need for affordable medicines across the globe means a greater dependence on trade to ensure access to those medicines. Indeed, access to medicines for most countries still requires some reliance on international trade. For those countries in greatest need, the dependence is greatest. Yet these countries are the ones that face the greatest obstacles to trade – and that means higher prices, uncertainty in supply and delays in access.

Obstacles, costs, and delays impeding trade ultimately affect public health. WTO analysis suggests that these delays and costs amount, in effect, to an ad valorem tariff of 300% for LDCs. This means that to tackle access to medicine issues effectively, it is important to look at a broad spectrum of trade related policies. This includes implementing trade facilitation measures in line with the WTO's Trade Facilitation Agreement, reducing tariffs on medicines, medical products and inputs to locally produced medicines, as well as the convergence of regulations around common international standards which is promoted by WTO's Technical Barriers to Trade Agreement.

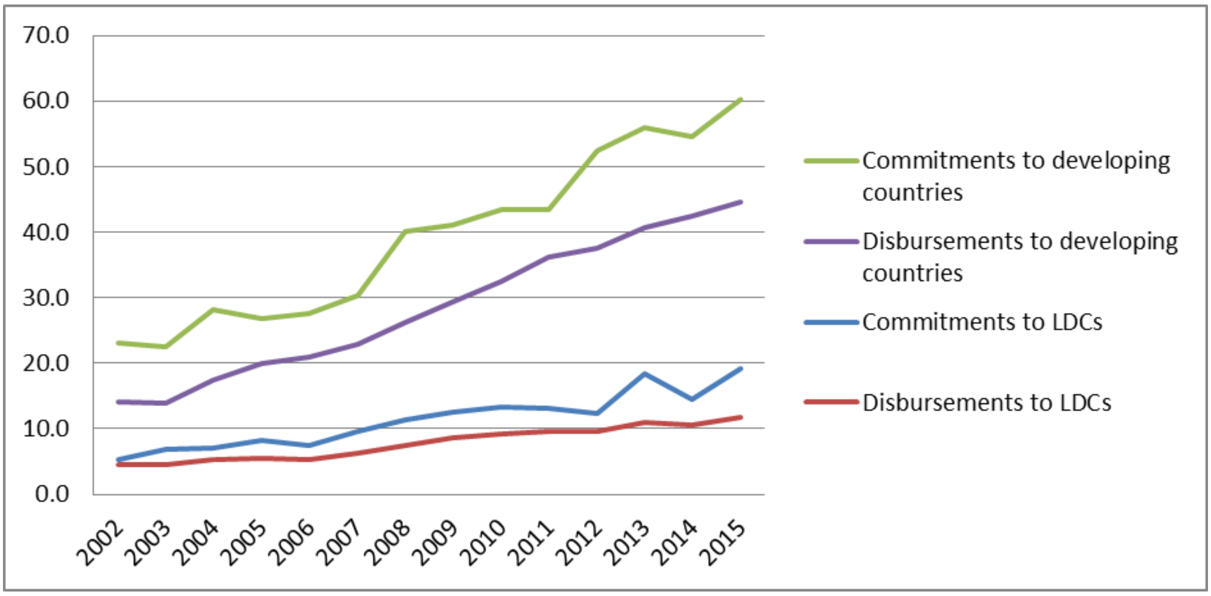
c. SDG:8 Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

In addition to the contribution that trade can make to promoting inclusive sustainable growth and full productive and decent employment that was detailed in the previous sections, SDG 8 also contains a specific target related to aid for trade calling for countries to "Increase Aid for Trade support for developing countries, in particular least developed countries, including through the Enhanced Integrated Framework for Trade-Related Technical Assistance to Least Developed Countries." WTO members launched the Aid for Trade initiative at the Sixth Ministerial Conference in Hong Kong in 2005. Aid for trade focuses on supporting developing countries, particularly the least-developed, in building trade capacity, enhancing their infrastructure and improving their ability to benefit from trade opening opportunities. The WTO works on aid for trade in cooperation with other international organizations: the World Bank, the International Monetary Fund (IMF), the Organisation for Economic Cooperation and Development (OECD), the Inter-American Development Bank, the Islamic Development Bank and many more.

Figures from the Organization for Economic Cooperation and Development (OECD) suggest that Aid-for-Trade disbursements totalled $333.1 billion for the period 2006-2015. A little more than half of this total ($174.7 billion) has been for projects related to infrastructure development. Disbursements to LDCs have grown steadily, starting from $5.4 billion annually in 2006 and reaching $11.7 billion in 2015, an increase of $1.2 billion on 2014.

Aid for Trade commitments and disbursements, 2002-15

(Constant 2014 United States dollar billions)



Source: OECD-CRS, Creditor Reporting System

The 2015 Fifth Global Review of Aid for Trade found that high trade costs, including tariffs, transport costs and regulatory costs notably related to border clearance, are a significant barrier to many developing and least developed countries (LDCs), and in particular landlocked (LLDCs) and small island developing states (SIDS). The burden of trade costs also falls disproportionately on the agriculture sector and MSMEs.

The 2016-17 Aid-for-Trade work programme aims to expand this analysis of physical trade costs to consider how digital connectivity can promote the inclusion of developing countries and their firms in international markets, and how it intertwines with other forms of physical connectivity. The 2017 Global Review of Aid for Trade is scheduled for 11-13 July 2017, with the theme of "Promoting Connectivity". It will showcase the results of an extensive monitoring and evaluation exercise that includes more than 300 replies from a diverse range of different stakeholders.

The Enhanced Integrated Framework (EIF) is the only global Aid for Trade programme dedicated to addressing the trade capacity needs of LDCs. Based on partnership among LDCs, the donor community and International Agencies, the EIF provides a global framework for the coordination and delivery of Aid-for-Trade to LDCs. The EIF Phase Two started in January 2016. So far, the multi donor trust fund of the EIF Phase Two has received pledges of $90 million from 15 donors, which accounts for one third of the required budget for the full duration of the programme (2016-2022).

d. SDG:10 Reduce inequality within and among countries

Another direct reference to the work of WTO can be found in target 10.A of SDG 10 which calls for countries to "Implement the principle of special and differential treatment for developing countries, in particular least developed countries, in accordance with World Trade Organization agreements". The chosen indicator for this target is the proportion of tariff lines applied to imports from least developed countries and developing countries with zero-tariff.

Thanks to a Ministerial Decision taken at the WTO's 5th Ministerial Conference in Hong Kong, most developed countries already provide full or significant Duty Free Quota Free access to their markets for LDCs. DFQF access in Generalised Schemes of Preferences of developed countries shows that duty-free coverage ranges from 100 per cent to 37.1 per cent in 2016 or latest available year. While all developed country members of the WTO (according to WTO definitions of developed) have identified schemes, so far, six other WTO members have also notified their DFQF schemes put in place in favour of LDCs. Other WTO Members are permitted to phase-in their DFQF commitments. DFQF access for those six other members ranges from 99.5 per cent of duty lines covered to 31 per cent.

The number of products exported by developing countries and LDCS that can enter developed countries' markets duty free has gradually increased over the last decade. By 2015, 50% of developing countries' products benefit from a duty-free treatment when exported to developed countries. This ratio rises to 65% in the case of products exported by LDCs. The rate of improvement has been, however, faster for LDCs (almost 10% more products duty free from 2010) in respect to developing country export (5% more products duty free from 2010), indicating the international community's continuous efforts to grant preferential treatment to countries with lower income levels.

Source: *ITC/UNCTAD/WTO*

Although improvements in preferential tariff treatment for LDCs have slowed down in some key sectors, the relative preferential margins enjoyed by LDC exports, intended as the difference between the preferential tariff rate applicable to exports from LDC and the corresponding MFN rate, have improved over time. Agriculture is the sector where LDCs benefit from the largest margin of preference compared to other developing countries. In the case of textiles and clothing the preference margin, which is just above 1 percentage point, has not changed much in recent years.

e. SDG:14 Conserve and sustainably use the oceans, seas and marine resources for sustainable development

One of the environmental SDGs where WTO plays an important role concerns SDG 14 on Ocean Conservation. Target 14.6 urges countries "By 2020, [to] prohibit certain forms of fisheries subsidies which contribute to overcapacity and overfishing, eliminate subsidies that contribute to illegal, unreported and unregulated fishing and refrain from introducing new such subsidies, recognizing that appropriate and effective special and differential treatment for developing and least developed countries should be an integral part of the World Trade Organization fisheries subsidies negotiation".

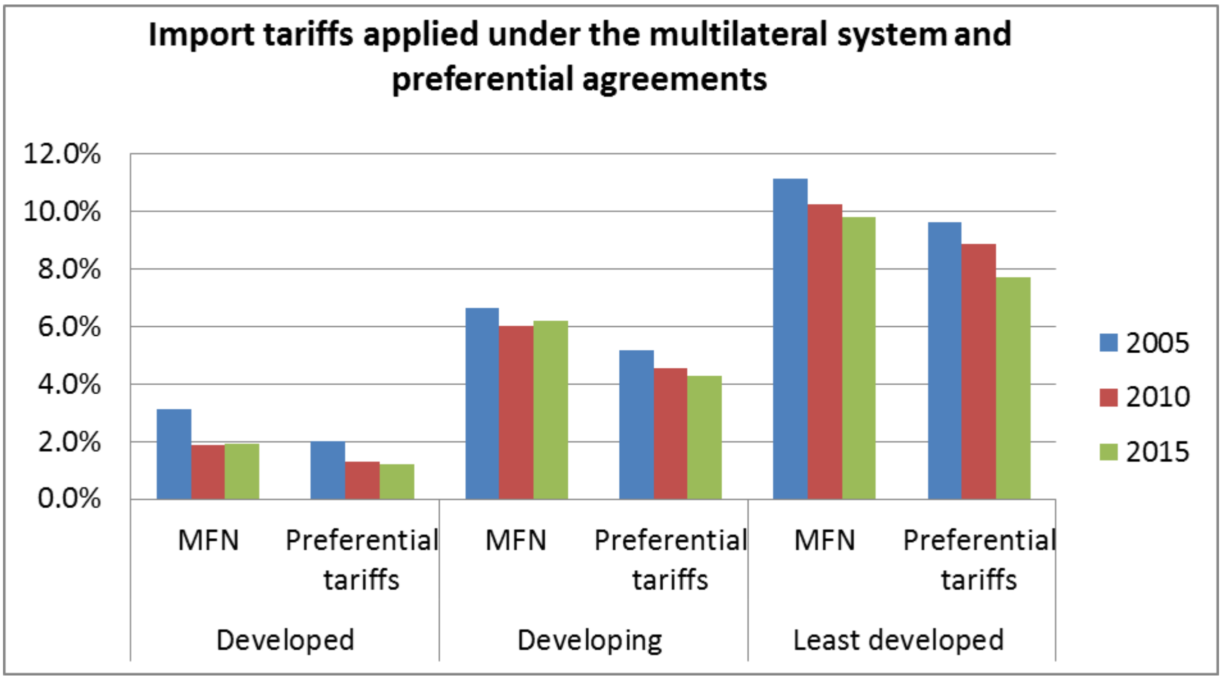
Achieving an outcome on fisheries subsidies has been identified by a broad spectrum of Members as a critical area for action at the organization's Eleventh Ministerial Conference (MC11) taking place in Buenos Aires in December 2017. To date, four proposals – from the ACP Group, the European Union, the LDC Group, and jointly from Argentina, Colombia, Costa Rica, Panama, Peru and Uruguay - have been put forward with the stated aim of achieving SDG target 14.6 by disciplining harmful fisheries subsidies while also providing special and differential treatment for developing and LDC members. In parallel, a group of Members has launched a plurilateral initiative seeking an ambitious, high standard agreement on fisheries subsidies among like-minded participants, while at the same time working with all WTO Members to make progress toward a multilateral agreement in the WTO.

f. SDG:17 Strengthen the means of implementation and revitalize the global partnership for sustainable development

The core of the targets that relate to trade and the WTO can be found in SDG 17. Target 17.10 asks countries to "Promote a universal, rules-based, open, non-discriminatory and equitable multilateral trading system under the World Trade Organization, including through the conclusion of negotiations under its Doha Development Agenda". Tariff schemes negotiated under the multilateral trading system (MFN tariffs) or under preferential agreements (preferential tariffs) vary widely across country groups. The lower the income level, the higher the overall tariff level, as well as, the difference (in percentage points) between tariffs applied within the multilateral trading system and those granted in the context of bilateral and regional agreements.

There is also great variation in tariff protection across sectors. In 2015, agriculture (in developing countries) and clothing (in developed and least developed countries), followed by textiles, remain the sectors with the highest tariffs. For agricultural products, average tariffs in Asia reach levels of up to 26 per cent. In the case of clothing, tariffs record the highest rates in Sub-Saharan Africa.

The progressive reduction of import tariffs has paved the way to the creation of a rules-based, open, non-discriminatory and equitable multilateral trading system. In recent years, however, tariff reduction has been faster in the context of less inclusive bilateral and regional agreements (respectively 0.8 and 1.3 percentage point reduction in MFN tariff treatment among developing and LDCs as compared to 1.9 and 2.2 in preferential tariffs). While these agreements can favour economic integration, universality asks for more efforts in the improvement of the multilateral trading system.

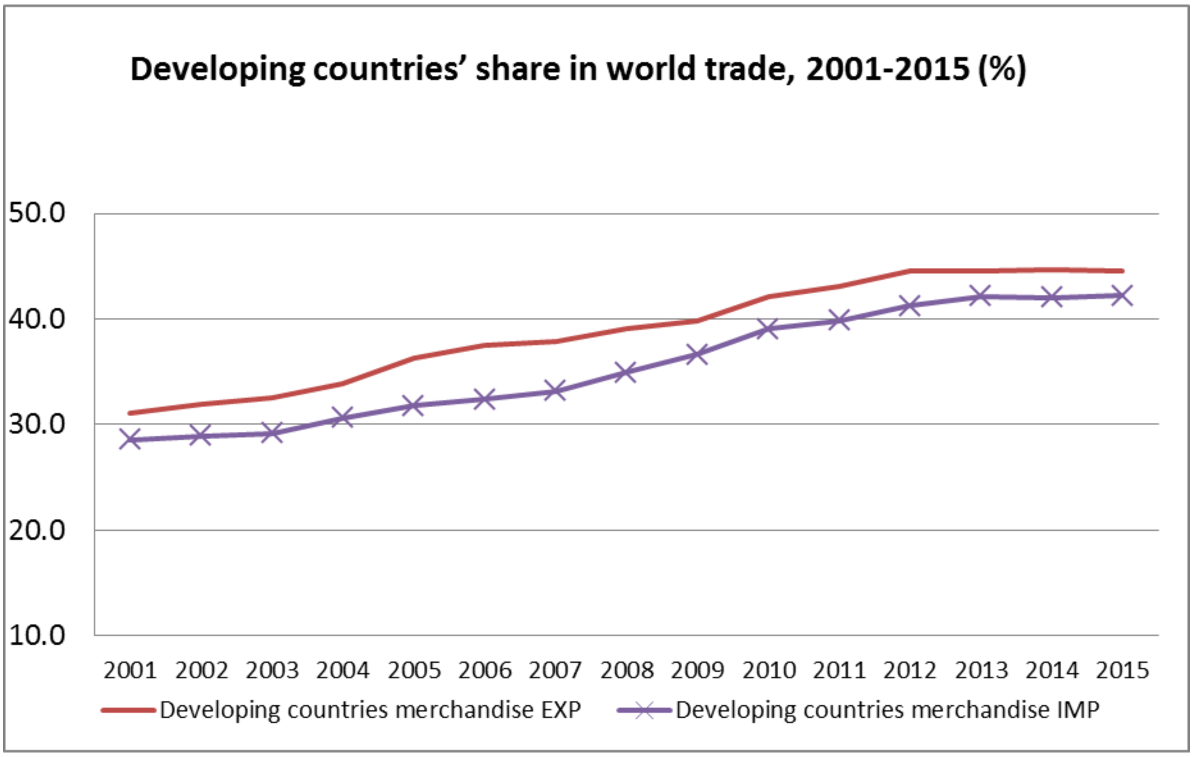


Source: *ITC/UNCTAD/WTO*

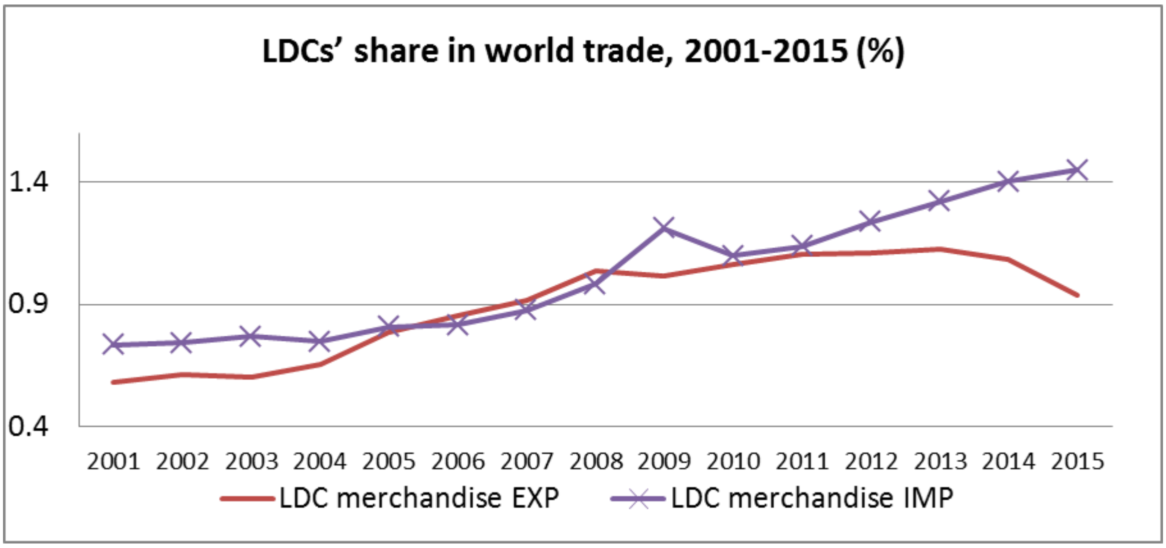
The second trade-related target under SDG 17 is target 17.11 which calls for countries to "Significantly increase the exports of developing countries, in particular with a view to doubling the least developed countries' share of global exports by 2020". The chosen indicator for this target is Developing countries' and least developed countries' share of global exports.

Developing countries continue to increase their share in international trade in the past 15 years. In world merchandise exports, their share has increased from 28.5% in 2001 to 42% in 2015, always maintaining an overall trade surplus vis-à-vis the world. However, their trade achieved little growth in the period of a global trade slow-down in recent years. The average annual growth rate of developing countries' share in world merchandise export was 3% between 2006 and 2010, and

1.9% between 2010 and 2013. It was only 0.1% in the years between 2013 and 2015. As regards LDCs, the 2011-2020 Istanbul Plan of Action for LDCs, and the SDG target 17.11, made a pledge to double LDCs' share in global exports by 2020. However, between 2011 and 2015, LDCs' share in world merchandise export in fact decreased from 1.1% to 0.9%. Much of this change may be explained by a recent fall in the commodity prices, as exports of many LDCs are concentrated in a number of primary commodities such as minerals, ores and fuels (see figure 3.2.a.). As a result, LDCs' trade deficit vis-à-vis the world has been increasing since 2011.

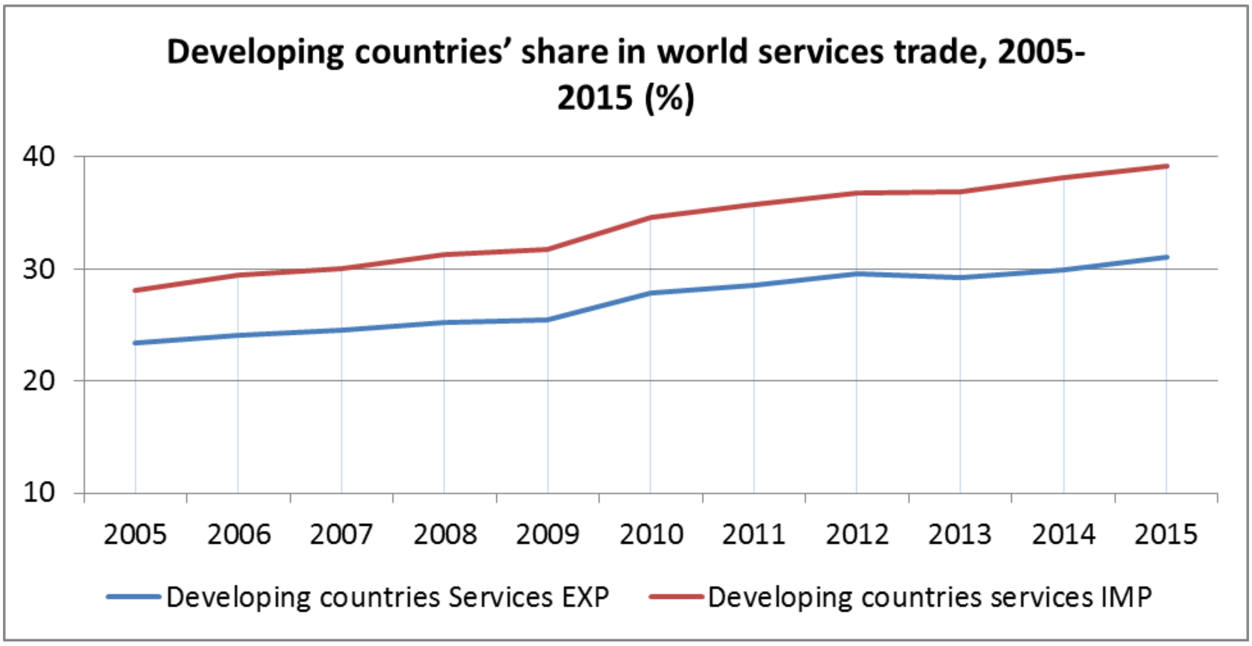


Source: *ITC/UNCTAD/WTO*

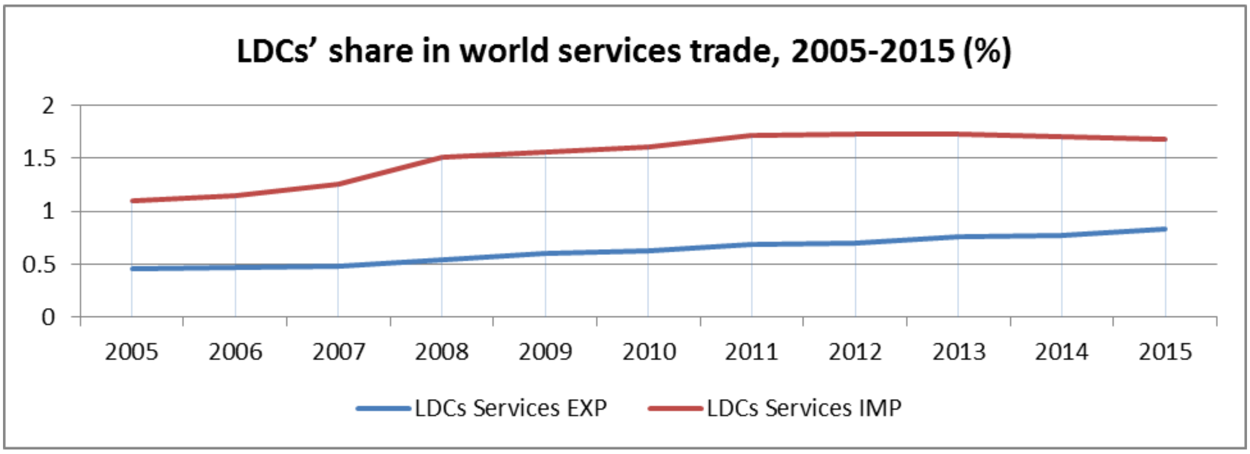


Source: *ITC/UNCTAD/WTO*

As regards world trade in services, developing countries' exports (imports) accounted for 31% (39%) of around US$4.8 trillion of world services trade in 2015. Their share has been increasing constantly from 23% of world exports (28% of world imports) in 2005 to 31% (39%) in 2015. As regards LDCs, their share remains insignificant, at 1.7% of world services import and less than 1% of world services export.



Source: *ITC/UNCTAD/WTO*

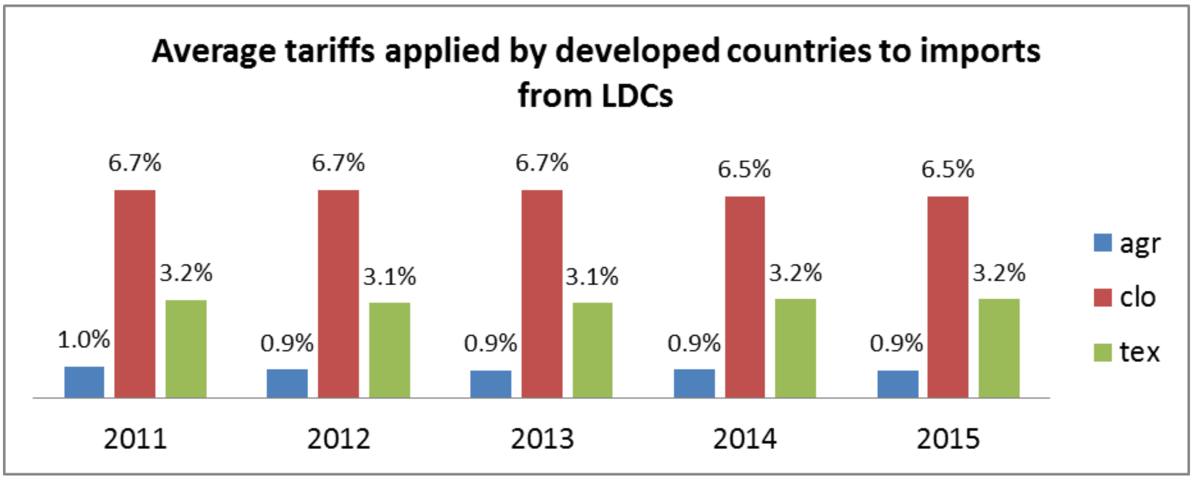


Source: *ITC/UNCTAD/WTO*

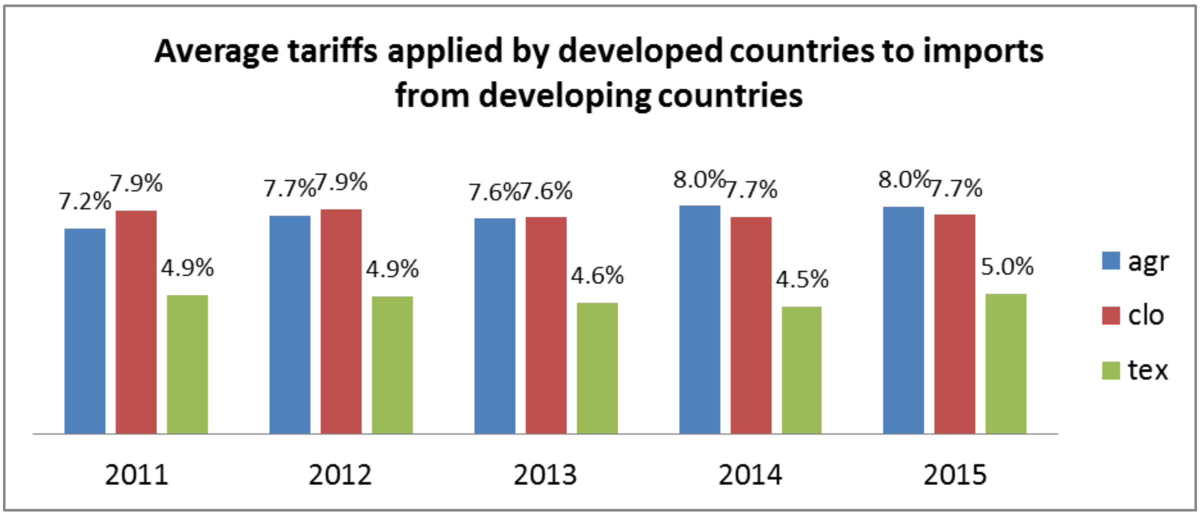
Note: The definition of services is based on the IMF's Balance of Payment and International Investment Position Manual Version 6 (BPM6), published in 2009. The definition covers the following 12 categories: manufacturing services on physical inputs owned by others; maintenance and repair services; transport; travel; construction; insurance and pension; financial services; charges for the use of intellectual property; telecommunications; computer and information services; other business services; personal, cultural and recreational services; government goods and services. UNCTADStat data on services (BPM6) is available from 2005 onwards.

Lastly target 17.12 calls for countries to "Realize timely implementation of duty-free and quota-free market access on a lasting basis for all least developed countries, consistent with World Trade Organization decisions, including by ensuring that preferential rules of origin applicable to imports from least developed countries are transparent and simple, and contribute to facilitating market access". For this target the chosen indicator is average tariffs faced by developing countries, least developed countries and small island developing states.

In the case of tariffs applied to in applied tariffs to products from developing countries there has been a slight increase in 2015 which is largely explained by the exclusion of China and Thailand from EU GSP scheme. The textile sector is the most affected by this change. Import tariffs applied to products originating in LDCs have remained stationary and below 2% on average (see indicator 17.10.1). However, in key sectors such as clothing, the average duty is much higher due to the exclusion of apparel from US-GSP scheme for Asian LDCs such as Bangladesh and Cambodia.



Source: *ITC/UNCTAD/WTO*



Source: *ITC/UNCTAD/WTO*

C. Challenges that could affect the contribution that trade can make to poverty eradication and achieving prosperity

a. Current weak outlook for trade and investment

It is of concern that in recent years the outlook for trade growth has weakened significantly due to the underperformance of the global economy. Similarly foreign direct investment (FDI) flows have not returned to pre-crisis levels. Global FDI flows fell 13% in 2016, reaching an estimated US$1.52 trillion. This even marked a downturn after a significant recovery in 2015. Both of these trends could have a profound impact on the ability to leverage trade and investment as a means to achieve the implementation of the Agenda 2030 for Sustainable Development.

Growth of international trade between 2011 and 2014 was at less than 2% per year and has reduced the value of international trade in 2015 by 10% from the previous year. In September the WTO downgraded its forecasts for trade growth in 2016 from 2.8 per cent to 1.7 per cent. If realized, this would mark the slowest pace of trade growth since the financial crisis. For 2017, WTO estimates predict that trade will grow between 1.8 and 3.1 per cent.

Nevertheless, when measured as trade volume overall growth was still positive in 2015 at about 1.5%. This suggests that at least part of the fall in the value of world trade was just nominal, due to factors such as the fall in the price of commodities and the overall appreciation of the US dollar. Weaker demand especially in East Asia and in other parts of the developing world also played a role. The contraction in trade value occurred not only in the commodity sector, where the fall was the largest, but also in manufacturing, and in the agricultural, and services sectors.

The 2015 trade collapse has affected all geographic regions. South-South trade performance has been weak, largely driven by lower East Asian imports. A key point to note is that the 2015 trade slowdown in manufacturing exports happened mostly in the least competitive countries (as measured by the World Economic Forum), which include many low-income countries and LDCs, reversing their export diversification and international integration processes. These countries are experiencing a fall in the manufacturing-exports-over-GDP ratio.

b. The rise of anti–globalization discourse

The current downturn in global trade and investment is taking place amid a rise in anti-globalization discourse in some countries and communities. In this rhetoric, trade is often, wrongly, singled out as a major cause of instability in labor markets. Although these types of arguments have been made many times in the past, without much resonance, it is rather disconcerting that anti-globalisation rhetoric has found an echo in some countries.

It is important for the international community to acknowledge this sentiment and address its causes. Trade is an enormous force for development and economic empowerment. A proper case for trade also needs to recognize that, despite the overall gains it brings to the economy, it can cause temporary disruptions.

It is crucial, therefore to ensure that trade is inclusive and that it benefits the big and the small; that it creates wealth and decent jobs and that when trade has adverse effects, we are able to assist those which have been affected to readjust to this new environment. This will help countries achieve their objectives under SDG 8 by fostering sustained, inclusive and sustainable economic growth, as well as full, decent, and productive employment.

Thanks to the gains made in the past years, the developing world has seen an unprecedented increase of the population belonging to a new more connected and better educated middle class. It is important to ensure that this trend continues and that past gains are not undone in the current downward cycle of the global economy or that these gains go primarily to the richest segments of society.

D. Lessons learned on eradicating poverty and promoting prosperity through trade

One argument often made against trade is that it sends jobs overseas, particularly in manufacturing. The reality is that technology and innovation are having a much bigger impact on the structure of labor worldwide. Studies suggest that around 80 per cent of job losses in advanced economies are due to technology and innovation. Moreover, almost 50 per cent of existing jobs in some developed countries are at risk of automation. These figures could be even higher in many developing countries. But just like trade, technological progress is necessary for sustained growth and development. These forces, therefore, should not be rejected. The international community has a duty to learn to work with them, and help those which have a harder time to adapt. It is also imperative to acknowledge the limitations that trade may have in fixing some widespread shortcomings in terms of economic, social and educational disparities that lead to low productivity and asymmetries in wealth distribution. These problems will require a much more encompassing set of policies.

Fortunately in many developing economies — and particularly in Africa — globalization and trade are rightly seen as a way for improving lives and livelihoods. Trade has played an enormous role in eradicating poverty and promoting prosperity in the developing world. In 1990, more than half the citizens of developing countries lived on less than US$ 1.25 a day. By 2015, that rate had dropped to 14%. Since 2000 alone, the developing country share of world trade has increased from 33% to 48%. Without trade, these remarkable improvements would never have been achieved.

Thanks to the gains made in the past years there is a growing middle class in developing countries. It is important to ensure that this trend continues and that past gains are not undone in the current downward cycle in the global economy or that any gains go primarily to the richest segments of society. The situation witnessed in advanced economies of stagnating incomes for the middle class should not be repeated in the developing world. This could only fuel feelings of being left behind by globalization and trigger a possible protectionist backlash.

Unemployment and other dislocations are not strictly or mainly a trade issue, so trade measures alone will not address some of these problems. A more far-reaching response is necessary which also deals with the wider changes in the economy that are being driven by technology and innovation.

This will require action in a number of areas, for example, to ensure that people can have the right skills to participate in and have access to the jobs being created in today's markets. More active and cross-cutting labor market policies will be essential. These include aspects of education and skills building, help for smaller companies and improved adjustment support to the unemployed.

E. Emerging issues requiring the attention of the international community

a. Keeping-up with the evolving character of international trade

Over the past 20 years, international trade has also undergone major changes. One main leading factor of change has been the unprecedented pace of technological innovation, which is transforming the traditional way of conducting trade. Supported by increasingly fast and efficient technology, e-commerce has been growing at significant rates. While global trade growth continues to be slow, e-commerce was valued at $22.1 trillion in 2015, a 38 per cent increase from 2013.

The adoption of e-commerce has helped businesses overcome some of the traditional obstacles to international trade. By reducing the trade costs associated with physical distance, e-commerce allows a larger number of businesses – including those located in remote areas – access the global marketplace, reach a broader network of buyers and participate in global value chains. For micro, small and medium-sized enterprises (MSMEs), this means the ability to overcome issues related to economies of scale. At the same time, consumers also benefit by gaining access to a broader selection of products from a wider range of suppliers and at more competitive prices. Beyond trade benefits, e-commerce has also improved access in other areas such as education, health, information and culture.

Information and communications technologies (ICT) allow access to timely and up-to-date market information. Thanks to advances in mobile technologies, farmers can use their phones to access information on foreign markets and prices for their agricultural produce, or make and receive payments without the necessity of a bank account. This can translate into improved incomes for those living in rural areas. Since in many developing countries and LDCs, women are involved with trade in the countryside, it has offered them access to markets they could not reach before.

E-commerce also offers new opportunities for employment. Developments in ICT have facilitated cross-border trade in services and allowed businesses to engage in commercial activities which were previously not considered technically or financially feasible. As most IT-enabled businesses have the advantages of low capital and skills requirements, these new income-earning opportunities are available to a broader section of the population and can help promote inclusive economic growth. Moreover, with the increase of online education services, the internet also provides additional opportunities for training and skill improvement, thus favouring the development of a more skilled labour force.

b. Ensuring access to financial services and technology

A broader uptake of e-commerce, supported by ICT adoption, offers significant opportunities for growth, development and job creation. However, as these opportunities are not accessible to everyone, the benefits of digital trade continue to be unevenly distributed. While some developing countries have been making significant headway in recent years, others are struggling to keep up. Unequal levels of digital development are generating a divide that risks broadening the development gap and limiting some countries' successful participation in e-commerce. Gaps exist also within countries, where those living in rural areas often lack the same access to ICT services and infrastructure that is available to those living in urban centres. For the equitable and sustainable development of e-commerce, it is important that the international community strives to ensure that the opportunities that digital trade can offer are made available to all.

Some of the major challenges to the development of e-commerce include access and affordability of ICT, as well as connectivity issues. The SDGs themselves recognize the important role that ICT can play for economic development. Goal 9 urges the international community to work to "significantly increase access to information and communications technology and strive to provide universal and affordable access to the Internet in least-developed countries by 2020".

In this regard, the WTO Information Technology Agreement (ITA), which commits its participants to eliminate tariffs on a number of IT products, makes an important contribution to reaching this target. Its recent expansion in 2015 provides for the elimination of import tariffs and other duties and charges on an additional 201 new-generation ICT products valued at over $1.3 trillion per year, including multi-component integrated circuits, touch screens, GPS navigation equipment, telecommunications satellites, portable interactive electronic education devices, and medical equipment. By 2019, it is estimated that 95.4 per cent of participants' import duties on these products will be fully eliminated. This will contribute to the affordability and broader dissemination of IT products globally.

Ensuring affordable and high-quality access to information technologies and the internet requires efforts to promote competition and encourage investment, especially in rural areas and in those countries that need it the most. Trade policy can play an important role here. Reducing barriers to services and enhancing openness to foreign direct investment, when coupled with the appropriate regulatory regime, can help create an enabling environment that allows for competitive services markets. This is especially important for telecommunications and the provision of affordable, reliable and fast internet access. Services openness will also have broader benefit to the economy by promoting the competitiveness of other services that underlie the success of e-commerce, such as logistics, financial services, transport, business and computer services, postal and distribution services, whole sale and retail, and other professional services. As e-commerce-related services are becoming important enablers, attention to them, both at the national level and in the WTO discussions, can help develop an environment conducive to the sustainable growth of e-commerce.

While connectivity and ICT access are necessary conditions, they are not sufficient for people to automatically benefit from the greater opportunities offered by online trade. A range of other economic and regulatory barriers can still hinder the broader uptake of e-commerce. Underdeveloped financial and online payment systems are an obvious obstacle to online transactions. At the same time, poor IT skills mean that businesses might not always be able to effectively use e-commerce to improve and expand their activities. Other complex and sensitive issues include consumer protection, privacy, internet neutrality, competition and data flows. In addition, the lack of clear legal and regulatory frameworks undermines confidence in online trade and erodes consumer trust. While bigger companies are often in a position to overcome these obstacles, smaller companies might not have sufficient resources or skills to do so, especially when trading across borders.

To assist in bridging some of the technological and regulatory gaps international organizations need to pool together their resources and experiences. A lot of work is already being done in this regard and opportunities for information exchange and coordination are being set up. One of these opportunities is the Sixth Global Review of Aid for Trade to be held in July 2017 under the theme *Promoting Connectivity*. Its underlying monitoring and evaluation exercise will aim at identifying the different circumstances in which countries find themselves with respect to e-commerce and the specific challenges that they face. The Review will allow meaningful interaction between donors, recipients and providers of technical assistance on the need and availability of resources to address different aspects of e-commerce, including development of ICT infrastructure and connectivity.

At the same time, UNCTAD's eTrade for All initiative, of which the WTO is a partner, brings together international organisations, regional development banks and national agencies, to support developing countries' participation in e-commerce. The WTO is also working closely with the World Bank, the International Trade Centre (ITC), the OECD and, more recently, with ITU to explore complementarities and further areas for cooperation. In consultations with national governments and the private sector, these initiatives and many others will contribute concretely to foster a coherent approach to the various aspects of e-commerce.

c. Strengthening the international enabling environment for trade through a global partnership

To support the sustainable development agenda, it will be important to create an enabling, open environment for trade, including e-commerce, that generates equal opportunities for economic growth and development, while guaranteeing a safe environment for consumers and businesses operating offline and online. Striking this balance will require a global approach that promotes dialogue and the open exchange of information between different actors, so as to fully understand the issues surrounding e-commerce, address its challenges and bridge the remaining gaps.

Market access conditions, for both a country’s exports and imports, are an important determinant of the effectiveness of trade as a means of implementation of the SDA. The WTO and previously the GATT have been working for a long time towards improving these market access conditions worldwide, enjoying a significant level of success. The focus of work has now broadened towards ensuring that markets remain open, free of distortions and easy for traders to do business.

Here the WTO has also had some success with the adoption of the Trade Facilitation Agreement (TFA) and a Decision on Export Competition in Agriculture. The TFA, adopted at WTO's 9th Ministerial Conference in Bali in 2013, which entered into force in February 2017, has as its main objectives to reduce the bureaucracy to trade and decrease trade costs. It does this by setting out a series of measures that members may adopt to expedite the passage of goods across borders which are inspired by global best practices.

At the WTO's 10th Ministerial Conference held in Nairobi last December, WTO Members made a substantial contribution towards achieving the goal of zero hunger in SDG2 through the adoption 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 prohibiting the use of 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. This 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.

F. Policy recommendations on ways to accelerate progress in poverty eradication from a trade perspective

To ensure that international trade contributes to accelerating progress in eradicating poverty in all its forms through sustainable development, expanding opportunities and addressing related challenges the WTO would like to offer the following policy recommendations:

1. **Continue reducing trade costs:** Developing Country and LDC competitiveness is very sensitive to high transaction and transport costs. The use of trade facilitation measures, including full implementation of the WTO Trade Facilitation Agreement, will make it possible for even the smaller enterprises in developing countries and LDCs to sell in international markets. By some estimates, the full implementation of the TFA has the potential to reduce trade costs by 14.3% on average and create 18 million jobs in developing countries.

2. **Build Supply side capacity and trade related infrastructure:** One priority for the WTO is to continue to mobilize resources for developing countries and LDCs to build supply capacity, strengthen trade-related infrastructure and add value to their exports through the Aid for Trade initiative. In order to maximize its benefits Aid for Trade needs to be targeted, focused and predictable, going to where it is needed the most.

3. **Focus on export diversification and value addition:** With the current downward cycle in commodity prices it has been evidenced that developing country and LDC economies are still very vulnerable to price volatility in their raw material exports. Therefore, diversification should be high on the list of priorities for commodity export dependent countries. And to assist with their diversification efforts, these countries will need to continue benefiting from predictable market access conditions and productive capacity building.

4. **Enhance the services sector**: In many developing countries the services sector has a large share in GDP and employment. Services are also particularly important for the insertion of developing countries in value chains especially if they suffer from infrastructure gaps that hamper trade in goods. This gives the services sector enormous potential for inclusive development that must be capitalized on.

5. **Apply flexible rules of origin to increase utilization of preference schemes**: Experience has shown that very specific and strict rules of origin can impede exporters' access to preferences. Therefore, it is important that the rules of origin that are set in regional integration agreements of developing countries and preferential schemes in the importing markets work together. This will go a long way in enabling producers to handle the difficulties of setting up their production and to benefit from market access opportunities created by both RTAs and preferential schemes.

6. **Reduce the distortionary effects of non-tariff measures:** The WTO's legal framework always tried to strike a very delicate balance between the interests of protecting legitimate values such as human animal and plant health and the environment, and maintaining markets open. To preserve this balance WTO members when adopting non-tariff measures need to ensure that these are non-discriminatory, no more trade restrictive than necessary measures to achieve their objective, based in scientific studies or international standards, and administered through efficient administrative procedures. Additionally, something that is really important is to provide developing country exporters affected by the measure with the technical and financial assistance to be able to comply with its requirements, including conformity assessment and development of international standards. To provide this assistance the WTO together with other international agencies established the Standards and Trade Development Facility (STDF).

7. **Make e-commerce a force for inclusion**: E-commerce is a transformative force in global trade, supporting growth, development and job creation. By reducing the trade costs associated with physical distance, e-commerce allows businesses to access the global marketplace, reach a broader network of buyers and participate in international trade. In this way, e-commerce can also be a force for inclusion. It is therefore important to ensure that e-commerce works as a platform for smaller companies in developing countries and LDCs to compete and reach new markets. Any multilateral actions on e-commerce would need to be accompanied by significant support to improve connectivity, capacity and infrastructure in those countries that need it the most, in line with infrastructure related targets under SDG 9.

8. **Address the shortfalls of micro small and medium enterprises (MSMEs):** Trading internationally is more costly and difficult for MSMEs than for big companies which have more resources. To help MSMEs better participate in international trade it is important to take the following steps. First, reduce trade costs. Second, gain consumer confidence by ensuring that MSMEs can market their products — goods or services — in a timely fashion, with competitive prices and reliable customer support. Third, work towards closing the gaps in the provision of trade finance for MSMEs.

9. **Deepen the Multilateral Trading System:** Despite recent successes WTO needs to keep on delivering results in order to correct existing imbalances and adapt to the changing nature of international trade. There remains work to do to eliminate all restrictions and distortions in

agricultural markets, continue improving market access in goods and services and tackle some emerging issues. WTO has have already started this work and members are exploring possible measures to support MSMEs, e-commerce, investment facilitation, product regulations and standards, and trade finance. The multilateral institutions need to continue to advocate for trade and open markets. The worrying rise in populist anti-trade rhetoric needs to be addressed by evidence and data.