

WTO's contribution to attaining UN Sustainable Development Goals:

2024 update to the High-Level
Political Forum



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Abbreviations

AMIS	Agricultural Market Information System	NFIDC	Net Food-Importing Developing Country
COP	Conference of the Parties	NTM	Non-Tariff Measure
DDP	WTO Dialogue on Plastics Pollution and Environmentally Sustainable Plastics Trade	OECD	Organisation for Economic Co-operation and Development
EIF	Enhanced Integrated Framework	R&D	Research and Development
FAO	Food and Agriculture Organization of the United Nations	RTA	Regional Trade Agreement
FCS	Fragile and Conflict-Affected States	SDGs	United Nations Sustainable Development Goals
FFSR	Fossil Fuel Subsidy Reform	SPS	Sanitary and Phytosanitary Measures
GATT	General Agreement on Tariffs and Trade	STDF	Standards and Trade Development Facility
GDP	Gross Domestic Product	T4P	Trade for Peace
GHG	Greenhouse Gas	TBT	Technical Barriers to Trade
GPA	WTO Agreement on Government Procurement	TESSD	Trade and Environmental Sustainability Structured Discussions
HLPF	High-Level Political Forum	TFA	WTO Trade Facilitation Agreement
ICC	International Chamber of Commerce	TPR	Trade Policy Review
ICT	Information and Communications Technology	TPRB	WTO Trade Policy Review Body
IEP	Institute for Economics & Peace	TPRM	Trade Policy Review Mechanism
IFD	Investment Facilitation for Development	TRIPS	Trade-Related Aspects of Intellectual Property Rights
IMF	International Monetary Fund	UN	United Nations
IRENA	International Renewable Energy Agency	UNCTAD	United Nations Trade and Development
ITC	International Trade Centre	UNDP	United Nations Development Programme
ITU	International Telecommunication Union	WEF	World Economic Forum
LDC	Least-Developed Country	WFP	UN World Food Programme
MC12	12 th WTO Ministerial Conference (Geneva, 2022)	WHO	World Health Organization
MC13	13 th WTO Ministerial Conference (Abu Dhabi, 2024)	WIPO	World Intellectual Property Organization
MSME	Micro, Small and Medium-Sized Enterprise	WOAH	World Organisation for Animal Health
		WTO	World Trade Organization

Content

Key Points	5
Introduction	8
The 2024 High-Level Political Forum and the WTO	8
Trade as a catalyst for sustainable development: navigating challenges in a fragmented world	8
SDG 1: No Poverty	11
Multilateral trade has led to rising income levels and reduced poverty	11
Fragmentation hinders global economic convergence and poverty reduction	12
WTO rules and flexibilities offer a means of poverty reduction	13
More open and predictable agriculture and services markets could reduce poverty	14
Increasing opportunities for the poor to gain from the digital transformation	15
Policies targeting the specific challenges faced by the poor are necessary	16
SDG 2: Zero Hunger	17
Current threats to food security	17
Trade in food and farm goods has helped to absorb economic shocks and strengthen resilience	17
Trade supports livelihoods and improves access to food	18
Trade has helped bring food prices down from recent record peaks	19
Many developing economies still face high food prices due to inflation	20
The WTO is contributing to progress	20
Negotiating reforms to agricultural trade rules	20
Providing a space for dialogue	21
Conducting research and monitoring policies	21
Building capacity	22
Communication and engagement	22
SDG 13: Climate Action	23
Trade can be part of the solution to environmental challenges	23
Trade can increase transportation and production-related pollution	23
Trade can also promote environmental protection by diffusing green technologies	23
Trade-related policy tools are increasingly used to address environmental challenges	24
Policy fragmentation could hinder the green transition	24
Geopolitical tensions threaten environmental sustainability	25
Integrated trade and environmental governance	25
Trade policy tools for climate action	25
Government procurement and climate action	26
The green transition offers development opportunities	27
The role of the WTO in supporting environmental sustainability	28
SDG 16: Peace, Justice and Strong Institutions	29
The relationship between trade and peace	29
The effects of conflict on trade	29
The effects of trade on conflict	29
The history of the multilateral trading system	29
Contribution of WTO accessions to SDG 16	30
Technical assistance and capacity building	30
The Trade for Peace Programme	31
The WTO Trade Policy Review mechanism: building stronger institutions for development	31
SDG 17: Partnerships for Trade and Development	33
Trade as a tool for development	33
References	35
Endnotes	38

Key Points

SDG 1: No Poverty

- International trade has contributed to cross-country income and productivity convergence, and growth in trade has coincided with a significant decrease in poverty worldwide, indicating the impact of trade on supporting economic development and improving people's lives (WTO, 2024a).
- However, geopolitical fragmentation is likely to reduce trade efficiency and negatively affect many economies, particularly developing economies and least-developed countries (LDCs), including by decreasing knowledge diffusion and access to certain technologies.
- The WTO and other organizations can help to make international cooperation more inclusive through multilateral coordination of trade rules, opening trade in services and e-commerce, opening up agricultural trade, and supporting LDCs to build capacity for integration into international trade. Domestic policies can also play an important role.
- Fragmentation can negatively impact poverty and inequality by disrupting international trade, investment patterns and migration flows. This can lead to lower economic growth, limited access to global markets, and disruptions in global supply chains, which can erode gains in living standards. Workers in export-dependent sectors and low-income households are particularly vulnerable to these effects.
- More multilateral cooperation is needed to ensure that the benefits of trade are shared more broadly within economies. This may be achieved by lowering tariffs and other trade costs, further opening trade in agriculture and services, and making digital trade more inclusive. WTO rules and flexibilities can also play a crucial role in poverty reduction by enhancing good governance and the predictability of market access conditions.

SDG 2: Zero Hunger

- Progress towards SDG 2, which aims to end hunger, achieve food security and improved nutrition, and promote sustainable agriculture, has faced setbacks in recent years. Around 9 per cent of the global population experienced undernourishment in 2022, according to the Food and Agriculture Organization (FAO). It is anticipated that conflicts and the COVID-19 pandemic will have left nearly 600 million people hungry by 2030, highlighting the need for urgent action to address food insecurity.
- Agricultural trade, which has increased five-fold since 2000 (WTO, 2024b), has played a vital role in absorbing shocks and enhancing global resilience. The WTO

serves as a platform for members to negotiate reforms in agricultural trade. In 2015, WTO members agreed to eliminate agricultural export subsidies, thereby contributing to SDG target 2b.

- Through regular committee work and collaboration with other international agencies, the WTO actively monitors export restrictions, supports capacity-building, and plays a crucial role in addressing trade-related issues for improved food security. This work led to the adoption on 17 April 2024 of a report containing recommendations to help LDCs and net food-importing developing countries (NFIDCs) respond to acute food insecurity.
- To advance SDG 2, it is crucial that WTO negotiations on agriculture are revitalized and that political leaders deliver clear guidance to ensure that immediate outcomes in trade policies are delivered and benefit the most vulnerable.

SDG 13: Climate Action

- Trade has a complex relationship with environmental sustainability, as while production and transportation can contribute to increased emissions and pollution, trade can also facilitate the spread of green technologies and encourage sustainable practices.
- Coordinated trade-related policies are crucial to address environmental challenges. Conversely, policy fragmentation can hinder the green transition, leading to less effective measures and potential trade frictions. International cooperation and integration – re-globalization – can offer avenues for environmental protection and sustainable growth.
- The WTO publication *Trade Policy Tools for Climate Action*, launched at COP28 in 2023, identifies 10 key policy tools that can be harnessed to accelerate progress towards climate goals under the Paris Agreement, which was adopted at COP21 in 2015.
- Government procurement, representing 13 per cent of world GDP, can help to address climate change by promoting greener goods and services and more eco-friendly suppliers, and by fostering green innovation.
- The green transition could offer historically marginalized economies certain development opportunities, particularly in renewable energy trade and raw materials critical for clean energy production. The WTO plays a vital role in supporting environmental sustainability, for example by fostering the mutual supportiveness of trade and environmental policies.

SDG 16: Peace, Justice and Strong Institutions

- Trade can be disrupted by conflict, but it can also promote peace by creating economic interdependence among economies. The WTO was founded on the belief that open trade can help to promote peace.
- The WTO accession process helps economies seeking WTO membership to improve their governance through legal reforms, greater transparency and inter-ministerial coordination. Technical assistance provided during the accession process strengthens institutions and increases private-sector participation in decision-making, contributing to SDG 16 goals.
- The WTO Trade for Peace Programme explores how trade can contribute to peacebuilding for fragile and conflict-affected states through political engagement, public dialogue, research and capacity-building.
- The WTO's trade policy reviews promote policy coherence, both internationally and domestically, and can help build stronger institutions by enhancing information and increasing the effective participation of relevant stakeholders.

SDG 17: Partnerships for the Goals

- The Abu Dhabi Ministerial Declaration, adopted at the 13th WTO Ministerial Conference (MC13) in March 2024, reiterates WTO members' commitment to a rules-based, equitable multilateral trading system that can promote economic growth, aligning with SDG 17.
- The results from MC13 also recognize the potential of trade to contribute to broader sustainable development goals.

Introduction

The 2024 High-Level Political Forum and the WTO

The UN's annual High-Level Political Forum (HLPF) offers organizations, including the WTO, the opportunity to review their progress toward meeting the targets of the UN Sustainable Development Goals (SDGs). For the WTO, this involves examining the contribution of international trade and the multilateral trading system to meeting the SDG targets and to development in general.

The particular focus of the 2024 HLPF is SDG 1 (“No poverty”), SDG 2 (“Zero hunger”), SDG 13 (“Climate action”), SDG 16 (“Peace, justice and strong institutions”) and SDG 17 (“Partnerships for the goals”). These SDGs are also at the core of the Marrakesh Agreement establishing the World Trade Organization, which was signed 30 years ago this year.

The theme for the 2024 HLPF, “Reinforcing the 2030 Agenda and eradicating poverty in times of multiple crises: the effective delivery of sustainable, resilient and innovative solutions”, aligns with recent WTO research. For example, the World Trade Report 2023 examined how re-globalization, or increased international cooperation, could address three major challenges facing the global economy, namely national and economic security, poverty and environmental sustainability.

Trade as a catalyst for sustainable development: navigating challenges in a fragmented world

As the global community strives to achieve the SDGs by 2030, the role of international trade in fostering economic growth, reducing poverty and promoting sustainable development has never been more critical. However, the current landscape of global trade presents both opportunities and challenges that significantly impact our collective progress towards these ambitious goals.

According to the latest Global Trade Outlook and Statistics report by the World Trade Organization (WTO, 2024c), the world is slowly recovering from recent economic shocks. After a 1.2 per cent decline

in world merchandise trade volume in 2023, projections for 2024 indicate a modest rebound (Figure 1). This recovery is crucial for SDG implementation, as trade growth often correlates with economic development and poverty reduction (SDG 1, “No Poverty” and SDG 8, “Decent Work and Economic Growth”).

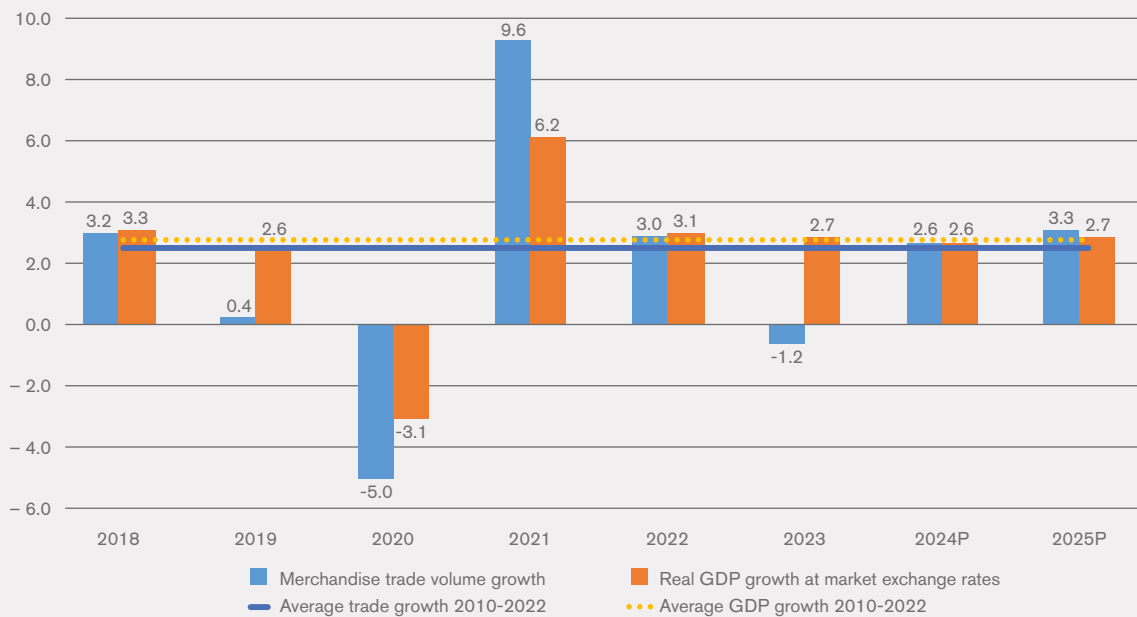
However, the path to recovery is not without obstacles. Inflationary pressures, geopolitical tensions and policy uncertainties continue to cast shadows over the global trade landscape. These factors have led to shifts in trade patterns and have raised concerns about potential fragmentation of the global trading system.

The relationship between trade and GDP growth has evolved significantly over the past three decades. In the 1990s, goods trade grew more than twice as fast as real-world GDP, with this ratio declining to 1.5 times as fast in the early 2000s. Since 2010, however, trade and GDP have grown at approximately the same rate on average. This shift suggests a changing dynamic in the global economy, where trade is no longer outpacing overall economic growth as dramatically as it once did. The ratio of trade growth to GDP growth has fluctuated in recent years, with the COVID-19 pandemic causing significant disruptions. As of 2024, if WTO forecasts are realized, this ratio is expected to rebound to 0.94-to-1, indicating a closer alignment between trade and overall economic growth. This evolving relationship has important implications for how trade can be leveraged to achieve the SDGs, potentially requiring more nuanced and targeted approaches.

One of the most pressing issues highlighted in the WTO report is the emerging signs of trade fragmentation along geopolitical lines. This trend poses significant risks to achieving the SDGs:

- 1. Disruption of global value chains:** The report notes a 6 per cent decline in global trade of intermediate goods in 2023. This disruption of global value chains can hinder industrial development in emerging economies, potentially impacting SDG 9 (“Industry, Innovation and Infrastructure”).
- 2. Shifts in services trade:** Changes in ICT services trade patterns, with some economies favouring regional partners over global ones, could affect knowledge transfer

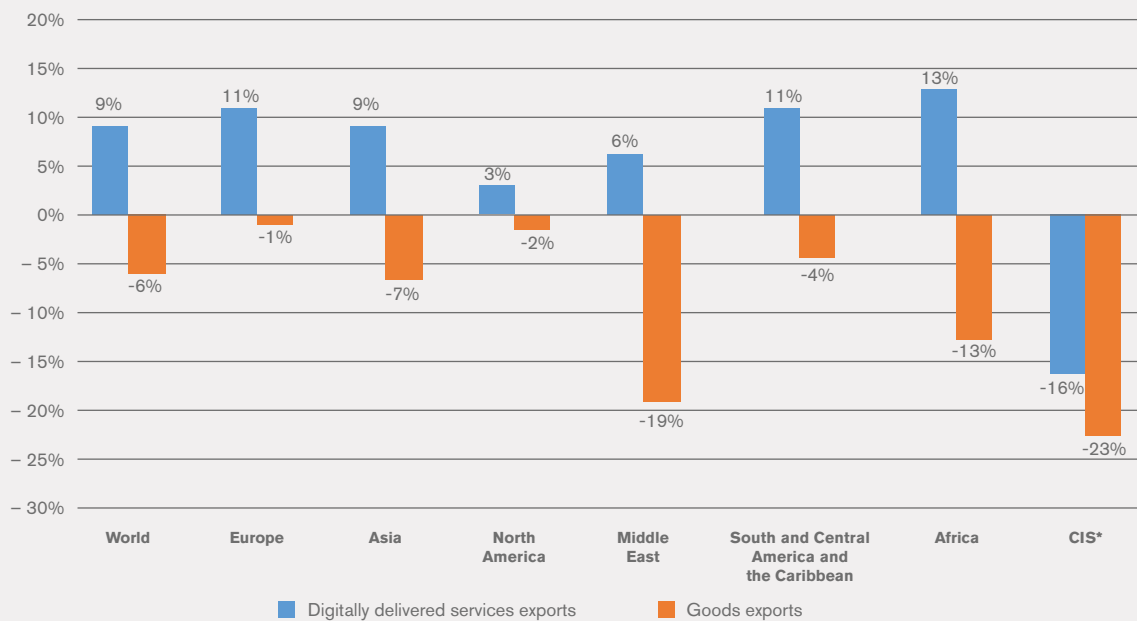
Figure 1: World merchandise trade volume and GDP growth, 2018-2025



Note: Figures for 2024 and 2025 are projections. Merchandise trade grew 2.5% per year on average between 2010 and 2023 while GDP growth averaged 2.7%.

Source: WTO for merchandise trade volume and consensus estimates for GDP.

Figure 2: Growth of digitally delivered services exports and goods exports by region, 2023
Annual % change



Note: Regions are ranked according to their share in global exports of digitally delivered services.

* The Commonwealth of Independent States includes certain associate and former member states.

Source: WTO estimates.

and technological diffusion. This shift may have implications for SDG 4 (“Quality Education”) and SDG 17 (“Partnerships for the Goals”).

- 3. Policy fragmentation:** The potential fragmentation of data flow policies could lead to a 1.8% decline in global real exports and a 1% decline, approximately, in global real GDP. Such a scenario would significantly hamper progress across multiple SDGs, particularly SDG 8 (“Decent Work and Economic Growth”) and SDG 10 (“Reduced Inequalities”).

The report’s projections for least-developed countries (LDCs) are particularly relevant to the SDGs. While the volume of LDC merchandise exports is expected to grow by 2.7 per cent in 2024, this is a slowdown from 4.1 per cent in 2023. On the other hand, the volume of LDC merchandise imports is projected to grow by 6.0 per cent in 2024 and 6.8 per cent in 2025, following a contraction of 3.5 per cent in 2023. These fluctuations can significantly impact progress on SDG 1 (“No Poverty”), SDG 2 (“Zero Hunger”), and SDG 10 (“Reduced Inequalities”).

The stronger growth projected for African merchandise exports (5.3 per cent in 2024, compared to 3.1 per cent in 2023) presents an opportunity for the continent to make strides in economic development and poverty reduction. However, this growth is coming from a low base, highlighting the need for continued support and investment in African trade infrastructure and capacity.

Despite these difficulties, the fast expansion of services delivered through digital means offers a source of optimism. Global exports of digitally delivered services reached US\$ 4.25 trillion in 2023, up 9.0 per cent year-on-year. This sector’s resilience and growth offer new pathways for developing economies to participate in global trade, potentially contributing to SDG 8 (“Decent Work and Economic Growth”) and SDG 9 (“Industry, Innovation and Infrastructure”).

The accelerated growth of digitally delivered services exports in Africa (13 per cent) and South and Central America and the Caribbean (11 per cent) in 2023 is particularly promising (see Figure 2). If sustained, this trend could help bridge the digital divide and create new economic opportunities in these regions.

International trade remains a powerful tool for achieving the SDGs. However, realizing this potential requires addressing the challenges of fragmentation, supporting developing economies and LDCs, and harnessing the opportunities presented by digital trade.

The following chapters will delve deeper into how specific trade policies and practices can be leveraged to accelerate progress towards each SDGs that is under review at the 2024 HLPF. By understanding the current trade landscape and its implications for sustainable development, we can better chart a course towards a more prosperous, equitable and sustainable future for all.

SDG 1: No Poverty

“Trade remains critical to delivering on so many national and global priorities: boosting growth, expanding economic opportunities, meeting the Sustainable Development Goals ... without cooperation on trade, we would move towards an increasingly fragmented world economy, and all of these priorities would become harder, costlier, and in some cases impossible to achieve.

WTO Director-General Ngozi Okonjo-Iweala, MC13 opening Ceremony, 26 February 2024 (WTO, 2024d)

Multilateral trade has led to rising income levels and reduced poverty

One of the most striking features of the global economy in the recent decades has been how trade-enabled growth has brought incomes in developing economies closer to those of rich economies. Trade, and in particular the integration of developing economies into global value chains (GVCs), has contributed to improvements in income and productivity across economies (WTO, 2023).

Since 1995, decreasing trade costs have enabled an increase in trade, as containerization and technological developments have lowered transportation and communication costs and tariffs and non-tariff measures (NTMs) have been reduced, many of them through multilateral, plurilateral and regional trade agreements. Global trade costs declined by 15 per cent between 2000 and 2018, according to the WTO Trade Cost Index.¹ In 1995, through the newly created WTO, members committed to a rules-based multilateral trade regime providing a predictable trading environment that has fostered trade and growth for the past 30 years. Between 1995 and 2023, total world trade — goods and commercial services — increased almost fivefold.²

From 1981 to 2019, low- and middle-income economies increased their share in global exports from 19 to 29 per cent, and this contributed to reducing the share of their populations subsisting on less than US\$ 2.15 per day from 55 per cent to 10 per cent (see Figure 3). Trade can reduce poverty by increasing growth, and comprehensive trade-opening in developing economies increased on average economic growth by an average of 1.0 to 1.5 percentage points (Irwin, 2019). Economic growth, in turn, has been found to increase the real

income of the poor (Dollar, Kleineberg and Kraay, 2016). However, certain regions, such as sub-Saharan Africa, have encountered slower progress due to limited trade growth.

Growth is essential to reduce poverty. Although the causes of poverty are multi-dimensional, the strong growth in developing economies has been a significant driver for the reduction of the number of extreme poor. GDP growth helps to generate the resources needed to improve standards of living, health, education, and water safety, to provide housing and, very importantly, to invest in achieving the United Nations Sustainable Development Goals (SDGs).

Trade is a crucial engine for the growth that would contribute to ending extreme poverty by 2030, as per SDG 1. Trade can contribute to positive growth in a number of ways, such as by inducing a more efficient use of resources and by incentivizing innovation by facilitating access to technology available in the global market. It can also directly contribute to poverty reduction, for example by making more affordable goods available to poor households and opening up opportunities for poor farmers by improving their access to foreign markets. Trade can play a key role in empowering women in poor communities, given that exporting firms in developing economies tend to employ a significantly higher share of women than non-exporting firms, which can, in turn, affect other household decisions, such as education (World Bank and WTO, 2020).

Open trade also helps the poor because it is critical to economic security, given that it allows for diversification. For example, trade was central in responding to sharp fluctuations in demand — for example, for medical products — during the COVID-19 crisis and has helped economies highly dependent on products whose supply has been affected by the war in Ukraine to adapt by switching

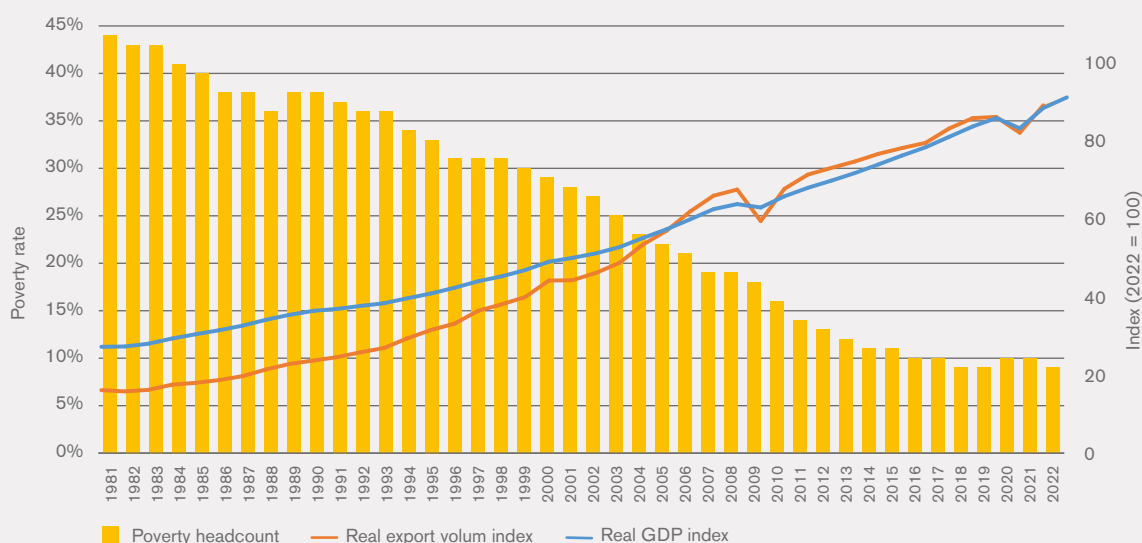
suppliers for the same product or replace products with substitutes and establish trading relationships with new partners (WTO, 2023a). While disruptions did occur in both instances, evidence suggests that less openness would have worsened the impacts. Despite this, not all economies have benefited equally. Export-led growth has reduced poverty in East Asia and parts of Eastern Europe, but the number of poor people in sub-Saharan Africa has stagnated since the 1990s. This slower poverty reduction in Africa in part reflects slower trade growth (WTO, 2023b).

The effects of trade on poverty are unequal and vary according to factors such as place (rural versus urban areas), skillsets, gender, type of trade policies applied and types of industry (e.g., formal or informal sector). And while trade reforms create new opportunities, they can also involve adjustment costs. For example, access to international markets may deliver higher average incomes to farmers specialized in producing export crops but may also

reduce labour demand in import-competing sectors by creating greater competition.

It is therefore important to put appropriate policies in place to ensure that the gains from trade are more evenly shared and that trade-related adjustment costs affecting certain regions and individuals are mitigated. In addition, more targeted action is needed to overcome the constraints preventing the extreme poor from benefitting from trade. For example, farmers and firms in rural areas face particularly high transport costs and delays when shipping to international and national markets; workers in informal firms typically do not have the same employment rights as those in formal employment; informal-sector firms and households tend not to be covered against risks by social benefits, such as health, pension or unemployment insurance, and have limited access to finance to smooth over short-term economic fluctuations, such as rising food prices or a contraction in economic growth.

Figure 3: International trade has contributed to extreme poverty reduction



Source: Authors calculations based on World Bank Development Indicators.

Fragmentation hinders global economic convergence and poverty reduction

The COVID-19 pandemic, the war in Ukraine and other recent crises have contributed to perceptions that globalization exposes economies to excessive risks and that, rather than enabling the construction

of a more secure, inclusive, and sustainable world, international trade is an obstacle. Thus, policymakers are tending to emphasize economic independence and decoupling – fragmentation – rather than economic interdependence.

Fragmentation can impact poverty and inequality through different channels, such as by altering international trade, investment patterns and

migration flows, as this can lead to lower or negative economic growth, limited access to global markets, and disruptions of global supply chains. Workers in export-dependent sectors are particularly affected by fragmentation-related labour market disruptions, and low-income households, which allocate a large proportion of their incomes to tradable goods and services, would face the burden of higher prices resulting from trade barriers (see WTO, 2023b).

Loosening existing trade relationships can also limit the policy space and financial resources available to governments to implement policies aimed at addressing inequalities.

WTO rules and flexibilities offer a means of poverty reduction

More needs to be done to ensure that the poor can benefit from trade. Total trade costs for poorer and developing economies are still relatively high, and lowering tariffs and other trade costs between economies could stimulate growth in economies with a high incidence of poverty and help to maximize trade opportunities for the poor. Further opening of trade in agriculture and in services, and continuing e-commerce negotiations at the WTO, could have significant potential benefits for growth, poverty reduction and inclusiveness. As discussed in WTO (2023b), re-globalization – the process of increasing global integration and cooperation – could help to make globalization more sustainable, resilient and inclusive.

Multilateral efforts to reduce barriers to trade, first under the General Agreement on Tariffs and Trade (GATT) and then the WTO, have had an important impact on growth, and therefore poverty reduction. Though unilateral and regional integration help to explain the growth of trade, multilateral integration has had a major role, and the two processes are often found to reinforce each other.

WTO commitments enhance good governance and the predictability of market access conditions, and this has an economic value beyond reforms in applied trade policies. Research estimates that economic growth increases by 2.5 per cent, on average, for at least five years after an economy's accession to the GATT/WTO, leading to a permanently higher output of about 20 per cent (Tang and Wei, 2009; Brotto, Jakubik and Piermartini, 2021). The increase of growth is greatest in those economies that initially have lower-quality institutions, indicating that WTO commitments can promote economic development by contributing to good governance. In addition, the WTO rule-based

system and its monitoring activities helped restrain protectionist responses during import surges (Jakubik and Piermartini, 2023).

The flexible nature of the WTO allows broad space for developing economies to tailor their commitments to their own policy priorities, including poverty reduction, although this needs to be weighed up against the benefits of making commitments that promote stability and predictability. WTO rules provide flexibility to help developing economies cope with the costs and risks involved in trade-opening. Special provisions for developing economies (referred to as special and differential treatment) include less-than-full reciprocity in market access negotiations, non-reciprocal preferences provided by more advanced economies, special flexibility to restrict imports and promote exports (including through subsidies under certain conditions), and provisions to address resource constraints, including via technical assistance and the possibility to implement commitments more slowly.

The WTO Trade Facilitation Agreement (TFA) includes a novel approach to flexibility that links technical assistance with self-determined implementation timelines on the part of developing economies.

In the WTO Agreement on Agriculture, policies to develop rural infrastructure, enhance investment in agricultural research, provide training and advisory services to farmers, and offer relief from natural disasters to farmers are all exempted from the monetary ceilings; they fall under agricultural subsidies designated in WTO terminology as “Green Box”, or permitted subsidies. While the Green Box applies to both developed and developing economies, developing economies are given special treatment in respect of stockholding policies for food security purposes, the provision of subsidized food to needy consumers, and various kinds of subsidies.

Finally, some WTO provisions allow exceptions for food security objectives, for example allowing WTO members to maintain temporary export restrictions (with due consideration for importing economies' food security and for potential coordination issues in the case of global shocks). In general, using exceptions to WTO rules must be weighed against the benefits of promoting stability and predictability.

The WTO also provides a range of institutional mechanisms that are specifically devoted to the concerns of developing economies. For example, among its other functions, the Committee on Trade and Development oversees the implementation of the WTO's trade-related technical assistance. The WTO leads the Aid for Trade initiative and has partnered with a range of other organizations on various trade capacity-building initiatives in developing economies,

such as the Standards and Trade Development Facility (STDF) and the Enhanced Integrated Framework (EIF). In July 2014, the WTO launched its Trade Facilitation Agreement Facility, to ensure that all members can access support to implement the TFA.

The WTO also provides information on the implementation of commitments by trading partners, including WTO schedules of commitments and notifications (e.g., notifications of subsidies, technical barriers to trade (TBT) and sanitary and phytosanitary (SPS) measures) that many developing economies would find difficult and exceedingly costly to obtain on their own.

The WTO Trade Policy Review Mechanism (TPRM) provides regular reviews of each WTO member's practices in implementing commitments. This helps members to learn about other members' trade policies and to evaluate their own trade policies, including in terms of specific technical assistance needs. Finally, the WTO Dispute Settlement Mechanism contains a range of provisions that give special consideration to the concerns of developing economies and allow for special flexibilities in dispute settlement procedures, in light of possible resource constraints faced by these economies, including when it comes to implementing dispute settlement rulings. Developing economies can obtain legal assistance in dispute settlement proceedings via the WTO Secretariat or at the Advisory Centre on WTO Law (ACWL).

More open and predictable agriculture and services markets could reduce poverty

Opportunities for more inclusive gains from trade can also be provided by reducing trade costs in services, while progress in the WTO agriculture negotiations – such as in the areas of public stockholding for food security purposes, trade-distorting domestic support, notably for cotton, market access, and export restrictions on food products – would contribute to a more open, fair, predictable and resilient trading system, better food security, economic development and poverty reduction.

The pattern of growth across sectors matters for poverty reduction. In Sub-Saharan Africa, growth originating from the services sector seems to have induced a larger percentage reduction in poverty than growth originating from agriculture which itself has induced a larger reduction than growth in the manufacturing sector (World Bank, 2014). Evidence regarding the productivity-enhancing effects arising from services trade suggests that

opening up services trade can contribute to poverty alleviation (Fu, Wang and Yang, 2023; Nayyar, Hallward-Driemeier and Davies, 2021).

The poor are typically women, rural, small informal businesses and people living in conflict states (World Bank and WTO, 2015). More open and predictable services markets are key not only to fostering service-led development, but also to improving the participation of women and MSMEs in the economy, as MSMEs and businesses owned by women are principally active in the services sector, and further opportunities exist in that sector.

Much female employment has shifted into services in the last few decades (World Bank and WTO, 2020), but the trade costs in services are almost double those in goods.⁹ As a large share of these costs results from policy barriers, further opening up services markets to trade would offer potentially larger gains both for the economy as a whole and for women in particular (WTO, 2019a).

More open and predictable markets would make it easier for MSMEs already present in the services sector to expand internationally. For example, implementation of the disciplines on services domestic regulation, for which negotiations were successfully concluded in December 2021, and which aim to increase transparency, predictability, and efficiency of procedures for authorization of service providers aspiring to do business in foreign markets, could make it easier for MSMEs in the services sector to expand internationally, on the grounds that access to information and burdensome procedures weigh particularly heavily on MSMEs. Expanding the geographical scope of parties to these initiatives could significantly benefit MSMEs.

Agricultural trade policies are also pivotal in shaping the impact of globalization on poverty. Increasing jobs and wages in competitive agricultural export sectors could particularly benefit the poor by improving their employment prospects and income levels. Agriculture trade directly impacts the poor by influencing the prices and availability of the goods they consume. Changes in trade policies can thus affect the affordability of essential food items for low-income households, ultimately leading to an improvement in food security for the poor. Simulations for Brazil show that agricultural trade reforms would alleviate poverty through increased employment opportunities and higher wages within the agricultural sector (de Souza Ferreira Filho, 2009).

The WTO Agreement on Fisheries Subsidies has a crucial role to play in poverty reduction by preserving fish stocks and thereby benefitting fishing communities, particularly in poorer regions

and economies where fishing constitutes a substantial portion of the economy. Da-Rocha et al. (2017), for example, provides evidence that a reduction in fisheries subsidies positively affects fish stocks, leading to improved productivity.

Increasing opportunities for the poor to gain from the digital transformation

Digital trade allows direct access to international global goods and services markets. Thus, the digitalization of trade could provide new opportunities for people and economies that have so far been left behind by trade, by enabling them to overcome barriers to trade such as transportation costs and institutional disadvantages (as, for example, users' reviews may make up for lack of trust in rule of law). It could also provide new opportunities for small firms, people living in remote areas, and women in developing economies.

To the extent that the poor are women, live in rural (typically remote) areas and work in small businesses (World Bank and WTO, 2018), digital transformation and digital trade in particular may provide new opportunities.

Online markets present several advantages for MSMEs compared to offline markets, although they do also involve some challenges. First, online trade significantly reduces trade costs, for example those associated with acquiring information about the suppliers of a certain product. This can disproportionately benefit MSMEs, as such trade costs are typically fixed costs, and are therefore particularly burdensome for MSMEs. Second, online markets are less capital-intensive, as it is not necessary for companies selling online to invest in opening a bricks-and-mortar shop. This lesser need for capital is helpful for MSMEs, especially in developing economies, where financial markets may be less efficient. Third, product lines in which MSMEs are predominantly present, such as gifts and craftwork, attract a greater share of total demand in online than in offline trade (WTO, 2018b). Fourth, with the development of online platforms and payment systems, even smaller firms can participate in international trade directly, without having to go through large wholesalers and retailers as intermediaries to export.

There is some empirical evidence to suggest that women benefit from digital trade. E-commerce platforms, online work platforms and online payments are especially empowering to women's participation in trade, as they help to address time, financial and

mobility constraints. E-commerce enables women to reach a much vaster market than they could offline. In addition, digital solutions remove the need for face-to-face interactions, thus allowing more women to overcome traditionally male-dominant trade networks. Technology-enabled crowdfunding platforms can also help women to access trade finance (World Bank and WTO, 2020).

But the poor risk being left further behind if the specific constraints to benefitting from digital trade are not taken into account. Access to digital infrastructure varies widely from one economy to another, as do skills and technical know-how. Although the digital divide is diminishing in certain regards, with nearly two-thirds of the world's population using the internet in 2022, digital divide remains large across economies and between women and men. (ITU, 2022).

Certain economies are better positioned than others to capitalize on the opportunities and tackle the challenges of digital trade, underscoring the critical role of digital infrastructure and skills. Broadly speaking, for consumers and businesses to participate in and gain from digital trade, they need access to high-speed, affordable, and dependable digital infrastructure, as well as the skills and capabilities to effectively use digital technologies for productive purposes. Currently, around 5.4 billion people, representing 67 percent of the global population, have internet access, which is twice the number connected a decade ago. However, 2.6 billion individuals, or one-third of the world's population, are still offline, with the majority residing in low- and lower-middle-income economies (IMF, OECD, UNCTAD, World Bank and WTO, 2023). High tariffs on imports of information and communications technology (ICT) equipment, restrictions on imports of enabling services and limited competition in telecommunications services can reduce affordability and slow down the adoption of these technologies.

In addition to ensure adequate digital infrastructures, governments must establish a regulatory and policy framework that supports digital trade. This regulatory environment may include policies covering aspects like data privacy, consumer protection, cybersecurity or competition (IMF, OECD, UNCTAD, World Bank and WTO, 2023). Estimates suggest that improved digital connectivity is twice as effective at lowering trade costs in middle- and low-income economies when coupled with an enabling regulatory environment for digitally delivered services (Bellucci, Rubinova and Piermartini, 2023). In this context, the ongoing negotiations at the WTO on e-commerce are of key importance. The work under the Work Programme on Electronic Commerce

and the Joint Initiative on E-commerce, also offers opportunities for lower-income economies to benchmark and strengthen their regulatory frameworks (World Bank and WTO, 2023).

Bridging the digital divide and enhancing the preparedness of developing economies for digital trade necessitates both domestic and international collaboration. Increased international financial and technical assistance is essential to help developing nations boost connectivity, develop skills, and implement regulations pertinent to digital trade. Programs such as the WTO-led Aid for Trade, the UNCTAD-led eTrade for All, and the World Bank-led Digital Advisory and Trade Assistance (DATA) Fund can provide valuable support. Digital connectivity is a key focus area in the WTO Aid for Trade work programme for 2023-24, with recent commitments to the ICT sector amounting to US\$ 2.16 billion in 2021-22. (IMF, OECD, UNCTAD, World Bank, WTO, 2023).

Policies targeting the specific challenges faced by the poor are necessary

To maximize benefits to the poor, trade integration has to be complemented by policies targeting the specific challenges faced by the poor. The extremely poor suffer from a range of constraints that limit their capacity to benefit from the gains that others in society might enjoy from trade. For example, farmers in remote areas face high transport costs and delays when transporting goods to both national and international markets. Production in rural areas is largely dominated by agriculture, and agricultural markets continue to present high trade costs trade integration. In conflict states, where most of the poor resides, ensuring that natural resources are traded through formal channels and appropriately using export revenues to diversify economic structure is critical to stability.

International cooperation in the form of regional trade agreements (RTAs) can help to reduce poverty, and a growing number of RTAs acknowledge the need to alleviate poverty or set poverty eradication as one of their objectives.⁴ Several agreements also identify poverty alleviation as a cooperation area.⁵ Only a small number of RTAs make a direct reference to addressing inequality,⁶ in most cases regional inequality.⁷ In parallel, an increasing number of RTAs include provisions that explicitly relate to some of the dimensions of inclusiveness, including human rights, labour rights, gender equality and the economic participation of MSMEs. At the WTO, the Informal Working Group on Trade and Gender established in 2020 and the Informal Working Group on MSMEs launched in 2017 are two examples of initiatives aiming at considering inclusiveness issues in trade.

SDG 2: Zero Hunger

“ We cannot solve the food systems problems we face without trade. We cannot achieve the food systems transformation we need without transforming trade policy.

WTO Director-General Ngozi Okonjo-Iweala, UN Food Systems Summit +2 Stocktaking Moment, July 2023

Current threats to food security

In their first-ever declaration on food insecurity, adopted on 17 June 2022 at the 12th WTO Ministerial Conference (MC12),⁸ trade ministers acknowledged that progress towards SDG 2 had been undermined and expressed their determination to make progress towards the objectives set out under the goal.

The latest estimates from the Food and Agriculture Organization of the United Nations (FAO) and other UN agencies show that, in 2022, the number and share of undernourished people in the world had stabilized at around 9 per cent of the world population, or between 690 and 783 million people (referring to SDG indicator 2.1.1, “Prevalence of undernourishment”) (FAO et al, 2023). Furthermore, about 29.6 per cent of the global population, or 2.4 billion people, were moderately or severely food-insecure (SDG indicator 2.1.2).⁹

The agencies also project that nearly 600 million people will still face hunger by the SDG 2 target date in 2030 – 119 million more than would have been the case without the COVID-19 pandemic and the war in Ukraine (FAO et al, 2023a).

In 2023, the World Food Programme (WFP) identified 18 “hunger hotspots” where acute food insecurity was likely to worsen between November 2023 and April 2024 (WFP and FAO, 2023). Conflict and insecurity are common drivers of acute food insecurity in the places that raise most concern. However, economic shocks are also important in others.

In addition to the immediate threats to food security, the agricultural sector continues to be affected by deep-seated structural challenges associated with trade-distorting support and protection: these remain an important priority for WTO members in ongoing negotiations. The Organisation for Economic Co-operation and Development (OECD) has found

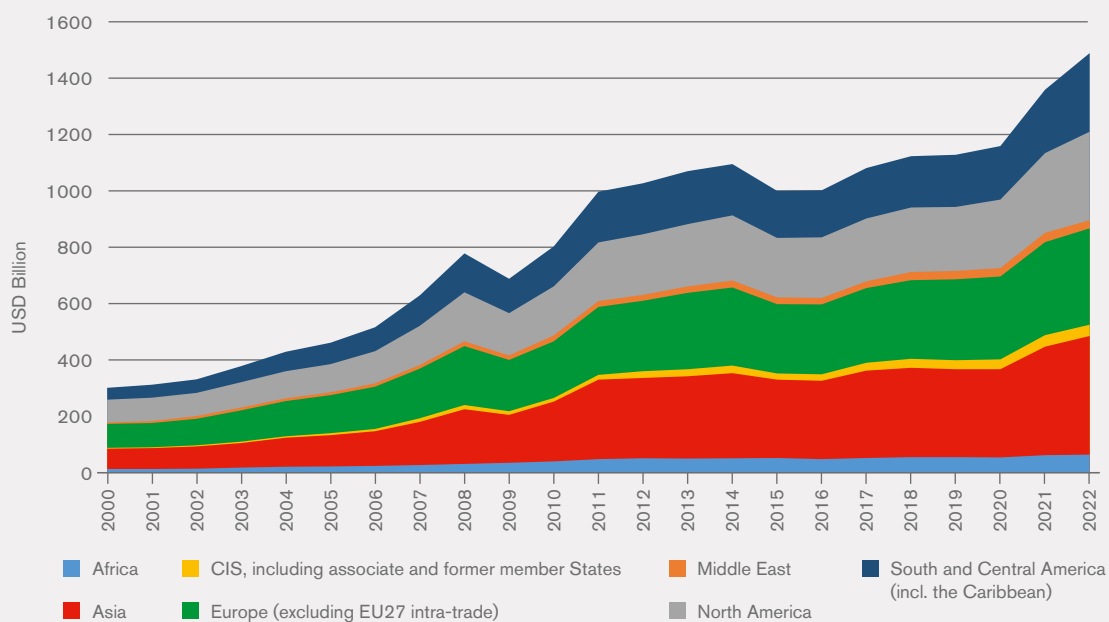
that support for the agricultural sector hit record levels in the 2020-22 period, using a metric which includes both budgetary outlays and the effect of border measures such as tariffs (OECD, 2023).

In 2020-22, the OECD found that, in 54 economies¹⁰ it analysed, the ability of consumers to buy food was strengthened by US\$ 115 billion in support for consumers; governments also provided US\$ 106 billion worth of “general services” to the farming sector (such as in the form of research, infrastructure, and farmer advisory services). Neither the category of consumer support, nor that of general services was considered to be contributing to market distortions (OECD, 2023). However, another US\$ 630 billion was provided in support to individual producers, including highly distorting forms of support such as payments tied directly to prices and production, thereby undermining efforts to correct and prevent trade restrictions and distortions in world agricultural markets (SDG 2b).

Research by the FAO has found that the agri-food system imposes “hidden costs” of at least US\$ 10 trillion, as a result of unhealthy diets, environmental costs, and undernourishment (FAO, 2023a). Progress on SDG 2 will require governments to take steps to address these costs, including by reforming subsidies, reinforcing environmental protection and strengthening social safety nets.

Trade in food and farm goods has helped to absorb economic shocks and strengthen resilience

By helping to move food and farm goods from surplus to deficit regions, trade improves the availability of food on global markets, and, by cushioning local shocks, also improves stability (SDG 2.1).

Figure 4: Agricultural trade value grew five-fold between 2000 and 2022

Source: WTO (https://www.wto.org/english/tratop_e/agric_e/ag_imp_exp_charts_e.htm).

WTO analysis shows that agricultural trade has been more resilient to shocks than other economic sectors. It has grown rapidly and relatively steadily across all world regions, and increased five-fold between 2000 and 2022 (see Figure 4).

The steady growth of agricultural trade, and its apparent resilience to shocks, can be seen as being due to several important factors. Demand for food and agricultural commodities is relatively inelastic, with households continuing to buy food even if they have to forego outlays in other areas. Supply can also be substituted easily if shocks occur, as unexpected shortfalls in exporting regions can be met by increased exports by producers elsewhere. To some extent, goods within the same product group can also substitute for one another – for example, livestock producers can switch between different feed grains.

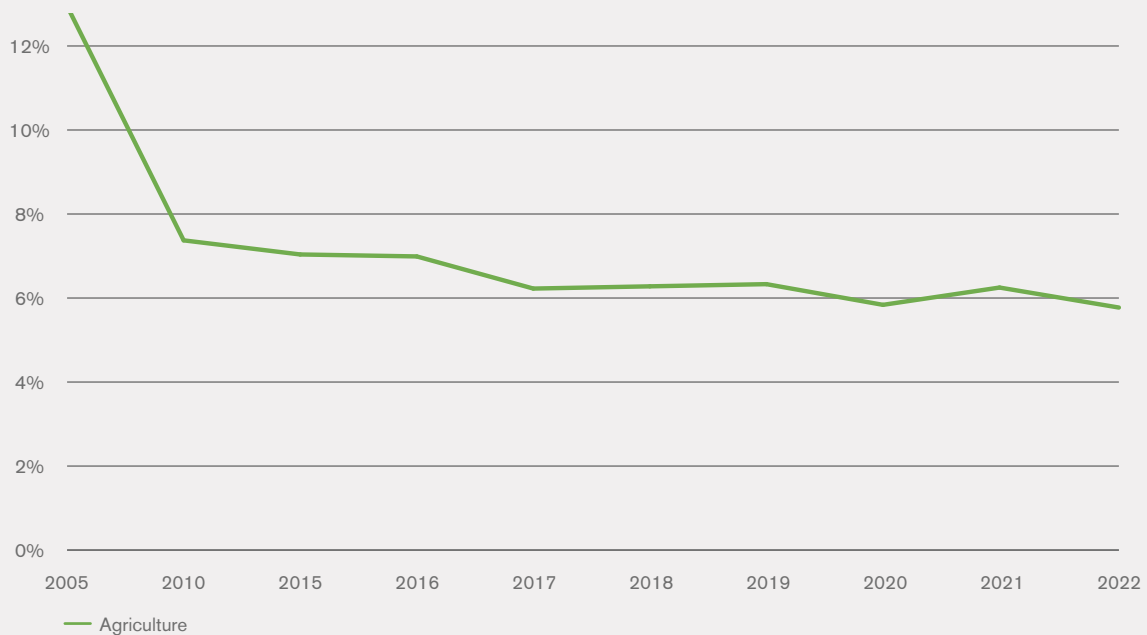
Because trade in agricultural commodities relies heavily on bulk maritime shipping, the sector was relatively unaffected by policy measures imposed during the COVID-19 pandemic, beginning in 2020, although some sub-sectors (such as horticultural products) were initially affected by supply chain disruptions (WTO, 2020). However, while the availability of food at the global level remained relatively stable, access to food and nutrition was impeded in many developing economies as the incomes and employment of vulnerable people were

affected by restrictions on the movement of persons, reduced remittances flows and reduced revenues from services trade particularly affected by the pandemic, such as tourism (Schmidhuber, Pound, and Qiao, 2020; Schmidhuber and Qiao, 2020).

Tariffs on agricultural goods have also fallen over time, improving the overall availability of food and easing access to safe, sufficient and nutritious food for consumers (as per SDG targets 2.1 and 2.2). The average applied tariff (including preferences) on agricultural goods was 13 per cent in 2005, but this fell to 6.2 per cent in 2021 (see Figure 5). Bilateral agreements and unilateral policy reforms have contributed to lowering trade barriers. However, tariff peaks on some agricultural products are often much higher than average levels, sometimes even exceeding 1,000 per cent (WTO et al, 2023). Lower tariffs can contribute towards the objective of providing secure and equal access to markets and opportunities for value addition, which in turn is important for improving the productivity and incomes of small-scale food producers (as per SDG target 2.3).

Trade supports livelihoods and improves access to food

WTO data show that, in the first decade of this century, China's merchandise imports and exports

Figure 5: Evolution of average applied tariffs worldwide on agricultural products

Source: SDG Trade Monitor (<https://sdgtrade.org/en/indicators/17-10-1/BP/1/>).

both grew six-fold – corresponding with a dramatic reduction in the prevalence and number of undernourished people in the country.¹¹ In 2020-22, less than 2.5 per cent of China's population was undernourished – down from 10 per cent in 2000-02, or 131.3 million people (FAO, 2023b). Trade across economic sectors has been an important driver of the country's economic transformation.

Similar trends are apparent in a number of other Asian economies which were home to large numbers of undernourished people just over two decades ago. In Indonesia, Myanmar, the Philippines, Thailand, and Viet Nam, the number of undernourished people has fallen by nearly 68 million in total, while trade has grown.

However, in several other economies, the number of undernourished people, which had fallen in the first decade of the century, has since risen, even though goods and services trade has grown. This trend is apparent in India, which alone accounts for one-third of all the undernourished people in the world, as well as in Brazil, Ethiopia, Kenya, Madagascar and Pakistan.

Conflict, climate extremes, economic slowdowns and downturns, and growing inequality have been among the main drivers of food insecurity, along with the impact of the COVID-19 pandemic, according to the FAO and other international agencies (FAO, 2023).

Trade has helped bring food prices down from recent record peaks

The FAO Food Price Index was 26 per cent lower in January 2024 than when food prices peaked in March 2022. However, the FAO reported that India's export restrictions on rice were among factors contributing to a rise in global prices for the staple grain, with the agency's rice price update showing rice prices increased by 12 per cent increase between June and September 2023.¹²

After a spike in 2022, fertilizer prices have also dropped back closer to previous levels, reflecting a fall in prices on global energy markets and robust trade in fertilizers despite disruptions affecting other economic sectors.

Following the outbreak of the war in Ukraine, global trade in key food commodities (e.g., wheat and maize) remained stable despite the shock to Black Sea maritime trade (WTO, 2023a). The Black Sea Grain Initiative, in particular, helped to facilitate the export of Ukrainian grain and other foodstuffs from July 2022 to July 2023, when it was discontinued.

Since September 2023, Ukraine's humanitarian shipping corridor has facilitated agricultural exports from the country: these reached pre-war levels in

December 2023 (>7 million tonnes), 86 per cent of which were via ports¹³). After the outbreak of the war, the initial shortfall in Ukrainian wheat exports could also be compensated at the global level by increased exports from other exporting countries and regions.

Nonetheless, by affecting trade and production, geopolitical and weather-related factors are among those continuing to threaten food security. Recently, these factors have included insecurity in the Suez Canal, drought in the Panama Canal and the El Niño phenomenon.

Many developing economies still face high food prices due to inflation

Despite the fall in the FAO food price index since March 2022, poor households in many developing economies continue to face difficulties in accessing food, with both overall inflation and food price inflation persistently high.

World Bank data show that nominal food inflation is at 251 per cent in Argentina, 208 per cent in Lebanon and 173 per cent in Venezuela (World Bank, 2024). It was also in double digits in several other economies, including Türkiye (72 per cent), Egypt (61 per cent), Sierra Leone (57 per cent), Malawi (44 per cent) and Iran (41 per cent). Food price inflation exceeded overall price inflation in 71 per cent of the 165 economies for which both sets of data are available.

The underlying causes include a strong US dollar, currency devaluation in some economies, and high energy and transport prices.

The WTO is contributing to progress

The multilateral trading system steered by the WTO has been credited with promoting food security by keeping markets open and predictable. This can be seen in the ways in which economies accessed food supplies during the COVID-19 pandemic and the recent geopolitical crisis in Ukraine. The reduction of tariffs negotiated through the WTO has facilitated a more efficient global food market, allowing economies to import needed supplies. As mentioned earlier, open trade helps ensure that food produced in areas with surpluses can reach economies facing shortages. However, the current situation with food price inflation shows that a purely

trade-focused approach may not be enough. To ensure long-term food security, there needs to be coherence among trade policies, economic policies that address issues like inflation, and financial instruments that can help economies afford food imports.

Negotiating reforms to agricultural trade rules

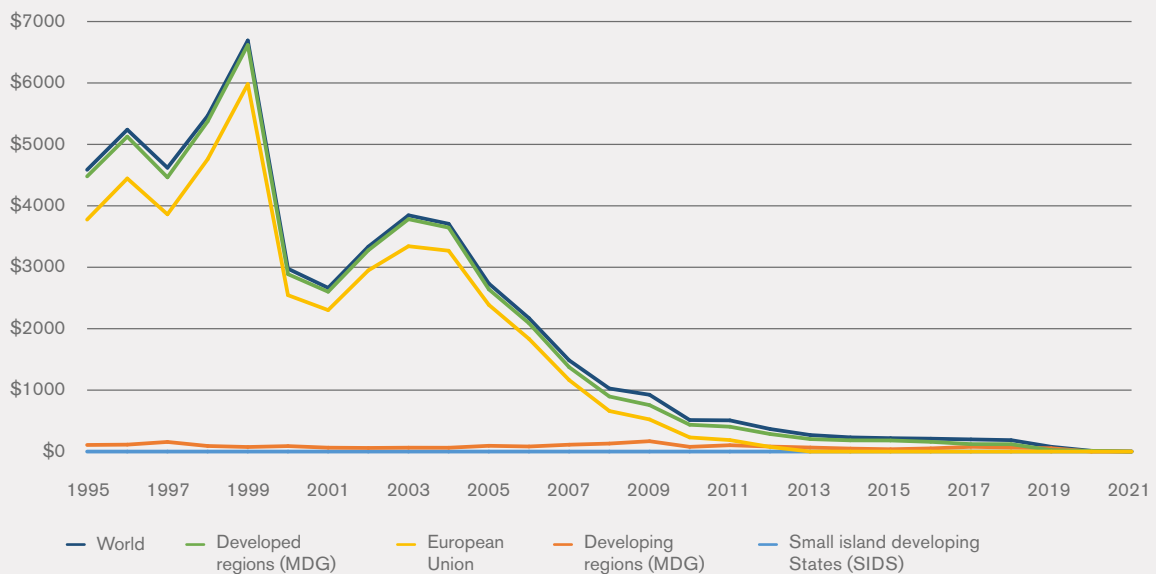
The WTO provides a platform for members to negotiate reforms to agricultural trade rules which can contribute to progress on SDG 2. At the 10th WTO Ministerial Conference in Nairobi, Kenya in 2015, WTO members agreed to eliminate agricultural export subsidies – a type of policy measure that has been recognised as the agreed indicator for progress on SDG target 2.b, and that has long been seen as a source of unfair competition on global markets for food and agriculture. In 2021, agricultural export subsidies notified to the WTO fell to under US\$ 5,000, from a peak of almost US\$ 7 billion in 1999 (see Figure 6).

In 2022, WTO members also agreed that food bought by the WFP for humanitarian purposes would not be subject to export restrictions, in a decision that was adopted at MC12 – the Ministerial Decision on World Food Programme (WFP) Food Purchases Exemptions from Export Prohibitions or Restrictions.¹⁴ The decision was part of a package of outcomes that also included the WTO's landmark 2022 Ministerial Declaration on the Emergency Response to Food Insecurity,¹⁵ the WTO Agreement on Fisheries Subsidies¹⁶ and a declaration on sanitary and phytosanitary measures,¹⁷ covering food safety and plant and animal health.

The WFP has stated that the MC12 Ministerial Decision¹⁸ has enabled it to enhance and diversify access to surplus local production and has facilitated international and regional commodity movements. In particular, the agency has reported undergoing a consistent increase in the number of sourcing economies – from 91 in 2020 to 101 in 2022 – allowing it to procure essential food and commodities more efficiently, nearer to where its operations take place, and to generate positive economic impacts in more economies worldwide.

Although the 13th WTO Ministerial Conference (MC13) ended on 2 March 2024 with no agreed outcome on the unresolved issues on the negotiating agenda, WTO members are expected to continue talks on these questions, including their food security dimensions¹⁹.

Figure 6: Progress towards the elimination of agricultural export subsidies (US\$ millions)



Source: SDG Trade Monitor (<https://sdgtrade.org/en/indicators/2-b-1/BC/1/>).

Providing a space for dialogue

The WTO's regular committee work – in particular the Committee on Agriculture and the Committee on Sanitary and Phytosanitary (SPS) Measures – play a crucial role in enabling WTO members to raise and resolve issues related to trade in food and agriculture, as well as food safety and plant and animal health. Doing so can contribute to progress in correcting and preventing trade restrictions and distortions in world agricultural markets, and can help to limit extreme food price volatility (SDG targets 2.b and 2.c).

In 2022, the Committee on Agriculture initiated a work programme on food security, focusing specifically on the needs of least-developed countries (LDCs) and net food-importing developing countries (NFIDCs), under paragraph 8 of the MC12 Ministerial Declaration on the Emergency Response to Food Insecurity. This work led to the adoption of a report at a special meeting on 17 April 2024, which contained recommendations on how to help LDCs and NFIDCs respond to acute food insecurity. Some recommendations include:

- Members prioritizing reducing import costs for food and agricultural products.
- WTO food aid donor members maintaining their food aid levels.

- LDC and NFIDC members exploring ways to minimize operational costs for food aid transactions.
- The Committee on Agriculture examining concerns raised by LDCs and NFIDCs regarding their ability to meet domestic support commitments due to inflation.

The Committee on Sanitary and Phytosanitary Measures similarly launched a work programme following a separate Sanitary and Phytosanitary Declaration²⁰ agreed by ministers at MC12.

Conducting research and monitoring policies

The WTO has been monitoring the number of export restrictions imposed since the war in Ukraine began in February 2022.²¹ Since then, the number of export restrictions imposed by WTO members and observers has stabilized, while the type of export restrictions imposed has evolved, with such restrictions becoming relatively less restrictive in nature (for example, outright bans have been transformed into export quotas or licensing measures) and becoming diversified away from core staple foods such as grains and oilseeds.

Between 24 February 2022 and 12 June 2024, a total of 141 export-restrictive measures on food,

feed and fertilizers had been introduced by 39 WTO members and eight observers. During the same period, 68 such measures were phased out, leaving 73 still applied (imposed by 28 WTO members and eight observers).

The WTO contributes actively to the work of the Agricultural Market Information System (AMIS), an inter-agency platform that seeks to enhance food market transparency and policy responses for food security. WTO members acknowledged the positive role that AMIS played with regard to the MC12 Ministerial Declaration on the Emergency Response to Food Insecurity. They also emphasised the importance of promptly sharing relevant information about policies that could affect trade and markets for food and agriculture.

In April 2023, the WTO collaborated with the FAO and the World Bank to prepare a report for the G20 that assessed policy responses to rising global food insecurity and made recommendations on how to move forward (FAO, WTO, and World Bank Group, 2023). The report builds on analysis published in the World Trade Report 2022 on climate change and food security (WTO, 2022), elements of which were also reflected in the WTO's publication on trade policy tools for climate action (WTO, 2023c) (SDG target 2.4).

Building capacity

The WTO houses and manages the Standards and Trade Development Facility (STDF),²² a global partnership to facilitate safe and inclusive trade, established together with the Food and Agriculture Organization of the United Nations (FAO), the World Health Organization (WHO), the World Bank Group and the World Organisation for Animal Health (WOAH). The STDF responds to evolving needs, drives inclusive trade and contributes to sustainable economic growth, food security and poverty reduction, in support of the SDGs. It operates as a coordination and knowledge platform, convening stakeholders across agriculture, health, trade, and development, identifying good practice to improve food safety, animal, and plant health capacity in developing economies. It also provides funding for the preparation and delivery of collaborative and innovative SPS projects that facilitate safe trade. The STDF issues briefings, publications, project stories and videos, as well as a monthly newsletter.²³

Communication and engagement

In 2022 and 2023, a series of joint statements issued by the WTO Director-General, Ngozi Okonjo-Iweala, with the heads of other international agencies drew attention to the steps that economies could take to ensure that national policies affecting trade and markets do not undermine food security.²⁴ Director-General Okonjo-Iweala has consistently called upon members to exercise restraint in applying export prohibitions or restrictions on food, given the impact these measures can have on pushing up food prices in world markets and on undermining availability and access to food, especially for the most vulnerable consumers in low-income food-importing economies.

In addition, the WTO Secretariat has sought to inform and engage the public on the subjects of trade, food security and nutrition, as well as sustainable agriculture and food systems, by means of events convened under its Trade Dialogues on Food series²⁵ and through "News Harvest",²⁶ its regular monthly news round-up on trade and markets for food and agriculture.

A number of further actions can be taken by stakeholders to help fulfil SDG 2. A top priority for political leaders must be to revitalise WTO negotiations on agriculture, by providing clear guidance on how to reinvigorate the long-running talks, so that these can deliver on their objectives and contribute to progress towards SDG 2. Governments should also consider how best to fast-track progress on trade policy outcomes that deliver concrete improvements to the lives of the most vulnerable people, especially those in low-income food-importing economies.

In addition, governments can take steps to support people's livelihoods and improve food security outcomes by enabling producers and traders in developing economies to meet international standards in areas such as food safety and plant and animal health. They can also seek to mainstream trade in national climate action plans, with a view to ensuring that trade supports more sustainable agriculture and food systems. Finally, governments can ensure that policies affecting trade and markets enable progress towards SDG 2 by supporting applied research and analysis that strengthens the evidence base for policy action.

SDG 13: Climate Action

“The fact is, we cannot get to net-zero without trade because it is indispensable for spreading low-carbon technology to everywhere it is needed.

WTO Director-General Ngozi Okonjo-Iweala, Launch of ‘Trade Day’ at COP28, December 2023 (WTO, 2023d)

Trade can be part of the solution to environmental challenges

The relationship between trade and environmental sustainability is complex and multi-faceted. While trade may add to environmental challenges as it increases transportation and production, trade also leads to positive environmental outcomes by allocating resources more efficiently and helping to develop, deploy and diffuse environmental technologies.

Trade can increase transportation and production-related pollution

International trade enhances global production efficiency, leading to increased global consumption and elevated living standards worldwide. However, this expanded production and consumption of traded goods contributes to greenhouse gas (GHG) emissions and other environmental challenges. The movement of goods and people across borders implied by international trade also generates GHG emissions. On average, two-thirds of trade-related emissions stem from production activities, with transportation accounting for the remaining third (Cristea et al., 2013). Moreover, in the absence of adequate government regulations, international trade can contribute to adverse environmental effects by promoting activities such as deforestation, habitat degradation and unsustainable resource extraction.

Trade facilitates the production and consumption of goods and services in different geographical regions, enabling economies to capitalize on their comparative advantages. However, while some economies can concentrate on cleaner production, others may experience worsening environmental conditions as a result of increased industrial activity and resource extraction.

Trade can also promote environmental protection by diffusing green technologies

While trade has contributed to increased emissions in recent decades, advancements in technology partially counteract this effect. Developing economies experience rising emissions due to trade openness, but the technology diffusion afforded by trade openness can mitigate some of the negative impact.

International trade brings direct benefits to the environment by spreading environmental technologies across borders, improving energy efficiency and increasing possibilities for renewable energy generation. The value of environmental goods imports has risen over the years, contributing to enhanced energy efficiency. Multinational companies transfer environmental technology through foreign direct investment, further promoting sustainable practices.

Economic liberalization also enlarges the market share of efficient firms, reducing pollution per unit of production. Exporters exhibit lower pollution intensity than non-exporters, and a reduction in trade costs allows more efficient firms to expand, decreasing industry-wide emission intensity.

Trade stimulates innovation and investment in environmental technologies by expanding markets and revenues. Exporting firms increase expenditure on pollution abatement and production process improvements. Access to larger markets through trade reduces production costs in environmental goods, fostering economies of scale.

Finally, trade can indirectly improve environmental standards by boosting incomes and living standards. Increased per capita income from trade raises demand for a cleaner environment, prompting stricter environmental regulations. The Environmental Kuznets Curve theory suggests that, as societies become wealthier, they invest more in environmental

quality. Higher-income economies enforce stricter regulations due to increased awareness, technical capacity and community empowerment.

Trade-related policy tools are increasingly used to address environmental challenges

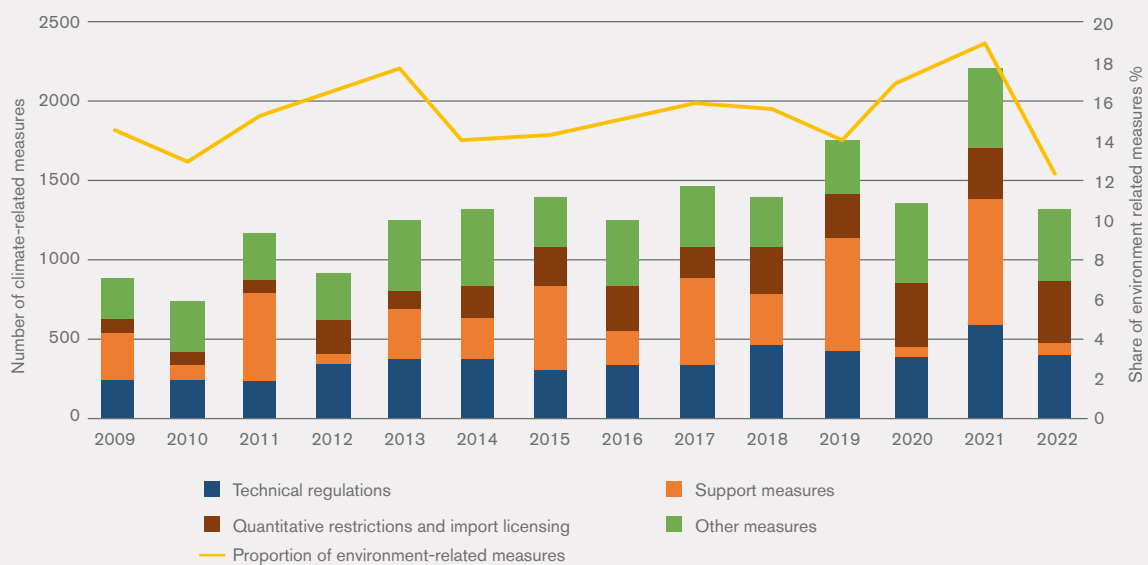
The portfolio of trade-related economic policy tools intended to slow climate change and address other environmental concerns includes environmental taxes/pricing, subsidies, regulations and standards, labelling requirements, and in some instances, quantitative trade restriction. Overall, in recent years, there has been a proliferation of environmental policies with potential trade implications, as a growing number of WTO members, including developing economies and LDCs, come to rely on trade-related policies to achieve environmental objectives. This is reflected in the increasing number and rising share of such measures notified to the WTO and recorded in the WTO Environmental Database (See Figure 7). The most common types of trade-related environmental measures are technical regulations and government support measures. Other types of measures include quantitative restrictions and import licensing.

Policy fragmentation could hinder the green transition

Coordinated environmental policies are vital to mitigate potential negative trade impacts and promote more effective environmental measures. Overly fragmented environmental policies, such as proliferating carbon pricing and subsidy schemes, can result in less effective and more costly measures. Uncoordinated policies can also negatively impact trading partners through spillover effects, raising concerns in WTO committees and bodies. International effects can arise from differing approaches to carbon mitigation and incompatible standards, and cause uncertainty, decrease efficiency, and increase trade costs. In contrast, harmonization of international standards and mutual recognition of certification schemes in regional trade agreements, for example, can enhance trade flows and facilitate market entry for third-country firms.

Environmental policies that negatively impact trading partners can create trade tensions and even give rise to retaliatory measures, leading to trade conflicts and jeopardizing the effectiveness of climate action and collective efforts under multilateral environmental agreements.

Figure 7: Increase in trade-related environmental policies under various WTO Agreements



Source: WTO based on WTO Environmental Database (<https://edb.wto.org/>).

Geopolitical tensions threaten environmental sustainability

Economic decoupling driven by geopolitical tensions poses significant challenges for environmental sustainability, alongside fragmented environmental policies. Decoupling entails forsaking many of the benefits of international trade and risks hindering innovation, slowing the diffusion of environmental technologies and raising technology costs.

Trade tensions can reshape the distribution of GHG emissions across supply chains. Simulation studies find that, in a scenario in which China and the United States stopped trading, the ensuing relocation of production to the rest of the world would increase net global GHG emissions by 0.3 per cent to 1.8 per cent (Yuan et al., 2023). Reduced trade can also limit technology spillovers and thereby impede responses to environmental challenges. Knowledge diffusion enhances productivity and can potentially reduce the costs of climate mitigation, suggesting that decoupling could substantially increase mitigation costs.

In addition, economic fragmentation could reduce economies of scale, making environmental goods and services costlier. For instance, localizing solar photovoltaic production requirements could significantly raise prices, thereby reducing their deployment and leading to job losses in the industry. Global value chains (GVCs) play a vital role in amplifying cross-border knowledge diffusion. When economic interdependence decreases, green technology flows diminish.

Re-globalization, which is characterized by heightened global integration and cooperation, offers avenues for environmental protection. For example, the greater emphasis on digital and services trade resulting from more global integration can diminish the environmental impact of international trade, while coordinated environmental policies are pivotal to harnessing trade for addressing global environmental issues effectively.

Services and digital trade offer a greener future

The evolution of global trade toward an increase in services and digital trade could help to reduce the carbon footprint of international trade. Traditionally non-tradeable services, including information, communications, financial activities and entertainment, can now be digitally delivered. Projections suggest that by 2040, the share of services trade in global

trade could surpass 30 per cent, with a significant increase in digitally delivered services. This shift indicates a potential reduction in carbon intensity in trade due to changes in technology and trade policies (WTO, 2019a).

Integrated trade and environmental governance

Addressing global environmental challenges like climate change and biodiversity loss requires collective, coordinated global action. Coordinated government support for clean technology research and development (R&D) can accelerate the green transition. Global policy alignment, combining environment-oriented R&D subsidies, harmonized regulations and carbon pricing instruments, is crucial both to innovate clean technologies and to facilitate their diffusion globally. Without coordination, dirty production inputs or waste and end-of-life products may shift to less regulated regions, undermining environmental progress.

Policy coordination extends beyond environmental policies to trade policies. Multilateral negotiations to eliminate tariff escalations, particularly in carbon-intensive industries, could help rectify this environmental bias in trade policies.

Trade policies also play a crucial role in addressing plastics pollution. Trade measures to combat plastics pollution involve tracking plastics trade flows, promoting safe recycling and reuse practices, and encouraging trade in sustainable alternatives to plastics. Aside from the environmental benefits, sustainable plastics management offers substantial economic gains, including job creation and cost savings. To address this issue, a group of WTO members launched an initiative in 2020 to explore ways in which the WTO could contribute to efforts to reduce plastics pollution and promote more environmentally sustainable trade in plastics. The initiative aims to improve transparency, strengthen regulatory cooperation and enhance technical assistance for vulnerable economies.

Trade policy tools for climate action

By employing these trade policy tools, economies can work towards mitigating climate change and adapting to its consequences. Coordinated action and international cooperation are essential to ensure that trade contributes positively to addressing this global challenge.

In 2023, the WTO released “Trade Policy Tools for Climate Action,” (WTO, 2023c) which explores ten trade policy areas that governments can leverage for climate change mitigation and adaptation. These include trade facilitation under the WTO's Trade Facilitation Agreement, which streamlines customs procedures to reduce trade costs, particularly benefiting poorer economies. The report also highlights the significant impact of government procurement, which comprises about 13% of global GDP and is linked to roughly 15% of greenhouse gas emissions, suggesting that green procurement policies could substantially lower emissions while yielding economic gains. Regulatory alignment and certification through international standards can minimize energy consumption and emissions by preventing regulatory fragmentation, especially in energy efficiency upgrades.

Trade in services like those crucial for climate strategies could be enhanced by easing restrictions, which would bolster government efforts towards climate resilience. Adjusting import tariffs could promote greener products by making them more affordable, supporting the transition to a green economy. Subsidy reforms could free up resources to support further climate actions, and enhancing trade finance could spread climate-related technologies more widely.

The report argues for more open and efficient global markets for food and agricultural products to aid climate action, enhance food security, and stabilize prices for food and fertilizers. Adherence to the WTO's Sanitary and Phytosanitary (SPS) measures ensures that climate-related SPS regulations are science-based and internationally standardized. Furthermore, better coordination of non-discriminatory internal taxes, including carbon pricing, could decrease policy fragmentation and compliance costs. Collectively, these trade policy tools are vital for economies to effectively address climate change challenges through coordinated international cooperation.

Government procurement and climate action

Government procurement²⁷ is of considerable economic importance, accounting for 5 to 20 per cent of national GDP, on average, and about 13 per cent of world GDP (i.e. approximately US\$ 13 trillion per year) (World Bank, 2021). It can play a role in contributing to the achievement of SDG 13.

The effectiveness of government procurement as a tool to combat climate change and its impacts results from the sheer volume of demand for goods and services that it represents in practice. The buying power of governments can be deployed at all levels

of government to help economies transition to greener, low-carbon and circular economies. Appropriate climate-sensitive government procurement policies notably provide governments with a powerful lever to:

- shape and steer markets by influencing incumbent suppliers, if governments choose to purchase climate change-friendly or low-carbon goods and services. Thanks to the high volume of public sector demand, this can encourage the private sector to shift its entire production towards such goods and services, thus changing the marketplace for all buyers.
- create markets for new market entrants, such as suppliers of new green goods and services.
- stimulate green innovation, as governments can use procurement to prompt the private sector to identify innovative solutions to climate change problems.

The growing need for climate change adaptation measures means that governments must increasingly procure goods and services that can help to strengthen their economies' capacity to adapt to climate change (e.g., cooling systems, storm protection, the construction of dams and seawalls) and to respond to emergencies caused by climate change.

While government procurement can be a highly effective tool to pursue climate change mitigation and adaptation, the carbon footprint of government procurement activities is not negligible. One report (WEF and BCG, 2022) has suggested that government procurement may be directly or indirectly responsible for around 15 per cent of global GHG emissions, created in the production of the goods and provision of services that governments procure. However, while transitioning to climate-sensitive government procurement may initially result in a slight increase in governments' procurement costs, over time procurement costs can be expected to decrease with the scaling up of new technologies and other factors.

Climate-sensitive government procurement policies can also lead to financial savings for governments if they take into account the full life-cycle costs of purchased goods. Moreover, such government procurement policies can be expected to produce significant economic benefits, such as new green jobs, enhanced efficiency in energy and other resource use, and accelerated innovation (World Bank, 2021).

Governments can provide clarity and encouragement to their procuring entities by explicitly permitting the use of climate-sensitive technical specifications and evaluation criteria in tenders, or even by making the use of such evaluation criteria not just optional but mandatory.

In addition, governments can open their procurement markets, at least in part, to allow international suppliers to compete for certain high-value public contracts on a non-discriminatory basis, which can help to overcome a potentially costly and climate-inefficient home bias. A well-established, binding and reciprocity-based international instrument in this regard is the plurilateral WTO Agreement on Government Procurement (GPA 2012).²⁸ Market-opening can be expected to increase the number of bidders and thus enhance competition and value for money when purchasing climate-friendly goods and services. Moreover, market-opening can allow access to climate-friendly technologies that may not otherwise be available in the domestic market.

The green transition offers development opportunities

More sustainable trade presents development opportunities for economies historically marginalized in globalization. International environmental treaties acknowledge that different economies have varying responsibilities and capacities and emphasize the need to balance environmental protection with sustained economic growth, especially for impoverished populations.

Re-globalization opens doors for developing economies to engage in renewable energy trade,

BOX 1:

Aid for Trade and the transition to clean energy

Clean energy is increasingly dominating global electricity production. This is demonstrated by International Energy Agency (IEA, 2021) estimates which show that by 2050, nearly 90 per cent of electricity will be generated through clean energy sources. For developing economies, supporting this transition could help fulfil climate objectives, advance industrial development, improve energy affordability and promote energy security.

International trade can help developing economies to boost growth prospects by opening opportunities for participation in value chains associated with clean energy production. Many developing economies, including LDCs, enjoy competitive advantages that could enhance their export potential and accelerate their growth. For instance, developing economies with substantial clean energy endowments could participate directly in cross-border renewable energy trade, and many developing economies could expand their participation in value chains associated with the production of clean energy technologies. This trade is expected to increase over the coming decades, given the rapid rise in clean energy demand.

Leveraging such opportunities will require a sustained flow of financing to support the capacity of developing economies to adapt to an energy transition. Yet, despite representing two-thirds of the global population, developing economies, including LDCs, receive less than one-fifth of global clean energy investments (IEA, 2021a).

Aid for Trade can play a catalytic role in helping to close this investment gap. This view is reflected in the responses to the 2022 Aid for Trade Monitoring and Evaluation exercise, as more than 60 per cent of donors and developing-economy partners indicated that Aid for Trade could help with the upgrade of existing energy and power generation infrastructures that were acting as impediments to a climate transition. This prioritization is reflected in financing flows, as an increasing share of Aid for Trade has been allocated towards clean energy infrastructure over recent years.

Much more could be done. Aid for Trade could be harnessed to address not only clean energy generation but also to achieve trade growth and export diversification in developing economies and LDCs. Financing can help to expand developing domestic infrastructure to facilitate clean energy trade, implement policy reforms, and assist micro, small, and medium-sized enterprises (MSMEs) integrate into international clean energy value chains.

A recent WTO report outlines the possible role of Aid for Trade during a clean energy transition (WTO 2024xx), focusing on the support provided by development finance partners and the trade and market opportunities for developing economies and LDCs arising in different segments of the clean energy value chain, and on how Aid for Trade can be leveraged to tap unutilized potential for renewable energy generation.

particularly those rich in resources necessary for that trade. Accessing renewable energy technologies through trade and technology transfer is important to enable developing economies to leverage their renewable energy potential.

Decarbonization and technology uptake could reshape energy exports, particularly in traditional fossil fuel exporters and middle-income economies. Developing economies can also capitalize on the green transition by developing trade in raw materials critical for clean energy production, such as lithium and cobalt, stimulating economic growth and fostering environmental sustainability (see Box 1).

The role of the WTO in supporting environmental sustainability

International cooperation, including trade policy, is vital for addressing global environmental challenges. Regional trade agreements (RTAs) increasingly integrate environmental provisions. The WTO, recognizing sustainable development as a core objective, ensures predictability and prevents protectionism in environment-related trade policies.

The WTO Agreement on Fisheries Subsidies, which focuses on environmental protection, prohibits harmful subsidies contributing to overfishing and the depletion of fish stocks. The WTO Committee on Trade and Environment facilitates discussions on trade measures for environmental objectives, fostering transparency, cooperation and resolving trade concerns.

Proposed reforms of the WTO aim to strengthen the role of trade in environmental protection, to promote the liberalization of trade in green technologies and investment in environmental industries, and to encourage the development of a skilled workforce. International trade cooperation can enhance supply chain transparency and accountability, promoting sustainable production and trade practices. Discussions on climate policies within the WTO framework seek to reconcile environmental actions with trade rules, ensuring predictability and avoiding disputes.

New sustainability-focused initiatives, such as the Trade and Environmental Sustainability Structured Discussions (TESSD), the Dialogue on Plastic Pollution and Environmentally Sustainable Plastics Trade (DPP) and the Fossil Fuel Subsidy Reform (FFSR) initiative, demonstrate WTO members' commitment to addressing global environmental challenges through concrete trade-related actions.

The importance of trade for the climate transition is increasingly foregrounded. The 2023 United Nations Framework Convention on Climate Change (UNFCCC) Conference of the Parties (COP28) was the first COP with a dedicated Trade Day, organized by the WTO and the United Arab Emirates in cooperation with UN Trade and Development (UNCTAD), the International Chamber of Commerce (ICC), the World Economic Forum (WEF) and the Abu Dhabi Department of Economic Development. The WTO Secretariat hosted the first Trade House Pavilion at COP28 with the ICC, International Trade Centre (ITC) and UNCTAD, at which 47 different sessions and more than 200 speakers featured. Several publications and initiatives were launched at COP28 by the WTO Secretariat, including the 10 "Trade Policy Tools for Climate Action" mentioned above, a set of "Steel Standards Principles" bringing together diverse stakeholders to increase harmonization of steel decarbonization standards, and a joint report by the WTO and International Renewable Energy Agency (IRENA) titled International Trade and Green Hydrogen: Supporting the Global Transition to a Low-Carbon Economy.

In many economies, governments have implemented policies with the objective of improving the business environment or tilting the structure of economic activity toward sectors, technologies or tasks that are expected to offer better prospects for economic growth or societal welfare. However, innovation policies have shifted away from simply aiming to build capacity in the manufacturing sector, as digitalization has become one of the primary drivers of innovation and productivity. Increasing concerns about environmental degradation and climate change have given rise to government interventions to direct the economy towards a green growth path. The policy tools to address sustainability issues can include command-and-control measures (i.e., regulatory measures or prohibition of certain products and practices), market-based instruments (e.g., carbon pricing, government support and government procurement), information instruments to provide environment- and energy-related information to allow for informed choices, and voluntary agreements.

Open and transparent trade policies are also contributing to the development and the spread of environmentally friendly and low-carbon technologies. The shift to low-carbon farming – especially climate-smart agriculture techniques that focus on intercropping, crop rotation, agroforestry and improved water management – could bring further benefits to developing-economy farmers in terms of improved productivity, greater resilience, less deforestation, and reduced reliance on fertilizers and fuels (WTO, 2022). The diffusion of low-carbon technologies could provide poorer economies with the tools they need both to limit carbon emissions and to accelerate their development.

SDG 16: Peace, Justice and Strong Institutions

“Trade can help break the vicious cycles of fragility, conflict, and poverty. Trade can raise people’s incomes and build interdependence between communities and countries, contributing to shared prosperity and progress toward the Sustainable Development Goals.

WTO Director-General Ngozi Okonjo-Iweala, Launch of the “Trade for Peace Network”, March 2021

The relationship between trade and peace

SDG16 aims to “promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels”. To explain the WTO’s contribution to SDG 16, the relationship between trade, peace and the multilateral trading system should be explained.

The effects of conflict on trade

According to the World Trade Report 2023 (WTO, 2023b), the multilateral trading system is increasingly affected by rising security concerns, notably in the context of recent multiple crises and conflicts. The number and intensity of conflicts has risen sharply over the last decade and have the potential to impact trade greatly. The WTO must therefore seek to understand the relationship between trade and peace.

For example, while conflict prevents the production and smooth flow of goods and services, trade can also mitigate these effects. Thus, while exports of Ukrainian cereals, which are central to the food security of many African economies, declined by 14.9 per cent in 2022 following the outbreak of the war in Ukraine, alternative suppliers filled in the gaps for the majority of products affected by the conflict (WTO, 2023a).

The effects of trade on conflict

While conflict disrupts trade, how does trade affect conflict? The Liberal Peace Theory states that trade has a negative effect on conflict, particularly inter-state conflict. Hegre, Oneal and Russett (2010) find that bilateral trade promotes bilateral peace between

country pairs. Lee and Pyun (2016) find that the peace-promoting effects of bilateral trade are higher for contiguous economies, while the peace-promoting effects of global trade are higher for economies far apart from each other. However, Martin, Mayer and Thoenig (2008) find that trade has conflict-promoting and conflict-reducing effects, and the overall impact of trade on intrastate conflict depends on which of these effects is larger: given that conflict is destructive to trade, increased trade openness deters conflict for both rebel groups and the government because there is more to lose, but increased trade openness also acts as a substitute to internal trade by providing alternate sources of income, which serves as insurance against the costs of intrastate conflict.

The complex relationship between trade and peace requires more research to be fully understood. As the only global international organization dealing with the rules of trade between nations, the WTO must better understand the trade-peace nexus to ensure that trade can be as peace-promoting as possible. The history of the multilateral trading system is rooted in the peace-promoting effects of trade, and the WTO accession process can play a peace-promoting role and help to achieve SDG 16.

The history of the multilateral trading system

In the wake of the devastation of the First World War, US President Woodrow Wilson called for “the removal, so far as possible, of all economic barriers and the establishment of an equality of trade conditions among all the nations consenting to the peace and associating themselves for its maintenance.” While the League of Nations that Wilson envisioned failed to materialize, US President Franklin D. Roosevelt and UK Prime Minister Winston Churchill jointly revived its spirit through the Atlantic

Charter in 1941. This set the foundation for the creation of the multilateral trading system, starting with the 1947 Havana Charter for an International Trade Organization.

The Havana Charter begins: “Recognizing the determination of the United Nations to create conditions of stability and well-being which are necessary for peaceful and friendly relations among nations”, before outlining objectives for an International Trade Organization. While this organization failed to materialize, 23 contracting parties negotiated the General Agreement on Tariffs and Trade (GATT), the precursor to the WTO, in 1947. A number of extensive negotiating rounds throughout the second half of the 20th century culminated in the signature of the Marrakesh Agreement Establishing the World Trade Organization 30 years ago. Since then, the WTO has grown to 164 members, with 36 governments having successfully completed the accession process pursuant to Article XII of the Marrakesh Agreement as of June 2024.²⁹

Contribution of WTO accessions to SDG 16

Accession to the WTO is a comprehensive process that involves negotiations, legal and institutional reforms, and adjustments to an acceding member's economic and trade policies to align with standards and rules set by the WTO. While WTO accession is seen as an endeavour for economic development, the accession process can play a role in building institutions and promoting good governance, transparency and the rule of law.

Peace and security are one of the factors that can motivate the decision to apply for WTO membership. For example, during Timor-Leste's first working party meeting, Eng. Joaquim Amaral, Chief Negotiator and Coordinating Minister of Economic Affairs of the Republic of Timor-Leste, affirmed that “Timor-Leste prioritizes WTO membership, as it would help to leverage the ongoing improvements in its infrastructure, human capital, and administrative capacity, to accelerate growth and economic diversification.” Timor-Leste applied for WTO accession in 2015. During MC13, trade ministers of WTO members formally approved Timor-Leste's WTO membership terms.

Similarly, during the second ministerial meeting of the g7+ WTO Accessions Group, Hon. Mawine G. Diggs, Minister of Commerce and Industry of Liberia, explained that “[having] emerged after years of civil wars and the strike

of Ebola, Liberia had to unite as one nation seeking for peace and sustainable development. We opened up and sought speedy integration into the global economy, using it as an instrument for much needed domestic reforms, better governance and transformation as part of our nation-building strategy and Vision 2030.” Liberia applied for WTO accession in 2007 and became the WTO's 163rd member in 2016.

Some acceding governments thus seek to use WTO accession for domestic reforms and stability, but accession to the WTO is a lengthy and complex reform process: from application to WTO membership, the average length of the process for accessions completed pursuant to Article XII is 10 years and four months, while the average for ongoing accessions is 20 years and six months. To accede to the WTO, the acceding government must engage with WTO members to ensure its trade regime conforms with WTO standards and rules. To guide the accession process, a working party is established, composed of interested WTO members. Following rigorous negotiations, the WTO accession process culminates in WTO membership, contributing to SDG target 16.8, concerning strengthening participation in global governance. The results of the negotiations undertaken throughout the accession process take the shape of different commitments by the acceding government to align its trade regime with WTO requirements.

Technical assistance and capacity building

Acceding governments often face capacity and resource constraints to efficiently carry out accession negotiations. Technical assistance is provided to acceding governments by the WTO Secretariat on specific areas of interest in the WTO Agreements, such as sanitary and phytosanitary (SPS) measures, trade-related aspects of intellectual property rights (TRIPS), or services, among others.

Some projects focus specifically on developing the acceding government's capacity to negotiate accession, such as the “Facilitating the process of Uzbekistan's accession to the WTO” project, funded by the EU and implemented by the ITC. Other projects can focus on the development of trade capacity at a regional level, while still other projects are more specific, focusing on the development of one particular sector in an economy. For example, the Enhanced Integrated Framework (EIF)'s partnership with the International Centre of Insect Physiology and Ecology (ICIPE) aims to develop Ethiopia's honey trade as part of the EIF's wider support to

Ethiopia, which also included the establishment of a high-level steering committee to bring together key line ministries, development partners and the private sector.

These different technical assistance projects facilitate the accession process by increasing the acceding government's ability to negotiate and trade, but they also help to achieve SDG 16 by strengthening acceding governments' institutional capacity and knowledge and increasing the involvement of the private sector for more inclusive decision-making.

The Trade for Peace Programme

The g7+ WTO Accessions Group was established in 2017 on the margins of the 11th WTO Ministerial Conference in Buenos Aires by eight fragile and conflict-affected states (FCS),³⁰ which sought to develop away from fragility and conflict by means of WTO accession. In 2022, during MC12, the g7+ WTO Accessions Group issued a declaration recognizing the trade-related challenges faced by FCS, reaffirming the group's role as a platform to facilitate the integration of FCS into the WTO, and calling for the establishment of a Work Programme in the WTO aiming at understanding how trade could promote and support peace in FCS. In 2024, at MC13, the Group expanded its membership to include all 20 g7+ members and reiterated its declaration.

The vision of this group inspired the creation of the Trade for Peace (T4P) Programme by the Accessions Division of the WTO Secretariat, with the aim of better understanding how WTO accession, trade policy, and trade itself could help address the challenges wrought by fragility and conflict. The goal of the Programme is to help FCS in transitioning from fragility or conflict to stability and economic well-being through four pillars: (i) political engagement and partnerships, (ii) outreach and public dialogue, (iii) research and (iv) training and capacity-building.

The first pillar aims to establish and maintaining regular contact and exchange between the WTO and the key actors and bodies within the international community. The Trade for Peace Network was launched in March 2021 to serve as a platform for regular exchange between policymakers and experts working in the trade, peace and humanitarian sectors. In addition, the initiative "Trade for Peace: Future Leaders" was launched in 2022 to address SDG target 16.2 by shedding light on the reality of youth in FCS and highlighting the crucial role that young people can and will play in the future of trade and peacebuilding.

The second pillar seeks to incorporate the views of a wide range of stakeholders on the trade-peace nexus, while raising public awareness on the interlinkages between trade and peace. Various projects and events are organized under this pillar to raise public awareness on this topic, such as Trade for Peace Week, the Trade for Peace Podcast, the Trade for Peace Newsletter and various events in different formats organized throughout the year to spur discussion on the trade-peace nexus.

The third pillar aims for a better understanding of the trade-peace nexus through research, with the aim of developing a foundational knowledge base upon which trade policy could be better informed to be more conducive to peacebuilding. Initiatives include: an inter-agency Research and Knowledge Hub; a forthcoming publication showcasing various aspects of the linkages between trade and peace; a Trade for Peace Report in partnership with the Institute for Economics & Peace (IEP); a research project on conflict and the post-conflict trade policy instruments; a research project, conducted by the Geneva Graduate Institute's TradeLab International Economic Law Clinic, to analyse trade provisions in peace agreements and peace provisions in trade agreements; and a Trade for Peace consultancy project in partnership with the University of St. Gallen, Switzerland.

The fourth pillar focuses on the creation of learning opportunities on Trade for Peace issues. This is done by bringing experts from the fields of trade, peace, security and humanitarian affairs to share experiences and build a knowledge base on the trade-peace nexus. The aim is to provide trade practitioners and peacebuilders with the necessary training to use trade and economic integration as an instrument to promote inclusive and sustainable peace. To this end, two semester-long postgraduate courses were organized in partnership with the Geneva Graduate Institute in 2022 and 2023, and an executive education course is in the initial phases of development.

The WTO Trade Policy Review mechanism: building stronger institutions for development

As recognized in the 2030 Agenda for Sustainable Development, international trade is an engine for inclusive economic growth and poverty reduction, and it contributes to the promotion of sustainable development. For international trade to work in this way, transparency is essential. One way in which WTO members work towards enhancing transparency in trade is by conducting regular reviews of each

member's trade policies and practices. These reviews are known as Trade Policy Reviews (TPRs). As of end-2023, 580 TPRs had been conducted (including 33 reviews of LDCs), covering 160 WTO members.

The Trade Policy Review Mechanism (TPRM) was established in 1989, on a provisional basis, under the GATT, the WTO's predecessor. At the time, the reviews covered only policies and measures on trade in goods. With the creation of the WTO in 1995, TPRs were given a permanent role in the WTO and their scope was extended to include trade in services, trade-related intellectual property rights (TRIPS) and other policies and measures that are not necessarily covered by WTO rules but that may nonetheless have an important bearing on the international movement of goods, services, capital, and labour (e.g. competition, corporate governance, and environmental policy matters).

Each TPR is based on two written reports, one prepared by the WTO Secretariat under its own responsibility,³¹ and the other is prepared by the member under review. The frequency with which each member is reviewed depends on its share of world trade in both goods and services. The members with the four largest shares are reviewed every three years, the next 16 members every five years, and the remaining members every seven years.

The objective of the TPRM is "to contribute to improved adherence by WTO Members to the rules and disciplines" and to "achieve greater transparency in, and understanding of, prevailing trade policies and practices".³² The goal of the TPRM is also to examine the systemic impact of members' trade policies and practices on the trading system. The TPRM is a key element in the WTO's transparency function, as TPRs seek to promote both domestic and international policy coherence, and they can help to strengthen institutions for development by enhancing the information base and effective participation of relevant stakeholders.

In terms of SDG 16, the TPRM is helpful to members in several ways: the TPRM offers an opportunity for peer review, allowing members to learn from each other's experiences and help develop good practices in certain areas. TPRs seek to analyse the

role of trade and trade-related policies in a broader macroeconomic and structural policy context, thereby contributing to a better assessment of the coherence of various measures. By helping to evaluate the effectiveness of trade policies in achieving their objectives and their overall impact on the economy, the TPRM can be a unilateral reform catalyst for better, more inclusive, and more development-friendly trade and investment policies (Daly, 2011).

TPRs also foster domestic transparency, which is key in developing effective and accountable institutions. Given the broad coverage of topics in a TPR exercise, the member under review often increases internal coordination across government ministries and departments, including at the sub-national level. Thus, TPRs can facilitate the institutionalization of interagency coordination and help ensure policy coherence across different subjects.

In addition, all TPR documents³³ are made available to the public, which facilitates the proper assessment of the costs and benefits of trade policies. The involvement in the TPR process of domestic stakeholders such as the private sector, academia, and civil society, can help enhance public understanding of trade policies, strengthen government accountability and reduce the scope for discretion, all of which helps nurture strong domestic institutions for sustainable development (Hayafuji, 2021)³⁴.

The TPRM specifically helps to reduce the informational disadvantage faced by small enterprises, especially those in developing economies, which may not always have the resources to collect relevant information by themselves about policies and practices in actual or potential export markets. In addition, certain developing and LDC members have used the TPR process as a way to assess their needs for technical assistance and capacity-building.

Finally, members can use the TPRM to voice concerns about the effects of trading partners' policies on their own trade, thus helping to avoid that trade frictions escalate into costly and lengthy formal disputes.³⁵

SDG 17: Partnerships for Trade and Development

“ The WTO remains a source of stability and resilience in an economic and geopolitical landscape fraught with uncertainties and exogenous shocks. Trade remains a vital force for improving people’s lives, and for helping businesses and countries cope with the impact of these shocks.

WTO Director-General Ngozi Okonjo-Iweala, MC13 Closing Ceremony, March 2024 (WTO, 2024e)

The 13th WTO Ministerial Conference (MC13), held in Abu Dhabi from 26 February to 2 March 2024, brought together nearly 4,000 delegates to address critical challenges facing the global trading system. This chapter examines the key outcomes of MC13, acknowledging the cross-cutting nature of trade as a means to implement the SDGs and the UN 2030 Agenda for Sustainable Development, while highlighting how these outcomes contribute to the advancement of various SDGs.

A central achievement of MC13 was the adoption of the Abu Dhabi Ministerial Declaration³⁶, which recalled the objectives set forth in the Marrakesh Agreement and recognized the vital role the multilateral trading system can play in contributing towards the achievement of the UN 2030 Agenda and its SDGs, as they relate to the WTO mandate. The Declaration underscored the importance of integrating trade with sustainable development across its three pillars: economic, social, and environmental. By acknowledging these pillars, the WTO members emphasized the necessity of promoting inclusive economic growth, fostering social development, and ensuring environmental sustainability through trade.

Furthermore, the Declaration reaffirms the commitment of WTO members to a robust and rules-based multilateral trading system, aligning with SDG target 17.10, which promotes a universal, rules-based, open, non-discriminatory, and equitable trading system under the WTO. Strengthening the WTO fosters a stable and predictable trading environment, crucial for economic growth and development (SDG 8, “Decent Work and Economic Growth”). This comprehensive approach ensures that trade policies are not only geared towards economic advancement, but also contribute to broader social and environmental objectives, reinforcing the WTO’s commitment to sustainable development.

Trade as a tool for development

At MC13, ministers adopted a Ministerial Declaration to review special and differential treatment provisions for developing economies and LDCs, with a view to making these provisions more precise, effective and operational³⁷. This decision focused on addressing some of the challenges identified in the Agreement on the Application of the Sanitary and Phytosanitary (SPS) Measures and the Agreement on Technical Barriers to Trade (TBT). This decision contributes to the achievement of SDG 1 (“No Poverty”), SDG 8 (“Decent Work and Economic Growth”) and SDG 10 (“Reduced inequalities”) by fostering inclusivity and supporting the participation of developing economies in the global trading system.

Ministers at MC13 recognized the potential of trade to contribute to broader SDGs. For the first time, ministers engaged in discussions on how trade can support sustainable development and socioeconomic inclusion, in line with the UN 2030 Agenda principle of “leaving no one behind”, as well as SDG 10 (“Reduced Inequalities”). These discussions included empowering women in trade, aligning with SDG 5 (“Gender Equality”), and supporting micro, small, and medium-sized enterprises (MSMEs), aligning with SDG 8 (“Decent Work and Economic Growth”). This engagement lays the groundwork for future WTO initiatives that integrate trade policies with broader development goals.

Members also adopted a Ministerial Decision on concrete measures to ease the path to graduation from the category of LDCs³⁸. The MC13 outcome on LDC graduation reflects members’ willingness to support LDCs by providing them with three years to adjust to WTO rules and disciplines, as well as access to LDC-specific technical assistance.

This decision came just a few months after the WTO General Council adopted a decision to extend support measures for economies graduating from LDC status, which called for members to provide a smooth and sustainable transition period to graduating LDCs for the withdrawal of access to duty-free and quota-free preference programmes.³⁹ These two decisions highlight a timely and responsive approach to addressing the key priorities identified by LDCs, thus contributing to the achievement of SDG 10 (“Reduced Inequalities”) and its target 10.a on implementing the principle of special and differential treatment for developing economies, in particular LDCs.

The Ministerial Conference also witnessed progress on several environmental initiatives. Momentum grew for the WTO Agreement on Fisheries Subsidies, with South Africa joining the growing list of members to have presented instruments of acceptance to the Director-General. For the Agreement to become operational, two-thirds of members have to deposit their instruments of acceptance with the WTO. This Agreement prohibits harmful subsidies that contribute to overfishing, directly aligning with SDG 14 (“Life Below Water”). Discussions also advanced on tackling plastics pollution (which aligns with SDG 12, “Responsible Consumption and Production”) and fossil fuel subsidy reforms, which contributes to SDG 13 (“Climate Action”).

Furthermore, MC13 advanced progress on dispute settlement reform. A Ministerial Decision outlines a path towards a fully functional system by 2024,⁴⁰ with a view to promoting a more predictable and transparent trading environment (SDG 16, “Peace, Justice and Strong Institutions”).

MC13 also saw the entry into force of new disciplines on services domestic regulation, which is expected to reduce trade costs by over

US\$ 125 billion worldwide. This initiative is designed to facilitate trade in services, promoting economic growth (SDG 8, “Decent Work and Economic Growth”). In addition, ministers representing 123 WTO members issued a Joint Ministerial Declaration marking the finalization of the Investment Facilitation for Development (IFD) Agreement, signifying progress toward improving the global trade and investment environment for development (SDG 8).

Included among the topics of a Ministerial Conversation during MC13 were trade and industrial policy and policy space for industrial development, contributing to a better understanding on how to advance in the achievement of SDGs 9 (“Industry, Innovation and Infrastructure”) and SDG 10 (“Reduced Inequalities”).

Ministers adopted a Ministerial Decision on electronic commerce⁴¹, instructing the General Council to hold periodic reviews on the E-commerce Work Programme and maintain the current practice of not imposing customs duties on electronic transmissions until MC14 or 31 March 2026, whichever is earlier. These discussions and decisions contribute to the targets of promoting a universal, rules-based, open, non-discriminatory, and equitable multilateral trading system (SDG 17, “Partnerships for the Goals”) and fostering innovation and technological advancements (SDG 9, “Industry, Innovation and Infrastructure”).

Despite the difficult geopolitical context, and although challenges remain to be resolved in areas such as agriculture and fisheries subsidies negotiations, MC13 nevertheless stands as a testament to the WTO's commitment to the multilateral trading system and sustainable development. The groundwork laid during this conference positions the international community to make substantial progress in achieving the UN 2030 Agenda for Sustainable Development and the SDGs.

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Endnotes

- 1 See <http://tradecosts.wto.org/>
- 2 https://www.wto.org/english/blogs_e/data_blog_e/blog_dta_24apr24_e.htm
- 3 See <http://tradecosts.wto.org/>
- 4 See for instance the Costa Rica-Peru RTA and the European Union-Economic Community of West African States (ECOWAS) RTA.
- 5 See for instance European Union-Viet Nam RTA.
- 6 See for instance European Union-Central America RTA and Australia-Peru RTA.
- 7 See for instance Brazil-Peru RTA.
- 8 Official document number WT/MIN(22)/28, accessible via <https://docs.wto.org/>
- 9 Figures current as of June 2024. The 2024 version of this annual flagship report the FAO's The State of Food and Agriculture will be released in 2024.
- 10 The analysis includes the 38 OECD economies, five non-OECD EU member states, and 11 emerging economies.
- 11 WTO Stats (stats.wto.org)
- 12 See <https://www.fao.org/markets-and-trade/commodities/rice/fao-rice-price-update/en/>; <https://www.fao.org/newsroom/detail/fao-food-price-index-declines-in-december/en>.
- 13 See <https://fews.net/europe-and-eurasia/ukraine/key-message-update/december-2023-0>
- 14 WTO official document number WT/MIN(22)/29, available at <https://docs.wto.org/dol2fe/Pages/SS/directdoc.aspx?filename=q:/WT/MIN22/29.pdf&Open=True>
- 15 WTO official document number WT/MIN(22)/28, available at <https://docs.wto.org/dol2fe/Pages/SS/directdoc.aspx?filename=q:/WT/MIN22/28.pdf&Open=True>
- 16 WTO official document number WT/MIN(22)/33, available at <https://docs.wto.org/dol2fe/Pages/SS/directdoc.aspx?filename=q:/WT/MIN22/33.pdf&Open=True>
- 17 WTO official document number WT/MIN(22)/27, available at <https://docs.wto.org/dol2fe/Pages/SS/directdoc.aspx?filename=q:/WT/MIN22/27.pdf&Open=True>
- 18 i.e., the Ministerial Decision on World Food Programme (WFP) Food Purchases Exemptions from Export Prohibitions or Restrictions - <https://docs.wto.org/dol2fe/Pages/SS/directdoc.aspx?filename=q:/WT/MIN22/29.pdf&Open=True>
- 19 See https://www.wto.org/english/thewto_e/minist_e/mc13_e/briefing_notes_e/agriculture_e.htm
- 20 WTO official document number WT/MIN(22)/27, available at <https://docs.wto.org/dol2fe/Pages/SS/directdoc.aspx?filename=q:/WT/MIN22/27.pdf&Open=True>
- 21 Trade Monitoring Database. <https://tmdb.wto.org/en>
- 22 See <https://standardsfacility.org>
- 23 See https://standardsfacility.org/mailchimp_archive
- 24 See the joint statement of 15 July 2022 at https://www.wto.org/english/news_e/news22_e/igo_15jul22_e.htm, the joint statement of 21 September 2022 at https://www.wto.org/english/news_e/news22_e/igo_21sep22_e.htm and the joint statement of 8 February 2023 at https://www.wto.org/english/news_e/news23_e/fsec_09feb23_e.htm.
- 25 See https://www.wto.org/english/res_e/reser_e/tradedialonfood_e.htm
- 26 See https://www.wto.org/english/tratop_e/agric_e/newsletter_e.htm
- 27 Central and subcentral government and some other entities purchase goods and services (including construction services) using taxpayers' money to fulfil their governmental functions and provide public services. Such purchases are generally referred to as government procurement.
- 28 The list of the GPA parties and observers can be viewed at https://www.wto.org/english/tratop_e/gproc_e/memobs_e.htm
- 29 For the full text of the Marrakesh Agreement, see https://www.wto.org/english/docs_e/legal_e/04-wto_e.htm
- 30 Three recently acceded LDCs (Afghanistan, Liberia, and Yemen) and six acceding LDCs (Comoros, Sao Tomé and Príncipe, Somalia, South Sudan, Sudan, and Timor-Leste).
- 31 Paragraph C(v)(b), the Marrakesh Agreement Establishing the World Trade Organization, Annex 3.

- 32 Paragraph A(i), the Marrakesh Agreement Establishing the World Trade Organization, Annex 3.
- 33 These documents include the Secretariat reports, the government reports, and the minutes of the TPRB meetings.
- 34 Having surveyed the TPRs of Asian members over the past 30 years, Hayafuji (2020) found that these members have adopted reforms, partly due to the TPR process, to strengthen their relevant institutions through limiting the discretion scope of administrative measures, and thereby have enhanced trade policy certainty.
- 35 Laird and Valdes (2012) note that "[o]ne of the strengths of the TPRM is its role as a forum where policies can be explained and discussed, where information can be sought, and concerns can be expressed on a largely non-legalistic (and non-confrontational) basis".
- 36 WTO official document no. WT/MIN(24)/DEC. Retrieved at <https://docs.wto.org/dol2festaff/Pages/SS/directdoc.aspx?filename=q:/WT/MIN24/DEC.pdf&Open=True>
- 37 WTO official document no. WT/L/1191; WT/MIN(24)/36. Retrieved at <https://docs.wto.org/dol2festaff/Pages/SS/directdoc.aspx?filename=q:/WT/MIN24/36.pdf&Open=True>
- 38 WTO official document no. WT/L/1189; WT/MIN(24)/34. Retrieved at <https://docs.wto.org/dol2festaff/Pages/SS/directdoc.aspx?filename=q:/WT/MIN24/34.pdf&Open=True>
- 39 WTO official document no. WT/L/1172. Retrieved at <https://docs.wto.org/dol2festaff/Pages/SS/directdoc.aspx?filename=q:/WT/L/1172.pdf&Open=True>
- 40 WTO official document no. WT/L/1192; WT/MIN(24)/37. Retrieved at <https://docs.wto.org/dol2festaff/Pages/SS/directdoc.aspx?filename=q:/WT/MIN24/37.pdf&Open=True>
- 41 WTO official document no. WT/L/1193; WT/MIN(24)/38. Retrieved at <https://docs.wto.org/dol2festaff/Pages/SS/directdoc.aspx?filename=q:/WT/MIN24/38.pdf&Open=True>



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