



# WTO CONTRIBUTION TO THE 2021 HLPF

# WTO CONTRIBUTION TO THE 2021 HIGH LEVEL POLITICAL FORUM

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## 1 THE IMPACT OF COVID-19 ON TRADE

Trade in all forms has been extremely adversely affected by the COVID-19 pandemic as production and consumption were scaled back globally. The COVID pandemic affected global trade through a complex network of both supply and demand shocks. On the supply side, the social distancing measures and border closures that were adopted globally in order to restrict the spread of COVID-19 have reduced air freight capacity, halted industrial production, and limited port activities, and restricted the ability of businesses to operate. Consequently, both production and export capacities were severely restricted. In the case of global value chains, the inability to source production inputs resulted in a breakdown of several global value chains. The COVID-19 induced demand shock was no less damaging. The world's largest importing economies displayed sharp drops in aggregate demand due not only to social distancing measures affecting ability to purchase, but due also to loss of jobs and incomes in these countries.

As a result of the pandemic, border closures and social distancing measures, governments across the world have faced large declines in economic activity, recessions, and budgetary shortfalls while populations have faced large threats to access to income, employment and food. The effects of these declines in trade have heterogeneous effects between countries and within national populations, and there is already evidence that women will be more negatively affected due to their over-representation in the food service, retail, textile and apparel manufacturing, and informal employment.

This complex network of job losses, reduced income, and decreased health outcomes will have significant impacts global human development and the achievement of the 2030 Agenda and Sustainable Development Goals (SDGs). This report explores the mechanisms through which the COVID-19 pandemic and the subsequent reduction in international trade has affected each of the 9 SDGs under review by the 2021 High Level Political Forum: 1) goal 1 on no poverty; 2) goal 2 on zero hunger; 3) goal 3 on good health and wellbeing; 4) goal 8 on decent work and economic growth; 5) goal 10 on reducing inequality between and among countries; 6) goal 12 on responsible production and consumption; 7) goal 13 on climate action; 8) goal 16 on peace, justice and strong institutions; and goal 17 on partnerships. The report also recognizes the WTO's attempts to mitigate the effects of the pandemic on international trade, and concurrently the SDGs.

The pandemic occurred at a point where the multilateral trading system was experiencing pre-existing stress. Persistent trade tensions and a drastic increase in trade restrictive measures from 2017 had resulted in slow global merchandise trade growth from 2017 to 2019. Enter COVID-19 and WTO economists estimated that world merchandise trade fell by a further 5.3% in 2020.<sup>1</sup> This was a substantial improvement from earlier forecasts of a 12.9% decline and was largely the result of strong fiscal and monetary stimulus policies by governments around the world. A restrained approach to trade protections and introduction of liberalizing measures over the course of 2020, as well as the shift to remote work and business innovation in many places also contributed to the relatively small decline.

From WTO figures as shown in table 1, North America, the Middle East, Africa and Europe were the most affected with exports volumes declining by 8.5%, 8.2%, 8.1%, and 8.0% respectively. Asia was the least affected with exports volumes growing by 0.3%. In 2021, the Middle East and Europe are expected to experience the most robust rebounds with 12.4% and 8.3% increases in export volumes – more than their declines. Asia is also expected to experience growth of 8.4%. The Middle East, South America and Africa saw the steepest declines in imports – 11.3%, 9.3%, and 8.8% respectively. In 2021, world merchandise trade is expected to rebound by 8.0%.

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<sup>1</sup> [WTO | 2021 Press Releases - World trade primed for strong but uneven recovery after COVID 19 pandemic shock - Press/876](#)

**Table 1. Merchandise Trade volume and real GDP, 2017 – 2022<sup>a</sup>**  
Annual % change

	2017	2018	2019	2020	2021P	2022P
<b>Volume of world merchandise trade<sup>b</sup></b>	4.9	3.2	0.2	-5.3	8.0	4.0
<b>Exports</b>						
North America	3.4	3.8	0.3	-8.5	7.7	5.1
South America <sup>c</sup>	2.3	0.0	-2.2	-4.5	3.2	2.7
Europe	4.1	1.9	0.6	-8.0	8.3	3.9
CIS <sup>d</sup>	3.9	4.1	-0.3	-3.9	4.4	1.9
Africa	4.7	2.7	-0.5	-8.1	8.1	3.0
Middle East	-2.1	4.7	-2.5	-8.2	12.4	5.0
Asia	6.7	3.8	0.8	0.3	8.4	3.5
<b>Imports</b>						
North America	4.4	5.1	-0.6	-6.1	11.4	4.9
South America <sup>c</sup>	4.5	5.4	-2.6	-9.3	8.1	3.7
Europe	3.9	1.9	0.3	-7.6	8.4	3.7
CIS <sup>d</sup>	14.0	4.1	8.5	-4.7	5.7	2.7
Africa	-1.7	5.4	2.6	-8.8	5.5	4.0
Middle East	1.1	-4.1	0.8	-11.3	7.2	4.5
Asia	8.4	5.0	-0.5	-1.3	5.7	4.4
<b>World GDP at market exchange rates</b>	3.3	3.0	2.4	-3.8	5.1	3.8
North America	2.3	2.8	1.9	-4.1	5.9	3.8
South America <sup>c</sup>	0.8	0.2	-0.7	-7.8	3.8	3.0
Europe	2.8	2.0	1.5	-7.1	3.7	3.6
CIS <sup>d</sup>	2.3	2.9	2.1	-0.5	1.0	1.2
Africa	3.1	3.1	2.9	-2.9	2.6	3.8
Middle East	0.7	0.5	0.1	-6.0	2.4	3.5
Asia	5.1	4.6	4.1	-1.1	6.1	4.1

a Figures for 2021 and 2022 are projections.

b Average of exports and imports.

c Refers to South and Central America and the Caribbean.

d Refers to Commonwealth of Independent States (CIS), including certain associate and former member States.

Source: WTO Secretariat for trade, consensus estimates for GDP<sup>2</sup>

While merchandise trade fell in 2020 by 7% in nominal dollar terms<sup>3</sup>, the decline differed according to the type of good. Preliminary figures suggest that merchandise trade in agricultural products saw the least reduction due to the need for global food supply and only declined by 5% in the Q2 of 2020. Trade in fuels and mining products on the other hand, plunged by as much as 38% in Q2 of 2020 as global oil demand and prices collapsed. On the other hand, medical goods, such as personal protective equipment, ventilators, thermometers, sanitizers increased by 16 per cent over 2020, reaching US\$ 1,139 billion in value.<sup>4</sup>

Services trade was not spared by the pandemic. In fact, commercial services exports declined by 20%.<sup>5</sup> Earlier WTO estimates (see Chart 1), suggested a year-on-year decline in global services trade due to the pandemic that peaked at 23%. While 20% represents some improvement, this is still a much greater drop than the 9% decline experienced during the 2008 financial crisis. Services trade likely saw a more substantial decline due to travel restrictions to halt the spread of the virus.<sup>6</sup>

<sup>2</sup> [WTO | 2021 Press Releases - World trade primed for strong but uneven recovery after COVID 19 pandemic shock - Press/876](#)

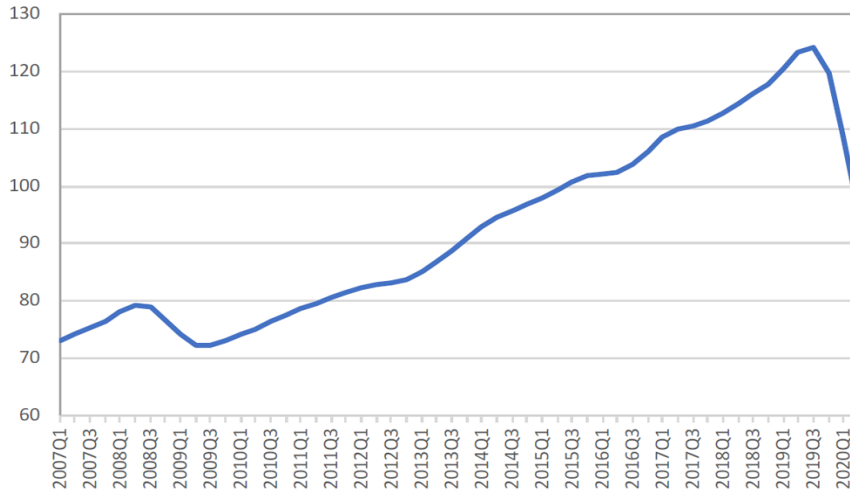
<sup>3</sup> [WTO | 2021 Press Releases - World trade primed for strong but uneven recovery after COVID 19 pandemic shock - Press/876](#)

<sup>4</sup> [https://www.wto.org/english/tratop\\_e/covid19\\_e/medical\\_goods\\_update\\_e.pdf](https://www.wto.org/english/tratop_e/covid19_e/medical_goods_update_e.pdf)

<sup>5</sup> [WTO | 2021 Press Releases - World trade primed for strong but uneven recovery after COVID 19 pandemic shock - Press/876](#)

<sup>6</sup> [https://www.wto.org/english/tratop\\_e/covid19\\_e/services\\_report\\_e.pdf](https://www.wto.org/english/tratop_e/covid19_e/services_report_e.pdf)

**Figure 1. World services trade activity index, 2007Q1 – 2020Q2**  
Index, 2015 = 100



Source: WTO Secretariat estimates<sup>7</sup>

The type and extent of effects on trade in services vary by sector and mode of supply. Trade in services that involves proximity between suppliers and consumers has been severely impeded. GATS mode 2 (i.e., supply in the context of the movement of consumers abroad) and mode 4 (involving the temporary movement of natural persons) have been largely paralysed. In fact, as seen in figure 2, travel services experienced a 2020Q2 decline of 82%. Given the role of services in providing inputs for other economic activities, including connecting supply chains and facilitating trade in goods, disruptions in services supply are having a broad economic and trade impact.

**Figure 2. Year-on-year growth in world commercial services trade, 2020Q1-2020Q4<sup>8</sup>**  
% change in US\$ values



Source: WTO-UNCTAD-ITC estimates.

The crisis has highlighted not only the weaknesses of global trade but significant opportunities. While the crisis has led to a greater focus on digital trade and electronic commerce leading to a potentially long-term shift in consumer patterns, it has also accentuated the digital divide between the poor and the rich, between and among countries. Nevertheless, the shift to digital trade could overcome

<sup>7</sup> WTO Press Release. [Trade shows signs of rebound from COVID-19, recovery still uncertain](#). 6 October 2020.

<sup>8</sup> [WTO | 2021 Press Releases - World trade primed for strong but uneven recovery after COVID 19 pandemic shock - Press/876](#)

traditional barriers to cross-border trade for women and the poor if appropriate policy and capacity building actions are taken.

The reduction in the volume of trade was mirrored by steep declines in global GDP growth, though there are divergent regional and country level trends. In fact, the IMF forecasted negative growth of -4.4% for the world, with a rebound to 5.2% in 2021.<sup>9</sup> These declines are expected have incredible adverse effects on the world's poor. The World Bank estimates that the COVID-19 pandemic pushed between 83 million and 93 million people into extreme poverty in 2020, and that the number will rise by up to 163 million in 2021. This is an unprecedented increase in global extreme poverty and is the first such increase in over 20 years. Trade, GDP growth, and poverty reduction remain inextricably linked and attainment of the sustainable development goals in light of the COVID-19 pandemic will depend not only on decisive and comprehensive policy action, but on a stable multilateral trading system that provides an open and inclusive business environment and promotes a trade-led economic recovery.

## 2 GOAL 1: NO POVERTY

Trade contributes directly to poverty reduction. Trade makes goods more affordable, enabling poorer households to purchase more without changing their income, particularly food, resulting in high welfare gains for the poorest. Moreover, a reduction in trade barriers exerts downward pressure on high prices maintained by national cartels and monopolies. Furthermore, access to foreign markets for the goods can create new employment opportunities. Indirectly, trade openness is associated with poverty reduction by raising both growth and income. Studies indicate that increases in the real incomes of the poorest quintile of the population is strongly correlated with increases in trade openness (IMF-WB-WTO, 2017).<sup>10</sup>

Developing countries have played an increasingly impactful role in the global economy and global politics since the 1990s. Broadly speaking, developing countries have recorded high growth rates and made significant progress in reducing poverty. In fact, between 1990 and 2015 the global rate of extreme poverty fell from 36.2% to 10.1%, a rate of about 1 percentage point per year. This process has gone hand in hand with their progressive integration in the global economy. However, new estimates from the World Bank show that poverty reduction [has slowed down in recent years](#) and that global poverty fell from 10.1% to 9.2% between 2015 and 2017, less than half a percentage point per year.<sup>11</sup>

Although other factors affect poverty reduction, robust 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. Not only does GDP growth help generate resources needed to improve standards of living, access to healthcare and health outcomes, education, safe water, and housing, trade directly contributes to job creation and welfare gains. According to the widely accepted Ricardian model of comparative advantage, countries specialize in the production of the goods in which they have a comparative advantage creating jobs in these more productive industries and ultimately resulting in higher standards of consumption and living. Moreover, the advent of global value chains (GVCs) has created a large number of manufacturing jobs in many developing countries including Vietnam, Indonesia, and Mexico, and was essential to the industrial transformations of China and India.

Moreover, numerous studies show that trade plays a positive role in raising incomes. In fact, exporting firms are typically more productive and pay higher wages than non-exporting firms (Olarreaga et al. 2019). Trade also contributes directly to poverty reduction by making goods more affordable, enabling poor households to purchase more with their income. Additionally, trade liberalization increases access to foreign markets for the goods, for example agricultural goods, that the rural poor produce, opening new employment and income opportunities for poor farmers.

From a gendered perspective, trade has also substantially improved economic outcomes for women. Trade driven by comparative advantage is probably the driving force of the increase in women

<sup>9</sup> <https://www.imf.org/en/Publications/WEO/Issues/2020/09/30/world-economic-outlook-october-2020>

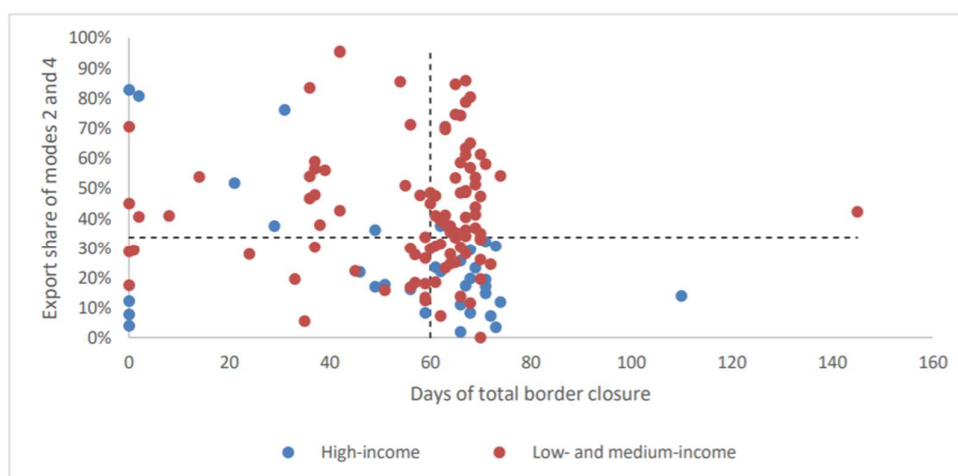
<sup>10</sup> Trade and inclusive growth report

<sup>11</sup> [https://blogs.worldbank.org/opendata/global-poverty-reduction-slowing-regional-trends-help-understanding-why#:~:text=The%20new%20estimates%20show%20that,a%20percentage%20point%20per%20year\).&text=Figure%201%20shows%20the%20regional,at%20the%20US%241.90%20line.](https://blogs.worldbank.org/opendata/global-poverty-reduction-slowing-regional-trends-help-understanding-why#:~:text=The%20new%20estimates%20show%20that,a%20percentage%20point%20per%20year).&text=Figure%201%20shows%20the%20regional,at%20the%20US%241.90%20line.)

participation in the labor force in developing countries, especially for those specializing in textiles. Economic theory suggests that trade reduces firms' incentive to discriminate through its competition effects as such trade is associated with more, better paid and better-quality jobs for women at the country, sector and firm levels. Furthermore, firms that engage in international trade employ substantially more women than non-exporting firms (WB and WTO, 2020). Furthermore, trade has also increased female social political and economic bargaining power. Increased employment and income earning among women allows them to increase investments in education and delay marriage. There are further knock-on effects including better nutrition and health outcomes.

Unfortunately, the COVID-19 recession is likely to have a harsher impact on women as the sectors in which they are prevalent are among those most affected by COVID-19 associated social distancing measures.<sup>12</sup> Furthermore, women in least developed and developing economies are expected to be particularly affected for several reasons. Firstly, trade in services in developing countries is highly exposed to travel restrictions as these services tend to focus on physical proximity between suppliers and consumers, for example tourism and recreational services. Simultaneously, many developing countries closed their borders for a significant number of days (Figure 3).

**Figure 3. Developing economies' exports of services are highly exposed to travel restrictions**



Source: Authors' own estimations based on WTO Trade in Services data by Mode of Supply (TISMOS) and Oxford Coronavirus Government Response Tracker (OxCGRT).  
 Note: Export shares of mode 2 (i.e. trade in services occurring through consumption abroad) and mode 4 (the temporary movement of services suppliers abroad) are used in this chart as an index of the extent to which trade in services require physical proximity between suppliers and consumers. Broken lines correspond to the median. Data on border closure cover the period between 1 January 2020 and 6 June 2020. [https://www.wto.org/english/res\\_e/publications\\_e/women\\_trade\\_pub2807\\_e.htm](https://www.wto.org/english/res_e/publications_e/women_trade_pub2807_e.htm)

Secondly, women are less likely to telecommute in low-income countries. Thirdly, women in developing economies are more likely to work in the informal sector and are particularly sensitive to economic shocks like COVID-19. Finally, poor IT skills, limited digital connectivity and access to technology reduces the ability of women in developing economies from making use of digital technologies to mitigate the adverse economic effects of the pandemic. In that context, specific gender-sensitive social protection initiatives such as cash transfers, food, vouchers, paid sick leave and childcare subsidies are needed to mitigate the effect of the pandemic on women specifically.

### 3 GOAL 2: ZERO HUNGER

#### 3.1 The role of trade in reducing hunger and increasing food security

Eliminating hunger and malnutrition and ensuring global food security are among the important challenges that the world currently faces. The Covid-19 pandemic and governments' responses to deal with its aftershocks have further exposed the food security challenges faced by numerous countries. The role of international trade and functioning food markets is critical in achieving global food security objectives. International trade can contribute to ensuring food security in several

<sup>12</sup> [https://www.wto.org/english/news\\_e/news20\\_e/info\\_note\\_covid\\_05aug20\\_e.pdf](https://www.wto.org/english/news_e/news20_e/info_note_covid_05aug20_e.pdf)

ways. Trade acts like a global transmission belt to enable the movement of food from places having surplus to those having a deficit. This balancing role of trade is vital for addressing food insecurity and hunger as the majority of countries in world are net food importers relying on international or regional trade for their access to food. Frequent climatic aberrations and weather events make functioning food markets and open international trade even more imperative to ensure that no part of the planet is deprived of food.

Trade also fosters competition and an efficient allocation of resources and hence allows food to be produced where this can be most efficiently done leading to sustainable global food production. International trade also catalyses economic growth and development via efficiency gains and enhanced competitiveness of domestic economy hence supporting poverty reduction strategies and people's access to food.<sup>13</sup> International trade also acts as a buffer against possible price volatility risks resulting from more frequent domestic supply shocks as such supply shocks are weakly correlated across countries leading to stable domestic availability of food. By facilitating the availability of an enhanced variety of food throughout the year, international trade can also make a positive contribution to nutritional objectives; though in some cases trade is also associated to potential risks linked to over-nutrition.

### **3.2 Creating an undistorted international market in agriculture products**

In order for the potential development role of trade to be harnessed by all countries, it is important to ensure that trade is fair and market-oriented, and trade barriers and distortions are addressed. The WTO Agreement on Agriculture (AoA) is instrumental in the multilateral reform process 'to correct and prevent trade restrictions and distortions in world agricultural markets' and has remained the bedrock of domestic policy reforms in WTO Members towards this objective. Additionally, the Marrakesh Ministerial Decision on Measures Concerning the Possible Negative Effects of the Reform Programme on Least-Developed and Net Food-Importing Developing Countries includes various mechanisms for international cooperation and collaboration towards, *inter alia*, enhancing agricultural productivity and facilitating access to food with a special attention to least developed countries (LDCs) and net-food importing developing countries (NFIDCs). The WTO Agreement on Sanitary and phytosanitary measures (SPS Agreement) sets out the basic rules for food safety and animal and plant health standards; the Agreement recognizes the right of countries to establish their SPS measures and seeks to minimize their negative effects on trade.

The AoA's legal framework is being strengthened further through the ongoing agriculture negotiations. These negotiations target the three main pillars of the Agreement, namely, market access, domestic support and export competition as well as some other additional issues including public stockholding for food security purposes, special safeguard mechanism, export restrictions and specific trade issues related to cotton.

In the Ministerial Decision on Export Competition (hereinafter the "Nairobi Decision") adopted on 19 December 2015 at the 10<sup>th</sup> WTO Ministerial Conference in Nairobi, Members committed to eliminate scheduled agricultural export subsidies entitlements and put in place disciplines on export measures with equivalent effect, thereby delivering on target 2.b of "Zero Hunger" goal.

As of February 2021, twelve out of the sixteen WTO Members with export subsidies reduction commitments in their schedules at the time of the adoption of the Decision had amended their schedules of commitments pursuant to it, and the draft schedules of two other Members are still in the process of being reviewed by other Members.

As expected, the downward trend observed in export subsidy outlays notified to the WTO has continued after the adoption of the Decision. As illustrated by figure 4, total notified annual outlays fell from a peak of US\$ 6.7 billion in 1999 to US\$ 138 million in 2018<sup>14</sup>. The use of export subsidies will be phased out for most Members by the end of 2023, with an exception for least developed countries and net food importing developing countries until the end of 2030.

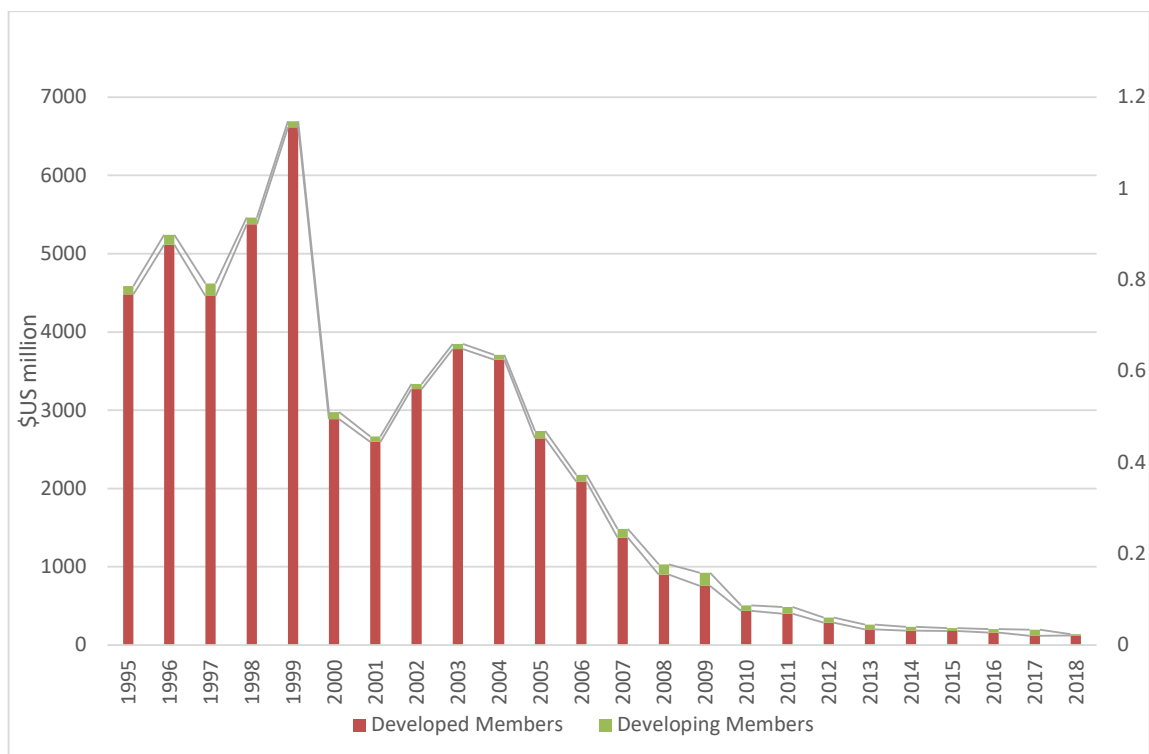
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<sup>13</sup> Simultaneously, it may be important to institute domestic safety nets to support those whose livelihoods might be disrupted by evolving trade patterns.

<sup>14</sup> Figures for the most recent years being still subject to further updates due to delays in notifications.



**Figure 4. Export subsidies budgetary outlays (\$US million), 1995-2018<sup>15</sup>**



Source: World Trade Organization, Agricultural Division, 2020

WTO Members have monitored the implementation of the Nairobi Decision in the Committee on Agriculture through an annual examination process. They undertook the first triennial review of the Decision in 2018 and engaged in the second one in 2021.

To level the playing field and enhance the food security of members, the negotiations on domestic support aim at further disciplining the most trade- and production distorting forms of subsidies, thereby contributing to the realisation of Target 2.b of SDG2 which mandates that countries "correct and prevent trade restrictions and distortions in world agricultural markets". It has been estimated that the growth in total Aggregate Measurement of Support (AMS) entitlements for all WTO Members (measured by the sum of Final Bound Total AMS and *de minimis* entitlements) has increased from around USD320 billion in 2001 to around USD740 billion in 2016. This upward trend has continued and is likely to continue due notably to increasing values of production.

The support provided under these entitlements has also been increasing from USD 74 billion in 2001 to around USD 100 billion in 2016<sup>16</sup>. The total Article 6 support (including also Blue Box and Article 6.2 support) increased from USD106.9 billion in 2001 to above USD 120 billion in 2016, and the total Green Box support (*i.e.* non- or minimally trade distorting support) increased from USD142 billion to USD 452 billion during the same time-period.

<sup>15</sup> The group of "WTO developing members" contains notifications from the following WTO Members: Barbados, Brazil, Colombia, India, Indonesia, Israel, Republic of Korea, Mauritius, Mexico, Morocco, Pakistan, Panama, South Africa, Sri Lanka, Thailand, Tunisia, Turkey, Uruguay, Venezuela.

The group of "WTO developed members" contains data from: Australia, Bulgaria, Canada, Cyprus, Czech Republic, European Union, Hungary, Iceland, New Zealand, Norway, Poland, Romania, Slovak Republic, Switzerland, and the United States of America.

<sup>16</sup> Latest year for which a representative set of data is available.

### 3.3 The impact of COVID-19 in agricultural trade

Since the outbreak of COVID-19 in 2020, many WTO Members have introduced additional support to the agriculture sector intended to stabilise the markets and help farmers to cope with the pandemic and its economic consequences. This has triggered calls for Members to respect WTO rules and principles when putting in place such support measures and for further disciplining domestic support.

While agricultural trade has proven more resilient than trade in other goods owing to the essential nature of food products, additional disruptions to supply chains could start to undermine this resilience, with damaging consequences for global food security. This is why the WTO Committee on Agriculture has paid special attention to COVID-19 and related policy measures and held dedicated discussions starting with a special meeting of the Committee in June 2020 that focused on the pandemic and its impact on international agriculture and food trade within the overall framework of the AoA. Members specifically emphasized the importance of transparency in respect of measures adopted in response to the pandemic.

The Covid-19 specific discussions in the committee have specifically targeted export restrictions and agricultural support measures introduced by governments in response to the pandemic; several Members also considered that such measures should not be continued or rather withdrawn as soon as the associated objectives were fulfilled. The joint statement by the Directors-General of the WTO, FAO and World Health Organization (WHO) on 31 March 2020 specifically stressed the importance of trade for food security and the livelihoods of millions of people around the world, and called on governments to ensure that any trade-related measures in response to the crisis do not disrupt food supply chains. Different country groups, (e.g., G-20, LDC Group, African Group, Cairns Group members, Ottawa Group, ASEAN) have adopted statements, calling for trade flows to remain open, for restraint in the use of export restrictions, and for adopted measures to remain targeted, temporary, proportionate and transparent.<sup>17</sup>

## 4 GOAL 3: GOOD HEALTH AND WELLBEING

### 4.1 TRIPS/IP contribution to access to medicines

The international intellectual property (IP) system forms part of the broader infrastructure for innovation in health technology, managing collaborations and integrating diverse inputs to produce final complex products, and enabling the sharing and dissemination of critical technologies in furtherance of SDG 3. As SDG 3 itself recognizes, the international IP system – as a practical tool of public policy – acknowledges the need for policy flexibilities and expressly provides scope for diverse regulatory approaches at the national level. In general, IP protection enhances market-based incentives to invest resources in product development and the production and delivery to the public of new technologies. Such incentives are considered especially valuable for the development of health technologies due to the considerable financial and technical resources, and clinical testing and regulatory expertise, that are required to ensure technologies are proven to be safe and effective, coupled with the high risk of failure even at a late stage in product development and issues related to product liability. However, the use of the IP system in the medical field is not limited to private sector actors, and it is also deployed positively to support collaboration and cooperation among health technology developers, governments and other stakeholders, in particular as most new health technologies entail the incorporation of multiple inputs from different sources.

The international IP system is framed by the treaties administered by the World Intellectual Property Organization (WIPO) and the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement). The TRIPS Agreement is the most comprehensive multilateral agreement on IP. It provides for certain basic principles (such as non-discrimination) and situates the IP system in its policy context, specifically promoting innovation and the dissemination of technology for the mutual benefit of both creators and users of technological knowledge in a way that promotes the public's welfare. In setting out agreed minimum standards for protection of each of the main areas of IP, it expressly provides scope for countries to choose the mode of implementation and carves out the necessary space to address public interest considerations, including on public health, as well

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<sup>17</sup> 21 WTO official documents WT/GC/219 – TN/C/20; WT/GC/218/Rev.1 - G/AG/31/Rev.1 – TN/AG/44/Rev.1; WT/GC/217; WT/GC/212/Rev.1; WT/GC/211; WT/GC/210; and WT/GC/208/Rev.2 – G/AG/30/Rev.2

as scope for competition policy enforcement as a balancing factor for the IP system. The TRIPS Agreement has considerable implications for innovation and access to health technologies, notably through the implementation of international standards requiring patents to be available for legitimate inventions in all areas of technology, including pharmaceutical products, and the requirement to protect clinical trial data submitted for obtaining marketing approval against unfair commercial use and disclosure.

The TRIPS Agreement frames the global IP system as a component of innovation policy. Article 7 of the TRIPS Agreement describes the objectives of the IP system in terms of a balance of rights and obligations. The objectives refer to the protection and enforcement of IPRs in a manner which contributes to "the promotion of technological innovation", "the transfer and dissemination of technology" to the mutual advantage of both "producers and users of technological knowledge", and also "social and economic welfare". In recent years, discussions in the WTO TRIPS Council have focused on an array of measures undertaken by WTO Members developing in practice an ever more diverse and effective relationship between IP systems and innovation policy, as well as the relationship between the IP system and the public interest. The discussions in the TRIPS Council have covered, for example, micro, small and medium enterprises; university technology partnerships; and regional innovation models, including examples of regional innovation models which mobilized support for health interventions against certain communicable diseases; as well as practical experience in applying competition policy safeguards of the public interest.

Built into the TRIPS Agreement is a range of policy options and flexibilities which can be used to pursue public health objectives. The Doha Declaration on the TRIPS Agreement and Public Health, a landmark declaration adopted at the WTO Ministerial Conference in 2001, reaffirmed these objectives and principles as guidance for the implementation of TRIPS provisions in line with public health policy. Based on that declaration and on subsequent TRIPS Council decisions, LDCs will continue to benefit from an extended transition period until 1 January 2033 with regard to pharmaceutical patents and test data protection for pharmaceutical products (including enforcement procedures and remedies). The transition period potentially offers opportunities for these countries to attract investment for the local production of pharmaceutical products. Some LDCs have taken measures or adopted policies to take advantage of the transition periods in order to foster local pharmaceutical production. For example, the 2013 East African Community (EAC) regional IP policy on public health-related TRIPS flexibilities encourages IP policies which would, in its view, facilitate local pharmaceutical production.<sup>18</sup>

The Doha Declaration clarified certain key flexibilities, or legal options within the framework of the TRIPS Agreement, notably in reaffirming the right of WTO Members to issue compulsory licences. It also led to the 2017 amendment of the TRIPS Agreement: an initiative by the African Group, this was the first ever amendment to the entire package of WTO multilateral trade agreements. It provides an additional public health flexibility, termed the Special Compulsory Licensing System, which establishes a secure and permanent legal pathway for developing countries with insufficient or no local manufacturing capacities to access affordable medicines from third-country generic suppliers. The Special Compulsory Licensing System expressly provides for the possibility of harnessing economies of scale across different countries in the context of its provisions on regional trade agreements. The purpose is to enable parties to a regional trade agreement that meets certain criteria to pool their needs in order to enhance purchasing power and to reduce costs, as well as facilitate local manufacturing of pharmaceutical products.

The Special Compulsory Licensing System is one legal pathway that can be followed; but, as with any compulsory or voluntary licence, it opens up wider possibilities to meet needs for medicines. However, as a legal tool, the System does not in itself make the production of a medicine economically viable. Sufficient scale and predictability of demand are prerequisites for making it attractive for companies to take the regulatory, industrial and commercial steps required to produce and export a medicine under such a licence. Regional and other coordinated approaches to procurement and joint notifications by countries with similar needs for accessible medicines offer pathways to aggregating demand and building economies of scale under the Special Compulsory Licensing System and can provide incentives to establish local production capacities, thus enabling an effective response to the needs identified. Early, and coordinated, notifications of expected needs

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<sup>18</sup> <http://repository.eac.int/bitstream/handle/11671/1847/EAC-TRIPS-Policy.pdf?sequence=1&isAllowed=y>.

of medicines would be administratively undemanding and would immediately widen the scope of potential suppliers to meet those needs.

The WTO's trade and IP-related WTO technical assistance continues to focus on public health, and innovation in and access to health technologies. Technical assistance and policy support holistically addresses the public health dimensions of the full range of WTO trade agreements, including aspects of rules and policies relating to market access, trade facilitation, technical barriers to trade, sanitary and phytosanitary measures, government procurement and competition, with a view to strengthening the independent capacity of national governments to assess, opt for and implement policy and legal options tailored to their distinct needs and contexts.

Capacity building activities have included global, regional and national workshops and are generally carried out in close collaboration with institutional partners such as the Secretariats of the WHO and WIPO, along with other multilateral partners, and a diverse range of experts from civil society and the private sector. The WTO also closely collaborates with regional institutions, such as the African Regional Intellectual Property Organization (ARIPO) and Organisation Africaine de la Propriété Intellectuelle (OAPI) on health, IP and trade-related capacity building.

In 2020, the WHO, WIPO and WTO Secretariats launched the second edition of the jointly published study "Promoting Access to Medical Technologies and Innovation: Intersections between public health, intellectual property and trade".<sup>19</sup> The study, alongside numerous other materials, forms part of the WTO's foundational capacity building tools for health, IP and trade policymaking, and ensures transparency, clarity and consistency in its technical assistance while facilitating a holistic and inclusive approach.

#### **4.2 TRIPS/IP contribution to develop, manufacture and access COVID-19-related health technologies**

The COVID-19 pandemic has brought into sharp relief the need for a strong and balanced linkage between support for innovative activities and partnerships and ensuring swift and equitable access to the outcome of those results. From the beginning of the crisis, governments and stakeholders have therefore considered how innovation is promoted, regulated and managed, including through the IP system, and the contribution that this could make to address the pandemic. However, although a number of developed countries have provided funding for product development initiatives, the funding conditions often bypass issues related to sharing IP rights for the benefit of facilitating access to COVID-19 vaccines and other treatments.

A full response to the COVID-19 crisis requires wide access to an extensive array of medical products and other technologies, ranging from protective equipment to contact tracing software, medicines and diagnostics, as well as vaccines and treatments. The way in which the IP system, framed by the TRIPS Agreement, is designed – and how effectively it is put to work – is a significant factor in facilitating equitable access to existing technologies and in supporting the creation, manufacturing and dissemination of new COVID-19 technologies. But it is not the only factor: to effectively deal with the pandemic, the WHO, WIPO and WTO Secretariats have supported an integrated health, trade and IP approach in their trilateral capacity building activities,<sup>20</sup> for instance framing the response in terms also of human rights considerations, strengthened national health systems, and the adaptation and implementation of regulatory mechanisms and competition policy.

The sharing of relevant IP and the exchange of clinical trial data can facilitate cooperation for research and development. Collaboration and cooperation among health technology developers, governments and other stakeholders are key to addressing the pandemic and can be positively supported by the IP system. of COVID-19-related health technologies. The pharmaceutical industry is reportedly engaged in various collaborations via, *inter alia*, sharing their compound libraries, processes or technologies, and partnering with public and private research organisations. In such collaborations, the industry negotiates terms of cross-licensing and sharing of IP rights, data and other inputs on a commercial and collaborative basis, but without necessarily disclosing the terms of these licenses.

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<sup>19</sup> [https://www.wto.org/english/res\\_e/publications\\_e/who-wipo-wto\\_2020\\_e.htm](https://www.wto.org/english/res_e/publications_e/who-wipo-wto_2020_e.htm).

<sup>20</sup> See, for example, Trilateral Study on Access to Medical Technologies and Innovation, 2<sup>nd</sup> edition (2020), special section on COVID-19, available at [https://www.wto.org/english/res\\_e/booksp\\_e/who-wipo-wto\\_2020\\_e.pdf](https://www.wto.org/english/res_e/booksp_e/who-wipo-wto_2020_e.pdf).

Private-sector partnerships for the deployment of new technologies have facilitated the production of vaccines worldwide. For example, licenses have been granted to vaccine manufacturers in Brazil and India on a no-profit basis to produce a vaccine. An agreement has been concluded with the Government of Thailand and a local manufacturer to transfer technology and to set up manufacturing facilities for supply of a vaccine in Thailand and the region. Other examples of action undertaken in support of voluntary collaborative efforts include permissive licences to allow open access to design files and software for ventilators and the transfer of related know-how, agreement by the right holder to non-enforcement or waiver of patent rights, free global licences to use IP, sharing of IP to develop vaccines, as well as free access to copyright-protected publications and standards.<sup>21</sup> Open-source licensing and open access initiatives, as well as technology pools have also been deployed.<sup>22</sup>

In addition, initiatives at the multilateral level have called for voluntary sharing of IP rights, data and knowledge in the fight against the COVID-19 pandemic. The WHO has launched a COVID-19 technology access pool as a repository for IP rights and know how to support collaborative research and manufacturing. The UN Technology Bank for LDCs has initiated a technology sharing initiative to facilitate manufacturing of products necessary to combat COVID-19. The Medicines Patent Pool (MPP), which aims at enhancing patent pooling and voluntary licensing for improving access to life-saving medicines, has expanded its mandate in March 2020 to include the licensing of COVID-19 related health technology.

The COVID-19 pandemic has also given rise to a number of information-sharing initiatives facilitating access to patent information relevant to COVID-19-related technologies.<sup>23</sup> Easy access to patent documents for inventions related to the prevention, detection and treatment of COVID-19 facilitates R&D and the dissemination of new innovations. For instance, scientists, industry, universities and other stakeholders working on developing technology for addressing COVID-19 may use patent documents to determine how to build on existing technology. Additionally, easy access to such information facilitates the procurement of COVID-19 health technologies. The information disclosed in the patent application may form the basis for patent landscapes or patent document databases that can facilitate strategic research planning, investments, collaboration, technology transfer, the production of generics and procurement.

As is the case for access to medicines in general, a wide range of policy options confirmed under the TRIPS Agreement, as implemented in domestic law, remains available to WTO Members as tools to ensure the timely manufacturing and equitable distribution of COVID-19 vaccines, treatments, and related medical equipment where needed. Those include, but are not limited to, compulsory licensing and government use of a patent without the authorization of its owner under certain conditions that also protect the legitimate interests of the patent holder. Such licences have been used in some instances to allow access to potential COVID-19 treatments.<sup>24</sup> The TRIPS Amendment that entered into force in 2017 provides an additional secure legal pathway for WTO Members with insufficient or no manufacturing capacities to make effective use of compulsory licensing. It facilitates the import of needed COVID-19 pharmaceutical products from third country sources where those are patented. It also supports the establishment of local manufacturing capacities for COVID-19 health technologies in members to an RTA which meets certain conditions.

While the role that the Special Compulsory Licensing System under Article 31*bis* of the TRIPS Agreement can ultimately play to address the pandemic remains to be assessed, the very identification of the potential for the System's use may be helpful in facilitating access, whether or not a compulsory licence is ultimately issued or exercised in any particular procurement scenario. For example, a Member could notify the WTO Secretariat of its expected requirements at a very early stage in its procurement of a COVID-19 treatment or vaccine. This could open up the widest possible range of potential suppliers, within and outside the System. Such early notification of needs would also help to improve the demand forecast which is a vital component for well-functioning supply chains. As with conventional compulsory licensing, the System also serves as a reminder that

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<sup>21</sup> See Box 1, Information Note on the TRIPS Agreement and COVID-19 at [https://www.wto.org/english/tratop\\_e/covid19\\_e/trips\\_report\\_e.pdf](https://www.wto.org/english/tratop_e/covid19_e/trips_report_e.pdf).

<sup>22</sup> See Boxes 2 and 3, Information Note on the TRIPS Agreement and COVID-19 at [https://www.wto.org/english/tratop\\_e/covid19\\_e/trips\\_report\\_e.pdf](https://www.wto.org/english/tratop_e/covid19_e/trips_report_e.pdf).

<sup>23</sup> See Box 7, Information Note on the TRIPS Agreement and COVID-19 at [https://www.wto.org/english/tratop\\_e/covid19\\_e/trips\\_report\\_e.pdf](https://www.wto.org/english/tratop_e/covid19_e/trips_report_e.pdf).

<sup>24</sup> For a regularly updated list of IP measures taken by WTO Members, see [https://www.wto.org/english/tratop\\_e/covid19\\_e/trade\\_related\\_ip\\_measure\\_e.htm](https://www.wto.org/english/tratop_e/covid19_e/trade_related_ip_measure_e.htm).

patent rights are not absolute and that public interest considerations can prevail. Those and other policy options may therefore serve as a powerful tool to increase access to treatments and vaccines for COVID-19, in particular in situations in which from a Member's perspective, access to affordable health technologies in sufficient quantities cannot be otherwise secured.

Transparency and the availability of up-to-date information is also an immediate and critical need that embraces both trade and health-related legal and policy areas. Ensuring maximum transparency of legal and policy measures taken by WTO Members in the field of IP to address the pandemic is in the mutual interest of all stakeholders. It supports governments and economic operators to keep up to date in a rapidly evolving trade landscape, provides much-needed clarity and enables mutual learning. To help achieving this objective, a regularly updated list of IP measures taken by governments in the context of COVID-19 is made available on the WTO's COVID-19 webpage<sup>25</sup> and considered in the TRIPS Council.

As new COVID-19 vaccines receive regulatory authorization, WTO Members have confirmed that they share the common goal of providing timely, equitable and secure access to high-quality, safe, efficacious and affordable vaccines and treatments. To address current COVID-19 vaccines supply chain shortages, a group of WTO Members has submitted a proposal for a decision to the TRIPS Council that would waive WTO Members' obligation to protect and enforce certain IP rights in relation to the prevention, containment or treatment of COVID-19 until extensive vaccination is in place globally and the majority of the world's population has developed immunity.<sup>26</sup> In the ensuing debate, WTO Members have been considering issues such as the extent to which IPRs represent a hurdle to equitable access and the extent to which IPRs foster urgently needed investment and collaboration in support of the development of new COVID-19 treatments and vaccines.

A key question has been whether a solution to access problems in developing countries can be found by operating within the IP system, including by making full use of the flexibilities in the TRIPS Agreement, or whether such a solution would require waiving certain rights and obligations under the Agreement during the pandemic in order to allow for a rapid scaling up of manufacturing capacities. While some Members have called for more evidence-based discussions in the TRIPS Council regarding, among other things, vaccine manufacturing capacities, licensing agreements and the role of IPRs more generally, the proponents of the waiver request have called for text-based negotiations. As of March 2021, the waiver request continued to be under the active consideration of the TRIPS Council, under the aegis of the WTO General Council.

### 4.3 Key messages

IP systems are only one element of the innovation cycle that includes the discovery, development and delivery of new health technologies. An integrated approach to respond to the COVID-19 pandemic implicates numerous policy areas, including export restrictions and trade-facilitating measures, free movement of skilled workforces, government procurement strategies, convergent regulatory standards and competition policy. Each of these factors will be enhanced in their impact through the closer coordination and cooperation between countries, whether on a regional or international basis – for instance in aggregating demand through cooperation on procurement or overcoming obstacles through mutual recognition of product standards.

Trade Ministers, when they adopted the Doha Declaration on the TRIPS Agreement and Public Health at the WTO Ministerial Conference in 2001, already stressed the need for the TRIPS Agreement to be part of the wider national and international action to address public health problems afflicting developing and least-developed countries.

While WTO Members continue to explore the proposed waiver of certain TRIPS provisions to address the pandemic, there is a pressing need to ramp up vaccine production in the immediate term. In parallel, Members can continue to explore ways and means to ensure that the global IP system provides a framework in which developing countries can be assured of access to vaccines and other medical technologies in this and future pandemics, while preserving incentives for research and development. A balanced and well-designed IP regime that fosters innovative activities and collaboration while also taking into account the need to ensure equitable access to health

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<sup>25</sup> Available at [https://www.wto.org/english/tratop\\_e/covid19\\_e/trade\\_related\\_ip\\_measure\\_e.htm](https://www.wto.org/english/tratop_e/covid19_e/trade_related_ip_measure_e.htm).

<sup>26</sup> Available at [https://www.wto.org/english/tratop\\_e/covid19\\_e/proposals\\_e.htm](https://www.wto.org/english/tratop_e/covid19_e/proposals_e.htm).

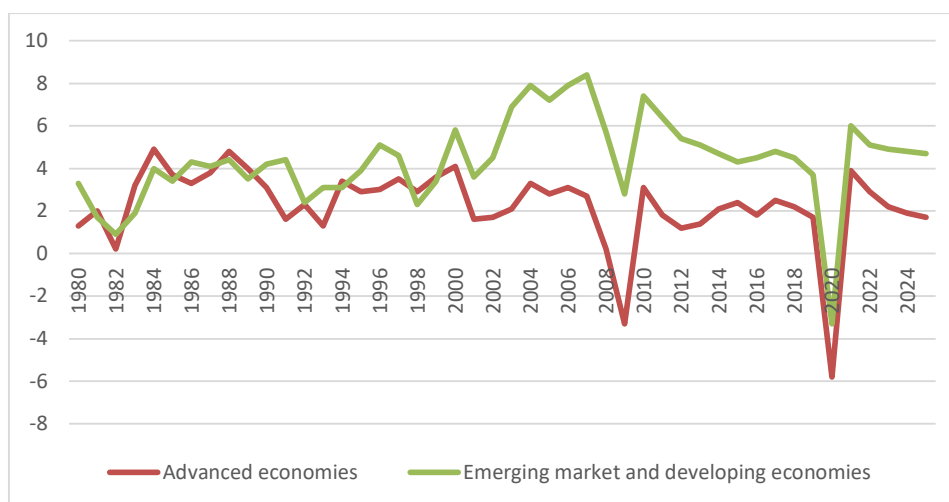
technologies in general and to COVID-19 related treatments, vaccines and diagnostics, in particular, is quintessential to the achievement of SDGs 3, 9 and 17.

## 5 GOAL 8: DECENT WORK AND ECONOMIC GROWTH

Global trade has been growing since a dramatic mid-century collapse due to the interrelated disruptions of conflict, weak economic conditions, and a rise in protectionism during the two world wars and the Great Depression. However, trade quickly recovered in the post war period and trade volumes surged by 7 percent per annum from 1950 to a high of roughly 60 percent of GDP by the 2008-09 Global Financial Crisis (GFC). This period also marked a dramatic shift in global trade policy toward economic liberalization. In the post-war period, high-income countries reduced tariffs to less than 5 percent by the 1980s in early GATT rounds. Simultaneously, developing countries undertook major unilateral liberalizations in the 1980s and 1990s. Regional trading agreements and arrangements have also become significantly more commonplace since the 1980s.

Figure 5 shows growth rates for developed and developing/emerging economies since 1980. 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. Trade has had a large part to play in the economic growth and income growth of many of these developing countries.

**Figure 5. Real GDP growth of advanced economies and EMDE economies (annual percent change)**



Source: IMF

Note: 2021 onward are projected figures

Despite high rates of GDP growth across developing countries on a whole, the speed of income convergence differs significantly across developing countries and the income gap between the richest and poorest countries remains large. LDCs in particular remain far behind, with a per capita income<sup>27</sup> of \$1,100.30 USD as compared to the developed country average of \$45,353.52 USD.

Even 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. Likewise, an economy growing at 7% can double its income in a decade, and it would be less at even higher rates.

<sup>27</sup> GNI per capita (formerly GNP per capita) is the gross national income, converted to U.S. dollars using the World Bank Atlas method, divided by the midyear population.

In order to better understand the role of trade in achieving SDG:8 it is important to study the mechanisms by which trade impacts economic growth. Economists have observed that GDP per capita grows in two instances. In the first, countries accumulate resources and invest in physical, human or knowledge capital. In the second, countries utilize their resources more efficiently. Opening up to trade affects growth positively in a number of ways. Trade improves resource allocation. Through trade, countries specialize in the production of goods or services that they can produce relatively cheaply, importing other goods and services, thus exploiting comparative advantages. By extending the size of the market in which the firm operates beyond national borders, trade allows firms to exploit economies of scale and become more productive.

Technology diffusion is also a key factor in long-term economic growth for many developing economies as it gives access to more advanced technological inputs available in the global market and because it enhances the incentives to innovate. Furthermore, 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 conduit for technological innovation and adoption. The existence of GVCs has created an atmosphere of consistent relationship between foreign firms and domestic suppliers, incentivizing knowledge and technology exchange. When a foreign firm and a local supplier are part of the same production chain firms are more willing to invest. They need to interact and coordinate to guarantee a smooth functioning of the chain. The face-to-face communication needed to ensure smooth production facilitates the transfer of non-codified knowledge between foreign and local personnel, thereby increasing domestic innovative capacity. Moreover, GVCs incentivize the transfer of information and technology as foreign firms are incentivized to reduce the cost of investment required for production and customization of the input as they are often the sole consumer of a specialized good. GVCs have been instrumental to the industrial transformation and economic growth of China, Viet Nam, Indonesia and Mexico.

Unfortunately, trade and trade agreements are now being blamed for harming the poor through the loss of manufacturing jobs, largely in developed countries. However, there are many possible factors that have contributed to the increase in inequality in developed economies.<sup>28</sup> In fact, empirical evidence supports several net societal benefits of trade. One study confirms the positive relationship between trade and growth controlling for other factors. Here, an increase in trade openness of 1 percent of GDP is associated with 2 to 6 percentage points higher per capita GDP (Sachs and Warner, 1995). Other research finds that countries that liberalized trade in the 1980s and 1990s achieved higher growth (1.5 percentage points) than countries that did not liberalize (Wacziarg and Welch, 2008; Estevadeordal and Taylor, 2013). While these analyses are not necessarily definitive due to shortcomings in research methods like the confounding effects of other reforms, a wide variety of research methods have consistently found a positive relationship between trade and growth.

Other evidence links trade with increases in productivity and innovation, key channels for raising growth. There is robust evidence that trade liberalization not only increases industry productivity, both through reallocation to more productive firms and to improvements within firms (Harrison and Rodriguez-Clare (2010), De Loecker and Goldberg (2014), and Melitz and Redding (2014)). Trade openness also raises productivity across countries with particular benefit in sectors where lower tariffs reduce inputs costs (Alcala and Ciccone (2004), Ahn and others (2016)). Finally, studies find a positive relationship between trade openness and long run employment. While the initial impact of trade liberalization is country-specific, cross-country studies find that trade liberalization and openness reduce long-run unemployment while other studies indicate that trade has a small but positive effect on aggregate labor market outcomes in advanced economies (Dutt et al., 2009; Felbermayr et al., 2011; Feenstra and Sasahara, 2017; Caliendo et al. 2018).

Trade liberalisation is correlated with higher employment in the long run (Dutt et al., 2009; Felbermayr et al., 2011) as well as positive aggregate labor market outcomes in advanced economies (Feenstra and Sasahara, 2017; Caliendo et al. 2018). However, it is worth noting that trade liberalisation has heterogeneous effects on countries, regions, industries, and individuals, largely dependent on their individual relationship to import competition and access to export markets that are the immediate results of trade liberalisation. Moreover, the regions, industries and individuals exposed to export markets experience labour market gains and positive socio-economic outcomes.

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<sup>28</sup> Trade and inclusive growth report



Research into the effects of trade on labour market dynamics have made substantial strides over the last few decades. However, these studies still focus on outcomes such as wages, employment, informality and skill and gender wage gaps. A review of empirical studies finds that trade liberalization results in a reduced gender wage gap, significantly reduces the use of child labour especially in rural contexts, and that globalized and export focussed firms employ more workers and pay better wages.<sup>29</sup> Unfortunately, most of the structural dimensions of decent work, as defined by the ILO are not yet commonplace in research literature.<sup>30</sup>

Unfortunately, the volume of world merchandise trade for the first three quarters of 2020 is currently down 8.2% compared with the same period last year due to the outbreak of COVID-19. While this decline is smaller than initially projected by the WTO, growth for the whole year largely depends on whether the recent resurgence of COVID-19 takes a toll on trade in the fourth quarter. In the latter quarter of 2020, cases of COVID-19 have spiked worldwide, particularly in Europe which represents more than 35% of world merchandise trade. Preliminary merchandise trade values also indicate slower trade growth in October compared to September.

This decline in world trade mirrors a worldwide decline in GDP growth. In fact, the global growth contraction for 2020 is estimated at -3.5 percent with a recovery of 5.5 percent in 2021 and 4.2 percent in 2022, though these projections are highly uncertain. The World Bank notes that the COVID-19 induced economic decline had especially adverse impacts on women, youth, the poor, the informally employed, and individuals working in contact-intensive sectors who were unable to make income due to social distancing measures. While recent vaccine approvals have inspired hope of recovery, the world now grapples with new variants of the virus and increased infection rates from September 2020. The strength of the recovery is projected to vary significantly across countries and will depend heavily on access to healthcare, policy support, and country and region specific structural socio-economic landscape.<sup>31</sup>

## **6 GOAL 10: REDUCE INEQUALITY WITHIN AND AMONG COUNTRIES**

Economic literature supports a positive correlation between trade and reduced inequality. While we have already established positive effects of trade in for both economic growth, job creation, and poverty reduction. Trade also has important implication for inequality, both within and among countries. Trade fosters economic growth in efficient reallocation of resources, exploitation of scale economies, technology exchange, raising living standards and income levels.

However, both inequality and trade have increased in many developed and developing countries since 1990 (figure 6). While this trend is most evident in advanced economies, it has also occurred in developing and emerging economies across Eastern Europe, Asia, and the Middle East (Figure 1). Simultaneously, trade liberalization has also increased steadily. Political tensions are arising, largely in advanced economies as trade liberalization is blamed for a reduction in manufacturing jobs upon which poor people depend in these economies. Trade liberalization may also represent a scapegoat for the slowed economic growth faced by advanced economies since the global financial crisis. Unfortunately, many other forces including technology, domestic policies, weakened labour protections, and lack of financial inclusion that have contributed to the increased in domestic inequality.

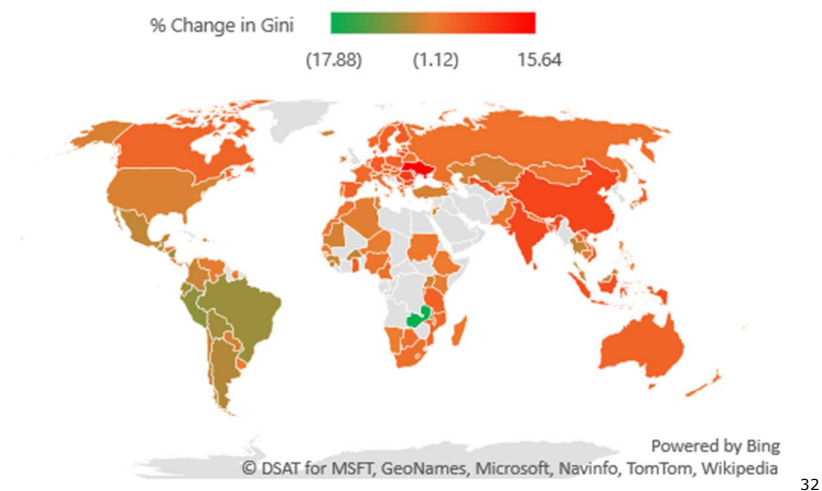
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<sup>29</sup> [https://www.ilo.org/wcmsp5/groups/public/---dgreports/---inst/documents/publication/wcms\\_758485.pdf](https://www.ilo.org/wcmsp5/groups/public/---dgreports/---inst/documents/publication/wcms_758485.pdf)

<sup>30</sup> ILO's Ten Dimensions of Decent work include: employment opportunities; adequate earnings and productive work; decent working time; combining work, family and personal life; work that should be abolished; stability and security of work; equal opportunity and treatment in employment; safe work environment; social security; and social dialogue, employers' and workers' representation.

<sup>31</sup> <https://www.imf.org/en/Publications/WEO/Issues/2021/01/26/2021-world-economic-outlook-update>

**Figure 6. Change in Net Gini, 1990s – 2010s**



Unfortunately, wage inequality is associated with some liberalization episodes particularly as it is associated with a rise in the skill premium in many developing economies. Trade leads to an increase in earnings of better educated workers relative to less educated ones, especially in developing countries. The rise in skill premia may also be associated with offshoring and global value chains. As the global supply chains situate production across different countries, workers in developing countries specialize and remain in earlier stages of production. Ultimately, there is evidence of a non-monotonic effect on wage inequality (WTO and IMF).

In terms of inequality between countries the WTO remains an active partner in strengthening the multilateral trading system as an inclusive and equitable force for developing countries. This is largely through the adoption and operationalization of over 140 Special and Differential Treatment provisions spread over expanded rules in WTO Agreements. These special provisions are generally categorized into six types:

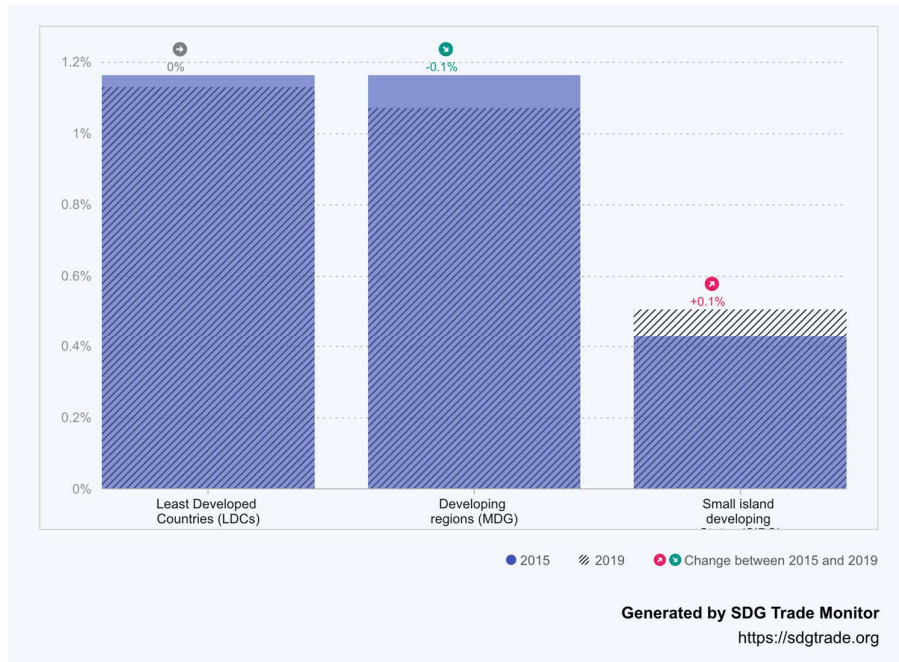
- Provisions aimed at increasing the trade opportunities of developing countries
- Provisions under which WTO Members should safeguard the interests of developing countries
- Flexibilities regarding commitments, actions and use of policy instruments
- Transitional time-periods
- Technical assistance
- 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. Furthermore, WTO members have also 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 in line with Target 10.A SDG 10 which calls for countries to implement special and differential treatment for developing and least developed countries, in particular least developed countries. This target is monitored by examining the proportion of tariff lines applied to imports from LDCs and developing countries with zero-tariff.

However, the timely implementation of the duty-free and quota-free market access for LDCs on a lasting basis has been slow. Between 2015 and 2019, there was no change in the level of tariff faced by LDCs products in developed regions as seen in figure 6 below. The developing region countries as a whole, only saw a 0.1% reduction in the level of tariff faced on all products exported to the developed regions. For Small Island Developing Countries (SIDs), the level of tariff faced actually increased by 0.1% between 2015 and 2019.

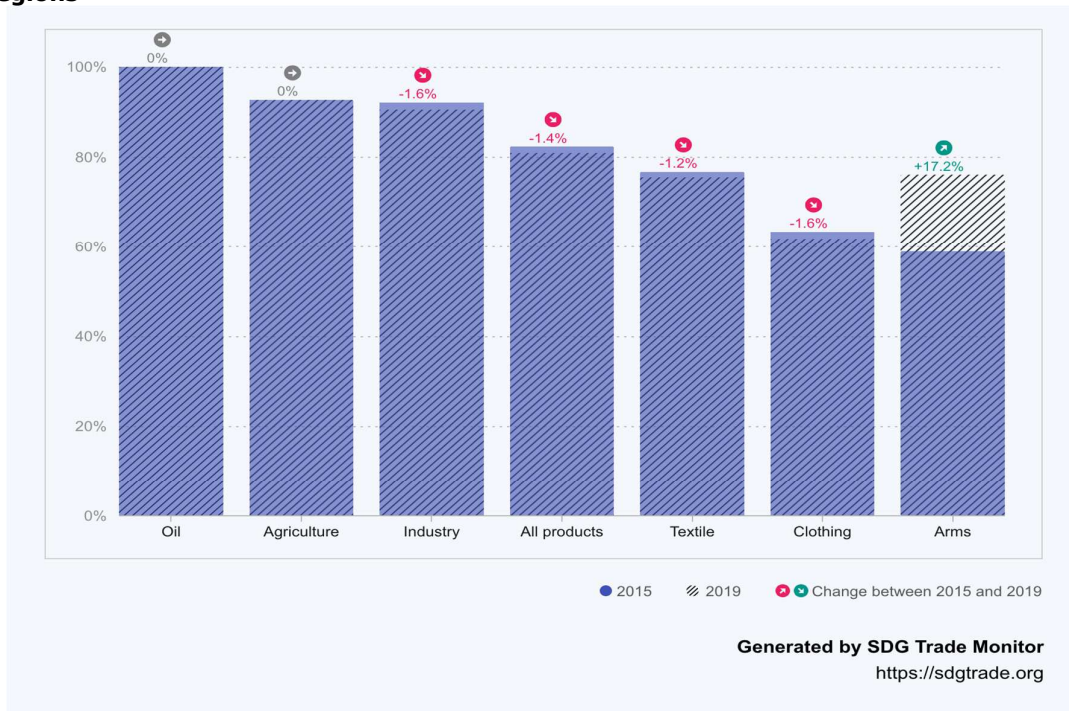
<sup>32</sup> From 'Trade and Inclusive Growth' report

**Figure 7. Tariff faced (incl. preferences) in Developed Regions on all products**



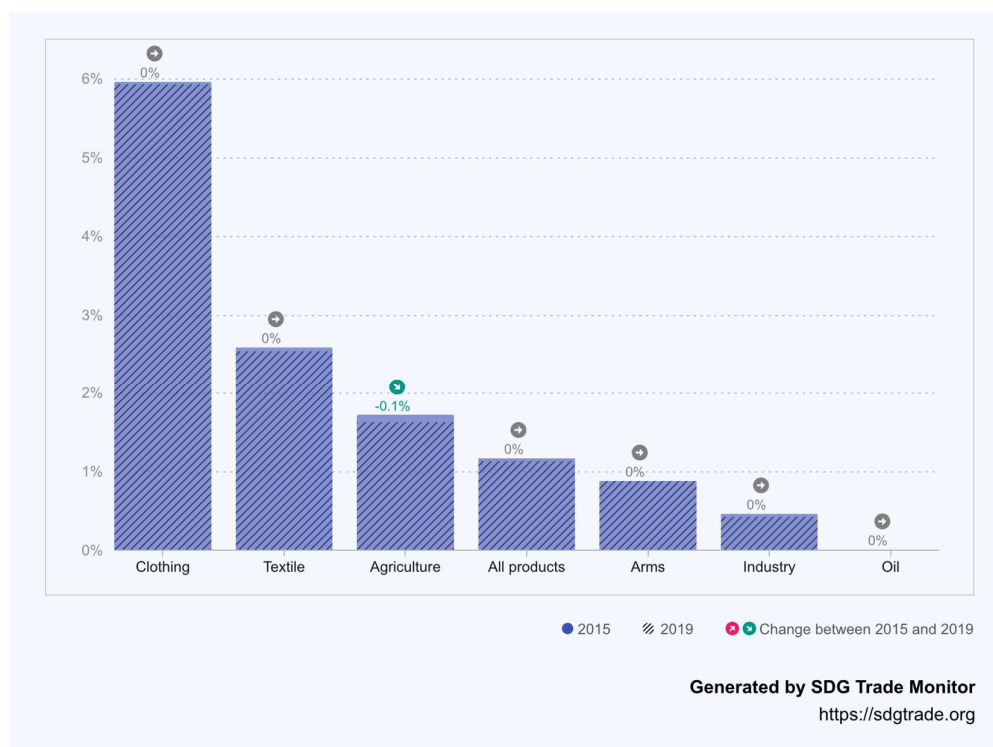
On all products from LDCs to Developed regions, the share of duty-free products has reduced by 1.4% between 2015 and 2019 (see figure 7). While the share duty-free agricultural exports from LDCs to Developed regions remained the same, Arms export from LDCs climbed by 17.2% between 2015 and 2019. The share of duty-free industrial, clothing, and textile exports from LDCs to Developed regions declined by 1.6% and 1.2% respectively between 2015 and 2019 as well.

**Figure 8. Share of duty-free products (exported products) from LDCs to Developed Regions**



More positively, given that agriculture continues to be the mainstay of most LDCs, it is encouraging to note that the level of tariff faced by LDCs in Developed Regions on agricultural products reduced by 0.1% between 2015 and 2019 as shown in figure 8, with the level of tariffs on other products unchanged.

**Figure 9. Tariff faced (incl. preferences) from LDCs exports in Developed regions by product category**



Improving market access for LDCs continue to remain a priority for WTO members with Montenegro and Kazakhstan extending its EAEU Duty-Free and Quota-Free (DFQF) arrangement to LDC members in 2020<sup>33</sup>. Russian also stepped-up its implementation of the Nairobi Decision on Rules of Origin, which allows LDCs to use non-originating materials up to 50%, with increment up to 60% in 2025. It is equally important to note that 24 WTO members have operationalized the LDC Services Waiver, which gives preferential treatment to services, and service providers of LDCs member states.

### 6.1 Trade Adjustment Policies: Addressing Poverty and Inequality through Trade Policy

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, 2018, and 2020). These reports also note that poor people may not fully participate in the gains from trade for a variety of reasons, including both domestic and international policies. For example, research shows that industries that face higher tariffs and trade barriers in the export market pay lower wages in all countries (Olarreaga et al. 2019). Moreover, trade does involve adjustment costs. The effects of trade on the poor will depend on geography (rural versus urban areas), individual characteristics (skill, gender), type of trade policy change (increased import competition or export opportunities) and where they work (industry, firm, formal/informal sector). Economic literature suggests that many of the adverse effects of trade adjustment are a result of worker mobility costs, costs to move across sectors, regions or tasks.

It is important to note that earlier findings still stand; trade tends to raise aggregate employment and real wages in the long run. Initial reductions in employment due to trade liberalization and competition are generally met with employment creation resulting from export opportunities, in

<sup>33</sup> WT/COMTD/LDC/W/68

addition to the increased consumption due to a reduced consumer price index. However, inclusive trade policies must take the specificities of the trade adjustment process and period into account.

Governments should implement early and comprehensive policy action to improve labour mobility, these are usually a combination of active and passive labor market policies. Passive labor market policies typically aim to replacement income during periods of joblessness and adjustment, such as unemployment benefit systems and social insurance programs. Active labor market policies typically help workers find new jobs as quickly as possible and cover a wide range of policy options. A variety of theoretical research suggests that wage subsidies are the best way to compensate workers facing adjustment issues (Davidson and Matusz, 2000, 2006; Kletzer and Litan, 2001; Kletzer, 2016). However, there is no one-size-fits-all approach to reduce trade-related adjustment costs; further information is available in a 2017 joint WTO publication (*Making trade an engine of growth for all*) with the IMF and World Bank<sup>34</sup>.

General adjustment policies, which typically involve passive and active labor market policies and well-funded social safety nets appear to be more effective than specific trade adjustment policies that focus on compensating workers in specific sectors or who have been affected by specific legislation. The integrated nature of global value chains allows trade shocks and adjustments to spread through the wider economy, making it difficult for workers to claim specific trade adjustment assistance. General adjustment policies also help to support and redirect workers that have been negatively impacted by technology adoption and other shocks, that are similar to and possibly entangled with trade shocks (Bacchetta and Stolzenburg, 2019).

Geographically specific trade adjustment policies may also be necessary to integrate and reinvigorate lagging regions, especially when general social safety nets and adjustment policies prove insufficient. These may include infrastructure and transportation investments to increase labour mobility, as well as tax incentives and regulation. Furthermore, training assistance and education programs have an important role to play in adjustment policies. Effective training assistance and education policies promote skills that are relevant for multiple industries, increasing workers' flexibility and resilience in an unpredictable job market (Humlum and Munch, 2019; Baldwin, 2016).

More generally, steps can also be taken at the multilateral level to maximize gains from trade for the poor. The multilateral trading system must address distortions in agriculture to improve market access and reduce food price volatility which can benefit both poor farmers and poor consumers, to develop inclusive and stable multinational rules for services and e-commerce trade. Policies that prioritize and develop MSMEs, improve access to trade finance, and encourage investment in developing and least developed economies will also have significant impact on the global poor.

## **7 GOALS 12 & 13: RESPONSIBLE CONSUMPTION & PRODUCTION AND CLIMATE ACTION**

### **7.1 Trade and The Environmental Dimension of the SDGS**

The notion of trade as a cross-cutting tool to advance the three dimensions of sustainable development closely mirrors the WTO's founding document, the Marrakesh Agreement Establishing the WTO. In its Preamble, the Marrakesh Agreement envisages a global trading system that raises living standards, ensures full employment, and protects and preserves the environment in accordance with sustainable development.

Over the years, the WTO's work on trade and environment has become increasingly focused on using trade policies to help tackle specific environmental challenges and seize the trade opportunities resulting from rapidly expanding markets in green goods and services. Efforts include the WTO negotiations on fisheries subsidies and environmental goods and services, and the launch of two new "joint initiatives" on trade and environmental sustainability and plastic pollution. As such the negotiations and initiatives taken at the WTO have strong links to SDG 12 on sustainable production and consumption, SDG 13 on climate change, SDG 14 on oceans and SDG 15 on life on land

### **7.2 Trade and Environmental Sustainability Negotiations and Initiatives**

SDG 14.6, along with the Ministerial Decision on Fisheries Subsidies taken at the 11th WTO Ministerial Conference (MC11), called on WTO negotiators to secure an agreement on fisheries

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<sup>34</sup> [https://www.wto.org/english/news\\_e/news17\\_e/wto\\_imf\\_report\\_07042017.pdf](https://www.wto.org/english/news_e/news17_e/wto_imf_report_07042017.pdf)

subsidies by 2020. However, this was not possible due to the restrictions on movement and meetings introduced to address the COVID-19 pandemic, the related postponement of the 12th WTO Ministerial Conference and the announcement by the then-Director-General that he would be leaving at the end of August. Nevertheless, considerable progress was made in 2020 and the objective is to finish as soon as possible. WTO members are now negotiating based on a draft consolidated text first introduced in June 2020 and subsequently revised in November and December 2020. The text covers all the main pillars of the negotiations: a prohibition on subsidies to illegal, unreported and unregulated fishing; prohibition on subsidies for fishing overfished stocks; and prohibition on subsidies that contribute to overcapacity and overfishing (with placeholders for a capping mechanism and a list of non-harmful subsidies); and provisions for special and differential treatment for developing and least developed countries. Additional draft provisions include notification and transparency; institutional arrangements; and dispute settlement.

The Environmental Goods Agreement negotiations were launched in Davos, Switzerland in 2014 with the goal of achieving global free trade in environmental goods. Estimates put the annual size of the global market for environmental goods and services upwards of USD 1 trillion according to the International Trade Centre. The 46 WTO members that participated in the EGA negotiations made much progress in developing a list comprising some 200-300 environmental goods.<sup>35</sup> The list includes key technologies to:

- Mitigate and adapt to climate change in line with SDG 13 (e.g., solar and wind power equipment, energy efficient lights, insulation materials for buildings and drip irrigation and other water-saving technologies);
- Protect the oceans in line with SDG 14 (e.g., booms to collect marine litter, floating barriers to contain oil spills, turtle and aquatic mammal excluder devices for fishing nets, and "smart buoys" that transmit information to ships to prevent collisions with whales); and
- Protect life on land in line with SDG 15 (e.g., a broad range of solid waste and wastewater management equipment, technologies to prevent soil erosion, clean and efficient cookstoves, and filters and other equipment to reduce air pollution).

The negotiations were suspended at the end of 2016 as agreement at Ministerial level could not be reached on remaining gaps. Several WTO members have stated that they would strongly favour resuming the EGA negotiations once conditions are ripe for doing so.

WTO members are also discussing market access issues related to environmental services. Environmental services, along with environmental goods, were singled out for liberalization in the 2001 Doha Declaration, which calls for "the reduction or, as appropriate, elimination of tariff and non-tariff barriers to environmental goods and services". Current discussions on environmental services stem from a communication tabled by Australia, Canada, Mexico, New Zealand, Switzerland and the United Kingdom at an informal meeting of the Special Session of the Council on Trade in Services.

Two new WTO initiatives on trade and environment were launched at the end of 2020. The first initiative, known as the Trade and Environmental Sustainability Structured Discussions (TESSD), seeks to help the WTO address sustainable development challenges more effectively through relevant "actions and deliverables". The 53 co-sponsors of the initiative have also highlighted their willingness to engage actively with the business community, civil society, international organizations and academic institutions.<sup>36</sup> Areas for future work that have been identified by TESSD participants comprise a broad range of SDG-related issues, including the trade-dimension of climate action (SDG 13), the circular economy (SDGs 12, 14 and 15), fossil fuel subsidy reform (SDG 12), and biodiversity and sustainable supply chains (SDGs 14 and 15). TESSD participants intend to report to ministers no later than the 12th WTO Ministerial Conference scheduled to take place in 2021.

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<sup>35</sup> The following WTO members participated in the EGA negotiations: Australia; Canada; China; Costa Rica; European Union; Hong Kong, China; Iceland; Israel; Japan; Korea, Republic of; New Zealand; Norway; Singapore; Switzerland; Liechtenstein; Chinese Taipei; Turkey; and the United States.

<sup>36</sup> A total of 53 WTO members currently participate in the Trade and Environmental Sustainability Structured Discussions: Australia; Canada; Chad; Chile; Colombia; Costa Rica; European Union; Fiji; Gambia; Iceland; Japan; Kazakhstan; Korea, Republic of; Liechtenstein; Maldives; Mexico; Moldova, Republic of; Montenegro; New Zealand; North Macedonia; Norway; Senegal; Singapore; Switzerland; Chinese Taipei; and the United Kingdom.

The second initiative is the Informal Dialogue on Plastics Pollution and Sustainable Plastics Trade, which held its first meeting in November 2020. The initiative, which currently has 13 co-sponsors, seeks to explore how trade can contribute to domestic, regional and global efforts to reduce plastics pollution and the transition to a more circular and environmentally sustainable global plastics economy.<sup>37</sup> The initiative's goal is based on the recognition that plastics pollution has an important trade dimension, as well as important implications for the achievement of the SDGs, not least SDGs 12, 14 and 15.

Other initiatives include the Ministerial Statement on Fossil Fuel Subsidy Reform issued at MC11 by 12 WTO members and the ongoing negotiations on an Agreement on Climate Change, Trade and Sustainability (ACCTS) between 5 WTO members launched at the margins of the UN General Assembly in 2019.<sup>38</sup>

WTO members recognize the need to work in partnership with other international organizations and development partners to improve the capacity of developing and least developed countries (LDCs) to participate more fully in international trade. The Aid for Trade initiative is one examples of a WTO-led partnership that helps developing countries and LDCs use trade more effectively to achieve sustainable development. SDG 8A explicitly mentions Aid for Trade, which is also an example of how the WTO is putting into practice SDG 17, which calls on the international community to revitalize global partnerships for sustainable development. The 2020-22 Aid for Trade Work Programme highlights sustainable trade and focuses on how to empower developing countries, especially LDCs, to seize the trade opportunities resulting from sustainability, responsible and circular production and the green economy.

### **7.3 WTO policy dialogue on trade and the environmental dimension of SDGs**

The Committee on Trade and Environment serves as a forum for transparency and dialogue on trade and environment-policies. Government representatives meet regularly in the CTE to discuss how trade and environmental measures could work better together to promote sustainable development. As part of this work, participants exchange views and experiences on a wide range of issues under the CTE's work programme. The CTE also serves as a forum where the UN Environment Programme and the secretariats of several multilateral environmental agreements (MEAs) brief WTO members on their work. All this helps WTO delegates to keep abreast of the latest global initiatives on the environment and to deepen their understanding of how trade and the environment interact. Over the years, the CTE has discussed a broad range of trade and environment topics with direct relevance to SDGs 12, 13, 14 and 15. Examples include the trade-related aspects of climate change, sustainable value chains in fisheries and timber, and the role of trade in supporting the transition to the circular economy.

### **7.4 The relationship between WTO rules and policies related to the environmental dimension of SDGs**

Among the main purposes of WTO rules is to provide the stability and predictability needed for international trade to play its full role for the achievement of sustainable development. Sometimes, however, measures adopted by a WTO member in pursuit of environmental or other welfare goals may, by their very nature, restrict trade and thereby impact on the WTO rights of other members. This is where GATT Article XX is important. Article XX sets forth specific instances in which trade measures taken by WTO members may deviate from trade rules that would otherwise have applied. It establishes several requirements to ensure that environmental measures are not applied arbitrarily and that they are not used as disguised protection. Other rules, including under the WTO Agreement on Technical Barriers to Trade (which deals with regulatory specifications), the WTO Agreement on the Application of Sanitary and Phytosanitary Measures (dealing with food safety and animal and plant health) and the General Agreement on Trade in Services expressly recognize the right of WTO members to adopt regulatory measures to protect the environment as long as any regulatory distinction is legitimate and not more restrictive than necessary.

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<sup>37</sup> Australia, Barbados, Canada, China, Fiji, The Gambia, Jamaica, Kazakhstan, Morocco, New Zealand, Switzerland, Thailand and the United Kingdom currently participate in the Informal Dialogue on Plastics Pollution and Environmentally Sustainable Plastics Trade.

<sup>38</sup> The signatories of the Fossil Fuel Subsidies Reform Ministerial Statement are: Chile; Costa Rica; Iceland; Liechtenstein; Mexico; the Republic of Moldova; New Zealand; Norway; Samoa; Switzerland; Chinese Taipei; and Uruguay. The WTO members currently participating in negotiations on an Agreement on Climate Change, Trade and Sustainability are Costa Rica, Fiji, New Zealand, Norway and Switzerland.

Many other types of environmental policy measures may also intersect with WTO rules, including support schemes for clean technologies, sustainable procurement practices, or intellectual property rights measures. Broadly speaking, WTO rules offer scope for members to adopt a wide range of environmental measures. In doing so, they seek to prevent protectionism from being introduced through the back door of legitimate policies. As demonstrated by WTO rulings, the WTO's agreements require that any detrimental treatment applied for environmental reasons be coherent, evenhanded and justifiable – in essence, that WTO members do not resort to green protectionism.

## **8 GOAL 16: PEACE, JUSTICE AND STRONG INSTITUTIONS**

SDG 16 advocates for the promotion of peaceful and inclusive societies for sustainable development. We know that expanded market access can lead to economic growth, and even more when it is inclusive. Being a WTO member means agreeing to a set of principles and obligations that facilitate trade – consistently upholding these principles helps to build institutions where they do not exist or strengthen existing ones. That is why the WTO accession process goes beyond just economic development of acceding members – its very nature engenders cooperation and compromise, which are ingredients for achieving lasting peace and justice.

### **8.1 The WTO's Trade for Peace Programme**

Currently, the WTO has 164 members, and 23 countries are in the process of joining the Organization. Over half of the acceding governments are least developed countries (LDCs) and/or fragile and conflict affected (FCA) countries.<sup>39</sup> Most recently acceded members also include several FCA-LDCs.<sup>40</sup>

The "Trade for Peace" (T4P) Programme<sup>41</sup> aims at using the multilateral trading system as a pathway to development and sustainable peace by highlighting the role of trade and economic integration in the peace, security, and humanitarian fields. The Programme calls for collaboration between the trade, peace and humanitarian communities, creating opportunities for establishing creative and interdisciplinary approaches for leveraging the multilateral trading system for peace and stability.

The g7+ WTO Accessions Group, which consists of nine LDCs associated with accession<sup>42</sup>, played a key role in the launch of the T4P Initiative in 2017. The objective of the Group, established during the 11th WTO Ministerial Conference in Buenos Aires in December 2017, is to facilitate the integration of FCA states into the multilateral trading system through WTO accession-related reforms, including the establishment of credible economic and trade policy frameworks and institutions, and the promotion of transparency and good governance. The goal is to set the conditions to move out of a state of fragility or conflict into a state of stability and economic well-being. This is the first time in the history of the WTO that the issue of fragility has been brought to the attention of the WTO membership.

According to the United Nations' SDG 16, conflict, insecurity, weak institutions and limited access to justice remain a great threat to sustainable development and as such, it is necessary to promote just, peaceful and inclusive societies.<sup>43</sup> The T4P Programme directly responds to SDG 16 by calling for collaboration between the trade, peace, and humanitarian communities, and creating opportunities for creative and interdisciplinary approaches to leverage the multilateral trading system for peace and stability.

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<sup>39</sup> The 2021 World Bank list of fragile and conflict-affected situations (FCS) includes: high-intensity conflict (Libya, Somalia, Syrian Arab Republic), medium-intensity conflict (Iraq, South Sudan), and high institutional and social fragility (Comoros, Lebanon, Sudan and Timor-Leste). The 2020 edition of the OECD fragility framework includes: extremely fragile contexts (Iraq, Somalia, South Sudan, Sudan and Syrian Arab Republic) and fragile contexts (Comoros, Equatorial Guinea, Ethiopia, Iran and Libya).

<sup>40</sup> These include Yemen (which joined the WTO in 2014) and Afghanistan and Liberia (2016).

<sup>41</sup> More information on the Trade for Peace Programme is available here: [WTO | Accessions - Trade for peace](#)

<sup>42</sup> These include three recently acceded LDCs (Afghanistan, Liberia and Yemen) and six acceding LDCs (Comoros, Sao Tomé and Príncipe, Somalia, South-Sudan, Sudan and Timor-Leste). See more information at: [https://www.wto.org/english/thewto\\_e/acc\\_e/tradeforpeace\\_e.htm](https://www.wto.org/english/thewto_e/acc_e/tradeforpeace_e.htm)

<sup>43</sup> Please find more information on SDG 16 here: <https://www.un.org/sustainabledevelopment/peace-justice/>.



Under the Trade for Peace Initiative, a number of outreach events have been conducted to examine the relationship between the rules-based multilateral trading system, peace, and security.

## 8.2 Trade for Peace Week 2020

Last year, the WTO Secretariat organised the first edition of the Trade for Peace Week.<sup>44</sup> A total of 59 resource persons, representing 32 organisations and 14 countries, contributed to the sessions. Attended by over 450 participants, the week-long activity brought together representatives of governments, international organizations, the private sector, academia and the civil society interested in the linkages between trade, peace, and security. It concluded with a set of recommendations to transform the Initiative to the Trade for Peace Programme by expanding the network, enhancing its content and exploring collaborative actions on future activities among relevant stakeholders.

Several concrete follow-up actions were developed throughout the Week, including: the establishment of a T4P Network which brings together experts, negotiators and practitioners from the trade and peace communities on a regular basis, which may eventually evolve into a Working Group or Commission; the launch of a T4P Podcast that showcases stories of the use of trade integration to promote peace and development from different actors on the ground; the preparation of a White Paper on T4P with inputs and contributions from partners, setting out a forward-looking agenda for the T4P initiative; briefing the UN Peacebuilding Commission on the T4P initiative, together with the g7+ WTO Accessions Group; the development of training materials and modules for trade practitioners and peacebuilders, with the possibility of joint delivery of courses; and, partner-specific follow-up actions, including with the ILO, ITC, IOM, OECD/DAC, Interpeace and UNECA.

## 8.3 Trade for Peace Network

The Trade for Peace Network, announced at the closing of the T4P Week, intends to continue the rich conversation by providing a forum for policymakers and experts to regularly exchange ideas, understand and appreciate others' expertise and perspectives, and identify concrete areas of collaboration which can lead to effective action and impact in FCA countries.

More specifically, the objectives of the Trade for Peace Network are:

- i. To provide a platform for regular exchange between policymakers and experts from the trade, peace and humanitarian communities to explore the nexus between the multilateral trading system, peace and security.
- ii. To explore areas of collaboration and actions by members of the Network, within their respective mandates, to support FCA states associated with WTO accession in the transition from a state of fragility towards stability and prosperity through the integration into the multilateral trading system; and
- iii. To set the agenda and work programme for the Trade for Peace Programme which could include collaborative research, training, outreach activities, and information and experience sharing among members of the Network.

The inaugural meeting of the Trade for Peace Network<sup>45</sup>, held on 25 March 2021, brought together a group of 69 senior officials from governments, international organisations, partner institutions, and experts, who have contributed to the T4P Programme to discuss the way forward. The meeting aimed at officially launching the T4P Network to provide the opportunity to members to: (i) exchange views on the purpose, direction and areas of potential collaboration; (ii) share views on the White Paper, which will serve as a basis for the development of a work programme for the T4P programme; and, (iii) express interest in specific areas of collaboration and activities that they wish to undertake under the T4P Programme. WTO Director-General Dr. Ngozi Okonjo-Iweala expressed support for the Programme through a video message in which she stated that, supported by the WTO accessions process, "We must focus on delivering for people in fragile and conflict-affected countries. We must reverse and prevent the further breakdown of stability."

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<sup>44</sup> [https://www.wto.org/english/thewto\\_e/acc\\_e/t4peace2020\\_e.htm](https://www.wto.org/english/thewto_e/acc_e/t4peace2020_e.htm)

<sup>45</sup> Please find more information here on the launch of the Network here: [WTO | 2021 News items - WTO launches Trade for Peace Network in support of fragile and conflict-affected states](#)

## 8.4 Trade for Peace Podcast

The T4P Podcast<sup>46</sup> is a platform facilitating and promoting T4P champions of fragile and post conflict states, committed to using trade as a key ingredient for inclusion and lasting peace where guests share their personal and concrete stories from the ground. The Podcast, which airs twice a month, provides a vehicle of access to policymakers, change makers in the private sector, and peacemakers on the frontline tackling the challenges that threaten peace in post conflict and fragile states. It serves as an advocacy for the promotion of trade reforms through the WTO accession process as a means of driving inclusive and sustainable growth, a key ingredient to lasting peace.

Hosted by Mr. Axel M. Addy, former Minister of Commerce and Chief Negotiator of Liberia's Accession to the WTO, each episode is a conversation with one or two guests. Using an interview-style format, episodes will cover issues related to the trade-peace nexus and its various manifestations. Through engagement with a diverse range of guests, the Trade for Peace Podcast provides a platform to showcase the work and perspectives of different stakeholders.

The first episode focuses on the past, present and future of the Trade for Peace Programme and its applications to FCA states. The episode features Ambassador Alan Wm. Wolff, former Deputy Director-General of the WTO, and Mr. Mohammad Qurban Haqjo, former Ambassador and Permanent Representative of Afghanistan to the WTO and first coordinator of the g7+ WTO Accessions Group, as guests.

The second episode features two young Afghan entrepreneurs, Ms. Manizha Wafeq, Co-Founder and President of Afghanistan Women Chamber of Commerce and Industry and Mr. Sanzar Kakar, Chairman of Afghanistan Holding Group, who provide insights on how a fragile and conflict-affected country like Afghanistan is facilitating economic opportunities and fostering peace and stability post-WTO accession.

## 9 GOAL 17: PARTNERSHIPS THROUGH GOVERNMENT PROCUREMENT, COMPETITION POLICY, AND WTO COLLABORATIONS

### 9.1 Government Procurement

Government procurement spending constitutes 7%-20% of the GDP in different countries amounting to approximately USD 9.5 trillion annually.<sup>47</sup> Healthcare, economic affairs and education account for the biggest share of government procurement spending, ranging from 12% to 30%.<sup>48</sup> Constituting a considerable part of the GDP, government procurement can be used as a vehicle for promoting sustainability through inclusion of social, environmental and economic factors in different stages of the procurement process. It is thus not surprising that SGD 12 makes a direct reference to public procurement in its target 12.7, recommending countries to "[p]romote public procurement practices that are sustainable, in accordance with national policies and priorities". Sustainability considerations highlight the potential of government procurement to make a significant contribution to fighting climate change and introducing and maintaining decent working conditions.

The Agreement on Government Procurement (GPA 2012) is a plurilateral WTO agreement that binds, and confers rights on, only some of the 164 WTO Members. Besides providing market access opportunities for the suppliers, goods and services originating in respective GPA Parties, the GPA is recognized as a good governance tool<sup>49</sup> containing government procurement systems that avoid corruption and conflicts of interest and can support economic growth and poverty reduction among other policy goals.<sup>50</sup> The GPA 2012, as is acknowledged by international experts, provides scope

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<sup>46</sup> The latest episodes of the podcast can be found here: [Trade for Peace \(podbean.com\)](http://www.podbean.com)

<sup>47</sup> See Methodology for Assessing Procurement Systems, viewed at: <http://www.mapsinitiative.org/about/2020-MAPS-brochure.pdf>

<sup>48</sup> See Methodology for Assessing Procurement Systems, viewed at: <http://www.mapsinitiative.org/about/2020-MAPS-brochure.pdf>

<sup>49</sup> See, for example, Robert D Anderson, "The conclusion of the renegotiation of the WTO Agreement on Government Procurement: What it means for the Agreement and for the world economy", 21 PPLR, Issue 3 (2012).

<sup>50</sup> See Robert D Anderson and Anna Caroline Müller, "The revised WTO Agreement on Government Procurement (GPA): Key design features and significance for global trade and development", Georgetown Journal of International Law, Vol. 48 (2017), page 992-993.

allowing GPA Parties to take sustainability-related considerations into account.<sup>51</sup> This is true specifically for environmental policy objectives explicitly referenced in Articles X:6<sup>52</sup> and X:9<sup>53</sup> of the GPA 2012. The Committee on Government Procurement, the WTO body administering the GPA 2012, currently runs a dedicated Work Programme to consider sustainable government procurement with the aim to examine sustainability-related government procurement measures and the ways in which they can be implemented in a manner consistent with the principle of "best value for money" and international obligations set out in the GPA 2012.<sup>54</sup> The GPA 2012 thus acknowledges "the importance and validity of sustainability objectives in relation to public procurement policy and embraces a shared perspective with other important multilateral instruments, including the UN Sustainable Development Goals (SDGs)".<sup>55</sup>

Government Procurement can also be a channel for working towards the goals of poverty eradication and zero hunger. The poor population of a given country may depend to a large extent on the provision of public goods, such as medicines, transportation, and even foodstuffs purchased using the government procurement system.<sup>56</sup> The provision of public goods and services can play a vital and direct role in alleviating and eradicating poverty with government procurement being one of the most relevant tools for achieving this Sustainable Development Goal. Delivery of infrastructure projects supporting economic growth in poor regions of the world is also linked with government procurement in as much as government procurement procedures are usually used to procure such projects.

As has already been noted, medicines and healthcare services can also be subject to government procurement rules and be purchased through efficient and transparent tender procedures. In accordance with OECD data<sup>57</sup>, the biggest share of government procurement spending in different countries is allocated to healthcare. This includes not only the procurement of specific medicines, but also the construction of hospitals and purchase of medical equipment. The ongoing COVID-19 pandemic showed the important role that resilient and transparent procurement systems have in achieving uninterrupted and quality medical supplies during critically important stages of fighting public health crises. The importance of open and secure global supply chains and cross-border procurement also became evident. The GPA Parties in their Appendix I schedules largely cover entities providing healthcare, construction services as well as medical goods such as hand sanitizers, gloves, etc.<sup>58</sup> This means that government procurement procedures involving covered procurement are subject to international competition and should be organised in accordance with the principles of transparency and non-discrimination.

Vaccines constitute another group of public goods usually acquired through government procurement transactions. Currently, when the whole world is fighting COVID-19, the accessibility of vaccines is acknowledged to be an essential step in the global fight against the new virus. The role

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<sup>51</sup> See "Key take-aways from the Committee's symposium on sustainable procurement", viewed at: [https://docs.wto.org/dol2fe/Pages/FE\\_Search/FE\\_S\\_S009-DP.aspx?language=E&CatalogueIdList=240250,240219,236605,233339,233038,225097,128999,128861,120376,113691&CurrentCatalogueIdIndex=2&FullTextHash=&HasEnglishRecord=True&HasFrenchRecord=True&HasSpanishRecord=True](https://docs.wto.org/dol2fe/Pages/FE_Search/FE_S_S009-DP.aspx?language=E&CatalogueIdList=240250,240219,236605,233339,233038,225097,128999,128861,120376,113691&CurrentCatalogueIdIndex=2&FullTextHash=&HasEnglishRecord=True&HasFrenchRecord=True&HasSpanishRecord=True)

<sup>52</sup> Art. X:6 of the GPA 2012: "For greater certainty, a Party, including its procuring entities, may, in accordance with this Article, prepare, adopt or apply technical specifications to promote the conservation of natural resources or protect the environment".

<sup>53</sup> Art. X:9 of the GPA 2012: "The evaluation criteria set out in the notice of intended procurement or tender documentation may include, among others, price and other cost factors, quality, technical merit, environmental characteristics and terms of delivery".

<sup>54</sup> See Annex E to Appendix 2 of the Decision on the Outcomes of the Negotiations Under Article XXIV:7 of the Agreement on Government Procurement, adopted on 30 March 2012 (GPA/113, p. 444).

<sup>55</sup> See "Key take-aways from the Committee's symposium on sustainable procurement", viewed at: [https://docs.wto.org/dol2fe/Pages/FE\\_Search/FE\\_S\\_S009-DP.aspx?language=E&CatalogueIdList=240250,240219,236605,233339,233038,225097,128999,128861,120376,113691&CurrentCatalogueIdIndex=2&FullTextHash=&HasEnglishRecord=True&HasFrenchRecord=True&HasSpanishRecord=True](https://docs.wto.org/dol2fe/Pages/FE_Search/FE_S_S009-DP.aspx?language=E&CatalogueIdList=240250,240219,236605,233339,233038,225097,128999,128861,120376,113691&CurrentCatalogueIdIndex=2&FullTextHash=&HasEnglishRecord=True&HasFrenchRecord=True&HasSpanishRecord=True)

<sup>56</sup> See Inge Kaul, "Accelerating poverty reduction through global public goods", OECD Development Cooperation Report (2013), viewed at: <https://www.oecd-ilibrary.org/docserver/dcr-2013-17-en.pdf?expires=1613468206&id=id&accname=quest&checksum=D41C194FE475020662E4FF2CA75DEB34>

<sup>57</sup> See Methodology for Assessing Procurement Systems, viewed at: <http://www.mapsinitiative.org/about/2020-MAPS-brochure.pdf>

<sup>58</sup> For more details, see Robert D Anderson and Anna Caroline Müller, "Keeping Markets Open While ensuring Due Flexibility for Governments in a Time of Economic and Public Health Crisis: The Role of the WTO Agreement on Government Procurement (GPA)", PPLR 29:4 (2020), pages 191-192.

of procurement in this regard, from the research for the development of a vaccine up to the point of administering vaccine doses to the population, cannot be underestimated. The GPA 2012 sets out provisions and minimum standards for the governmental purchase of goods, services and construction services linked to the development, manufacturing and distribution of vaccines. The GPA 2012 ensures the necessary flexibilities to conduct government procurement efficiently, quickly and reliably in situations of extreme urgency, such as a pandemic. Such flexibilities include less complex procurement methods, shorter deadlines and the use of e-procurement.

Besides helping to achieve best value for money when purchasing public goods and services, government procurement contributes to overall economic growth of a given country. As is the case with many WTO Agreements, the economic development of developing countries and LDCs is at the heart of the special and differential treatment incorporated also in the GPA 2012. Such measures are envisaged to offer flexibilities to developing countries wishing to join the Agreement. They must be time-bound and negotiated with the incumbent Parties. Specifically, an acceding country may seek to negotiate i) a price preference programme; ii) offsets; iii) a phased-in addition of entities or sectors; iv) a value threshold for government contracts subject to the GPA 2012 that is higher than its permanent threshold; and v) delayed application of any specific obligation (except for MFN treatment).

Government procurement being at the heart of economic growth, infrastructure development and poverty reduction, needs to be free from corrupt and collusive practices.<sup>59</sup> While the GPA 2012 is a trade agreement opening procurement markets of its Parties to foreign competition, it is also a good governance tool setting out rules on procedural fairness and enhancing fair competition. The Preamble of the GPA 2012 references the United Nations Convention against Corruption and underlines the importance of carrying out government procurement in a transparent manner. Moreover, GPA Parties are specifically mandated to organize procurement procedures in such a manner as to avoid conflicts of interest and corrupt practices. Electronic government procurement tools are highly effective in promoting transparency and integrity in government procurement. The GPA 2012 recognizes the importance of electronic means of communication for carrying out government procurement procedures and encourages its use.

## 9.2 Competition Policy

Trade liberalisation, electronic means of communication and global supply chains bring countries closer to each other and allow developing and least developed economies (LDCs) to participate in global trade. Increased export and import opportunities enhance competition in emerging markets allowing better choice for consumers, lower prices and increased economic growth. Competition policy is thus a strong pillar of development with its ability to reduce barriers to entry, prevent abusive practices and support economic growth and further societal development.<sup>60</sup> Anti-competitive practices are particularly harmful to developing countries and LDCs with weak competition regimes, limited industrial bases and local production.<sup>61</sup>

Effective competition policies can also support the effort to eradicate poverty.<sup>62</sup> Competition, especially in markets for essential supplies, drives prices down, benefitting the part of society that is considered to be poor. Besides direct benefits, competition supports poverty reduction indirectly, mainly through fighting bid-rigging practices in government procurement procedures organised for the procurement of essential items of assistance and infrastructure development.<sup>63</sup> Public health

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<sup>59</sup> See Robert D Anderson, William Kovacic and Anna Caroline Müller, "Promoting competition and deterring corruption in public procurement markets: Synergies with trade liberalisation", E15 Expert Group on Competition Policy and the Trade System, February 2016, viewed at: <https://e15initiative.org/wp-content/uploads/2015/09/E15-Competition-Anderson-Kovacic-Muller-Final.pdf>

<sup>60</sup> See Eleanor M. Fox, "Competition, development and regional integration: In search of a competition law fit for developing countries", Law and Economics Research Paper Series, Working Paper No. 11-04, NYU Center for Law, Economics and Organization (2012).

<sup>61</sup> See Margaret Levenstein and Valerie Y. Suslow, "Contemporary international cartels and developing countries: Economic effects and implications for competition policy", 71 Antitrust Law Journal No3 (2004).

<sup>62</sup> See, for example, the OECD work on Competition and Poverty Reduction, viewed at: <http://www.oecd.org/competition/competition-and-poverty-reduction.htm>; UNCTAD work on the role of competition law and policy and consumer protection in economic and social development and poverty reduction, viewed at: <https://unctad.org/topic/competition-and-consumer-protection/research-partnership-platform/areas-of-research>.

<sup>63</sup> See OECD Global Forum on Competition, "Competition and Poverty Reduction", Background Note, Session 1, DAF/COMP/GF(2013)1, 08 Feb 2013.

services and medical supplies procured through government procurement systems can also benefit from enhanced competition and better value for money<sup>64</sup>, particularly in times of public health crises.

Currently, more than 130 WTO Members have competition laws and/or policies in place to ensure fair market conditions and consumer benefits.<sup>65</sup> The WTO Working Group on the Interaction between Trade and Competition Policy (WGTCP) with the mandate to "study issues raised by Members relating to the interaction between trade and competition policy, including anti-competitive practices" was active from 1997 to 2004.<sup>66</sup> Although the Doha Ministerial Declaration in 2001 "recognised the case for a multilateral framework"<sup>67</sup>, no multilateral competition rules have been agreed at the WTO and the group has been inactive since 2004.<sup>68</sup> Nevertheless, several existing WTO Agreements already contain competition-related provisions.

### 9.3 Partnerships in Practice: The SDG Trade Monitor

In October 2020 ITC, UNCTAD and WTO launched the SDG Trade Monitor - <https://sdgtrade.org/en>. The SDG Trade Monitor is an online repository of trade-specific development indicators including MFN and preferential tariff rates, amongst others. This open data repository will allow policymakers, trade professionals and researchers to explore the relationship between trade and sustainable development, and to support data driven trade policies.

The SDG Trade Monitor will also help to further streamline the statistical coordination process of the three agencies involved providing a centralized and interactive one-stop-shop for most of the SDG trade indicators. It will now be possible to conduct customized analysis, including at the regional and country level and perform various data comparisons using also complementary measurements, which assist in obtaining a more comprehensive understanding of the SDG agenda's trade-development relationship. This new instrument will make it much easier for countries to track their progress on various trade-related indicators and adjust their policies to optimize their developmental effects.

After the economic shock of the COVID-19 pandemic, data-driven policies are more important than ever to help accelerate the recovery. The statistics presented in the SDG Trade Monitor will allow governments, policy professionals and trade professionals to make clear, evidence-based decisions and to back effective programmes and policies.

The SDG Trade monitor as the result of a collective effort between UNCTAD, ITC and the WTO is also an excellent example of the types of partnerships that are necessary to help in the delivery on the Agenda 2030. This multi-agency collaboration demonstrates the value proposition of the Geneva trade hub, further proving that multi-lateral efforts in trade are effective and worthwhile.

### 9.4 Partnerships in Practice: Mainstreaming in EIF Countries under COVID-19

The Enhanced Integrated Framework (EIF) works to reduce global inequality in line with SDG 10 through supporting trade driven growth and development in the Least Developed Countries (LDCs). The initiative also focuses on ensuring that the benefits of growth are inclusive within countries, with a focus on women economic empowerment, including youth, and working with smallholder farmers and small businesses. Together, the EIF helps the poorest countries to strengthen policy environments for trade, enable exports to untapped new markets and ensure that goods and services move easily across borders. Through these actions the EIF programme works in line with SDG 10, aiming to reduce inequalities not only among countries, but within them.

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<sup>64</sup> See Robert D. Anderson and Anna Caroline Müller, "Competition policy and poverty reduction: A holistic approach", WTO Staff Working Paper ERSD-2013-02, 20 Feb 2013.

<sup>65</sup> See Robert D. Anderson, William E. Kovacic, Anna Caroline Müller and Nadezhda Sporysheva, "Competition policy, trade and the global economy: Existing WTO elements, commitments in regional trade agreements, current challenges and issues for reflection", Staff Working Paper ERSD-2018-12, 31 October 2018, viewed at: [ersd201812\\_e.pdf](ersd201812_e.pdf) (<wto.org>)

<sup>66</sup> See Singapore Ministerial Declaration, para 20, viewed at: [https://www.wto.org/english/thewto\\_e/minist\\_e/min96\\_e/wtodec\\_e.htm#investment\\_competition](https://www.wto.org/english/thewto_e/minist_e/min96_e/wtodec_e.htm#investment_competition).

<sup>67</sup> See Doha Ministerial Declaration, paras 23-25, viewed at: [https://www.wto.org/english/thewto\\_e/minist\\_e/min01\\_e/mindecl\\_e.htm#interaction](https://www.wto.org/english/thewto_e/minist_e/min01_e/mindecl_e.htm#interaction)

<sup>68</sup> The documents produced by the WGTCP can be viewed at: [https://www.wto.org/english/tratop\\_e/comp\\_e/wgtcp\\_docs\\_e.htm](https://www.wto.org/english/tratop_e/comp_e/wgtcp_docs_e.htm).

The EIF Vision of “Inclusive trade for better lives” reflects a commitment to the achievement of the SDGs. With a mission to ensure “the LDCs are empowered to use trade and investment to integrate into global trade for sustainable development and poverty reduction”, the EIF responds to the international community’s call to serve as the key conduit for mobilizing and delivering Aft support for decent work and economic growth for the LDCs, in line with the programme's home in SDG 8a.

By supporting the LDCs to adopt pro-poor trade agendas and mobilize resources for implementation, the EIF directly contributes to SDG 1. With the EIF's Empower Women, Power Trade initiative, the EIF promotes gender equality thereby contributing to SDG 5. Across LDCs women continue to face constraints that limit their participation in global trade. Having successfully helped to integrate trade into the national development plans of 44 LDCs, supporting millions of dollars of new exports, and linking to external funders a foundation is developed for inclusive growth and development. The following boxes highlight specific interventions.

#### **Box 1. Improving rice packaging in Malawi**

With EIF support, the Malawi Investment and Trade Centre (MITC) is helping exporters in Malawi to obtain access to international markets through participation in regional and international trade fairs, business-to-business meetings and tailor-made capacity-building programmes to equip potential exporters like Bwanje Valley Rice Cooperative in best practices for export marketing. Bwanje Valley Rice Cooperative is a small-scale rice processing cooperative with 2,067 members (52% women). The Cooperative produces Kilombero rice to supply local shops, including Spar, Sana supermarket and M&A General Investments. Bwanje Valley Rice Cooperative is one of the beneficiaries of the MITC-led training on product packaging and labelling. Before the training, the Cooperative was packing their rice in plain packets without any labelling. This meant there was no awareness of the Bwanje brand, and the Cooperative’s products were unidentifiable on store shelves. As a result of the training, the Cooperative has improved its packaging, which has been approved by the Malawi Bureau of Standards and which received positive feedback at the 2018 Malawi International Trade Fair in Blantyre.

Finding sustainable trade solutions that can support the economic development of the LDCs requires concerted efforts by a variety of people. In line with SDG 17 the EIF provides the framework for bringing together stakeholders in LDCs around trade issues and reaches externally to better link to funding partners and technical expertise.

In each country, active partnerships are supported between different ministries that link to trade, between government and the private sector, as well as with local and international development

#### **Box 2. Training Beninese shea harvesters and processors**

A shea project in Benin is working to improve the performance of actors across the value chain and to empower women producers. The project is co-financed by the EIF, the Government of Benin, the Global Shea Alliance, and the private sector. Fifteen cooperatives have been established by the project with 27,000 women being trained in areas such as managing warehouses; developing good production practices; and add value through processing shea nuts into shea butter. Together, this has contributed to over 100 MT of shea being harvested.

partners. The EIF serves as a springboard for mobilizing Aid for Trade (Aft) and more recently private sector investment in the LDCs. The efficiency of these investments is equally important ensuring they are coherent and targeted towards national priorities. As at the end of 2019, over USD 1.9 billion had been invested by development partners into over 200 projects related to the Action Matrix of the Diagnostic Trade Integration Studies (DTIS). Projects cut across all technical areas of Aft, including trade-related infrastructure and building productive capacity for trade. The achievement of the EIF’s vision and mission is indeed made possible through the continuous, long-term investments of its partners.

The EIF has in addition been collaborating with partners to deliver projects in thematic areas including advocating for trade-related policies that benefit women and to increase trade capacity and access to international markets for women entrepreneurs. Some of these strategic partnerships include with the International Trade Centre (ITC) on the SheTrades initiative, with the South Asia

Women Development Forum, the International Telecommunications Union (ITU), Fair Trade International and the East Africa Women in Business Platform.

### **Box 3. Zambian women export to new markets**

Support to women entrepreneurs in Zambia has supported the creation of 94 new jobs, almost half of which went to women. Through this SheTrades project implemented with ITC support more than USD 350,000 worth of additional sales of garments, honey, moringa and other products has been realised. In addition to local market penetration new export destinations for the businesses include China, Fiji and the United Kingdom. The empowerment of girls and women is one of the most effective tools for poverty eradication and sustainable economic development. When women are empowered economically, they invest in their families and communities, spurring economic growth and improving development outcomes for the next generation. Women's economic empowerment can also enhance productivity and efficiency of LDC economies, boosting their global competitiveness.

On investment promotion, collaboration with the World Association of Investment Promotion Associations (WAIPA) is providing trainings to Investment Promotion Agencies (IPAs) and trade ministries in LDCs in view of promoting sustainable investments and achievement of the SDGs. The trainings are the first steps of a wider partnership with other knowledge partners (UNCTAD, UNIDO, ILO, UNOHRLLS) in building investment capacity and reforms of LDCs.

The EIF has been uniquely placed to support swift adaptations necessary to response to the COVID-19 situation. This has included working with countries to assess impacts of the pandemic on key sectors in their economy facilitating informed policy responses. Working through national partners and institutions has meant that there are always people on the ground and projects can be adapted swiftly. With investments over the last few years into areas such as e-commerce many LDCs have been well placed to accelerate development of key sectors in current times.

## **9.5 Partnerships in Practice: Mainstreaming in TFAF Countries under COVID-19**

Trade facilitation measures have been instrumental in helping border agencies cope during the pandemic. When the virus struck, the situation was chaotic in many countries with regulations and procedures of the various agencies changing rapidly, often not harmonized and in conflict with each other. In many countries border procedures became more cumbersome and time-consuming as agencies increased requirements and controls to detect goods carrying the virus, and goods were delayed in order to give priority to COVID-related essential goods such as medical supplies and pharmaceuticals. At the same time government agencies had to protect the health and safety of employees and those normally involved in face-to-face interactions at the border. These problems were exacerbated in countries that did not have established practices for border agency cooperation.

To alleviate these problems many members accelerated or enhanced implementation of some of the 36 provisions of the WTO Trade Facilitation Agreement that are designed to improve access to information, streamline border procedures, promote freedom of transit, and enhance border agency cooperation.

For example, to improve access to up-to-date information some WTO Members established new enquiry points and webpages and published practical guides to explain procedures; all of which fall under the Agreement. In addition, to accommodate the need for social distance, some Members set up channels for information exchange between traders and customs officials working from home through email and virtual meetings.

Many Members simplified import and export requirements, especially for essential goods, by streamlining requirements for traders with a good history of previous importations, through enhanced use of pre-arrival processing of import information which allows goods to clear quickly upon their arrival, and by placing more emphasis on controls through post clearance audit. Some Members established special green lane channels for road transport of essential goods.

Enhanced use of technology also played an important role in keeping goods and duties flowing across the border while also eliminating the need for personal interaction. Many Members began to allow electronic filing of documents and scanned copies of certificates. Some Members accelerated the

implementation of e-payment systems and a single window. In at least one Member customs is conducting virtual inspections by using audio and video equipment that is maneuvered by the warehouse operator.

To enhance border agency cooperation, national trade facilitation committees began meeting more regularly in some Members, and many are represented and actively participating in national COVID 19 task forces. Some Members have enhanced cross border cooperation by working with their neighbours to align procedures and operating hours.

Having these trade facilitating procedures in place will put Members in a better position for vaccine distribution and recovery from the pandemic.

To help Members learn from the experience of others the WTO Trade Facilitation Agreement Facility has created a repository of some 400 resources from around 20 partner organizations and associations; including documents provided by Members to the WTO Trade Facilitation Committee that share their experience during the pandemic.

## **9.6 Partnerships in Practice: Mainstreaming in STDF Countries under COVID-19**

Even before the COVID-19 pandemic struck, the global trade landscape was changing. Regional and South-South trade was expanding, alongside the emergence of global agri-food value chains. The bar was rising on safety for food and agricultural imports, linked to food safety concerns and food fraud. There was also evidence of the speed at which plant pests, animal diseases and zoonoses (diseases transmissible from animals to humans) can cross borders and cause damage. The global pandemic has re-emphasized the critical importance of safety in all aspects of our lives and work, including the negative effects of food safety, animal and plant health capacity gaps on exports, jobs, and economic development.

For small-scale farmers, producers, traders, and governments in developing and least developed countries being able to meet international standards for food safety, animal and plant health clears the path to global and regional markets in agri-food products. This creates opportunities to add value across supply chains and promote growth that is more inclusive, in turn generating employment, increasing incomes, and securing people's livelihoods in support of the Sustainable Development Goals (SDGs).

The Standards and Trade Development Facility (STDF) is a global partnership that supports developing and least developed countries to meet international standards to facilitate safe trade. In January 2020, just months before COVID-19 was declared a global pandemic, the STDF launched its new [Strategy for 2020-2024](#) "Safe and Inclusive Trade Horizons for Developing Countries". The Strategy shows how the STDF's work to drive catalytic sanitary and phytosanitary (SPS) improvements in developing countries supports the UN Global Goals of no poverty, zero hunger, good health and well-being, decent work and economic growth, and partnerships. It also outlines how the STDF's work contributes to gender equity, reduced inequalities, responsible consumption and production, life below water and life on land.



In 2020, through its global platform, knowledge work and funding to develop, implement and learn from innovative pilot projects, the STDF continued to promote safe and inclusive trade for developing countries, notwithstanding the huge challenges posed by the pandemic. In turn, this leads to sustainable economic growth, poverty reduction and food security. Some examples are provided below.

#### **Box 4. STDF delivers results in support of the SDGs**

**Digital transformation:** Digitalization can help low-income countries to meet international standards, boost transparency, reduce costs and speed up trade flows. An STDF project in Asia is supporting the use of mobile devices and a smartphone app for pest surveillance to help predict and manage plant pests and disease outbreaks before they spread widely. In 2020, this included a look at how drones and internet-connected smart-traps could help to respond to the challenges posed by the pandemic. The STDF's flagship ePhyto project was recognized for its role in enabling developing countries to benefit from electronic SPS certification. When the project ended in 2020, 51 developing countries had connected to the ePhyto Hub, national plant protection organizations were exchanging 11,000 ePhyto certificates each month, with upscaling underway to enable more developing countries to benefit.

**Better use of evidence:** Hard choices need to be made to prioritize the most critical investments to boost exports, as countries face many competing demands to improve their capacity with limited resources. In an ongoing STDF project, Kenya, Ethiopia, Rwanda, Uganda and Zambia are using STDF's evidence-based approach to prioritise investments (P-IMA), in partnership with the Common Market for Eastern and Southern Africa (COMESA) and EIF to select interventions that are likely to deliver the greatest impacts linked to policy goals. Inspired by these experiences, in 2020 TradeMark East Africa worked with government and private sector stakeholders in Burundi, Kenya, Rwanda, South Sudan, Tanzania and Uganda to prioritize regional investments to boost intraregional trade that supports sustainable and inclusive prosperity in the region.

In a time when pests and diseases can spread worldwide, protecting food safety, plant and animal health is a global public good that affects sustainable economic growth, poverty reduction and food security. The COVID-19 pandemic, and the unfolding climate crisis, underscore the urgency and importance of coordinated, cross-border action to address the challenges faced. When it comes to facilitating safe trade in developing countries and LDCs, the evidence underlines the cost of inaction.

#### **Box 5. Food safety and food security**

Findings from the [World Bank](#) show that unsafe food leads to productivity losses of US\$95 billion a year in low and middle-income countries. The [International Plant Protection Convention](#) (IPPC) reports that plant pests and diseases lead to 10-16% of global harvests lost each year at an estimated cost of over US\$220 billion. According to the [World Organisation for Animal Health](#) (OIE), animal diseases cause the loss of 20% of livestock production globally.

When COVID-19 was declared a global pandemic, the STDF Secretariat put in place a range of actions, in close cooperation with partners and other members of the partnership, to mitigate and manage the risk across the STDF's global platform, knowledge work and project portfolio.<sup>69</sup> Facilitating a smooth adaptation, ensuring business continuity and learning from the experience to further innovate and adapt were key priorities. STDF meetings went online, with new Practitioner Groups on topics including Public-Private Partnerships and the use of evidence launched, enabling more stakeholders globally to contribute to STDF's global dialogue. While challenges were faced in STDF projects, risk mitigation measures – from online meetings to delivery of remote trainings and M&E – have helped to ensure continuity and cushion the negative effects, while generating innovations and financial and environmental benefits in the process. Moving forward, members of STDF's global partnership continue to reflect on what the pandemic-driven changes mean for the STDF's Strategy and approach, and how the STDF can continue to adapt and innovate for today's world and that of tomorrow.<sup>70</sup>

<sup>69</sup> See: [www.standardsfacility.org/updates-covid-19](http://www.standardsfacility.org/updates-covid-19)

<sup>70</sup> See: <https://us4.campaign-archive.com/?u=1dd65e410f4f874eaf3175abc&id=1bebbf0a0f>

Developing and least developed countries face existing gaps in health systems, infrastructure and resources. As a result, regulators and the private sector, especially small businesses, confront huge challenges in response to the pandemic. This makes facilitating safe trade more important than ever for sustainable economic growth, poverty reduction and food security. STDF's global partnership connects stakeholders across agriculture, health, trade and development in support of this vision. STDF's new film – "[Shaping a safer world](#)" – shows how stakeholders across Africa, Asia and Latin America are acting now to invest in this recovery for a safer world.

## **10 CONCLUSION AND WAY FORWARD FOR THE MULTILATERAL TRADING SYSTEM**

The COVID-19 pandemic poses a serious risk of undoing progress made in the past decade on reducing poverty and realizing the objectives of the SDGs. Since 2020, Trade in all forms have been adversely affected as production and consumption were scaled back all across the world due to the pandemic. Measures such as border closures, social distancing measures instituted by governments have depressed economic activity resulting in recessions, and budgetary shortfalls for governments, and loss of income for a significant part the world's population. The World Bank in fact, estimates that the pandemic has resulted in pushing between 83 million and 93 million people into extreme poverty in 2020 – culminating into 163 million people in 2021.

The jarring statistics about the effect of COVID-19 on the most vulnerable compounded by other urgent challenges such as adapting to climate change and technological shifts clearly illustrate the need to build back better. In this report we examined how trade contributes to poverty reduction, among other beneficial effects, by making goods more affordable, thereby increasing poorer households' purchasing power. Trade has also significantly enhanced economic outcomes for women, youths who unfortunately, are likely to be more economically impacted by COVID-19 because the instituted social distancing measure mostly affect sectors where these vulnerable sectors of the population are more active.

In chapter 3, we analyze how the role of international trade and functioning food markets in achieving food security objectives continues to be critical in these times. International trade anchored by the multilateral trading system acts a cushion against price volatility from domestic supply shocks. This underscores the importance of the 2015 Nairobi Decision, where WTO members committed to eliminate agricultural export subsidies and implement guidelines on export measures with equivalent effect, thus delivering on the SDG 2 on "Zero Hunger". As of February 2021, 12 out of 16 members with export subsidies reduction commitments had amended their schedules to implement the Nairobi Decision. Finally, it is also important to note that agricultural trade has proven more resilient than trade in other goods due to the essential nature of food products.

In tandem with the need for economic recovery, is the essential objective of strong action to alleviate the COVID-19 pandemic. The ongoing response requires rapid and equitable global access to vaccines, as well as an extensive array of medical products and other technologies. This makes collaboration and cooperation among health technology developers, governments and other stakeholders key to addressing the pandemic. An appropriately designed IP regime which ensures equitable access to health technologies, especially COVID-19 related treatments, vaccines, and diagnostics, while also incentivizing research, innovation and collaboration is critical to the realization of SDGs 3, 9, and 17. More broadly, the diffusion of technology is essential for long-term economic growth of many developing countries because it provides access to more advanced technological inputs thereby increasing efficiency.

In chapter 6, it was noted that the economic literature supports a positive correlation between trade and reduced inequality – a key to achieving SDG 10. Addressing inequality among countries is necessary to strengthen the resilience of the multilateral trading system. Here, the WTO remains an active partner in ensuring that the system serves as an inclusive and equitable force for developing countries especially a deeper integration for LDCs by increasing their market access opportunities.

In chapter 7, we examined WTO's efforts in helping members achieve SDGs 12 and 13; noting that WTO's work on trade and environment has increasingly focused on using trade policies to help resolve specific environmental challenges and encourage trade liberalization in the rapidly expanding market in green goods and services. Market access issues related to environmental services are also being discussed by Members. Another negotiation with an environmental dimension that members are focused on delivering by the 12<sup>th</sup> Ministerial Conference is the ongoing negotiation on fisheries

subsidies which will help to attain target 14.6 to reduce subsidies that harm fish stocks. Finally, in 2020, the WTO launched two initiatives on trade and environment: The Trade and Environmental Sustainability Structured Discussions and the informal dialogue on plastics pollution and sustainable plastics trade – both aimed at combating pollution and supporting transition towards a more circular economy.

The WTO's work also supports the realization of SDG 16 on peace, justice and strong institutions. Being a WTO member means agreeing to a set of principles that facilitate trade; members must consistently uphold those principles and help to build institutions where they do not exist or strengthen those that are already in place. Through the WTO accession process, acceding members are able to establish the foundation of strong institutions. Acceding to the WTO also promotes peace and stability, and that is why the WTO established a "Trade for Peace" initiative in 2017. T4P aims to facilitate the integration of FCA states into the multilateral trading system using the WTO accession induced reforms.

The ongoing COVID-19 pandemic has brought into greater focus the role that a resilient and transparent procurement systems have in achieving uninterrupted and quality medical supplies during critically important early stages of fighting a public health crisis such as the pandemic. Consequently, open, and secure global supply chains and cross-border procurement of essential medical goods and services have become ever more important. Effective procurement systems can also contribute to global recovery as the provision of public goods and services play an essential role in alleviating and eradicating poverty as noted in chapter 9.

SDG 17 emphasizes partnerships as critical to achieving sustainable development. As evidence in practice, the WTO, UNCTAD, and the ITC launched the SDG Trade Monitor – an online repository of trade-specific development indicators. This initiative will support adoption of data driven trade policies by governments to bring them closer to the attainment of several of the trade-related SDGs.

The pandemic has made it clear how important it is to continue efforts to modernize the WTO to make it more responsive in times of crisis and to a transformed global economy. Without reform to the multilateral trading system, the international trade landscape will continue to be fragmented largely to the detriment of small developing countries. This is why the priority for the new administration at the WTO is ensuring the organization can contribute more meaningfully and faster to delivering results. These efforts include conclusion of the Fisheries Subsidies negotiations and progress in Agriculture to fully deliver on SDG targets 14.6 and 2.B. Some members are also very keen on deliverables in the Joint Statement Initiatives on e-Commerce, Services Domestic Regulation, MSMEs and Investment Facilitation, to modernize the rules of the WTO and bring them up to date to the way trade is done today. It is equally important for members to agree on a roadmap for reform of the Dispute Settlement System to bring it back to its fully functional capacity.

Finally, achieving the SDGs, and making trade more inclusive requires addressing trade financing gaps that disproportionately affect small businesses and developing countries not fully integrated into the global supply chains. Filling such financing gap requires an unprecedented level of global resource mobilization and cooperation in the wake of the pandemic – a commitment WTO members must make to rejuvenate the multilateral trading system.

The COVID-19 pandemic compounds the existing challenges of the multilateral trading system. Tackling the challenges requires robust international cooperation that must keep markets open and predictable. There is no questioning that countries must work together to build back better and sustain the gains that have been made in the achievement of the SDGs. The multilateral system and its institutions provide an avenue for a robust recovery – especially because the structure was created to give governments the tools, they need to come up with a coordinated international response to complex global crises like the latest pandemic.