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From decisions to actions: Trade as a catalyst for accomplishing the 2030 Agenda for Sustainable Development

Note by the UNCTAD secretariat

Executive summary

Trade should support economic growth and be made socially and environmentally sustainable, with benefits spread across all segments of society. This should be supported by deliberate policy actions and a global partnership. A universal, rules-based, open, non-discriminatory and equitable multilateral trading system remains an integral part of the Global Partnership for Sustainable Development. Actions needed to translate the 2030 Agenda for Sustainable Development into reality are an important task for the international community. This note considers key issues in this regard.



Introduction

1. The 2030 Agenda for Sustainable Development and the Sustainable Development Goals underscore that trade is a powerful enabler of the transformative shifts required to achieve sustainable development. Trade is one of the main aspects under Goal 17 on strengthening the means of implementation, and its role in the accomplishment of the Goals and targets is explicitly and implicitly recognized. Many of the other Goals benefit from trade through the direct impact that trade-supporting investments and human and institutional capacity-building have on issues related to gender equality, the environment, employment, transparency, education and governance.

2. Under the right conditions, trade allows access to foreign products, services and markets, enabling economies of scale and the generation of employment. Trade enables the better use of productive resources and may catalyse structural transformation, given higher technological capabilities and economic sophistication that could trigger longer term economic development. Harnessing the benefits of trade for sustainable development that is socially, economically and environmentally inclusive requires the design of coherent policies. Without such policies, trade may heighten social tensions, increase inequalities and lead to environmental degradation.

3. Global collective action through multilateral trade cooperation is essential in addressing cross-border challenges in the social, economic and environmental dimensions of development. Revitalizing a global partnership is critical for the achievement of the Goals. The multilateral trading system continues to be the cornerstone of such a partnership and should be regarded as a global public good. The eleventh Ministerial Conference of the World Trade Organization, to be held in Buenos Aires in December 2017, will provide an important opportunity in this regard.

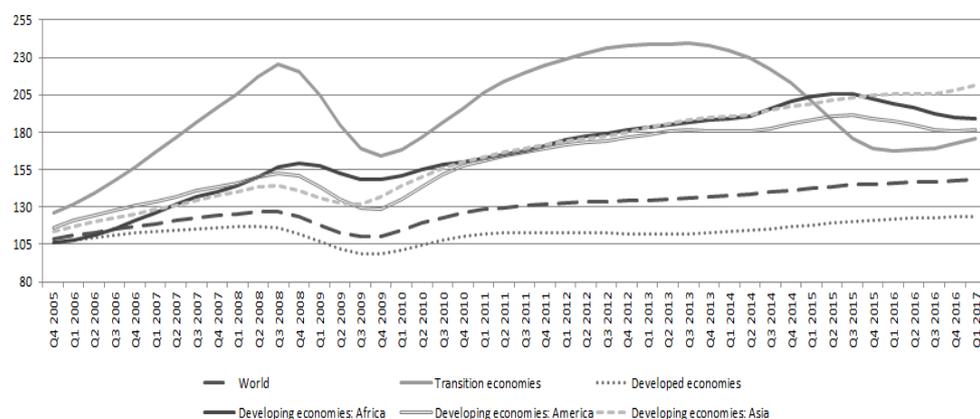
I. Trends in international trade and development

A. Trade in goods

4. After exhibiting robust growth for most of the last two decades, international trade has decelerated markedly in recent years. In 2016, world merchandise trade volume expanded by 1.3 per cent, the slowest rate since the global financial crisis. The World Trade Organization projects a continued slow growth rate of between 1.8 and 3.1 per cent in 2017, reflecting that of the global economy. Global output growth decelerated to 2.2 per cent in 2016, down from 2.6 per cent in 2014 and 2015. Stagnant international trade and weak economic growth are likely to affect progress towards achieving the Goals.

5. Declining import volumes in emerging and transition economies have become apparent, and there was a general decline in global merchandise import volumes in the first half of 2016. The regions most affected by the recent decline in trade have been those with economies in transition, in which geopolitical situations have weighed on economic and trade performances, as well as developing Africa and America, due to declining commodity prices that restrict the import capacities of commodity-exporting countries (figure 1).

Figure 1
Evolution of merchandise import flows by volume, 2005–2017
 (Q1 2005 = 100)



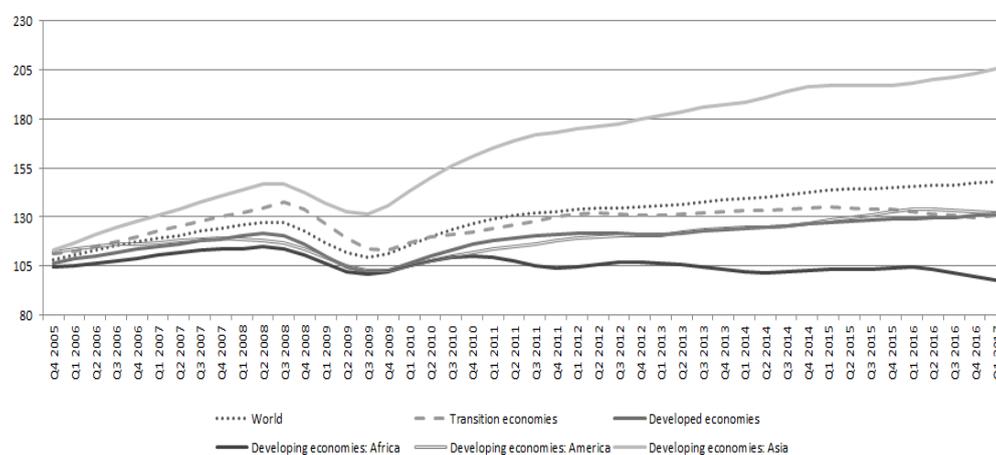
Source: UNCTADstat database.

Abbreviation: Q, quarter.

Note: Four-quarterly centred moving average series used to smooth out seasonality.

6. With regard to exports, developing Asia continues to show strength, as the region is the most integrated in global value chains and its exports tend to match the performance recorded by its imports. Transition economies, Africa and Latin America have been affected by recent export declines, with Africa recording lower export volumes than in 2008 (figure 2).

Figure 2
Evolution of merchandise export flows by volume, 2005–2017
 (Q1 2005 = 100)



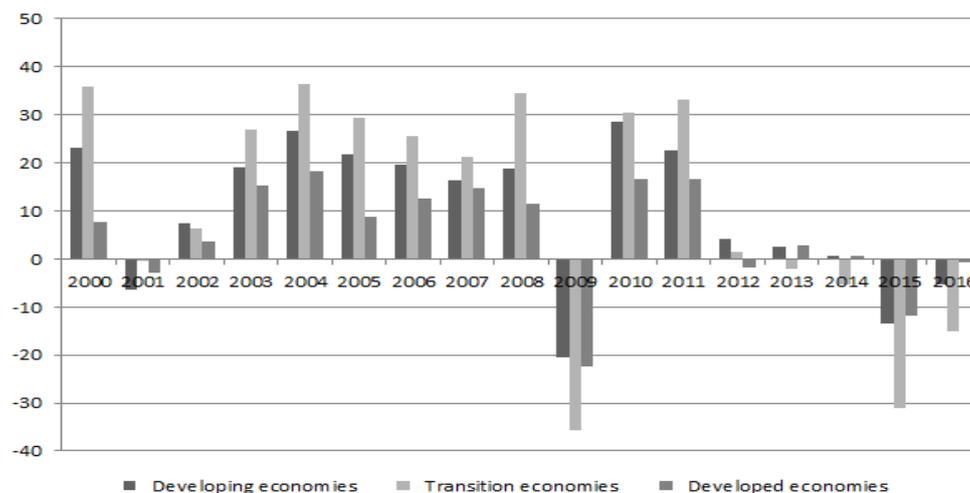
Source: UNCTADstat database.

Abbreviation: Q, quarter.

Note: Four-quarterly centred moving average series used to smooth out seasonality.

7. The fall in world trade values has been largely nominal, driven by changes in commodity prices and exchange rates. The value of world merchandise trade (exports) contracted by 13 per cent in 2015 and 3 per cent in 2016, particularly affecting commodity-dependent developing and transition economies (figure 3). It has already affected several countries in Africa, such as Ghana and Mozambique, in which declining commodity prices and trade have led to requests for assistance from the International Monetary Fund.

Figure 3
Evolution of merchandise exports by value, 2000–2016
 (Percentage)



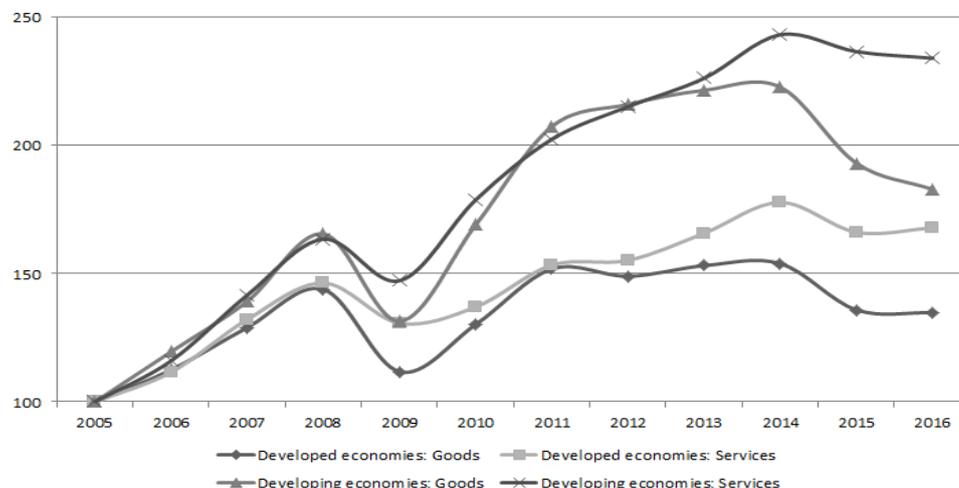
Source: UNCTADstat database.

8. Weak trade growth by volume relative to output growth may point to structural changes in global trade. There has been a marked slowdown in trade growth relative to gross domestic product growth since the financial crisis, falling from a ratio of 2 to 1 before the crisis, to 1 to 1 in 2012–2016. Factors such as the deceleration of global value chain activity and the preference of some economies for domestic inputs may have contributed to such a decrease, but more work is needed to better understand these changing trade dynamics.

B. Trade in services

9. Global services exports resumed growth in 2016 (figure 4). In developing economies, the value of services exports continued to contract by 1 per cent in 2016, after a drop in value of 3 per cent in 2015. In 2005–2016, services exports grew faster than goods exports, and the share of services in total exports increased from 24 to 28 per cent in developed economies and from 14 to 17 per cent in developing economies. Services exports have been more resilient than goods exports in recent trade slowdowns.

Figure 4
Evolution of goods and services exports, 2005–2016
 (2005 = 100)



Source: UNCTADstat database.

10. In 2005–2016, the share of developing economies in global services exports grew from 23 to 29 per cent. Asymmetric trade profiles may be observed according to income level (table). Transport and travel services account for the larger share of services exports in developing and transition economies, in particular in Africa and the least developed countries. Developed economies continue to be more specialized in higher value-added categories such as financial and other business services.

Exports of commercial services, 2016

(Percentage)

<i>Services category</i>	<i>Developed economies</i>	<i>Transition economies</i>	<i>Developing economies</i>
Goods-related	3.4	6.4	3.4
Transport	15.8	35.1	21.1
Travel	21.4	23.2	33.8
Construction	1.3	5.6	2.8
Financial	13.6	2.2	6.5
Intellectual property	9.0	0.8	1.4
Telecommunications and information and communications technology	10.6	9.4	9.5
Other business	23.9	16.6	20.6
Personal, cultural and recreational	1.0	0.8	0.9
Total	100.0	100.0	100.0

Source: UNCTADstat database.

11. Services contribute to all stages of productive processes, creating linkages and coordinating production processes. Efficient and competitive services are instrumental for the structural transformation of an economy. Services are important in achieving economy-wide development, including in agriculture and manufacturing. Many services provide intermediate inputs to economic activities, and facilitate productive and export processes in moving towards final products. Services value added is embedded in outputs and exports in all economic sectors, reflecting the servicification of international trade.

II. Contribution of the international trading system to the Goals

A. Key issues

12. International trade is defined as a means of implementation for the Goals, and meaningful progress in the Doha Development Round is essential for revitalizing the Global Partnership for Sustainable Development. Target 17.10 of the 2030 Agenda is to “promote a universal, rules-based, open, non-discriminatory and equitable multilateral trading system under the World Trade Organization, including through the conclusion of negotiations under its Doha Development Agenda”. This will affect progress towards the achievement of other substantive goals linked to successful conclusion of the Doha Round.

13. The centrality of the multilateral trading system is affected by insufficient progress in multilateral trade negotiations under the Doha Round since 2001, as well as the accelerated proliferation of megaregional and plurilateral negotiations and changing levels of political and popular support to economic integration and globalization. In this context, and partly in response to a rapid expansion of trade within global value chains that aim for duty-free and non-tariff barrier-free environments, many countries have sought to conclude a new generation of regional trade agreements aimed at achieving deep integration of a range of behind-the-border measures. Large-scale regional trade agreements are emerging in the developing world, such as the Continental Free Trade Area in Africa and the Regional Comprehensive Economic Partnership in Asia.

14. Recent political and popular opinion against trade integration has affected the outlook for multilateral trade cooperation. This is manifest in the debate on the decision of the United Kingdom of Great Britain and Northern Ireland to withdraw from the European

Union and anti-globalization discourse and nationalist and isolationist sentiments in major economies. Trade integration, including the greater mobility of people, has been targeted as causing social tensions, inequality and environmental degradation. The extent of discontent has led to significant course correction and setbacks in and renegotiations of existing and proposed trading arrangements.

15. Such heightened uncertainty demonstrates the importance of reinforcing the multilateral trading system as the cornerstone of global trade governance. Member States of the United Nations have reiterated their commitment to promoting a universal, rules-based, open, transparent, predictable, inclusive, non-discriminatory and equitable multilateral trading system, consistent with target 17.10, including in General Assembly resolutions 70/187 and 71/214 on international trade and development.

16. Multilateral rules and disciplines are the best guarantee against protectionism and are fundamental to the transparency, predictability and stability of international trade. They are underpinned by an effective enforcement system; the World Trade Organization dispute settlement mechanism is a unique international judicial body with autonomy in panel proceedings and providing remedial actions in instances of non-compliance. This system has been widely used, including in solving trade disputes among parties to regional trade agreements, indicating its continued effectiveness and legitimacy. Given the slow pace of multilateral rulemaking, there has been a tendency for countries to seek to resolve trade disputes through judicial mechanisms rather than rulemaking efforts.

17. The multilateral trading system is headed for universality of membership, consistent with target 17.10, pursued through accession processes; 36 countries have acceded to the World Trade Organization since 1995, including nine of the least developed countries, bringing its membership to 164. These countries have undertaken important policy reforms to ensure that their trade regimes are compatible under the World Trade Organization, while balancing terms of accession with development needs. Most recently, the Comoros and the Sudan aim to complete accession processes prior to the eleventh Ministerial Conference.

B. Doha Round developments

18. Following the tenth Ministerial Conference in 2015, there emerged uncertainty over the Doha Round mandate and the composition of future multilateral trade negotiations. The Ministerial Declaration recognized that many members reaffirmed the Doha Development Agenda, but that “other members do not reaffirm the Doha mandates, as they believe new approaches are necessary to achieve meaningful outcomes in multilateral negotiations”.¹ Despite diverse interpretations of the mandate, the preparatory process for the eleventh Ministerial Conference aims to reach an agreement on a set of outcomes, including on issues arising from existing mandates and new items, as follows:

- (a) Elements of domestic support in agriculture, based on updated notifications, and a mandated permanent solution on public stockholding for food security purposes;
- (b) A multilateral process on fishery subsidies to achieve target 14.6;
- (c) Domestic regulations in services, including services trade facilitation;
- (d) Special and differential treatment and issues of particular relevance to the least developed countries, including cotton;
- (e) Electronic commerce; investment facilitation; and micro, small and medium-sized enterprises.

19. Other issues central to the Doha Round, including agriculture and services, market access under non-agricultural market access negotiations and rules other than fishery subsidies, are currently on hold. The effective implementation of some decisions from the tenth may occur prior to the eleventh Ministerial Conference, such as a permanent solution

¹ World Trade Organization, 2015, Nairobi Ministerial Declaration, WT/MIN(15)/DEC.

on public stockholding. The decision of the tenth Ministerial Conference on the elimination of agricultural export subsidies was significant; Australia is the first country to modify its schedule of commitments to eliminate export subsidies.

1. Agriculture

20. Domestic support measures remain a key concern. Without reforms, agricultural markets remain distorted, largely seen as inequitable to developing countries. Subsidization by major economies continues, with approximately €81 billion in the European Union and \$150 billion in the United States of America, and some developing countries also provide support. Major economies have shifted the bulk of domestic support to green box items, such as dairy, poultry, cereals, cotton and soybeans, intended to be minimally or non-trade distorting, although there is concern that the magnitude of support may have a trade distorting effect. Most developing countries do not have trade distorting support commitments, and are granted only *de minimis* support and support under article 6.2 of the Agreement on Agriculture for small-scale or resource-poor farmers. Greater scrutiny, and possible capping, of the level of trade distorting support is among the key issues for discussion at the eleventh Ministerial Conference. Domestic support concerns are key with regard to cotton, and the four proponents of a cotton initiative aim to achieve ambitious, expeditious and specific cuts in domestic support, including through the elimination of the cotton-specific aggregate measurement of support; deeper cuts on *de minimis* entitlements; and greater transparency on green box measures.

21. Increased food prices, beginning in 2002 and peaking in 2012–2013, raised the importance of trade-related measures for food security purposes. One such measure concerns public stockholding programmes. An interim solution agreed to at the ninth and reaffirmed at the tenth Ministerial Conference protects developing-country Governments that buy food stock from farmers from legal challenges, until a permanent solution is agreed, prior to the eleventh Ministerial Conference. Proponents have sought to exempt, as a permanent solution, support provided to farmers through public stockholding programmes such as green box measures. Another proposed measure with regard to food security concerns special safeguard mechanisms, which aim to allow developing countries to counteract import surges or price falls, to protect the local production of staple foods.

2. Fishery subsidies

22. Efforts have intensified to finalize rules negotiations for disciplining fishery subsidies as a means of supporting the achievement of target 14.6. A package of commitments prepared for the eleventh Ministerial Conference prohibits subsidies contributing to overfishing and overcapacity, as well as illegal, unregulated and unreported fishing. Developing countries that rely on fish for food security, livelihoods and export earnings have emphasized the need for special and differential treatment to allow them to use subsidies to increase fishing capacity and support artisanal fisheries and the construction of fishing vessels (chapter IV, section B).

3. Development and services

23. Special and differential treatment remains a central, long-standing issue with regard to the development dimension of the multilateral trading system. At the eleventh Ministerial Conference, developing countries aim to prioritize provisions that facilitate industrialization policies, such as local content requirements under the Agreement on Trade-Related Investment Measures. However, the effective implementation of past decisions on special and differential treatment remains a key concern. For instance, full implementation of article 66.2 of the Agreement on Trade-Related Aspects of Intellectual Property Rights, on providing incentives to firms to transfer technology to the least developed countries, has yet to be achieved.

24. It is therefore important to ensure the effective operationalization of the decision on preferential treatment to services and services suppliers of the least developed countries, commonly known as the services waiver. Services-related capacity-building in the least developed countries and the facilitation of the recognition of qualifications is also important. To date, 24 notifications of preferential treatment under the waiver have been

made. However, the least developed countries have not yet made effective recourse to these measures.² Some notified measures surpass existing Doha Round offers and corresponding preferences under regional trade agreements, especially in business and transport services, in which the least developed countries have comparative advantages.

25. Countries increasingly seek to capitalize on the services economy and trade to induce structural transformation in order to attain sustainable development.³ In particular, achieving many of the Goals requires universal access to essential and infrastructure services related to health, education, water, the environment, finance, energy, transport and telecommunications and information and communications technology.⁴

26. Outcomes will be sought at the eleventh Ministerial Conference on multilateral disciplines for domestic regulation. Recent negotiations have addressed specific aspects of domestic regulation, including the development and administration of measures and transparency. Some proposed disciplines, such as those requiring opportunities for comments before the entry into force of domestic regulations, are of greater concern to capacity-constrained countries. Many countries have expressed concerns with regard to provisions that contain necessity tests, as they may undermine the right to regulate and introduce new regulations.

27. A proposed trade facilitation agreement for services addresses a wide set of issues relevant to domestic regulation, and may be regarded as comprehensive in coverage as it goes beyond domestic regulation issues and includes market access issues such as the movement of natural persons and the cross-border flow of information. However, the implementation of several elements, including transparency provisions that surpass specific commitments, may be challenging in developing countries.

4. Electronic commerce

28. Discussions are ongoing regarding the promotion of trade facilitation in the work programme on electronic commerce of the World Trade Organization, adopted in 1998. Proponents seek to address digital economy policy issues such as border measures, transparency, infrastructure, regulations and electronic signatures. Concerns have been expressed, in particular in developing countries that wish to achieve digital industrialization, with regard to retaining adequate policy flexibilities to promote national digital industries. As there are binding provisions on electronic commerce in recent regional trade agreements, concerns expressed highlight the need to carefully examine the implications of disciplines on free data flow restrictions and requirements on localization and technology transfers such as the disclosure of source codes.

29. The UNCTAD-led global eTrade for All initiative, launched at the fourteenth session of the United Nations Conference on Trade and Development, aims to help developing countries engage in and benefit from electronic commerce.⁵ Electronic trade readiness assessments for the least developed countries, conducted by UNCTAD, aim to enhance the capacity of countries to assess their strengths, weaknesses, gaps and opportunities across seven policy areas identified under eTrade for All.

5. Other issues

30. Investment facilitation, with an emphasis on greater coherence in trade and investment policy, as well as issues such as transparency, domestic regulation, special and differential treatment and technical assistance, are under discussion. Market access and the national treatment of investments, as well as expropriation and investor-State dispute

² B Hoekman and DW te Velde, eds., 2017, *Trade in Services and Economic Transformation* (Overseas Development Institute, United Kingdom).

³ UNCTAD, 2012, *Services, Trade and Development* (United Nations publication, New York and Geneva).

⁴ UNCTAD, 2012, *Services, Development and Trade: The Regulatory and Institutional Dimension of Infrastructure Services* (United Nations publication, New York and Geneva); UNCTAD, 2015, *Access to financial services as a driver for the post-2015 development agenda*, Policy Brief No. 35.

⁵ See <https://etradeforall.org>.

settlement, are currently not included in discussions or will be addressed in future. Some World Trade Organization members have proposed negotiations, including on detailed transparency and licensing requirements, while others outline the case for developing disciplines in this area. Investment facilitation may impact the General Agreement on Trade in Services and elements of the proposed trade facilitation agreement for services.

31. Facilitating the participation of micro, small and medium-sized enterprises in international trade has been brought to the forefront of recent discussions. Although they are important in number (95 per cent), output (50 per cent) and jobs (60 per cent), such enterprises face challenges due to lower levels of productivity and competitiveness and a lack of scale. The mainstreaming of issues related to such enterprises on the agenda of the World Trade Organization has been proposed, including improved access to information, facilitated domestic regulation and simplified treatment of low-value shipments, as well as preferential treatment such as the Agreement on Implementation of Article VI of the General Agreement on Tariffs and Trade 1994, on anti-dumping, in addition to enhanced international cooperation for technology and skills transfer, the reduction of trade barriers and trade financing (box 1).

Box 1

Trade policy, trade negotiations and services sector development and trade

UNCTAD provides tools on trade policy frameworks and trade negotiations, including accession to the World Trade Organization. For example, UNCTAD has provided assistance to African countries in the context of the eleventh Ministerial Conference and the Continental Free Trade Area. Through services policy reviews, UNCTAD supports policymakers in assessing the potential of services capacities and various options for policy, regulatory and institutional frameworks; review findings may provide inputs to national policymaking and international trade negotiation processes. UNCTAD work includes analytical studies on all aspects of services, including services sector development and structural transformation. UNCTAD also facilitates the Global Services Forum and the Multi-year Expert Meeting on Trade, Services and Development. The fifth session of the latter, in July 2017, discussed the role of services in structural transformation, underlining the importance of pursuing balanced growth strategies to capitalize on the catalytic role of services in increasing productivity in all sectors for economy-wide development.

Sources: TD/B/C.I/MEM.4/14; TD/B/C.I/MEM.4/15.

32. A positive outcome from the eleventh Ministerial Conference is important in enhancing the relevance and effectiveness of the World Trade Organization, and will be instrumental in reinvigorating the Global Partnership for Sustainable Development. There is a need to fully deliver on existing mandates to redress imbalances and uphold the development dimension of the multilateral trading system within specific outcomes, to realign trade disciplines with the Goals.

III. Non-tariff measures and voluntary sustainability standards

33. Given significant declines in tariffs and trade-related taxes, a key concern remains with regard to non-tariff measures, which comprise a wide range of policies, including regulations on sanitary and phytosanitary measures and technical barriers to trade, as well as quantity restrictions, price regulations and means of payment and exchange rate regulations. Sanitary and phytosanitary measures and technical barriers to trade are of particular concern as they promote non-trade objectives such as the welfare of humans, fauna and flora, yet may unintentionally affect market access with regard to the price and variety of products for trade.

34. UNCTAD research shows that the global effects of tariffs on the least developed countries are at an estimated 5 per cent of exports, and that their exports would increase by 10 per cent if the distortionary impacts of non-tariff measures were removed; estimates using the price gap estimation of exports show that ad valorem equivalent tariffs for

non-tariff measures faced by exporters are approximately 20 per cent for agrifood products and 10 per cent for other products.⁶

35. The impact of non-tariff measures on market access is considerably higher than that of tariffs, particularly in agriculture. Evidence shows that high-income and middle-income countries, as well as large companies, are better able to comply with new non-tariff measures and maintain export levels. UNCTAD research, considering sanitary and phytosanitary imports in a major developed country, suggests that every new non-tariff measure decreases imports by 3 per cent on average, and that this effect is nearly double in the least developed countries.⁷ A firm-level analysis in a developing country in Latin America suggests that technical barriers to trade reduce exports by over 30 per cent, and that this effect diminishes with company size, such that for the largest 10 per cent of companies, such measures enhance export values and increase the probability of continued export activity.⁸

36. Differences across countries also increase costs for traders, as different sets of national non-tariff measures make it increasingly difficult for companies to diversify among markets and simultaneously comply with the requirements in each market. UNCTAD has established a methodology to review regulatory distance between countries to evaluate the magnitude of regulatory differences, applied in particular for countries undergoing regional integration or that are party to free trade agreements.⁹ The cost factor in establishing standards infrastructure is a major concern. As lower-income countries offer fewer key export services due to, among others, financing difficulties and the lack of required facilities for product conformity assessments, non-tariff measures are expected to disproportionately affect the least developed countries and economically weaker developing countries. The difficulties of complying with non-tariff measures may be compounded for micro, small and medium-sized enterprises, and may require the implementation of relevant supporting policies.

37. Beyond mandatory measures, the private sector may set voluntary private standards, including on sustainability, to advance environmental goals or labour conditions, while capitalizing value for the brand names of producers or distributors. Private standards with regard to voluntary sustainability are increasing as companies, in production processes and outputs, seek to promote better social conditions for workers and environmental management. Such standards, including ecolabels, are a popular market-based tool for businesses and stakeholders. One study estimates the 2012 trade value of sustainability certified goods at approximately \$36 billion.¹⁰

38. However, the proliferation of multiple and overlapping certifications, including over 500 schemes, does not facilitate clear communications to consumers, and increases the burden of implementation on small producers and enterprises. In addition, international rules to ensure the better governance of voluntary sustainability standards are not available and, as certificates of compliance are provided by private companies, it is difficult to address them in official public forums. The cost of implementing such standards as mandatory standards may also affect market access. For example, UNCTAD research shows that compliance costs for ecolabelling schemes for footwear exporters in India constitute 33 per cent of the export price. Such costs may be compounded by difficulties in accessing technologies, developing testing facilities and verifying compliance.

⁶ UNCTAD, 2015, *Deep Regional Integration and Non-Tariff Measures: A Methodology for Data Analysis* (United Nations publication, New York and Geneva); UNCTAD, 2016, *[Group of 20] Policies and Export Performance of Least Developed Countries* (United Nations publication, New York and Geneva).

⁷ UNCTAD, 2014, *Study of Average Effects of Non-Tariff Measures on Trade Imports* (United Nations publication, New York and Geneva).

⁸ UNCTAD, 2017, *On the heterogeneous effects of non-tariff measures: Panel evidence from Peruvian firms*, Research Paper No. 4.

⁹ UNCTAD, 2015, *Non-Tariff Measures and Regional Integration in the Southern African Development Community* (United Nations publication, New York and Geneva); UNCTAD, 2017, *Non-Tariff Measures in Mercosur: Deepening Regional Integration and Looking Beyond* (United Nations publication, New York and Geneva).

¹⁰ International Institute for Sustainable Development, 2014, *The State of Sustainability Initiatives Review 2014* (Winnipeg, Canada).

UNCTAD collaborates with other agencies through the United Nations Forum on Sustainability Standards to support developing countries in addressing voluntary sustainability standards.

39. Non-tariff measures are covered under non-agricultural market access negotiations. Information on domestic measures and those implemented by partners are necessary to assess the level of market access and ensure effective negotiations. Discussions at the eleventh Ministerial Conference may address transparency initiatives, in particular with regard to assisting small and medium-sized enterprises with competing effectively in the global marketplace. The UNCTAD database on non-tariff measures may provide a useful instrument in this regard (box 2).

Box 2

UNCTAD database on non-tariff measures

This database, developed in collaboration with a number of partners, provides a global information dataset used by over 60 countries, representing over 80 per cent of global trade. All trade-related regulations are collected and classified in a systematic and coherent manner, and the database is disseminated free of charge. The database allows for better assessments of non-tariff measures and offers basic inputs for streamlining and cost reduction. Trading companies may frequently perceive difficulties and unnecessary trade costs that stem from domestic regulations and, for example, thereby avoid the duplication of authorizations or inspections. Members of the World Trade Organization may benefit from contributions to the database, to ensure transparency and better tools for efficient regulations in this area.

Sources: UNCTAD, 2015, *International Classification of Non-Tariff-Measures* (United Nations publication, New York and Geneva). See <http://i-tip.unctad.org> and <http://unctad.org/en/Pages/DITC/Trade-Analysis/Non-Tariff-Measures/NTMs-partners-and-donors.aspx>.

IV. Trade, the environment and sustainable development

A. Relevance of the environmental agenda to achieving the Goals

40. In the 2030 Agenda, Member States “recognize that social and economic development depends on the sustainable management of our planet’s natural resources [and] are therefore determined to conserve and sustainably use oceans and seas, freshwater resources, as well as forests, mountains and drylands and to protect biodiversity, ecosystems and wildlife”.¹¹ Sustainable natural resource use ensures a long-term supply of physical inputs that drive an economy; a stable climate supports agriculture, forests, fisheries and the availability of water; and ecosystem conservation maintains biodiversity and rural food security. The United Nations Conference on Sustainable Development emphasized the need for a green economy in the context of sustainable development and poverty eradication, and addressed the greening of rural, urban, national, regional and global economies.¹² By linking green economies at various scales, trade may be a catalyst in achieving the Goals, from local levels to a global level, and by transmitting the increasing social and environmental preferences of firms and consumers to world markets, trade plays a central role in the diffusion of green goods, services, technologies and production methods. Best practices in resource conservation and clean technology adoption and in green and socially equitable production methods, may be quickly diffused along global value chains that link producers and consumers worldwide, while augmenting national capacities to achieve the Goals (box 3).

¹¹ A/RES/70/1.

¹² A/RES/66/288.

Box 3**Environment and climate change**

Leveraging the central role that trade plays in driving and diffusing a greener economy, a number of UNCTAD programmes emphasize green export opportunities in global markets, helping to address Goals 2, 5–9, 11–15 and 17. National green export reviews and BioTrade Initiative projects raise awareness of such opportunities at local and national levels, while assisting stakeholders in building national capacity to beneficially participate in greening regional and global markets. Circular economy projects demonstrate ways in which participating countries can improve resource efficiency, and climate change-related activities seek to build consensus among policymakers on how to design national policies that enhance rather than obstruct or distort trade prospects. Finally, the ocean economy programme examines how harmful subsidies provided to national fishery sectors may be eliminated and how illegal, unregulated and unreported fishing activities may be reduced.

Source: UNCTAD secretariat.

B. Key issues

41. Subsidies that contribute to unsustainable harvesting by fisheries should be regulated, and negotiations have been launched to clarify and improve disciplines on fishery subsidies under the World Trade Organization. Target 14.6 of the 2030 Agenda is to “by 2020, prohibit certain forms of fishery subsidies which contribute to overcapacity and overfishing, eliminate subsidies that contribute to illegal, unreported and unregulated fishing and refrain from introducing new such subsidies, recognizing that appropriate and effective special and differential treatment for developing and least developed countries should be an integral part of the World Trade Organization fisheries subsidies negotiation”.

42. The existence of certain types of subsidies continues to affect the sustainability of fish stocks by creating and supporting excessive fishing capacities to extract an already scarce resource. Fishing industry subsidies include direct grants, low-interest loans, guarantees, tax breaks, price support and the direct provision of goods and services. Subsidies are granted for varying purposes, such as vessel or port facility construction; fishing gear improvement; fuel, bait and ice purchases; income support; rights transfer for access to foreign fisheries; research and development support; and conservation measures. Subsidies related to the extraction of resources already under pressure or depleted beyond sustainable levels make no sense economically, environmentally or socially. Subsidies can affect food security, jobs, livelihoods and the prospects of vulnerable coastal communities; benefit industrial fleets or illegal activities at taxpayers’ expense; and expand inequality and unfair competition. In many instances, existing subsidies are perceived as contributing to the depletion of coastal fisheries, and such subsidies often cause fishing fleets and enterprises to seek fish stocks farther out in international waters, thereby perpetuating the problem. Fuel subsidies also have an impact in instances where fishing activities are only profitable through subsidized fuel.

43. Data on fish subsidies is controversial and elusive. Total public support of about \$20 billion is estimated as constituting either harmful or capacity-enhancing fishery subsidies.¹³ One study estimates that fishery sector support in 31 members of the Organization for Economic Cooperation and Development totals \$7 billion per year.¹⁴ Another study states that \$9.7 billion in fish subsidies annually in 2013–2015 are granted by countries outside the European Union such as China, Japan, the Republic of Korea, the Russian Federation and the United States.¹⁵

¹³ European Commission, 2013, *Global Fisheries Subsidies* (Brussels).

¹⁴ Organization for Economic Cooperation and Development, 2017, *Support to fisheries: Levels and impacts*, Food, Agriculture and Fisheries Papers No. 103.

¹⁵ European Commission, 2016, *Study on the Subsidies to the Fisheries, Aquaculture and Marketing and Processing Subsectors in Major Fishing Nations Beyond the European Union* (Brussels).

44. Since 2016, with a view to achieving outcomes at the eleventh Ministerial Conference, elements of convergence have emerged between different proposals, including with regard to recognition of the 2020 deadline under target 14.6; the need to ban subsidies that contribute to illegal, unreported and unregulated fishing; the value of an international fisheries legal framework under the United Nations; the incorporation of special and differential treatment for developing countries and certain fishers such as subsistence, artisanal and small-scale fishers; and the need for increased transparency. Significant differences remain regarding the scope of prohibitions on overfishing and overcapacity; approaches, that is definitions versus a list of banned activities; special and differential treatment modalities; and legal modalities. Other regional and international initiatives have also advanced in the past two years, as follows:

(a) Statement by the Food and Agriculture Organization of the United Nations, UNCTAD and the United Nations Environment Programme, adopted in 2016 and supported by 90 economies: Outlines road map for achieving target 14.6, focusing on need to phase out harmful fishery subsidies and effectively implement the Agreement on Port State Measures to Prevent, Deter and Eliminate Illegal, Unreported and Unregulated Fishing;

(b) Trans-Pacific Partnership: Incorporates provisions to eliminate subsidies that contribute to overfishing and illegal, unregulated and unreported fishing;

(c) Initiative to prohibit harmful subsidies: Launched by 12 World Trade Organization members through plurilateral negotiations under the Organization;

(d) Declaration adopted by the United Nations Conference to Support the Implementation of Sustainable Development Goal 14: Conserve and sustainably use the oceans, seas and marine resources for sustainable development, June 2017: Affirmed a determination to act decisively in achieving Goal 14.

V. Trade, gender and development

A. Relevance of trade and gender issues to achieving the Goals

45. The impact of trade liberalization on gender equality should be explored for equity concerns and from a growth perspective, as evidence suggests that empowering women has a decisive effect on social and economic development.¹⁶ Mainstreaming gender equality in trade policy is instrumental to maximizing trade reform benefits for economic development, as women play an important role as producers, traders and entrepreneurs. However, gender-related issues are not addressed under Goal 17, and target 17.10 is not explicitly linked to the achievement of overarching objectives.¹⁷ The Addis Ababa Action Agenda of the third International Conference on Financing for Development establishes more explicit links between gender equality and women's empowerment and trade, affirming that, with appropriate supporting policies, infrastructure and an educated workforce, trade can help promote, among others, women's empowerment and a reduction in inequality, and contribute to achieving the Goals.¹⁸

B. Key issues

46. Trade has an impact on women's well-being and empowerment, and gender inequality has an impact on the trade performance and competitiveness of countries. Trade has an impact on women through three channels. First, trade usually leads to changes

¹⁶ S Seguino, 2000, Gender inequality and economic growth: A cross-country analysis, *World Development*, 28(7):1211–1230.

¹⁷ UNCTAD, 2015, Ensuring gender-sensitive implementation of the post-2015 development framework, Post-2015 Policy Brief No. 5.

¹⁸ A/RES/69/313.

in production structures, with some sectors expanding and others contracting due to import competition. Second, trade induces changes in the price of goods and services, which in turn have an impact on real incomes. Third, the reduction or elimination of tariffs through trade liberalization diminishes government revenues and may affect the ability of Governments to provide public services. All three impacts may be examined through a gender lens. For example, women may face more difficulties than men in moving from contracting to expanding sectors due to their limited skills and mobility.¹⁹

47. Countries that only partially use the knowledge and talent of half of their population hamper their trade opportunities. However, gender inequality continues to be used as a competitiveness strategy; a reliance on women workers, who tend to be paid less than men and are not as organized into unions, makes labour-intensive products more competitive.

48. There are at least two ways to ensure that trade policy is more gender sensitive and, ideally, they should be combined. First, a national assessment of the risks and benefits of trade should be complemented by an analysis of the potential impacts on specific segments of the population, including women and girls (box 4). Such assessments may lead to revisions of planned trade reforms or highlight the need for accompanying measures. Conducting assessments prior to introducing new trade measures is optimal. As trade liberalization effects on women are context specific, the implications of trade measures on women should be assessed on a case-by-case basis.

Box 4

Gender-related assessments of trade reforms

UNCTAD has developed a methodological approach for ex ante gender-related assessments of trade reforms, with four components, as follows:

- (a) Economic context of selected country and women's participation in the economy;
- (b) Simulation of trade reform impacts on the economy;
- (c) Checklist on implementation of accompanying measures to achieve greater gender equality, including monitoring framework to evaluate effects of trade reforms on gender equality over time;
- (d) Measure of evolution of trade integration and gender equality in the workplace.

The methodology has most recently been applied to the economic partnership agreement between the European Union and the East African Community, focusing on the likely impacts on gender equality and the well-being of women in Kenya, a member State of the Community, mainly in employment. This approach may be used to assess the gender-related impact of trade reform in any country.

Source: UNCTAD secretariat.

49. Second, gender considerations may be included in the text of trade measures, including trade agreements. Such considerations are increasingly included in the main body of trade and cooperation agreements, in dedicated chapters, significantly shifting their visibility. For example, the recent free trade agreement between Chile and Uruguay confirms the gender-related commitments taken within multilateral agreements, particularly those related to equal pay for equal work, maternity protection for women workers, protection for domestic workers and the reconciliation of professional and family life. In addition, in the free trade agreement between Canada and Chile, the parties affirm their commitment to adopt, maintain and implement effectively their gender equality laws and to promote public knowledge of the laws. Both agreements include provisions for cooperation activities and the establishment of trade and gender committees to operationalize the relevant chapters.

50. The inclusion of trade and gender chapters in new free trade agreements is a positive move, yet such chapters remain a light component. A number of features may be noted, as follows: references to gender equality commitments are included in global conventions yet milestones are not noted; dispute-settlement mechanisms do not apply; the harmonization of gender-related legislation is not required; and the potential impacts of agreements on

¹⁹ S Zarrilli, 2017, The case for mainstreaming gender in trade policy, *Bridges Africa*, 6(4).

women are not addressed. However, the importance of the inclusion of gender-related issues in such agreements should not be underestimated, as it may lead to raising the profile of gender-related issues within trade discourse and to enhancing gender-related cooperation among parties.

51. The positive evolution of free trade agreements and the commitment of some countries to include related chapters in bilateral agreements may have implications for the eleventh Ministerial Conference. A ministerial declaration highlighting the links between trade, gender equality and development, and emphasizing the different impacts of trade on women and men, is a realistic outcome that can help realign perceptions of gender neutrality in trade policy.

VI. Trade logistics

A. Relevance of trade logistics to achieving the Goals

52. The transport and facilitation of international trade has direct and indirect linkages to sustainable development. In the context of global value chains and the increased participation of developing countries in the trade of manufactured goods, the reliability, frequency and speed of cost-effective deliveries is increasingly important. The cost of international transport and the time spent en route between exporters and importers weigh more heavily on competitiveness than the monetary costs of duties and tariffs. Efforts to achieve targets 17.11 and 17.12 on increasing developing country exports, in particular on doubling the share of global exports of the least developed countries, and the effective facilitation of market access, should include significant investments in and reforms of transport and trade facilitation systems.

53. Opportunities created by digital trade, in particular in the digital delivery of goods and services, are increasing. However, trade in goods remains a largely physical process, notably for items produced in developing countries. Electronic commerce and other aspects of digitalization provide new opportunities to connect trade partners, yet transforming such opportunities into trade requires reducing the cost and time of physically moving goods across borders (border agency efficiency) and behind borders (trade logistics services efficiency), in addition to overcoming other obstacles.²⁰

54. UNCTAD data on international transport costs and connectivity highlights a global long-term trend towards better access and lower freight rates. Concurrently, however, smaller and weaker economies, including many of the least developed countries, landlocked developing countries and small island developing States, pay more for the transport of their foreign trade and record lower levels of maritime transport connectivity. On average, a least developed country pays 50 per cent more for the transport and insurance of imports compared with the world average, and the 10 countries with the lowest UNCTAD Liner Shipping Connectivity Index are island economies.²¹ Recent trends in maritime transport include the use of larger ships and mergers and alliances among major carriers, leading to increasingly oligopolistic markets. This poses challenges to both shippers and seaports, which are under pressure to invest in cargo-handling equipment, dredging and intermodal connections, without necessarily receiving additional cargo or business. Ports in smaller and weaker economies may not have the financial resources or negotiating positions to accommodate or contest demands from the shipping industry. Regulators should carefully monitor developments in container shipping mergers and alliances to ensure competitive markets.

²⁰ World Trade Organization and Organization for Economic Cooperation and Development, 2017, *Aid for Trade At A Glance 2017* (Organization for Economic Cooperation and Development Publishing, Paris).

²¹ UNCTAD, 2017, *Review of Maritime Transport 2017* (United Nations publication, New York and Geneva). See <http://stats.unctad.org/LSCI>.

55. In addition to the increasing importance of trade logistics for trade and the achievement of the trade-related Goals, the improvement of trade logistics services and infrastructure has several direct positive impacts on a number of the other Goals.²²

56. The implementation of trade facilitation reforms, especially in the context of the Agreement on Trade Facilitation and its section on special and differential treatment, will help the additional mobilization of resources from a variety of sources, including through enhanced development cooperation (target 1.a); support the achievement of target 10.a through the implementation of special and differential treatment for developing countries in accordance with World Trade Organization agreements; and support the achievement of target 17.10 by promoting a universal, rules-based, open, non-discriminatory and equitable multilateral trading system under the World Trade Organization. The transparency aspect of reforms directly helps to achieve several targets under Goal 16, notably those related to the rule of law, effective and transparent institutions, responsive and participatory decision-making at all levels, public access to information, non-discrimination and the reduction of corruption and bribery.

B. Key issues

57. The entry into force of the Agreement on Trade Facilitation was an important milestone with regard to the improvement of trade logistics in developing countries. Its measures have had a positive impact on the efficiency of international trade procedures, and the mechanisms and additional financing associated with section 2 of the agreement have helped developing countries invest in and improve their implementation capacities. Such investments and reforms have a direct positive bearing on human and institutional development and the achievement of several of the Goals (box 5) that go beyond the easing of trade procedures and documents.

Box 5

Trade facilitation programme

To facilitate the technical and institutional challenges resulting from compliance with the disciplines of the World Trade Organization, UNCTAD assists developing countries in the finalization of national trade facilitation implementation plans, in particular by providing support for the establishment of national trade facilitation committees – the inter-institutional mechanisms that coordinate and promote such plans – and of national and regional trade facilitation coordinating mechanisms. UNCTAD manages an online repository of data on and analyses of national trade facilitation bodies, and assists several regional organizations in coordinating transit and trade facilitation reforms.

Source: UNCTAD, 2015, *UNCTAD Toolbox* (United Nations publication, Geneva).

58. It is important to ensure that the commitments related to the conclusion of the Agreement on Trade Facilitation are met, including sustained financial and technical cooperation from international development partners and continued commitment and investment in the absorption capacity of developing countries and the least developed countries, in particular with regard to the creation and sustainable functioning of national trade facilitation committees. UNCTAD, with the United Nations Economic Commission for Europe and the International Trade Centre, is leading efforts to monitor and support such committees through a comprehensive empowerment programme, which provides training, advisory services and the development of a trade facilitation implementation road map, combined with a knowledge transfer strategy.²³

59. The installation of automated customs clearance systems helps increase the integrity and institutional transparency of national customs administrations, as a data trail is kept in a database that can be used for audit and, in particular, performance measurement purposes. Administrations should regularly analyse data from such systems to identify operational

²² See TD/B/C.I/MEM.7/14.

²³ See <http://unctad.org/en/DTL/TLB/Pages/TF/Committees/default.aspx>.

trends, detect bad practices and increase compliance by consignors with customs requirements. The UNCTAD Automated System for Performance Measurement, developed in collaboration with the World Customs Organization, allows customs managers to perform data mining on data collected by the Automated System for Customs Data (box 6), to enable decision-making on measures to fight fraud; and to reduce information asymmetry²⁴ between managers at headquarters and frontline border officers.

Box 6
Automated System for Customs Data

This information and communications technology-based customs management system is targeted at reforming the customs clearance processes of developing and middle-income countries, by computerizing and simplifying related procedures. The system has a major impact on electronic business and government transactions, helping to make international trade simpler and cheaper, and international markets more accessible to enterprises from developing countries. In an increasing number of countries, it is the core system for building a single window for international trade.

Source: UNCTAD, 2015, *UNCTAD Toolbox* (United Nations publication, Geneva).

60. With regard to international transport, further advocacy of the transport and sustainability nexus is required, along with enhanced international cooperation, such as the recent collaboration between the International Road Transport Union and the United Nations Global Compact through the Global Partnership for Sustainable Transport. Another initiative is the High-level Advisory Group on Sustainable Transport of the United Nations Secretary-General, established to provide recommendations on sustainable transport that are actionable at sectoral, local, national and global levels. UNCTAD continues to support developing countries in preparing, planning and implementing sustainable and resilient freight transport solutions and contributing to the effective implementation of the 2030 Agenda, including by highlighting the significant linkages with the Goals, whether direct or indirect.

VII. Conclusion

61. Trade is an important source of prosperity, generating ideas and values for sustainable development. However, it is widely recognized that the benefits of trade integration have not been evenly distributed across countries and within societies, and are often concentrated among a few actors, with adverse effects on inclusiveness and social and environmental dimensions seen as externalities. Such uneven outcomes may be at the root of recent scepticism regarding the benefits of globalization and trade, and the resurgence of nationalist and isolationist sentiments. Recent trends of stagnant international trade and weak economic growth are likely to affect progress towards the achievement of the Goals.

62. As the international community seeks to harness globalization in realizing the social, economic and environmental targets embodied in the Goals, it is imperative that trade play a full and active role, by sustaining growth and ensuring its consistency with sustainable development. Without policies for sharing prosperity, including through trade and labour adjustment mechanisms, trade may increase social tensions, inequality and environmental degradation. A proactive and coherent policy mix should be mainstreamed into national policy agendas, bringing together trade and development and social, industrial and macroeconomic policies and other policy areas to promote the necessary structural transformation. In doing so, it is important to recognize that trade is changing in response to technological advances, expanded value chains, new business models and policy innovation.

²⁴ T Cantens, R Ireland and G Raballand, eds., 2013, *Reform by Numbers: Measurement Applied to Customs and Tax Administrations in Developing Countries* (World Bank, Washington, D.C.).

63. International markets should be open, but also monitored and regulated, to ensure that trade delivers sustainable development. A global partnership is an essential means of implementation for the Goals, and a universal, rules-based, open, non-discriminatory and equitable multilateral trading system is central to such a partnership. Despite setbacks in multilateral trade negotiations and burgeoning regional and plurilateral processes, it is necessary to revitalize the multilateral trading system as a global public good, with renewed momentum and relevance. This may begin with the integration of the sustainable development dimension into trade policy, negotiations and agreements. It should also include technical assistance and capacity-building that helps developing countries implement trade policies and institutional reforms with a direct positive impact on the Goals related to employment, transparency, governance, gender equality and the environment. The eleventh Ministerial Conference provides an important opportunity in this regard. UNCTAD is ready to support member States in shaping this evolution, to ensure that the 2030 Agenda is realized.
