



WTO OMC

WTO CONTRIBUTION TO THE 2019 HIGH LEVEL POLITICAL FORUM



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Table of Contents

1	SDG:1 HOW TRADE BENEFITS THE POOR	- 2 -
2	SDG:4 HOW TRADE CONTRIBUTES TO INCLUSIVE AND QUALITY EDUCATION -	5 -
A.	Main developments and trends in the sector	- 5 -
B.	New ways of delivering education services and the SDG dimension.....	- 6 -
C.	Access to products linked to the provision of education services	- 6 -
D.	The role of trade agreements.....	- 7 -
3	SDG:8 SUSTAINED, INCLUSIVE AND SUSTAINABLE ECONOMIC GROWTH AND	THE AID FOR TRADE INITIATIVE OF THE WTO..... - 8 -
A.	Financing	- 8 -
B.	Export diversification	- 8 -
C.	Economic empowerment	- 10 -
4	SDG:10 WTO'S ROLE IN REDUCING INEQUALITIES AMONG COUNTRIES. -	12 -
5	SDG:13 TRADE, ENVIRONMENT AND CLIMATE CHANGE	- 15 -
6	SDG:16 WTO'S CONTRIBUTION TO PEACE AND INSTITUTION BUILDING -	18 -
7	SDG:17 REVIEW OF PROGRESS ON TRADE RELATED TARGETS	- 19 -
A.	Goal 17 / Indicator 17.10.1: Worldwide weighted tariff-average.....	- 19 -
B.	Goal 17 / Indicator 17.11.1: Developing countries' and least developed countries' share of global exports	- 21 -
C.	Goal 17 / Indicator 17.12.1: Average tariffs faced by developing countries, least developed countries and small island developing states	- 21 -
D.	Conclusion.....	- 22 -
	REFERENCES	- 23 -

1 SDG:1 HOW TRADE BENEFITS THE POOR

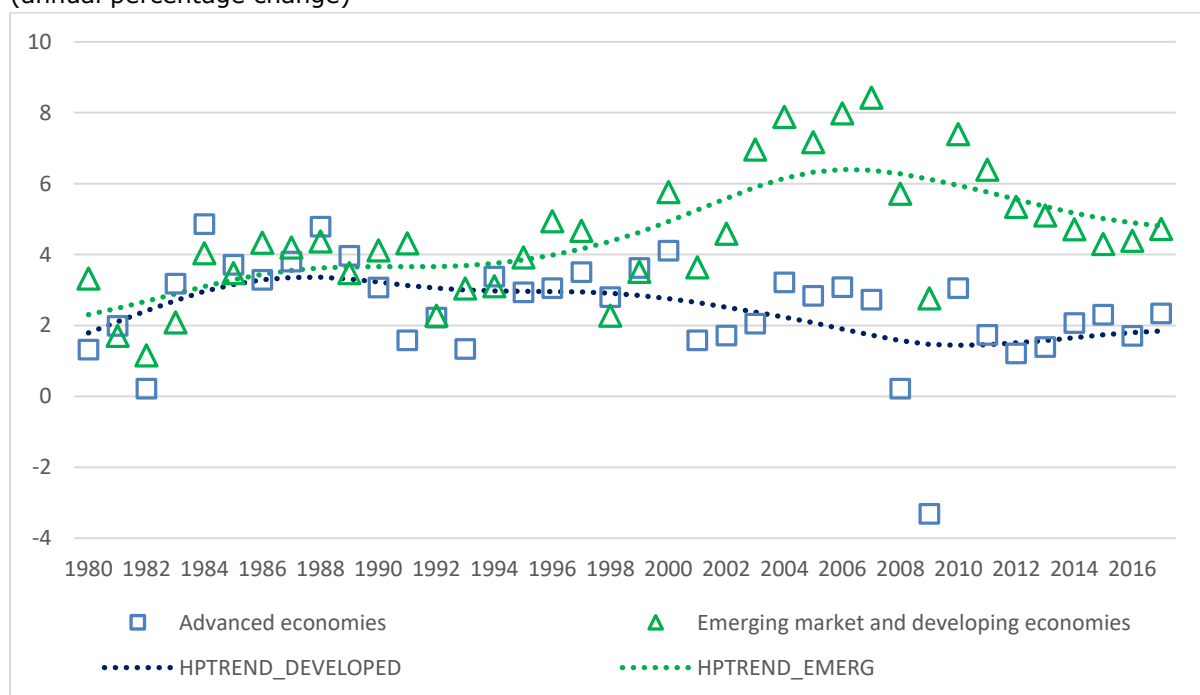
One of the most striking features of the global economy since the start of the millennium is the increasingly significant role played by developing countries. Many developing countries have recorded high growth rates and made significant progress in reducing poverty. This process has gone hand in hand with their progressively integration in the global economy.

Figure 1 shows growth rates for developed and developing/emerging economies since 1980, as well as smoothed trend growth rates for each group. From the early 1980s until the late-1990s developing economies did not grow appreciably faster than developed ones and in some years grew more slowly, largely due to a prolonged period of weakness in prices of primary commodities that developing countries export disproportionately. Starting from 2000, developing countries growth rates significantly exceeded that of developed countries. Emerging economies such as China and India regularly posted double digit growth rates.

Small divergences in GDP growth between countries can produce dramatic differences in living standards over time. For example, a country that sustains a 3% per capita GDP growth rate can expect to see its income double in 23 years, whereas another country that only manages to grow 1.5% per year will have to wait 47 years to experience the same proportional change. An economy growing at 7% can double its income in a decade, and it would be less at even higher rates.

Figure. 1 GDP growth by level of development, 1980-2016

(annual percentage change)



Source: WTO and IMF (WEO October, 2018)

Despite this progress, rates of income convergence differ significantly across developing countries. The income gap between the richest and poorest countries remains large. LDCs remain far behind, with per capita income of just 4% of developed countries' average (WTR, 2014). Among the factors that have driven the success of some developing countries and explain why some countries have lagged behind trade had a clear role to play.

GDP per capita grows in two instances. One is when countries accumulate resources, invest in physical, human or knowledge capital. The other one is when countries utilize their resources more efficiently. Technologies and the institutional framework in which countries operate directly affect the way resource endowments are used and therefore how countries grow. Growth economists point to persistent technological gaps between nations as the primary source of the persistent large

income gaps (Acemoglu, 2009). By the same token, technology diffusion on the other hand has been a key factor in the patterns of convergence that we have experienced since the beginning of the millennium.

Opening up to trade affects growth positively through a number of channels. Trade improves resource allocation. It allows each country to specialize in the production of the good or service it can produce relatively cheaper and import the other goods and services, thus exploiting comparative advantages. By extending the size of the market in which the firm operates beyond national border, trade allows firms to exploit economies of scale and become more productive. Trade also affects long-term growth since it gives access to more advanced technological inputs available in the global market and because it enhances the incentives to innovate.

For most developing economies, accessing and deploying new technologies is the primary source of economic growth. Imported capital goods and technical intermediate inputs can directly improve productivity by being placed into production processes. There is significant evidence that global value chains are a powerful channel of technology. Supply chain linkages intensify contacts between foreign firms and domestic suppliers and therefore open up channels for flows of knowledge and know-how. When a foreign firm and a local supplier are part of the same production chain, they need to interact and coordinate to guarantee a smooth functioning of the chain. Face-to-face communication with key foreign personnel will facilitate the transfer of non-codified knowledge and increase domestic innovative capacity. Also, foreign outsourcing firms are more willing to transfer the know-how and technology required for an efficient production of the outsourced input, because they will eventually be the consumer of that input. When an intermediate input is specifically designed to match the needs of a single final good producer, the latter has an incentive to reduce the cost of investment required for customization of the input, and to monitor production. This includes providing the necessary technology and increasing face-to-face interaction to ensure an adequate investment in technology learning by the local supplier. High-skilled personnel thus often flows within multinational firms across borders to assure technological as well as managerial cohesion across production units in different countries. The increasing offshoring of production stages created significant amounts of manufacturing jobs in those developing countries that established linkages to global value chains. GVCs have been key in the early stages of China's industrial transformation, as well as in the growth of manufacturing employment in economies such as Vietnam, Indonesia, and Mexico. Offshoring of tradable services has also been key in the development of these industries in India.

Over the last quarter of a century, the impressive opening of the world economy, combined with the rapid pace of technological change, have improved the welfare and living standards of billions of people around the world, including its poorest citizens. Although other factors affect poverty too, the strong trade driven growth in developing countries has been the strongest driver for the reduction by half of the number of people in extreme poverty between 1990 and 2010. GDP growth helps generate resources needed to improve people's standards of living, to improve health, education, water safety and provide housing.

Trade can also directly contribute to poverty reduction. By making more affordable goods available at home, trade enables poor households to purchase more with their income. Better access to foreign markets for the goods, for example agricultural goods, that the rural poor produce opens up new employment opportunities for poor farmers. Trade can play a key role in empowering women and assisting them in dealing with poverty. Across developing countries, exporting firms generally employ a significantly higher share of women than non-exporters. This has, in turn, an impact on other household decisions, such as education.

The positive effects of trade on economic growth and poverty reduction are detailed in recent reports by the World Bank Group and World Trade Organization (2015 and 2018). These reports also explain that one reason why poor people may not capture the full benefit from participation in international markets is that the goods they produce tend to be subject to relatively high trade barriers. In general, research shows that industries that face higher tariffs in the export market pay lower wages in all countries (Olarreaga et al. 2019). In his study on the US-Vietnam free trade agreement, McCaig (2011) finds that provinces in Vietnam that were more exposed to US tariff cuts experience greater declines in poverty rates. Similarly, Porto (2010) predicts that the elimination of trade and barriers on exports of agro-manufactures to industrialized countries would cause poverty to decline in Argentina.

Although trade reforms create new opportunities, they can also involve adjustment costs. Access to international markets may deliver higher average incomes to farmers who specialize in producing export crops, but may bring greater competition that reduces labor demand in import competing sectors. For example, in her study of the effects of India's liberalization in 1991, Topalova (2010), finds evidence of slower decline in poverty in rural districts, among the least geographically mobile at the bottom of the income distribution, and in regions where inflexible labor laws impeded factor reallocation across sectors.

Not all poor are affected equally by international trade. The effects will depend on where they live (rural versus urban areas), their individual characteristics (skill, gender), the type of trade policy change (increased import competition or export opportunities) and where they work (industry, firm, formal/informal sector). A general result of the literature is that the adverse effects stemming from trade adjustment are a result of worker mobility costs, costs to move across sectors, regions or tasks. An inclusive trade policy has to take these specificities into account.

Studies on labor market effects of trade also highlight that trade affects people and regions differently.

The important finding though is that typically trade tends to raise aggregate employment and real wages. Employment reductions due to direct competition from imports are typically offset by employment creation resulting from cost savings due to cheap imports and export opportunities in many sectors of the economy that do not necessarily trade directly but benefit from trade through input-output linkages.

Technological progress and trade have been key engines of global prosperity. Resistance to innovation or retreat from global integration are not an option that will help eliminate extreme poverty. At the same time, policy-makers need to ensure that benefits are spread more widely. A reallocation of resources is often necessary to reap the substantial benefits from trade. Citizens need to be better prepared for possible disruptions ahead and be able to take advantage of new opportunities.

Like other structural change - notably change triggered by technological progress - trade can create adjustment pressures for certain segments in society. It is therefore important to have in place appropriate complementary policies to ensure that the gains from trade are more evenly shared and the trade-related adjustment costs affecting certain regions and individuals are mitigated. Early and comprehensive policy action to improve labor mobility - across sectors, regions, and skills - is particularly important.

These actions at the domestic level need to be accompanied by maximizing trade opportunities for the poor at the multilateral level. To increase opportunities for the poor global actions include addressing distortions in agriculture to improve market access and reduce food price volatility which can benefit both poor farmers and poor consumers. It is also important to address modern areas of the global economy, such as services and e-commerce, that are not yet fully reflected in international trade policy. In deploying these efforts, it is the important role played by micro, small and medium enterprises should be recognized as a significant source of employment. As well as the role of investment in providing financing to increase capacity in resource-challenged countries. These are just some examples - and more are discussed in other parts of this report - that illustrate that openness and inclusiveness are not mutually exclusive and that there is room to have more of both.

To expand the inclusivity of trade more targeted action to overcome the constraints that the extreme poor face in benefiting from it is also necessary. The extremely poor suffer from a range of constraints that limit their capacity to benefit from the gains that others in society might enjoy from trade. Farmers and firms in rural areas face particularly high transport costs and delays when shipping to international and national markets. Production in rural areas is largely dominated by agriculture, and agricultural markets present particular challenges to trade integration. Those working in the informal sector face greater risks than those in formal activities. Workers in informal firms typically do not have the same employment rights as those in formal employment. Informal sector firms and households have limited access to finance to smooth over short-term economic fluctuations, like a sudden rise in food prices or a sudden contraction in economic growth. In addition, informal sector workers are not covered by social benefits such as health, pension or unemployment insurance, so tend to be less covered against risk than formal.

2 SDG:4 HOW TRADE CONTRIBUTES TO INCLUSIVE AND QUALITY EDUCATION

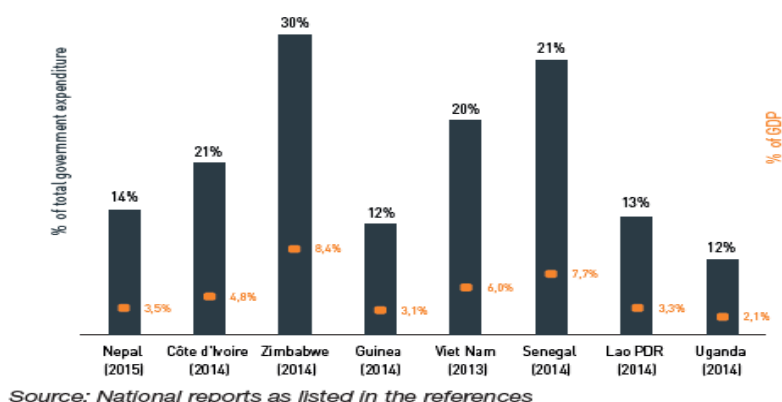
Trade is an important factor towards achieving SDG goal 4 of ensuring inclusive and quality education and promoting lifelong learning. Trade in education services can help to increase the supply of education and investment in the sector, particularly in higher education, thereby, contributing to enhancing access and quality in education. Certain countries face serious capacity constraints in providing quality education to their population and therefore openness to trade in education services may help increase this capacity. This can be done by education services providers establishing operations in the country to provide education services; by having students travel abroad to receive education services; by students being able to follow course on a distance learning basis; or even by individual teachers traveling temporarily to the country to give courses. All of these modes of supplying education services can be covered by liberalization commitments under the General Agreement on Trade in Services of the WTO helping to increase access of the population to education services. Any type of barriers that reduce the choice individuals can have in consuming education services will negatively impact the inclusivity and quality of education availability to citizens of a country.

Countries could also use trade policy instruments to improve access to products that are linked to the provision of education services, for example books, information technology products and teaching tools. Likewise, education policies can enhance the availability of skilled human resources needed to help countries enhance their trade competitiveness and better participate in GVCs. Within this context, international trade agreements could play a key role helping countries to mainstream trade in their national education strategies for economic development in pursuit of the SDGs.

A. Main developments and trends in the sector

The growing importance of international trade in higher education services is the result of structural changes in the sector, including both demand and supply factors, which have prompted significant domestic reforms in the last years. The provision of education is generally considered the responsibility of governments particularly when it comes to basic education (primary and secondary levels), where overall the role of international trade has been less prominent. While governments have been the main funder for education, these funds have been decreasing in the last years. The level of tertiary education expenditure by governments varies significantly across countries. For instance, in Uganda, tertiary education expenditure was 2,1% of total government expenditure as a percent of GDP in 2014, while in Zimbabwe it was 8.4%.

Figure.2 Government expenditure on education as percentage of total government expenditure and as a percentage of GDP (Source UNESCO Institute for Statistics)



This contrasts with the increasing demand for education services resulting particularly from the growing youth population in many developing countries. A case in point is Africa, where the number of university-age students is predicted to double from 200 million to 400 million by 2045. Other demand factors include a growing middle class in some emerging economies, notably Asia, which is the main source of international students. It is estimated that the demand for higher education is

expected to increase from 1.8 million international students to 7.2 million in 2025. Although other funding mechanisms exist, such as those made available by international institutions or non-profit providers, these will not be able to cope with the increasing demand for higher education.

Against this backdrop, many governments have undertaken domestic reforms aimed at allowing private operators, including foreign providers, to supply education services. This has offered more options for developing countries to expand and strengthen their education systems, particularly in the higher education segment. The result is the advent of new systems for the provision of education services where foreign providers are increasingly viewed as prospective partners. Nowadays, in practice, both public and private suppliers of education services coexist in most countries. Indeed, the role of private sources of funding has become increasingly prominent in the last years, particularly when it comes to higher education. It is estimated that around 30% of funding for tertiary education arises from private sources. As a way of example, between 1990 and 2007, the number of private universities and colleges in Africa, including for-profit and not-for-profit institutions, increased from 24 to more than 468. In terms of students studying abroad, most come from Asia, which accounts for 52% of all students abroad, followed by Sub-Saharan Africa, which is also the region facing the greatest shortages in the provision of education. Most students from Africa stay in the region and go to South Africa, which is the main country of destination. This shows another interesting aspect of trade and education services and SDGs. The fact that some developing and emerging economies have also started exporting education services to other developing countries.

B. New ways of delivering education services and the SDG dimension

Traditionally, student mobility represented the main form of supply of education services. However, in the last years, other ways of delivering education services have gained importance. For instance, the number of foreign education institutions in the form of branch campuses and joint ventures with local institutions has been growing steadily in the last years – there is however very limited data on FDI in education. From the perspective of SDGs, further investment through the establishment of branch campuses can bring positive spill-overs to the host country such as increasing local access and quality in education, while contributing to create capacity building domestically.

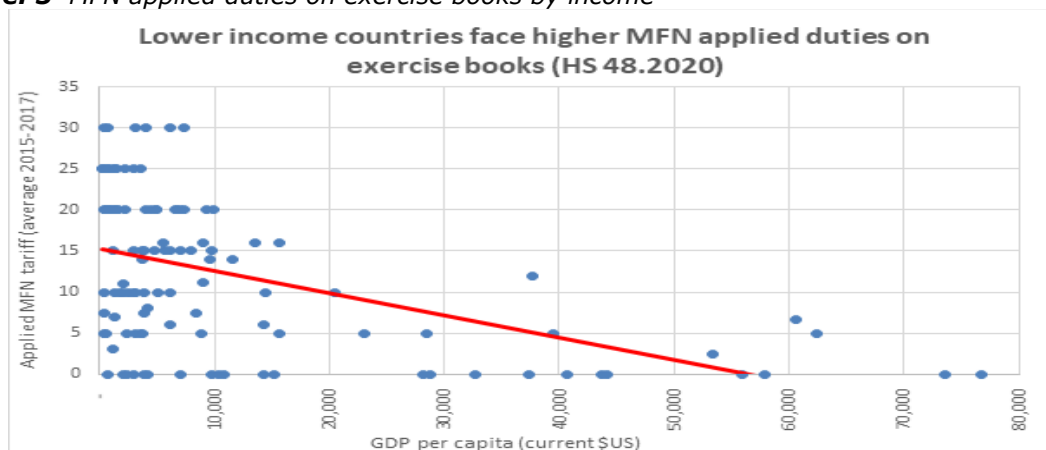
Another key aspect of the internationalization of higher education is the significant growth of cross-border education. Taking advantage of ICT developments, a myriad of new providers of education services ranging from franchising arrangements (between foreign and local institutions) to distance education, have flourished in the last years. Both provide students with the possibility to enrol in a foreign institution and receive a qualification, while staying at home, at a lower fee. These new business models can greatly contribute to provide more education opportunities, including increasing access. For instance, according to a recent study, online learners from lower socioeconomic backgrounds are more likely to report benefits from online learning. While there is no systematic data on the number of students benefitting from online courses, a survey carried out in the UK observed that the number of students overseas increased from 95,000 to 503,795 in one year, from which 113,060 were studying through distance education. Taking advantage of the potential benefits of cross-border education, including distance education, for reducing the educational gap in developing countries and contributing to lifelong learning in line with the SDGs, would rely upon putting in place the complementary regulatory framework to ensure that appropriate levels of quality are achieved.

C. Access to products linked to the provision of education services

Besides trade in education services, trade policies could also be used to improve access to products that are needed for the provision of education services by helping to reduce the prices and increase the availability of those products. A "mapping" of import duties applied on teaching material shows that many countries place high tariff rates on these products, which represent one of the largest expenses on education by households. A case in point is "exercise books", for which the average applied MFN tariff (2015-2017) can go up to 30%, with a number of developing countries - particularly African countries - applying the highest tariff rate. In total, 55 countries applied on average tariff rates equal or above 15% on exercise books between 2015 and 2017. The picture is very similar when looking at the import duties applied on other products linked to the provision of education services such as pencils and crayons, pens, slates and boards. The data also shows a correlation between the income level of a country and the MFN applied duties. Taking exercise books

again as an example, one can observe that the lower the income level of a country, the higher the applied MFN tariffs on exercise books. Overall, there seems to be significant scope for countries to open their trade regimes and reduce import duties for education products as part of the SDG agenda on education.

Figure. 3 MFN applied duties on exercise books by income



Source: WTO Integrated Database and World Bank Group Development Indicators, 2019

D. The role of trade agreements

Trade agreements can support and complement governments' efforts aimed at attracting foreign providers and investors in education to help meet the increasing demand for education services by anchoring reforms directed at reducing barriers to entry, as well as enhancing the transparency and predictability of regulatory frameworks. By the same token, they can serve as a catalyst for the development of the accompanying regulatory measures needed to reap the benefits of opening trade in education services, such as ensuring quality education.

In this context, the General Agreement on Trade in Services (GATS), which aims at progressively liberalizing trade in services, including trade in education services, as a means of promoting economic growth and development, could play a role. The agreement gives flexibility for Members to undertake commitments for liberalizing trade in services, while safeguarding policy objectives, as long as certain basic principles, namely transparency and non-discrimination, are respected. The level of current GATS commitments in education, which are over 20-years old, are overall modest. Only 58 members out of 163 have undertaken commitments in education. Except for acceding members, the level of commitments of developing countries in education services on average is lower than the one of developed countries. This contrasts sharply with the actual level of openness of education services policies in many countries. As explained earlier, many countries have undertaken important reforms for allowing the entrance of foreign providers of educational services and reducing trade barriers to meet the increasing demand for higher education services. Therefore, in practice, the applied regime for higher education services is significantly more liberal than the bound level under the GATS in most countries. Indeed, PTAs concluded after the GATS show a significantly higher level of openness in education services across most subsectors - on average more than double. In addition, some PTAs include disciplines for facilitating cross-border education and the mobility of people for the supply of education services (i.e. teachers and academics travelling to provide education services on a non-permanent basis). Countries may wish to consider assessing the benefits of binding those reforms at the multilateral level as a way of bolstering global objectives in education in support of the SDGs.

But for trade agreements to support SDGs in education they would need to contribute to not only increasing supply but also enhancing quality. In other words, openness is a necessary but not sufficient condition for grasping the development gains derived from the internationalization of trade in education services. One of the main challenges faced particularly by many developing countries and LDCs relates to putting in place appropriate quality assurance mechanisms, as those countries may not have the institutional capacity to design and implement the regulations needed to ensure appropriate standards of quality. An international framework on quality assurance and accreditation of degrees could certainly help. While some attempts have been made in that direction, no

international standards exist up to now. Trade agreements could contribute by helping countries design their regulatory frameworks on quality assurance and accreditation, while ensuring that these do not undermine the benefits of opening the sector. While all countries will benefit from more open trade in education services, countries may have different policy priorities, reflecting that there is "no one-size-fits-all".

The GATS provides enough flexibility to craft commitments reflecting countries' needs and priorities in a way that allows them to reap the benefits of opening trade in education with the aim of achieving the SDGs. At the domestic level, trade agreements could spur an internal dialogue among relevant authorities, including regulators, that can contribute to ensuring that trade and education policies support each other. At the international level, trade agreement could promote dialogue and information sharing among governments, relevant international organizations and other stakeholders with the aim of fostering international cooperation for the development of multilateral principles for the design and implementation of quality assurance and accreditation mechanisms, for instance, building on existing regional instruments. For example, they could build on some initiatives that have been undertaken by some international and regional organizations in the past such as the UNESCO and OECD "Guidelines for Quality Provisions in Cross-Border Higher Education" or the UNESCO Conventions on recognition of qualifications. Governments are more eager than ever to learn about effective policies and reforms. In this context, information sharing, identifying best practices and capacity building could also help countries to enhance the coherence and effectiveness of domestic policies.

3 SDG:8 SUSTAINED, INCLUSIVE AND SUSTAINABLE ECONOMIC GROWTH AND THE AID FOR TRADE INITIATIVE OF THE WTO

A. Financing

The WTO's Aid-for-Trade initiative has been successful in mobilizing support to address the trade related infrastructure and supply side constraints faced by developing countries. Under Goal Eight of the Sustainable Development Goals, one of the targets is to increase Aid for Trade support for developing countries, in particular least developed countries (LDCs), including through the Enhanced Integrated Framework (EIF) for Trade-Related Technical Assistance to LDCS.

Since the Aid-for-Trade initiative was launched in 2006, donors have disbursed USD 409 billion in official development assistance to help developing countries build trade capacities. In addition, USD 346 billion in low concessional loans has been disbursed.

The initiative has contributed transparency by: highlighting financing needs; conducting research on factors holding back the trade performance of developing countries; analyzing the direction and purpose of aid for trade financing flows; and highlighting where support is impacting on the ability of firms, countries and regions to participate in the multilateral trading system.

Increasing exports of goods and services was identified in 2006 by the Aid-for-Trade Task Force as part of the rationale for Aid for Trade. In turn, it was argued that effective Aid for Trade would enhance growth prospects and reduce poverty in developing countries. The 2018-2019 Work Programme identified "Supporting economic diversification and empowerment for inclusive, sustainable development through Aid-for-Trade" as its central theme - one which encapsulates these two central concerns of growth and poverty reduction.

The flagship of each Work Programme is the Aid for Trade Global Review. The 2019 edition of the Global Review will take place on 3-5 July, immediately before the High-Level Political Forum. The Review is based on a joint OECD-WTO publication that discusses key insights emerging from a monitoring and evaluation (M&E) exercise. This year, a total of 133 responses have been received to the self-assessment M&E exercise from developing countries, regional organizations, and their financing partners – bilateral, multilateral and South-South. The focus of the M&E exercise is identical to the Work Programme i.e. "supporting economic diversification and empowerment"

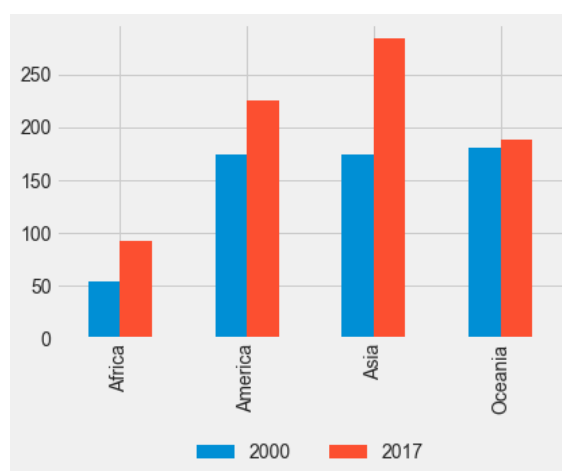
B. Export diversification

Economic and export diversification emerge strongly from the M&E exercise as a core objective of the trade and development policies of developing countries, particularly least-developed and

landlocked developing countries. Progress in economic and export diversification is cited in the M&E responses by LDCs and other respondents - advances that are also echoed in trade statistics. Forty-seven (47) of the eighty-eight (88) developing country respondents (53%) reported progress in economic diversification since the launch of the Aid-for-Trade initiative in 2006. Across different regions, Africa records the highest share with 71% of respondents reporting progress in economic diversification since the launch of the Aid-for-Trade initiative in 2006.

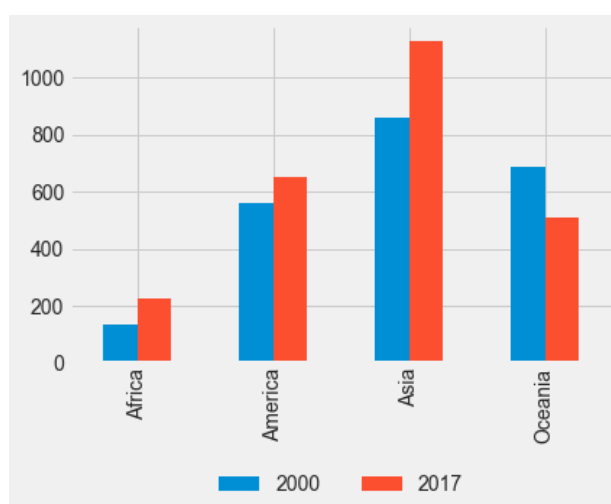
At the sectoral level, agriculture is the top sector in which progress in economic diversification has been reported the most, followed by industry and services. 34 out of the 88 respondents reported progress in agriculture, 28 in industry, and 29 in services. Agriculture is the top sector in which progress in economic diversification has been recorded in LDCs. Within the LDC group, African LDC reports most progress in agricultural diversification. These insights are also brought out in trade statistics, see figures below

Figure. 4 Export diversification by agricultural products, by region



Source: Secretariat calculation based on the WTO statistics database

Figure. 5 Export diversification in industrial products, by region

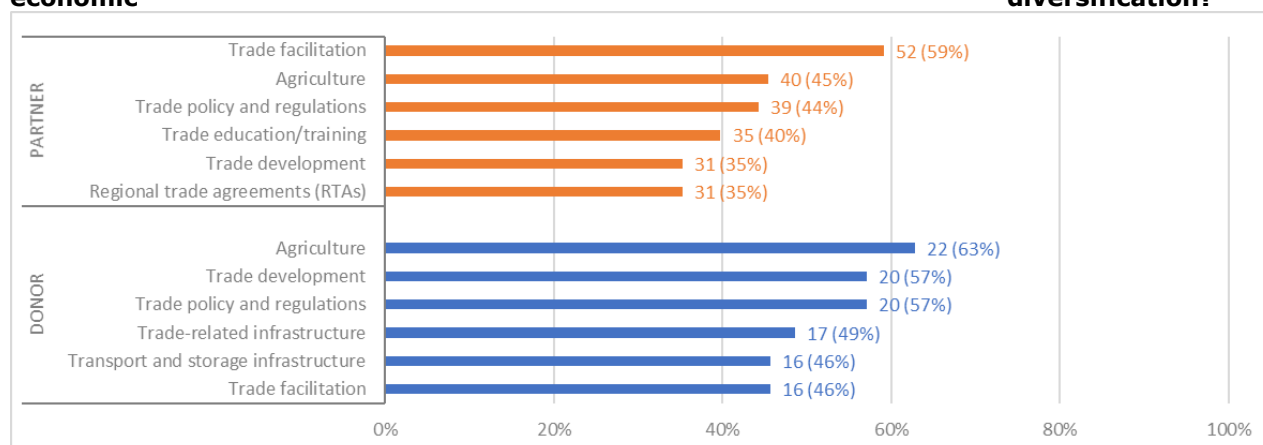


Source: Secretariat calculation based on the WTO statistics database

Progress reported in economic diversification is not however uniform, with countries falling in the UN Small Island Developing States category facing particular diversification challenges, as highlighted by the figures for Oceania in the figures above.

Another insight from the 2019 monitoring and evaluation exercise is the positive feedback from respondents on the impacts of aid-for-trade on economic diversification. Developing country respondents highlighted trade facilitation support as having been most impactful for economic diversification, followed by support for agriculture. The top category from the donors' perspective is agriculture.

Figure. 6 In which category(ies) of Aid for Trade is the support you receive impactful for economic diversification?



Source: OECD-WTO aid-for-trade monitoring exercise (2019)

Alignment of aid-for-trade support with national or regional priorities was considered the most fundamental factor determining the success of aid-for-trade support in economic diversification. Encouragingly, a majority of respondents also suggested that the aid-for-trade support they received for economic diversification is aligned with their priorities. Aid for Trade had also mobilized other forms of development finance, such as foreign direct investment – although donors rated this effect higher (69% of respondents) than developing countries (45%)

C. Economic empowerment

Many of the 133 M&E respondents highlighted how economic diversification is a gateway for economic empowerment. What also emerges from the replies is that the link between diversification and empowerment runs also in the opposite direction. Empowerment through skills and training can be an essential element in economic diversification particularly when it enables youth, women and MSMEs to engage in international trade.

Sixty (60) of the eighty-eight (88) respondents (68%) stated that their national or regional development strategy includes indicators to track progress on economic empowerment. The share is higher among LDC respondents (79%). Across regions, Africa registers the highest share with 25 of the 35 (71%) respondents in the region confirming that there is an indicator or target for economic empowerment.

The Aid for Trade Work Programme focuses on empowerment as considered in three dimensions: youth, women and SMEs. More than half the world's population is under the age of 30. Between 2012 and 2020 almost 1.1 billion young job-seekers are expected to enter the employment market.

Meeting the demand for work and employment from young people entering the labour force is neither a new challenge, nor one that governments have found easy to address. This point also emerges from the monitoring results. In comparison with the other areas of women's economic empowerment and MSMEs, comments pertaining to youth empowerment and trade were not as extensive

Young women are disproportionately affected by youth unemployment. This reflects a broader challenge related to women's economic empowerment. Across the global economy, traditionally, women's unemployment rates have also been higher than those of men in most countries. In addition to the risk of discrimination in the workplace, women face an array of obstacles in terms of access to training, skills and financing.

Responses to the 2019 monitoring exercise suggest that women's economic empowerment is a critical component of inclusive and sustainable growth. Mainstreaming of women's economic empowerment is evident through the incorporation of national and international commitments on women's economic empowerment. The link between economic empowerment and international trade is reaffirmed by a number of respondents, as is the potential that simplified trade regimes and streamlining custom procedures offer as a lever for economic empowerment. Data shows an increasing focus on women's empowerment in developing countries' aid for trade and national development strategies. There is little to separate donor and developing countries in their promotion of women's economic empowerment in the aid for trade plans (84% of donors indicated it was a priority) and national or regional development strategies (85% of partner countries highlighted it as a concern to address). Furthermore, both groups highlighted mainstreaming women's economic empowerment as a factor leading them to update their strategies.

In 2017, a Joint Declaration on Trade and Women's Economic Empowerment was launched in the margin of the Buenos Aires WTO Ministerial Conference. The Buenos Aires Declaration on Trade and Women's Economic Empowerment is a vital element in the WTO's work to make trade more inclusive. It provides guidance from the Members to the WTO for the way forward. It has put these issues on the WTO agenda like never before.

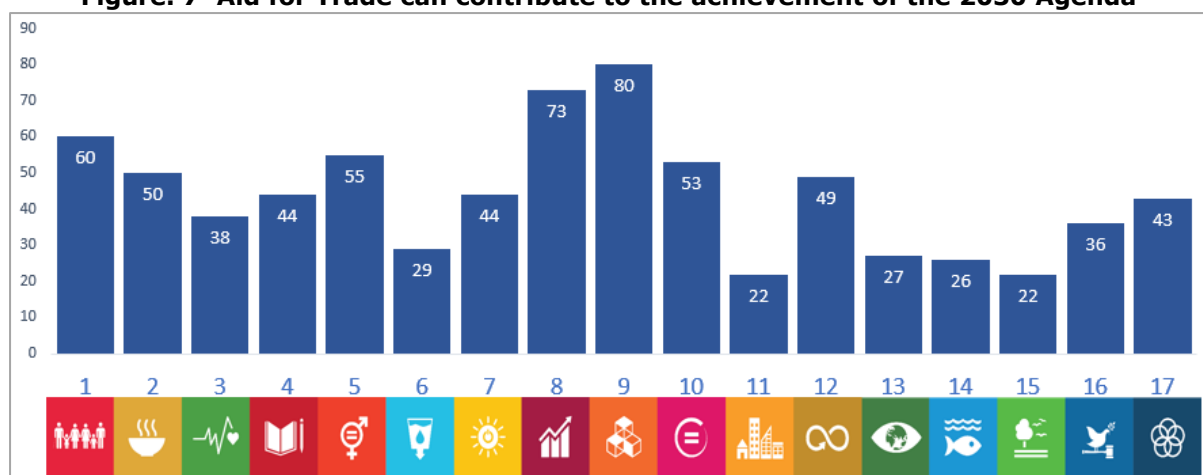
So far, 123 WTO Members, representing more than 75% of world trade, have signed the Declaration. Overall, two thirds of signatories are developing countries. Regionally, participation by African states is highest, with 32 signatories. A total of 29 LDCs also signed the Declaration.

Since the Declaration, WTO Members have brought the discussion on trade and gender in the WTO through six thematic workshops with the aim of better understanding the links between trade and gender and identifying Members' best practices. Themes are: data collection, government procurement, global value chains, trade agreements, digital trade and financial inclusion. On the basis of those discussions, Members will provide a report to Ministers at the 12th Ministerial Conference, also proposing guidelines on how to continue the work on trade and gender. One of the primary motivations for economic empowerment is the prominent role MSMEs play as the backbone of economies. Responses also revealed the linkage of MSMEs with export diversification. MSMEs' viability very much depends on key enabling factors including skills and access to finance, which were the top two factors frequently cited in the questionnaire. Access to financing is one of the pressing issues frequently mentioned in the context of achieving economic empowerment for MSMEs.

Responses from the 2019 monitoring exercise shows clear recognition that both economic diversification and empowerment strengthen the rationale for aid-for-trade as a driver of economic growth, industrialisation and innovation. This is in line with the objective of the Aid-for-Trade first articulated during by the 2006 Aid for Trade Task Force, that is to help developing countries, particularly LDCs, to build the supply-side capacity and trade-related infrastructure that they need to assist them to implement and benefit from WTO Agreements and more broadly to expand their trade.

Among partner country respondents, there is clear appreciation of the role that Aid-for-Trade can play in making a contribution to the achievement of the 2030 Sustainable Development Agenda, notably to SDG 8 (decent work and economic growth) and SDG 9 (industry, innovation, and infrastructure). Figure 15 below highlights the responses from partner countries.

Figure. 7 Aid for Trade can contribute to the achievement of the 2030 Agenda



Source: OECD-WTO aid-for-trade monitoring exercise (2019)

The insights outlined above will be further developed in the analysis and research being prepared for the publication and the Global Review by the EIF, International Trade Centre (ITC), UN Industrial Development Organization (UNIDO), UNCTAD and the World Bank Group. Outcomes and further insights from the Aid-for-Trade Global Review of 2019 will be reported at the High-Level Political Forum.

4 SDG:10 WTO'S ROLE IN REDUCING INEQUALITIES AMONG COUNTRIES

A wide body of economic literature supports a positive correlation between trade and reducing inequalities by fostering economic growth in efficient reallocation of resources, exploitation of scale economies, technology spillovers, and raising living standards and income levels.

Though it is difficult to establish causality between trade openness and poverty reduction, it is widely recognized that more open rather than close countries are successful in achieving higher economic growth and poverty reduction resulting in positive dividends to the poor segments of the population. A positive correlation between trade openness, and reduction of poverty and inequality is reinforced by the fact that the real incomes of the 20% of the population during 1993-2008 developing and emerging economies increased as a result of more openness to trade. As evidenced in the previous section it is also true that trade has pulled millions out of poverty in the last few decades.

The multilateral trade system (MTS), under the WTO, serves as a watch-dog in facilitating smoother and freer trade and thus contributing to higher incomes, raising living standards thus making a positive contribution towards reducing poverty and inequalities. As an embodiment of more open and integrated rule-based system, the WTO rules are important means towards ensuring inclusive trade and economic growth. WTO is the multilateral forum for addressing international trade relations and it fully realizes that the system can only be robust and credible if it has a wider ownership and is inclusive, predictable and transparent. The widening membership of the organization (164 members and another 22 in active accession negotiations) is a fair evidence of its inclusive approach and the global confidence that nations have in the system. States have increasingly recognized the benefits of multilateral trade cooperation and mutually agreed rules for their continued growth and economic development.

The core principles that underpin the functioning of the MTS include non-discrimination (through most-favoured nation and national treatment provisions by prohibiting arbitrary discrimination amongst trading partners and ensuring inclusive approach to sharing of benefits of trade concessions among all), predictability, transparency, inclusiveness and decision-making by consensus.

Another challenge that the WTO has faced, and to a large extent addressed, is how to balance the rights and obligations between its diverse membership. One of the objectives of the organization is to create a level playing field among its members of unequal economic strength and development status- the issue of intra-membership inequality is addressed through evolving rules that take into

account the needs and interests of developing countries and the LDCs and ensuring inclusiveness and fairness through creating a level playing field for its weaker members.

Over the years, the multilateral trading system has provided for a progressive consideration of the specific needs of developing countries by, for example, recognizing the (i) need for positive efforts designed to ensure that less-developed members secure a share in the growth in international trade commensurate with the needs of their economic development, (ii) the importance of diversification and the need for increased access in the largest possible measure to markets under favorable conditions for processed and manufactured products currently or potentially of particular export interest to less-developed contracting parties, (iii) the principle of non-reciprocity between developed and developing countries in trade negotiations, (iv) adoption of the Enabling Clause in providing a permanent legal basis for the derogation from the MFN principle under GSP schemes and also allowing developing countries to enter into regional trade agreements among themselves on less restrictive conditions than foreseen in the GATT.

The progress achieved in making the multilateral trading system more inclusive and equitable with respect to the participation of less developed members culminated into adoption of over 140 Special and Differential Treatment provisions spread over expanded rules in WTO Agreements in the Uruguay Round. This broad set of special provisions are generally categorized into six broad types:

- Provisions aimed at increasing the trade opportunities of developing countries
- Provisions under which WTO Members should safeguard the interests of developing countries
- Flexibilities regarding commitments, actions and use of policy instruments
- Transitional time-periods
- Technical assistance
- Special provisions for LDCs

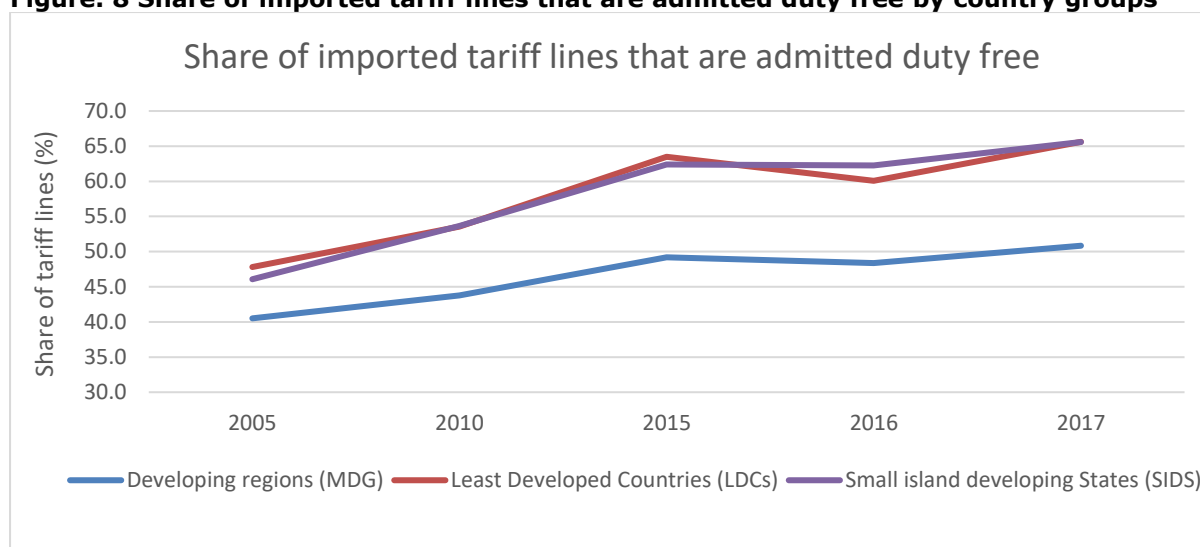
The inclusion of this large set of substantive provisions in WTO Agreements illustrates efforts by members to make the multilateral trading system more inclusive and equitable. Views have varied, among members, over the potential benefits of these provisions and hence the agreement at the Doha Ministerial Conference in 2001 to review all S&D provisions with a view to strengthen them and to make them more precise, effective and operational. WTO Members have advanced on LDC-specific S&D provisions. In particular, at the Hong Kong Ministerial Conference in 2005, Ministers extended a transition period on trade-related investment measures for LDCs and agreed on a decision calling on Members to provide duty-free and quota-free market access for the LDCs. Recent submissions by some members on the issue of who should benefit from the S&D provisions and what should be the criteria for countries to take advantage of this special regime is seen as an effort to unlock the impasse on S&D negotiations.

The importance of effective implementation of the S&D treatment principle has been recognized 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 indicator that has been chosen for this target is the proportion of tariff lines applied to imports from LDCs and developing countries with zero-tariff. Therefore, it is interesting to look at progress in expanding the coverage and scope of zero-tariff treatment for developing countries.

Thanks to a ministerial decision taken at the WTO’s 6th Ministerial Conference in Hong Kong, most developed countries already provide full or significant duty-free quota-free access (DFQF) to their markets for LDCs. DFQF access in the Generalised System of Preferences – programmes by developed countries granting preferential tariffs to imports from developing countries – shows that duty-free coverage ranges from 100% to 37% in 2017.

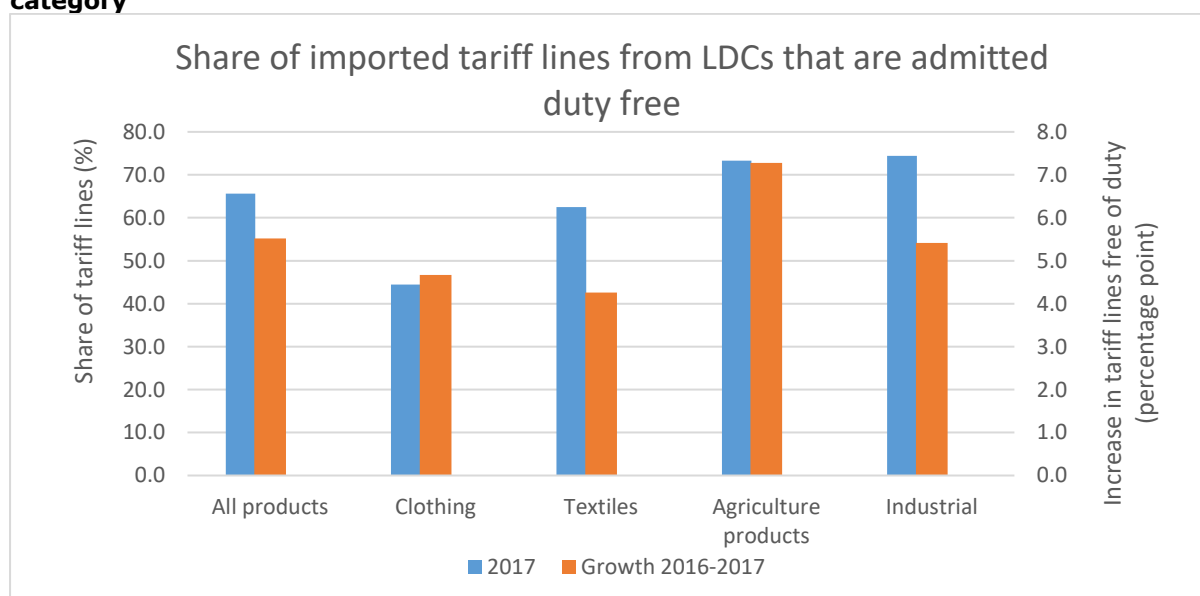
While all developed country members of the WTO (according to WTO definitions of developed) have preferential schemes in place, close to a dozen other WTO members have also notified DFQF schemes put in place in favor of LDCs. The coverage of duty-free tariff lines ranges from 99.9% to 31%. The number of products exported by lower-income countries to international markets on a duty-free basis has gradually increased over the last decade. By 2016, 50% of developing countries’ products benefited from a world-wide duty-free treatment. This ratio rises to 64% in the case of products exported by LDCs. The rate of improvement has been faster, however, for LDCs in respect to developing country exports, indicating the international community’s continuous efforts to grant preferential treatment to countries with lower income levels.

Figure. 8 Share of imported tariff lines that are admitted duty free by country groups



Source: ITC/UNCTAD/WTO

Figure. 9 Share of imported tariff lines from LDCs that are admitted duty free by product category



Source: ITC/UNCTAD/WTO

For services exports, a waiver adopted in December 2011 allows LDCs to benefit, on a non-most favored nation (MFN) basis, from preferential market access. Under this waiver, 24 WTO members have thus far submitted notifications of preferential treatment for LDC services and service suppliers.

The highest number of preferences apply to business services, particularly “other business services” which include many outsourced back-office services, as well as professional services, financial services, transport and telecommunications. Many preferences have also been extended in transport, tourism and recreational services.

Although improvements in preferential tariff treatment for LDCs have slowed down in some key sectors, the relative preferential margins enjoyed by LDC exports – the difference between the preferential tariff rate applicable to exports from LDCs and the corresponding MFN rate – have increased over time.

As market access opportunities expand through tariff reduction it is important to address the capacity constraints experienced by developing countries in taking advantage of these opportunities. Aid for Trade projects support developing countries in building the productive capacity of their firms and upgrading their economic infrastructure to reduce trade costs and other supply-side constraints and hence can be seen as a step to enhance inclusiveness and reduce poverty and inequality.

Progress in negotiating areas such as agriculture. E-commerce creates trading opportunities for SMEs, people living in remote as well social groups such young people and women. Closing the digital divide is also crucial in order to allow these groups taking advantage of the opportunities offered by e-commerce.

Clearly the multilateral trading system has become more inclusive over time. Its membership has increased from 23 at the start of the GATT in 1948 to 164. The increasing and large membership of the developing world in the WTO is strong evidence for the inclusiveness of the organization. Its trade rules take into account the needs of developing countries through, among others, special and differential treatment provisions. While consensus decisions-making provides for an inclusive governance of the WTO.

The current discussions on WTO reform reflect members' recognition of the need to make the multilateral trading system more inclusive, equitable and transparent, including addressing the challenges faced in decision making with such a diverse membership. It is also recognized that progress in a number of areas, particularly in agriculture, services, development issues and new issues, though currently not subject to negotiations, such as gender, e-commerce, global value chains, MSMEs and investment facilitations will make trade more inclusive and contribute to poverty reduction and mitigation of inequalities.

5 SDG:13 TRADE, ENVIRONMENT AND CLIMATE CHANGE

The benefits of economic growth that is more environmentally sustainable and inclusive are clear. In its latest report, the Global Commission on the Economy and Climate (2018) found that bold climate action could deliver at least US\$ 26 trillion in economic benefits through 2030 (compared with a scenario where policies remain unchanged). Meanwhile, the OECD (2017) estimates that G20 countries could lift their average economic output by up to 2.8% by 2050 through a combination of policies to mitigate climate change and foster investment in low-emission, climate-proof infrastructure. These are just two examples of a growing body of evidence that environmental sustainability and economic prosperity are intertwined and complementary goals. International trade plays a vital role in helping countries to pursue these twin goals.

The main reason is that international trade serves as a unique tool to promote specialization, competition, economies of scale and innovation globally. These powerful forces can, if properly harnessed, unlock, scale up and accelerate the investment, innovation, and market opportunities needed for the transition towards a low-carbon and climate resilient economy. Trade can exert its positive impact on this transition in many ways, not least by lowering the costs of adapting to a changing climate and by promoting the diffusion of climate mitigation and adaptation technologies to where they are needed.

Regarding the costs of climate adaptation, international trade can help bridge relative differences in resource endowments across countries, relieving resource scarcities in some regions and allowing for a more economically and environmentally efficient allocation of resources globally. By doing so, international trade can contribute to food security. One study suggests that under a severe climate change scenario in some regions, hunger could rise by up to 55% relative to the baseline in 2050 if regional markets are not integrated, that is, if trade does not take place easily. By contrast, when markets are fully integrated and under the same climate change assumptions, hunger is projected to rise by 30% (Baldos and Hertel 2015). The underlying reasoning is that, in an integrated global economy, the most affected regions can import essential grains and other food from regions where climate change impacts are relatively less severe. With the growing impacts of climate change and resource scarcity – felt in varying magnitudes across different parts of the world – the role of trade in facilitating climate adaptation and strengthening resilience is likely to become even more prominent in the coming decades.

In the same vein, trade can serve as a tool to support recovery efforts from climate hazards. Among the expected consequences of climate change is the more frequent occurrence of extreme weather events, including stronger hurricanes and tornadoes, longer droughts and heavier rainfall and flooding. Exports may provide a stream of revenues to assist those affected by such hazards, while imports may alleviate temporary shortages due to disruptions to domestic production. Trade may also support efforts to reconstruct or rebuild damaged infrastructure, since the materials, technology and skills required for such activities may need to come from abroad (Gassebner et al. 2010). In the long term, trade can support efforts to build resilience to environmental hazards by providing access to relevant technologies such as efficient irrigation systems or mobile technologies which allow citizens to play an active role in climate risk management.

WTO research on natural disasters and trade

Recognizing the impact of natural disasters on trade, but also the role that trade can play to reduce risks and to build resilience, a research programme was launched by WTO in April 2018 to explore this link. The research is being supported with funding from the Mission of Australia. Country research has been undertaken looking at the macro-economic impact on disaster-affected countries, and trade issues arising in disaster response, recovery and resilience. Research has focused on Nepal in Asia; Dominica and Saint Lucia in the Caribbean; and, Tonga, Vanuatu and Fiji in the Pacific).

The research highlights the burden of natural disasters on the trade and development prospects of the countries researched, together with trade issues that arise in disaster response, recovery and resilience. The aim of the on-going work is to identify measures that could be taken to promote better disaster response, recovery and resilience in line with implementation the Sendai Framework for Disaster Risk Reduction.

On the technology front, international trade can speed up the diffusion of environmental goods and services to where they are needed and help stimulate productive local capacity. Environmental goods and services embody technologies that perform a variety of functions essential to tackling climate change and other environmental challenges, regenerating the natural environment and making production and consumption more sustainable. They consist of goods and services needed to, for example, generate clean and renewable energy, improve resource and energy efficiency, reduce waste and abolish air, water and soil pollution, among other important functions. A larger, competitive and integrated global market gives companies, governments and consumers around the world access to better and more efficient goods and services to protect the environment. At the same time, such a market pushes down costs, making it easier for countries to replace outdated, polluting technological solutions with environmentally sound ones.

Without access to the world market, companies, governments and consumers in countries around the world would generally be faced with less choice and higher prices when acquiring environmental goods and services. This would slow down significantly the worldwide dissemination of environmentally sound and affordable solutions, while making environmental protection costlier overall. The top 18 developing countries ranked by greenhouse gas emissions would be able to import 63% more energy-efficient lighting, 23% more wind power generation equipment, and 14% more solar power generation equipment if the trade barriers they maintain on these goods were to be abolished (World Bank, 2007).

There is no one-size-fits-all answer or single blueprint to maximize these and other opportunities from trade to create a more sustainable, inclusive and climate resilient world. However, all countries can benefit from proactive and forward-looking approaches that align trade, climate and sustainability goals into a fit-for-purpose, coherent and comprehensive policy package, in line with the 2030 Agenda for Sustainable Development. A recent publication prepared jointly by the World Trade Organization and UN Environment (2018) identifies several areas for action to assist countries to seize the positive momentum of countless ideas and initiatives to make trade work better for the climate and prosperity simultaneously.

First, there is a need to strengthen international cooperation to make trade more efficient overall. Trade is often linked to carbon emissions – particularly through international transportation. It is

estimated that carbon emissions from international freight transport (sea, road, air and rail) could increase by up to 160% by 2050 if no additional actions are taken, with road freight replacing maritime shipping as the largest emitter (ITF, 2017). At this rate, the share of international freight transport in total global carbon emissions from fuel combustion would be pushed well above its current level of 5%. In recognition of this, the International Civil Aviation Organization and the International Maritime Organization have recently taken important steps to reverse these trends.

The second area involves approaches which aim to increase the climate resilience of international trade itself. Climate change could seriously undermine the role of trade as an engine of economic growth and poverty reduction, posing risks to the development and poverty reduction strategies of developed and developing countries alike. For example, sea level rise and the increasing frequency of extreme events could significantly damage the transport, distribution, communications and logistics networks underpinning modern-day supply chains. Other types of climate impacts, for example on agriculture, labor productivity, energy demand and natural endowments could affect what, with whom and how countries trade, depriving some of them of key sources of export earnings such as tourism. In response, countries could benefit from working together to strengthen long term contingency planning, identify effective steps to reduce the mounting risks of climate change on the infrastructure and networks underpinning global value chains, and to step up efforts towards economic diversification and a just transition of the workforce.

Third, there is a need to encourage national government officials to work together across environment, climate and trade domains. As countries around the world increasingly turn to trade measures in the pursuit of climate and other environment-related goals, collaboration between trade, climate and environment officials will ensure that environmental and climate considerations feature more prominently in trade policy formulation, and that trade is considered during the design of environmental and climate policies and the compliance with environmental obligations. According to the WTO's Environmental Database, around 38% of all measures notified to the WTO are adopted for climate action purposes.¹

One concrete opportunity in this area would be to eliminate trade barriers on environmental goods and their components. This should be complemented by efforts to tackle barriers affecting environmental services trade, given their key role in delivering environmental goods and ensuring that they function properly. Opening trade in environmental goods and services could bring sizeable benefits to countries in terms of productivity, exports, jobs, innovation and a clean, healthy environment. The solar panel industry, for example, creates more than twice the number of jobs per unit of electricity generation than coal or natural gas. Another prominent opportunity involves the elimination of environmentally harmful subsidies, such as in fisheries.

At the World Trade Organization's Eleventh Ministerial Conference held in Buenos Aires, Argentina, in December 2017, WTO members agreed to continue to engage constructively in the fisheries subsidies negotiations, with a view to adopting by the Ministerial Conference in 2019, an agreement on comprehensive and effective disciplines that prohibit certain forms of fisheries subsidies that contribute to overcapacity and overfishing, and eliminate subsidies that contribute to illegal, unreported and unregulated (IUU) fishing. The decision recognizes that appropriate and effective special and differential treatment for developing and least-developed country members should be an integral part of the negotiations.

The fourth area entails fostering public-private partnerships to allow emerging climate-friendly business models to expand and flourish. Such partnerships can highlight good practices and bring to the fore sustainable business champions, including small and medium-sized enterprises. They can serve to pave the way for proactive trade approaches that scale up climate-smart practices, increase the variety and affordability of sustainable goods and services and expand investment in low-emission, climate-proof solutions.

The fifth area relates to the world's poorest countries. Action is needed to strengthen their capacity to seize trade opportunities in emerging green sectors, such as renewable energy and resource efficiency. Advisory support and capacity building are also needed to ensure that countries can effectively harness trade and trade policy to implement international environmental commitments

¹ WTO Environmental Database, available at: <https://edb.wto.org/>.

and achieve the SDGs. This includes employing an inclusive, gender-sensitive approach in pursuing opportunities for more sustainable trade.

Finally, it will be critical to raise awareness among stakeholders on the role of international trade in environmental sustainability and resilience to environmental and economic shocks. Challenges of global scale require solutions of the same caliber. Broad engagement will be needed from civil society across the globe. Raising awareness can help to shape mindsets, shift consumption patterns, influence trade flows and lead to greater international cooperation on trade and the environment.

6 SDG:16 WTO'S CONTRIBUTION TO PEACE AND INSTITUTION BUILDING

Freedom from want, freedom from fear, and freedom of future generations to inherit a healthy natural environment are the interrelated building blocks of human and national security. These freedoms are espoused not only in the Universal Declaration of Human Rights but also, to a certain extent, reflected in the Agreement establishing the World Trade Organization (the Marrakesh Agreement) which calls for: (i) raising standards of living, (ii) ensuring full employment and a large and steadily growing volume of real income and effective demand, (iii) expanding the production of and trade in goods and services, while (iv) allowing for the optimal use of the world's resources in accordance with the objective of sustainable development, and (v) seeking to protect and preserve the environment and to enhance the means for doing so in a manner consistent with their respective needs and concerns at different levels of economic development.

Nevertheless, until recently, the role of trade in preventing conflicts, sustaining peace and facilitating post-conflict recovery (i.e., in peacebuilding) has not been among the topics accorded major attention at the WTO. At the same time, the existence of a link between trade and peace has been known and recognized long before the establishment of the Organization in 1995. In fact, contributing to global peace and stability has been a primary purpose of the multilateral trading system from the beginning - when the General Agreement on Trade and Tariffs (GATT), which is the predecessor of the WTO, was founded in 1947, to aid in recovery from the Second World War, and to avoid a repeat of the trade tensions that had led one of the most destructive conflicts in human history.

Today, many fragile and conflict-affected countries appreciate the relevance of the multilateral rules-based trading system as a mechanism for peacebuilding considering its relevance in promoting good governance and the rule of law, reducing poverty and achieving economic growth. These countries are making efforts, more and more, to use the WTO rules as an instrument for peace and state building - more specifically, with the objective to integrate and meaningfully participate in the global economy, which is seen as a pathway to building (and re-building) of their economies and institutional frameworks through WTO-consistent reforms.

This is most visibly demonstrated by the efforts by those countries which are currently in the process of joining the WTO. Out of the 22 countries in the process of accession, nearly a half of them are considered as fragile conflict-affected states, including: Comoros, Iraq, Lebanese Republic, Libya, Somalia, South Sudan, Sudan, Syrian Arab Republic, and Timor-Leste (also Bosnia-Herzegovina, Sao Tome and Principe). It is interesting to note that the last two countries which joined the WTO family in 2016, were Afghanistan and Liberia; and the last three countries which started their WTO accession journeys most recently in 2016-2017, were Somalia, Timor-Leste and South Sudan - all having suffered through war. Their strong commitment has confirmed the role of WTO accessions as one of the key instruments in the creation of credible trade and policy frameworks for peacebuilding.

These efforts cumulated into the establishment of the g7+ WTO Accessions Group, in December 2017 at the 11th WTO Ministerial Conference in Buenos Aires, Argentina. Inspired by the success of the WTO accessions of Afghanistan and Liberia, the Group was launched by eight fragile and conflict-affected least developed countries that have endured long conflicts and instability: three WTO Members (Afghanistan, Liberia, and Yemen) and five WTO acceding governments (Comoros, Sao Tome and Principe, Somalia, South Sudan and Timor-Leste). In their Ministerial Declaration, they pledged to use the WTO accession and membership to promote peace building and sustainable development, and to facilitate WTO accessions of conflict affected and fragile states, primarily through experience sharing and peer learning.

Building on the establishment of the g7+ WTO Accessions Group, during 2018, the WTO Secretariat launched the "Trade for Peace through WTO Accession" Initiative by forging a new partnership between the trade community and the peace community, including the Geneva Peacebuilding Platform. Several lectures and activities were held under the umbrella of "Trade for Peace". However, the g7+ Group continues to be the main driver of the Initiative. The Group has been expanded to include other conflict-affected and fragile states which are currently in the process of joining the WTO; for instance, in January 2019, Sudan joined the Group, while other WTO acceding governments are considering membership and observership in the Group.

In December 2018, the WTO Secretariat held its Second Regional Dialogue on WTO Accessions for the Greater Horn of Africa in Djibouti, under the theme of 'Trade for Peace through WTO accessions'. Participants and speakers in the Dialogue agreed that WTO accession was an important component of the post-conflict recovery plans of fragile states, enabling the establishment of credible policy frameworks and promotion of transparency and good governance. They recognized that the Trade for Peace Initiative was as a way in which the WTO could contribute to the regional peacebuilding efforts - in the Greater Horn of Africa and other parts of the world. In this context, the WTO was formally requested to define its role in contributing such efforts, through greater cooperation between the trade and peace communities. In response to these recommendations, the WTO is currently deepening its engagement with the peace community to expand collaboration on the Trade for Peace Initiative.

Thus, the work of the g7+ WTO Accessions Group and, more broadly, the Trade for Peace Initiative has been dedicated to making the multilateral trading system even closer to meeting the Sustainable Development Goals (SDGs) by 2030 - and, particularly, SDG 16, whose fundamentals, such as inclusive societies - through justice, and effective and accountable institutions - accurately echo the values that WTO accession process offers. The core principles of the WTO, such as promotion of predictability, transparency, and good governance, are also those that SDG 16 meant to achieve.

In this regard, although the WTO has traditionally not been an active player in peace-building, consideration could be given to greater engagement with the WTO in joint efforts on building and sustaining peace. As a potential catalyst for achieving SDG16 (as well as other SDGs), the WTO could be invited to explore deeper co-operation with the peace community, to define the role of freer trade in on-going peacebuilding efforts around the world.

7 SDG:17 REVIEW OF PROGRESS ON TRADE RELATED TARGETS

Recognizing trade as a means of implementation for the Agenda 2030 the core of the targets that relate to it and the WTO can be found in SDG 17. These targets ask countries to promote a universal, rules-based, open, non-discriminatory and equitable multilateral trading system; increase of developing countries and doubling the share of exports of LDCs; and implement duty-free and quota-free market access for LDCs with transparent and simple rules of origin. This emphasis on open markets stems from the experience that 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 a Development Agenda. Ensuring that markets remain open, free of distortions and easy for traders to do business, leads to growing participation of developing countries and LDCs in international together with their specific weight in the system.

A. Goal 17 / Indicator 17.10.1: Worldwide weighted tariff-average

Trade weighted tariffs have been decreasing to an average 2.2% worldwide but there still remain large differences at the regional level that reflect global economic imbalances.

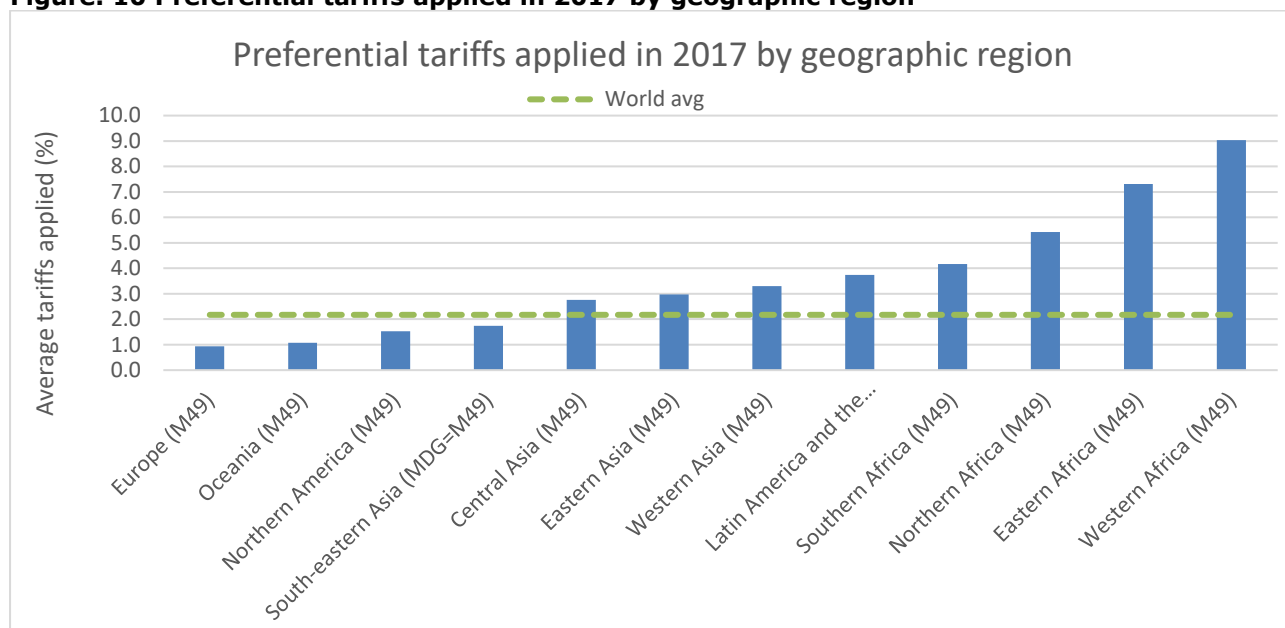
From a geographical perspective, the highest average tariff rates in 2017 were applied across African regions. While some signals of improvements have been recorded in Northern Africa and Western Africa (respectively, a 2.7 and 0.8 percent points decrease) in comparison to 2016, Eastern Africa has witnessed a raise of 1.2 percent points. On average, tariffs duties in Sub-Saharan Africa have slightly increased from 2016 (6.8%) and have now reached 7.1% of the value of the imported merchandise.

Apart from regional blocks that are led by high income countries (as Europe, Oceania and Northern America), tariff levels were lower than the world average only in the case of South-eastern Asia

(1.7%), indicating enhanced openness to international trade. For other regions in Asia and South America, average tariff rates range between 2.8 to 3.7%.

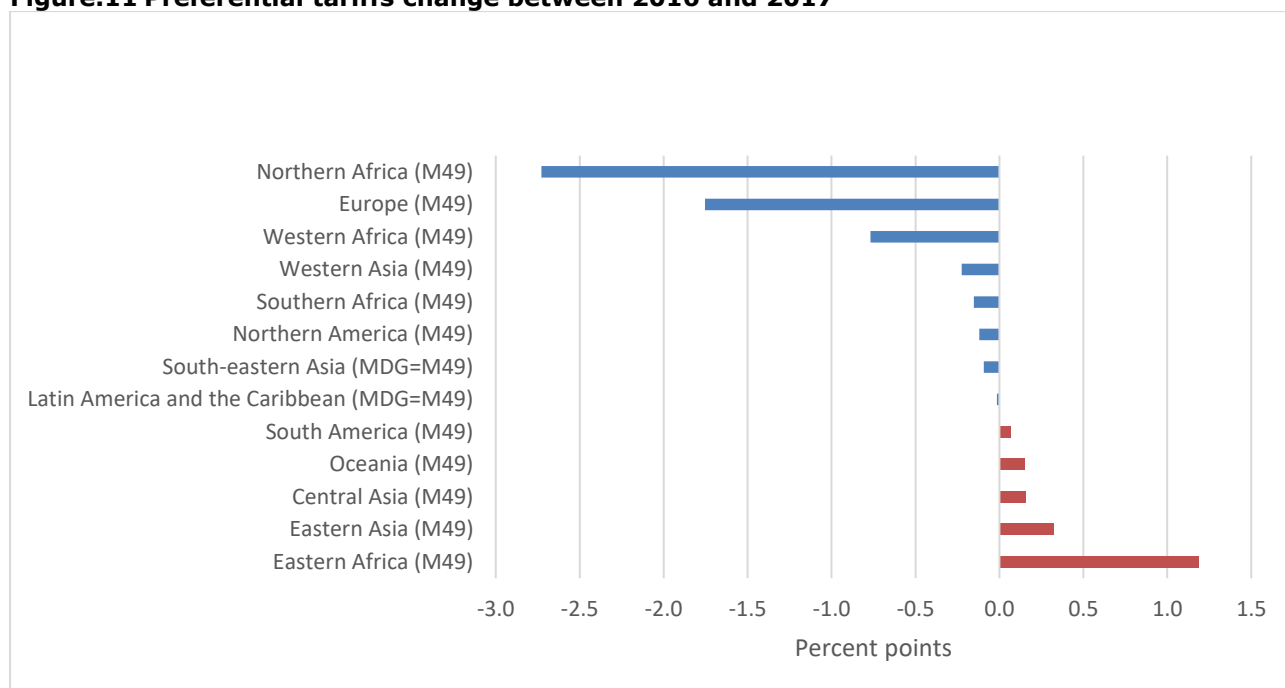
Overall, tariffs applied by LDCs (7.8%) remain significantly higher than the ones applied by high income countries (1.2%) as well as developing regions at large (3.7%). While this might be a natural consequence of the importance that revenues from import duties still bear on GDP across LDCs, the current level of protection might be addressed by the economic integration process triggered by the African Continental Free Trade Agreement (AfCFTA), as more than 60% of countries in this regional block are LDCs.

Figure. 10 Preferential tariffs applied in 2017 by geographic region



Source: ITC/UNCTAD/WTO

Figure.11 Preferential tariffs change between 2016 and 2017



Source: ITC/UNCTAD/WTO

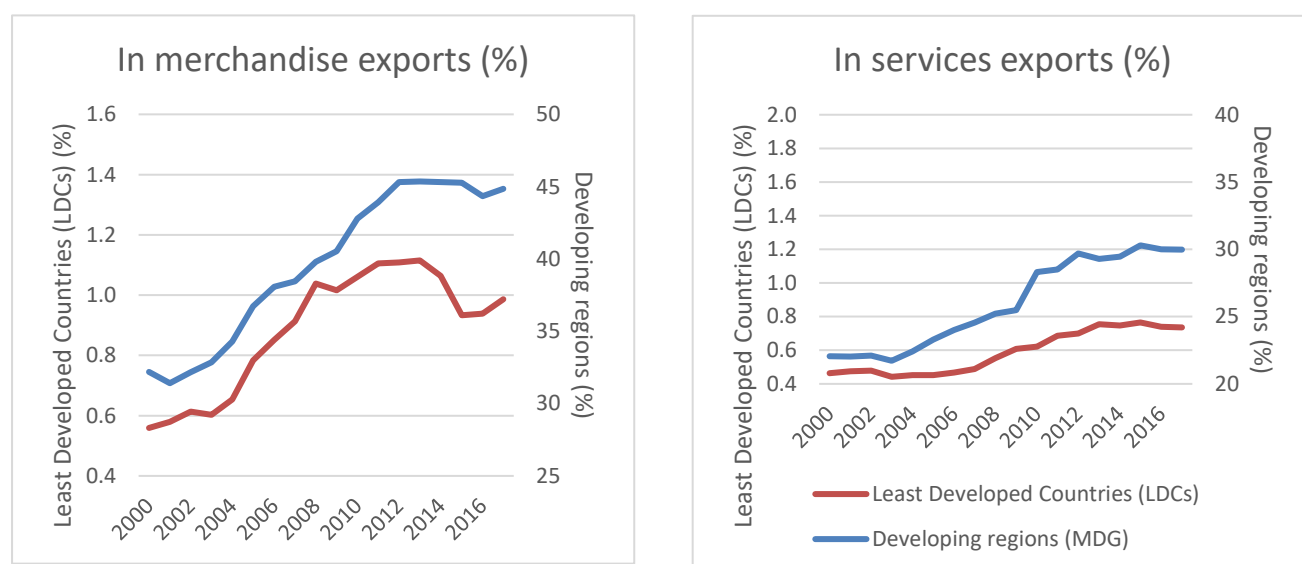
B. Goal 17 / Indicator 17.11.1: Developing countries' and least developed countries' share of global exports

Despite a slight upturn in 2017, the share of LDCs in world merchandise exports remains just below 1%. This suggests doubling LDCs' share of global exports by 2020 from the 2011 level (1.1%), as the target suggests, would be a challenge. If global exports increase by 10.5% by 2020, as predicted by UNCTAD (2018) for the year 2018, LDCs need to increase their exports by 44.6% per year from 2018 onwards in order to claim 2.2% of world exports share in 2020.

As regards services trade, LDCs' share in world services exports has remained just over 0.7% since 2013.

As LDCs, developing countries also recorded a slight increase of their share in world merchandise exports, reaching 44.8% in 2017, whereas their share in exports of services has remained constant at 30% for the last three years.

Figure. 12 Share of LDCs and developing countries in World Trade, 2017



Source: ITC/UNCTAD/WTO

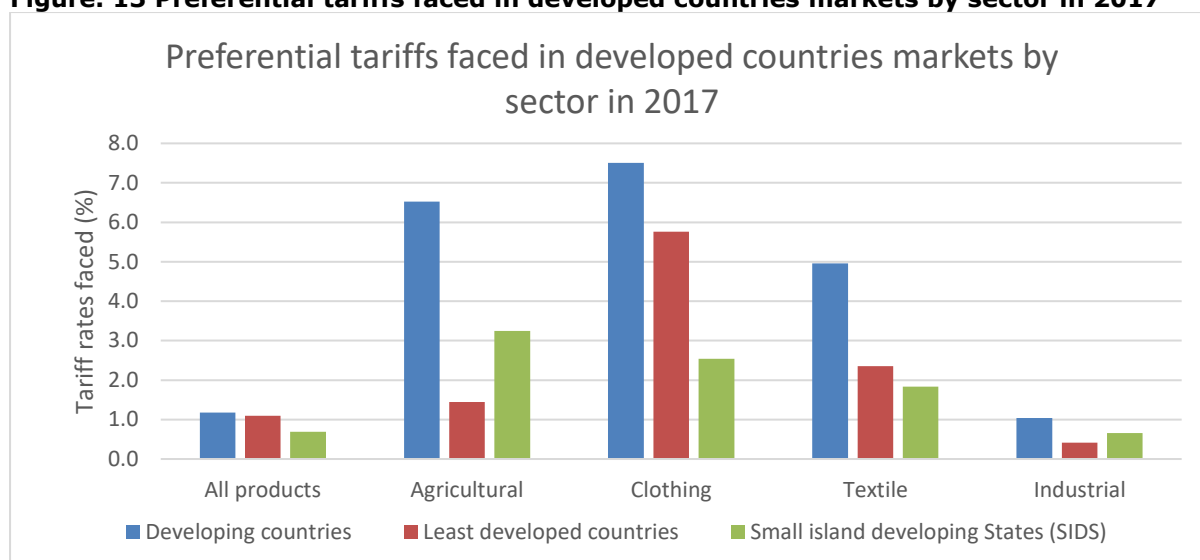
C. Goal 17 / Indicator 17.12.1: Average tariffs faced by developing countries, least developed countries and small island developing states

Preferential tariff treatment for developing countries, LDCs and SIDS in developed markets has remained substantially unchanged in 2017 in respect to the previous year.

When comparing the preferential treatment granted by developed markets to LDCs and developing countries at large, the largest difference is observable in the agricultural sector (5.1 percentage points difference). In the industrial sector, where tariffs faced are already relatively lower, the difference between LDCs and developing countries treatment is less than 1 percent point (namely, tariffs faced equal to 1% for developing countries and 0.3% for LDCs).

Overall, the competitive edge in terms of tariff treatment (i.e. preferential margin) for LDCs accessing developed markets in comparison to countries that do not benefit from any tariff preference, has been steady since 2012. While the clothing sector presents the highest tariffs for LDCs exporters, it should be noticed that this is also the sector where the highest preferential margin for LDCs lies (5.9 percentage points in 2017).

Figure. 13 Preferential tariffs faced in developed countries markets by sector in 2017



Source: ITC/UNCTAD/WTO

D. Conclusion

Global trade faces significant challenges. Current trade tensions and a surge in trade restrictive measures are greatly increasing economic uncertainty. Trade cannot play its full role in driving growth when there are such high levels of uncertainty. The upside of being faced with these challenges is that they present an opportunity to reinvigorate international cooperation on trade. Members are using this opportunity to act and improve the functioning of the WTO and the multilateral trading system by starting conversation about 'WTO reform' or 'modernization'. Throughout this conversation on the future of the multilateral trading system and responses to the challenges faced by the world economy it is important prioritize strengthening global cooperation. This ultimately is in the interest of all and remains a crucial element in the attainment of the 2030 Agenda Sustainable Development Agenda.

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