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Leveraging international trade rules for development

Leveraging multilateral trade rules for the sustainable development objectives of developing countries

Note by the UNCTAD secretariat*

Summary

In recent decades, it has been observed that, under appropriate conditions, trade can be a powerful engine for economic growth and poverty reduction. As such, the multilateral trade framework can play a key role in advancing global development objectives. However, developing, including the least developed countries, often struggle to fully leverage this framework, due to capacity constraints and resource limitations. To maximize the benefits of World Trade Organization membership, these countries should make full use of the existing flexibilities and special and differential treatment within World Trade Organization agreements.

At the same time, new global developments, including new trade rules and the emergence of new issues, such as climate change, critical energy transition minerals, biodiversity degradation and rapid technological transformations, are reshaping the trade policy space of developing countries. To benefit from their participation in the World Trade Organization, developing counties need to strengthen their capacities to address these issues adequately. UNCTAD stands ready to support member States to better leverage development benefits from multilateral trade rules. By fostering discussions and bridging policy gaps, UNCTAD aims to help countries better harness the development benefits of multilateral trade rules and advance a more inclusive and sustainable global trading system.

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I. Introduction

1. In recent years, trade-restrictive measures have risen sharply worldwide. Between 2010 and 2023, countries implemented 3,210 trade restrictive measures, compared to 841 that were liberalizing.[1] These actions are commonly tied to new industrial policies, national security objectives or sustainability goals. This trend further strains developing countries, exacerbating fiscal pressures, limiting productive capacity and complicating their ability to adapt to evolving regulations across various sectors. As a result, their full participation in global trade – and their ability to derive meaningful, sustainable benefits – remains constrained.

2. While the current trade environment is increasingly restrictive, multilateral trade rules can also act as a constraint on developing countries' efforts to expand their participation in global trade. Efforts are under way to make these rules more effective for developing countries, with concrete proposals for reform, and measures to strengthen special and differential treatment provisions are on the table. Under the right conditions, developing countries could still leverage existing rules to advance their development goals, through the promotion of productive diversification, value addition and transitions to sustainable economies, thereby ensuring that trade and investment continue to drive growth.

3. To achieve this, developing countries could utilize existing international trade provisions, such as special and differential treatment, industrial and procurement policy carve-outs and opportunities arising from trade liberalization in services. Strengthened technical capacity-building is crucial for these countries to navigate these provisions, enhance market access, promote structural economic transformation and achieve sustainable development. Emerging issues and challenges in international trade need to be addressed within a multilateral framework to ensure that trade remains a driver of development.

4. The rest of this document is organized as follows. In chapter II, current challenges in global trade, particularly for developing countries, are considered. An analysis is presented in chapter III of key provisions in multilateral trade rules that developing countries could leverage more effectively to reap the benefits of international trade. The focus is on trade in goods, including tariffs and non-tariff measures; trade in services; trade-related investment measures; and the development dimension of trade. New and emerging trade issues are highlighted in chapter IV, and the role of UNCTAD in supporting developing countries is outlined in chapter V. Finally, some key issues are presented in chapter VI for the consideration of the member States in deliberations at the fifteenth session of the Trade and Development Commission.

II. Current challenges in global trade

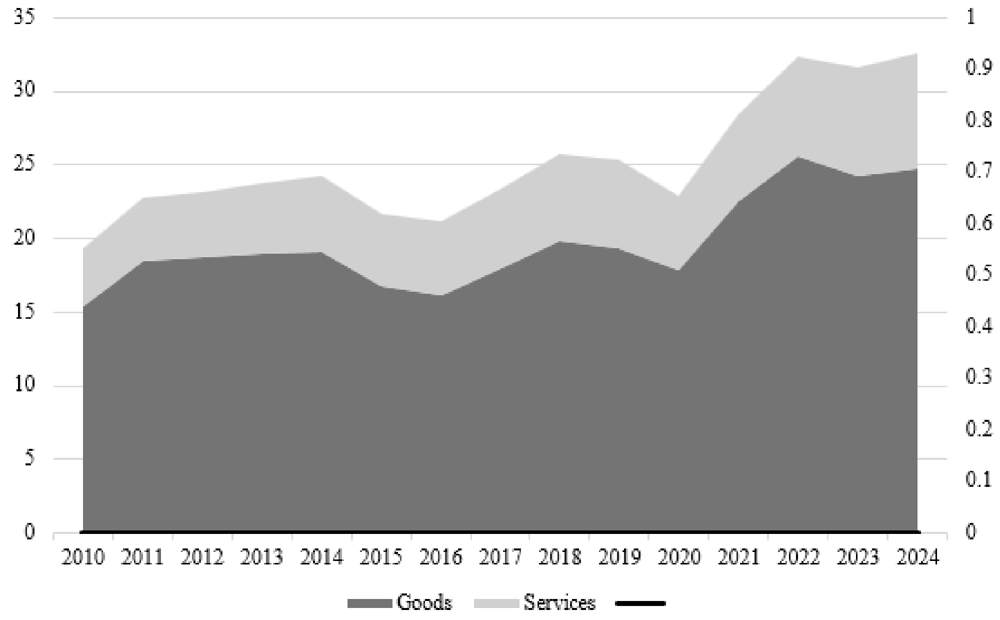
5. Developing countries rely heavily on international trade as a key driver of economic growth, job creation and progress towards achieving the Sustainable Development Goals. However, the evolving trade landscape presents several challenges that complicate their efforts to harness trade for development.

6. First, trade growth is driven by services. Global trade in goods and services has grown substantially yet unevenly since 2010, expanding at an average annual rate of approximately 3.8 per cent (figure 1), and the total value rising from under $20 trillion to a projected $33 trillion in 2024. While merchandise trade remains dominant at $25 trillion, services trade, growing at an average annual rate of 5 per cent, has outpaced the 3.5 per cent growth in merchandise trade. This underscores the increasing role of services in the global economy.

[1] UNCTAD secretariat calculations, based on The Global Trade Alert database, available at https://globaltradealert.org/ (accessed January 2025).

7. Furthermore, recent trends reveal stagnation in merchandise trade. In 2023, global merchandise trade declined in both value and volume, despite overall gross domestic product (GDP) growth.[2] For 2024, merchandise trade is expected to grow by just 2 per cent, trailing a projected GDP growth of 3 per cent. This underperformance reflects structural challenges including geopolitical tensions, supply chain disruptions, rising trade restrictions and the weakening of the multilateral trading system.

Figure 1
Growth in global trade has stalled since 2023
(Trillions of current United States dollars)



Source: UNCTAD calculations, based on UNCTADstat database (accessed January 2025).
Notes: Data for 2024 are preliminary.

8. Second, geopolitics increasingly define trade patterns. Geopolitical tensions, policy uncertainties and conflicts are driving transformations in global trade.[3] For instance, trade between the United States of America and the European Union has grown, while trade between China and the United States of America has declined due to ongoing trade tensions (figure 2). Similarly, trade between the Russian Federation and the European Union has contracted due to the war in Ukraine. These shifts highlight the reconfiguration of global alliances and the emergence of new power dynamics, further fragmenting global trade networks. They are reshaping value chains, as new trade alliances are fostered, and existing ones are weakened.[4]

9. Trade policies are increasingly shaped by domestic concerns, sometimes sidelining the development dimension of trade. This trend risks entrenching market distortions and disproportionately benefiting larger economies that have the resources to support domestic industries. The growing use of industrial and climate-related trade policies, alongside the weakening of multilateral frameworks, adds further complexity to the global trade landscape.[5] For developing countries, successfully navigating this fragmented environment will require building resilient supply chains, anticipating emerging trends and engaging in collaborative international policies, including by increasing South–South trade.

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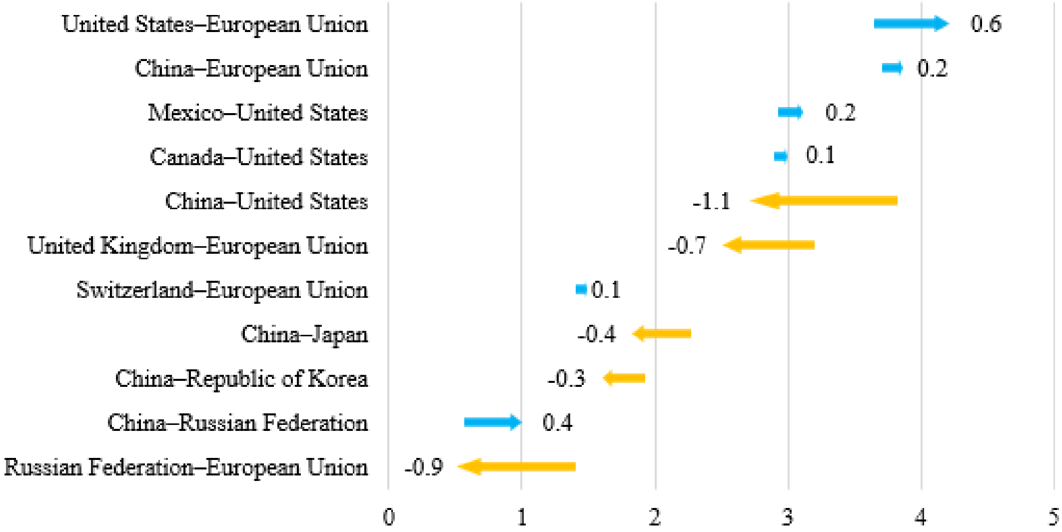
[2] UNCTAD, *Key Statistics in International Trade 2024* (forthcoming).
[3] Ibid., 2024, Global Trade Update, December.
[4] Ibid., 2023, Global Trade Update, December.
[5] Ibid., 2024, *Key Statistics and Trends in International Trade 2023: Recent Trade Patterns – Slowdown, Volatility and Heterogeneity* (United Nations publication, Geneva).

Figure 2
Shifts in selected trade flows, 2018 versus 2023
(Percentage of global trade)

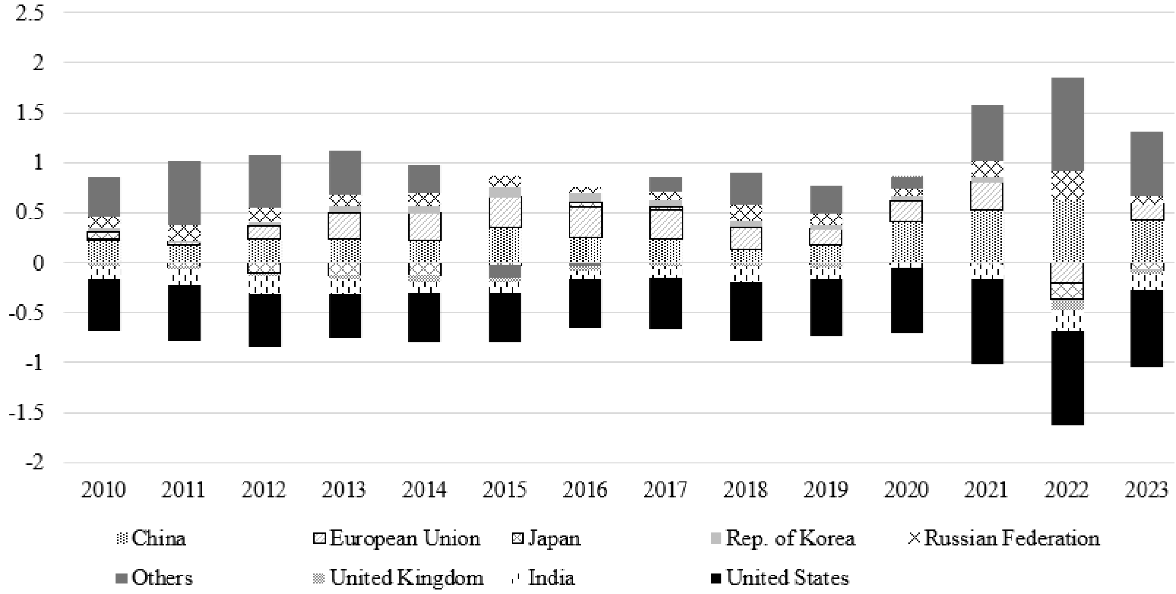


Source: United Nations Comtrade database (accessed January 2025).
Note: Trade flows calculated as bilateral imports. Start and end points of each arrow reflect 2018 and 2023 trade flows, respectively.

10. Third, large bilateral trade imbalances can further fuel trade tensions. Trade imbalances peaked in 2022, exacerbated by uneven recoveries from global crises, disparities in industrial policies and structural differences in production and consumption (figure 3). Bilateral trade imbalances can strain international relations and spark protectionist measures, such as tariffs and trade barriers, that disrupt market access and deepen inequalities.[6]

[6] UNCTAD, 2022a, Global Trade Update, February.

Figure 3
Global trade imbalances have remained large since 2020
(Trillions of dollars)



Source: UNCTAD calculations, based on UNCTADstat database (access January 2025).
Note: Calculated as trade balance of goods and services. Others includes all countries not specifically listed. Intra-European Union trade is not included.

11. Fourth, commodity dependence and limited diversification remain pervasive challenges in most of the developing countries. Between 2020 and 2022, 66 per cent of developing countries, including a concerning 80 per cent of the least developed countries, remained trapped in commodity dependence, with over 60 per cent of their merchandise exports derived from primary commodities. Currently, 95 developing countries rely on commodity exports as a primary source of foreign exchange and income.[7] This reflects long-standing challenges in leveraging primary commodity rents to drive economic diversification, whether through value added processing of raw materials or the development of alternative, high-potential sectors. This reliance leaves developing countries locked in an unfavourable position to shield themselves from adverse terms of trade, shocks and macroeconomic instability,[8] which can result in fiscal instability and economic stagnation.

12. The growing demand for critical energy transition minerals, including cobalt, lithium, graphite, nickel and rare earth elements, illustrates these challenges. While the Democratic Republic of the Congo produces over 70 per cent of the world’s cobalt, value added processing occurs largely in more technologically advanced countries.[9] Without policies that promote local processing and equitable trade agreements, the developmental benefits of trade in critical energy transition minerals risk being concentrated outside of producer nations, perpetuating commodity dependence.[10]

13. Finally, most developing countries struggle to integrate into global manufacturing trade networks. While developed countries and East Asia maintain strong intraregional linkages, regions such as Africa and South Asia display weaker connections, limiting the ability to capitalize on expanding demand for manufactured goods (figure 4) and regional

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7 UNCTAD, 2023, *State of Commodity Dependence 2023* (United Nations publication, Sales No. 23.II.D.15, Geneva).

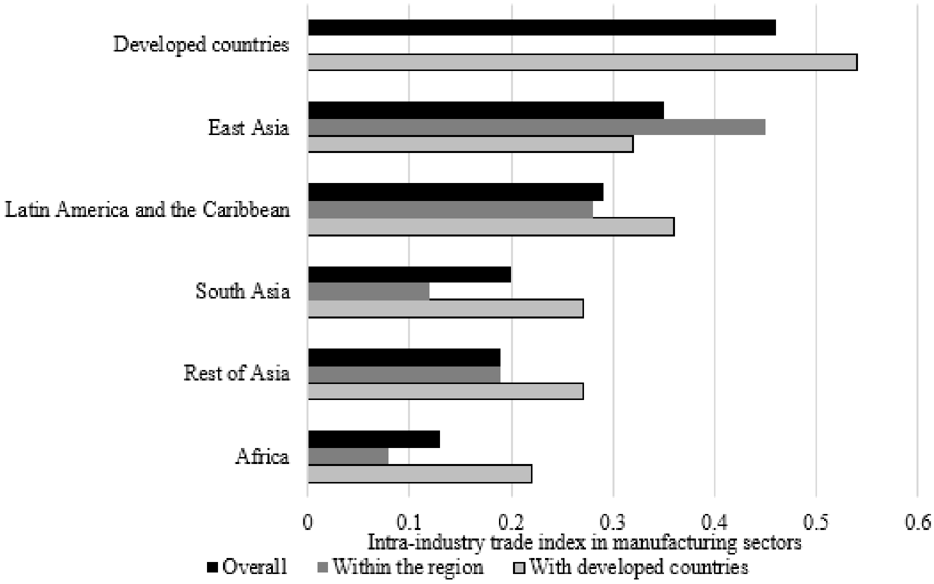
8 UNCTAD, *Shaping the Future: Driving Economic Transformation for Equitable, Inclusive and Sustainable Development – Report of the Secretary-General of UNCTAD to the sixteenth session of the Conference* (forthcoming).

9 UNCTAD, 2023, Technical note on critical minerals: Supply chains, trade flows and value addition.

10 See also below, chapter IV, section B.

network effects. The increasing concentration of value chains in advanced economies further exacerbates these challenges, particularly in sectors such as agricultural inputs, food and critical minerals. This consolidation restricts opportunities for developing countries to move up the value chain and highlights the need for enhanced regional cooperation to foster industrialization and economic growth.

Figure 4
Integration of manufacturing sectors across regions, 2023



Source: UNCTAD calculations, based on United Nations Comtrade database (accessed January 2025).

Notes: Manufacturing integration calculated using the trade-weighted average of the intra-industry trade index, based on the Grubel-Lloyd methods at the chapter level of the Harmonized System classification and including only manufacturing consumers and intermediate goods. “Overall” indicates the average level of manufacturing integration considering all trading partners; “within the region” is the level of manufacturing integration with regional partners; and “with developed countries” is the level of integration with developed countries.

14. Within a restrictive trade environment, developing countries can leverage existing World Trade Organization (WTO) trade rules to enhance their opportunities for greater participation in international markets and global value chains.

III. Enhancing opportunities within the World Trade Organization

15. The WTO was established to help its members use trade as a tool to raise living standards, create jobs and improve lives. More than 75 per cent of its 166 members are developing economies, many of which face significant challenges in participating in global trade.

16. The WTO framework includes flexibilities to account for the varying levels of economic development of its members that distinguish between developed countries, developing countries and the least developed countries, as well as specific groups such as net food-importing developing countries. However, these flexibilities have not always been fully utilized, and some have expired and can no longer be used by developing countries. Under the appropriate conditions, developing countries, including the least developed countries, can enhance their participation in international trade and integrate into global value chains by making the most of these flexibilities and maximizing use of existing WTO trade rules.

17. As reform discussions continue, it is crucial that developing countries, including the least developed countries, receive the necessary support to take full advantage of the current rules and the flexibilities embedded in the system.

A. Trade in goods

18. Tariffs play a dual role in trade policy: they can protect domestic industries but may also increase costs for consumers. Moreover, in some developing countries, tariffs still account for a sizeable share of government revenues.[11] Each country should design its tariff regime in alignment with domestic economic goals while adhering to international trade commitments.

19. Developing countries benefit from flexibility under WTO rules in setting applied tariffs (actual tariffs charged) within their bound tariffs (maximum allowable tariffs). This flexibility enables them to:

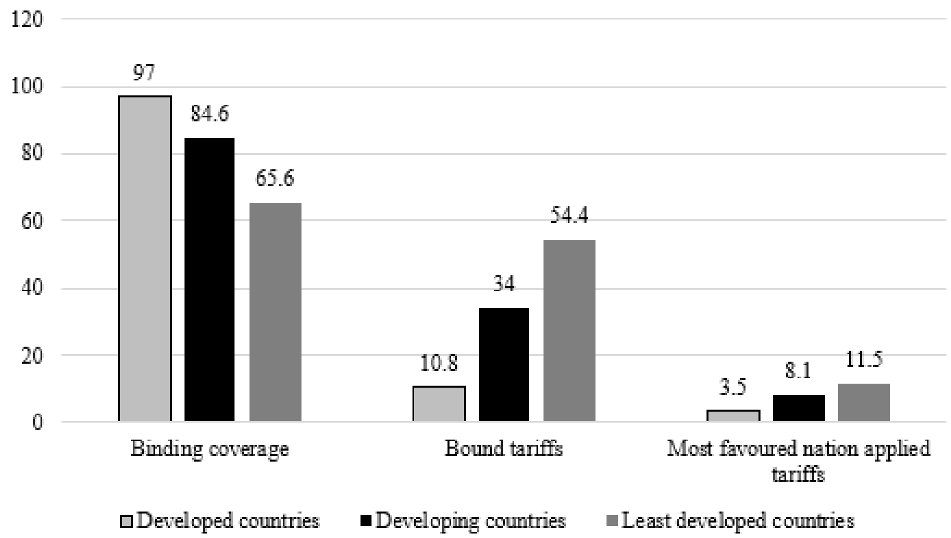
(a) Protect domestic industries, such as agriculture or nascent industries, from external competition.

(b) Gradually liberalize markets in line with national development goals.

(c) Adjust tariffs strategically during economic downturns or shocks.

20. Special provisions, such as the WTO special safeguard mechanism, allow developing countries to temporarily raise tariffs to protect against import surges or price declines in agricultural goods.

Figure 5
Average tariffs and binding coverage
(Percentage)



Source: Based on https://www.wto.org/english/res_e/publications_e/world_tariff_profiles24_e.htm.
Note: Calculated as simple averages.

21. Many countries retain policy space to raise tariffs within WTO commitments. In figure 5, average bound tariffs, most favoured nation applied tariffs and binding coverage are compared across country groupings.[12] Developed countries have the least flexibility

[11] See World Bank, World Development Indicators database, available at https://data.worldbank.org/indicator/GC.TAX.IMPT.ZS? (accessed January 2025; based on International Monetary Fund, Government Finance Statistics Yearbook and data files).

[12] Bound tariffs are the maximum rates a country can charge under WTO commitments, while most favoured nation applied tariffs are the actual rates charged on imports from WTO members. Binding coverage refers to the percentage of tariff lines with legally bound limits.

under WTO commitments, with 97 per cent of tariff lines bound. Developing countries overall have slightly more flexibility (84.6 per cent bound), allowing room for strategic products, while the least developed countries have the most flexibility (65.6 per cent bound). The least developed countries also have the highest average bound tariff rate (54.4 per cent), enabling them to protect emerging industries, and the highest most favoured nation applied tariff rate (11.5 per cent), supporting revenue generation. Developing countries overall have moderate bound rates (34 per cent), while developed countries have the lowest (10.8 per cent). The gap between most favoured nation applied and bound rates suggests that many countries retain policy space to raise tariffs within WTO commitments. The least developed countries are afforded additional flexibilities under WTO agreements to ease their integration into global markets, including:

(a) Tariff exemptions from reciprocal tariff reduction commitments in multilateral trade negotiations. For instance, during the Uruguay Round of Multilateral Trade Negotiations under the General Agreement on Tariffs and Trade, the least developed countries were not required to reduce tariffs.

(b) Market access preferences in developed and some developing country markets, often without required reciprocity. Examples include the Generalized System of Preferences.[13]

(c) Trade facilitation support to the least developed countries that receive technical assistance to implement trade facilitation measures that enhance their competitiveness. A notable example is the UNCTAD empowerment programme for national trade facilitation committees.[14]

Non-tariff measures

22. Non-tariff measures have gained significance in recent years.[15] Many are aimed at fulfilling legitimate public policy objectives, such as safeguarding human, plant and animal life and health, mitigating climate change and protecting the environment. According to WTO rules in the agreements covering sanitary and phytosanitary measures and technical barriers to trade, non-tariff measures must be non-discriminatory, avoid creating unnecessary barriers to trade and should be based on or refer to international standards. However, they also involve compliance costs. On aggregate, the ad valorem equivalent[16] costs of non-tariff measures are estimated to be several times higher than tariffs themselves (figure 6). This concerns particularly agricultural sectors as well as crucial industrial sectors for developing countries. Due to the inherent fixed costs of non-tariff measures, they can have a disproportionate effect on microenterprises and small and medium-sized enterprises, persons with disabilities, women and youth entrepreneurs.[17] Consequently, the challenge lies in implementing legitimate and effective non-tariff measures in the least trade-restrictive manner.[18] The WTO agreements on sanitary and phytosanitary measures and technical barriers to trade contain provisions to enhance regulatory transparency. Developing countries can leverage WTO notification systems to comment on partners' proposed measures. Proposals have been made to extend the response deadline for developing countries. Technical assistance could be provided during the negotiation process for these reforms, as well as during the implementation phase, so that developing countries can better meet the existing time frame. Good regulatory practices, for example discussed in the Committee on Technical Barriers to Trade and the Committee on Sanitary and

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13 UNCTAD, 2024, *Trade Preferences Outlook 2024* (United Nations publication, Sales No. E.24.II.D.24, Geneva).

14 See https://unctad.org/topic/transport-and-trade-logistics/trade-facilitation/empowerment-programme.

15 UNCTAD, 2022b, *Non-tariff Measures from A to Z* (United Nations publication, Geneva).

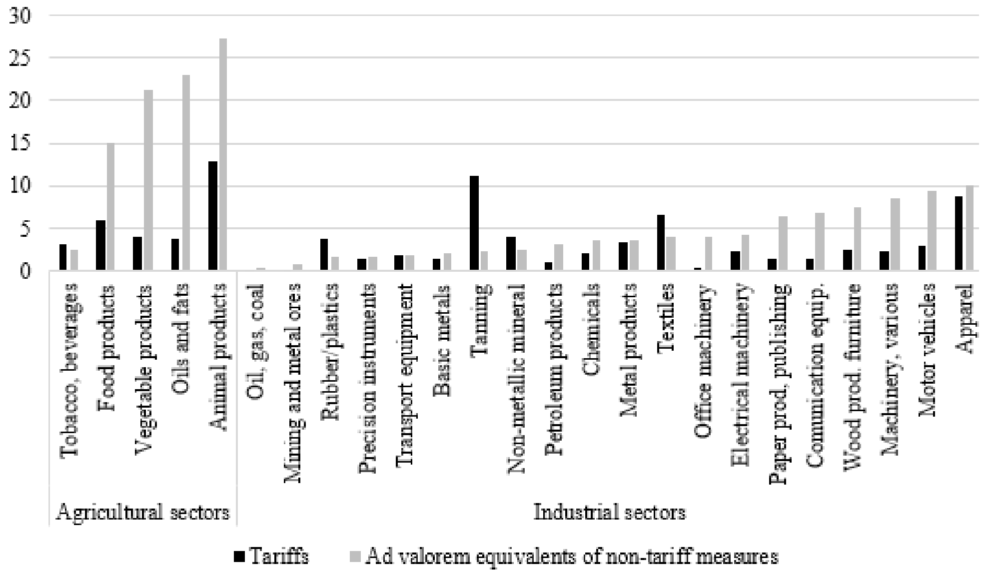
16 The ad valorem equivalent of a non-tariff measure is the uniform tariff that will result in the same trade impacts on the import of a product due to the presence of a non-tariff measure. In other words, ad valorem equivalents represent the additional costs that the presence of non-tariff measures has on imports.

17 UNCTAD, 2022b.

18 See, for example, UNCTAD, 2022c, *Making Trade Work for Climate Change Mitigation: The Case of Technical Regulations* (United Nations publication, Geneva).

Phytosanitary Measures, both under WTO, are fundamental in avoiding unnecessary regulatory costs and trade costs. UNCTAD provides technical assistance to ensure non-tariff measures achieve their safety, health and environmental objectives while avoiding unnecessary trade costs.[19] Moreover the UNCTAD non-tariff measures database, Trade Analysis Information System, complements notifications and provides a comprehensive source for non-tariff measures data.[20]

Figure 6
Ad valorem equivalent costs of non-tariff measures and tariffs
(Percentage)



Source: UNCTAD and World Bank, 2018, *The Unseen Impact of Non-Tariff Measures: Insights from a New Database* (Geneva).

23. By effectively leveraging tariff and market access provisions of WTO and the General Agreement on Tariffs and Trade, such as preferential treatment, tariff flexibility, market access commitments and technical assistance, developing countries, including the least developed countries, could be in a better position to enhance export competitiveness, protect key industries and integrate into global value chains. The strategic use of these tools, backed by the provision of adequate resources by external partners and sound domestic policies to boost productive capacity, can foster sustainable economic growth and inclusive development.

B. Trade in services

24. The General Agreement on Trade in Services under WTO offers a framework that developing countries can leverage to enhance their participation in international trade. Through General Agreement on Trade in Services provisions, developing countries can strengthen services sectors, facilitating the servicification of manufacturing, where services can contribute to the competitiveness of goods in global value chains.[21]

25. A key instrument for developing countries is article IV of the General Agreement on Trade in Services**,** which explicitly recognizes the need to increase the participation of

[19] See also https://unctad.org/topic/trade-analysis/non-tariff-measures/NTMs-policy-support.

[20] See UNCTAD, 2024, *Making Sense of Non-tariff Measures: A User's Guide to Accessing and Analysing the Data* (United Nations publication, Sales No. E.24.II.D.27, Geneva).

[21] Nordås H and Kim Y, 2013, The role of services for competitiveness in manufacturing, Organisation for Economic Co-operation and Development (OECD) Trade Policy Papers No. 148, OECD Publishing, Paris.

developing countries, particularly of the least developed countries, in global services trade. In 2011, at the Eighth Ministerial Conference of WTO, member States of WTO adopted a decision that allowed preferential treatment of least developed country services and services suppliers. In this regard, countries are encouraged to open their services sectors to exports from the least developed countries.

26. One key provision of is mode 4 of the General Agreement on Trade in Services, which allows for the temporary movement of professionals (for example, engineers and information technology specialists) across borders to provide services. This enables developing countries to access skilled labour in sectors such as software, engineering and professional services, which play an increasingly critical role in modern manufacturing processes. However, mode 4 is less committed under the General Agreement on Trade in Services and under regional trade agreement schedules. Furthermore, services supplied under mode 4 are usually subject to horizontal exceptions and limitations.

27. Attracting foreign investment in digital infrastructure and expertise is another strategic avenue under the General Agreement on Trade in Services. Developing countries can boost high-value services exports in these sectors. This requires, however, investments in skills and capacity-building to develop a labour force equipped to meet these emerging demands. Rwanda recently launched a five-year financial technology strategy (2024–2029),[22] with the aim of becoming a regional hub for financial services and financial technology and promoting financial inclusion. Its membership in the East African Community provides Rwandan financial institutions preferential access to larger markets.

28. For developing countries, the General Agreement on Trade in Services allows balancing the protection of key infant services industry with liberalization to boost domestic availability of services that enhance the competitiveness of other economic sectors essential in development strategies. Fostering regional cooperation, improving regulatory frameworks and investing in human capital with the support of the international community, will further enable developing countries to deliver high-value services, boosting competitiveness in manufacturing and international trade.

C. Trade-related investment measures

29. The Agreement on Trade-Related Investment Measures recognizes that certain investment measures related to trade in goods can cause trade-restrictive and distorting effects.[23] While it primarily restricts trade-distorting investment measures such as the use of local content and export related performance requirements, developing countries can leverage the flexibilities by the Agreement on Trade-Related Investment Measures to implement investment promotion policies in a manner consistent with WTO rules. The Agreement on Trade-Related Investment Measures provides flexibilities to developing countries to adopt investment promotion policies, such as fiscal incentives, tax holidays and subsidies for capacity-building and for the promotion of a transition to renewable energy, including by encouraging foreign and domestic investors to use local inputs, transfer technology and skills, and promote value addition to natural resources under certain conditions.

30. Local content requirements and other performance requirements have been widely used by Governments to boost domestic production and attract foreign direct investment in high-value added and research and development-intensive industries, create jobs and generate positive spillover effect. It was expected that local content requirements would trigger the development of other industries around sectors with imposed local content requirements.[24] In return for performance requirements, Governments often provided

[22] See also https://afr.rw/downloads/rwanda-national-fintech-strategy-2024-2029/.

[23] See https://www.wto.org/english/docs_e/legal_e/legal_e.htm.

[24] Deringer H, Erixon F, Lamprecht P and van der Marel E, 2018, The economic impact of local content requirements: A case study of heavy vehicles, Occasional Paper No. I/2018, European Centre for International Political Economy.

investment incentives to offset costs incurred by firms, either through direct transfers (that is, grants for research and development projects) or indirect transfers (for example, low-cost government services). Local content requirements may take the form of trade-related investment measures or subsidies and can be tied to government procurement and preferential market access (local content requirement through rules of origin).[25]

31. Local content requirements have been frequently used in renewable energy sectors to establish or strengthen domestic solar photovoltaic panel and wind-energy manufacturing capacities. Since the early 2000s, local content requirements have been planned or implemented in at least 21 countries, including Argentina, Brazil, Canada, China, Croatia, France, Greece, India, Indonesia, Italy, Jordan, Malaysia, Morocco, the Russian Federation, Saudi Arabia, South Africa, Spain, Türkiye, Ukraine, the United States of America and Uruguay.[26] Between 2008 and 2023, at least 28 jurisdictions adopted local content requirements at the national or subnational levels in the renewable energy sector, including 11 OECD economies and 17 non-OECD economies.[27]

D. The development dimension of trade

1. Subsidies

32. The least developed countries can leverage WTO-compliant provisions, such as exemptions and allowances for export subsidies, to support their transition to producing higher value added products. These include direct financial payments or grants, tax exemptions or rebates for exporters, duty drawback schemes and subsidized loans or insurance for exporters. Such instruments could offer opportunities for the least developed countries to produce competitively priced goods for global markets, if backed up by appropriate financial support instruments and market access opportunities. Subsidies can facilitate the creation of backward and forward linkages across domestic industries, by supporting firms' investments in modern technologies, machinery, and skills. Under the WTO rules, export subsidies, which are prohibited for developed and higher-income developing countries, are permitted for the least developed countries and certain low-income developing countries under special and differential treatment provisions.[28]

2. Agriculture

33. The Agreement on Agriculture under WTO provides several tools that can be used by developing countries for developmental purposes.

34. First, Article 6.2 of the agreement provides flexibilities for developing countries to provide domestic support, such as input subsidies, to low-income or resource-poor producers. In view of the multiple vulnerabilities faced by smallholder farmers in developing countries, in recent years, several developing countries have made use of these rules to provide support to these farmers.

35. The agreement allows developing countries to have a higher de minimis level of permissible domestic support than developed countries.[29]

[25] See Braunschweig O, 2024, Striking a balance on local content requirements in trade agreements: The case of the energy sector, blog, Council on Economic Policies, 15 March, Switzerland.

[26] OECD, 2015, *Overcoming Barriers to International Investment in Clean Energy*, Green Finance and Investment Series, OECD Publishing, Paris.

[27] See OECD, 2024, Government support in the solar and wind value chains, TAD/TC(2024)12/FINAL, Paris.

[28] See WTO Agreement on Subsidies and Countervailing Measures, article 27.2 (a).

[29] While developing countries have de minimis limits of 10 per cent of the total value of agricultural production (or of a specific product), the limit for developed countries is 5 per cent. See WTO Agreement on Agriculture, article 6.4.

36. Lastly, by leveraging "green box" measures,[30] developing countries can enhance agricultural productivity, support rural development and improve their competitiveness in global markets while adhering to WTO rules. However, enabling developing countries to use this flexibility would also require adequate financial resources to be made available.

3. Intellectual property

37. The WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement) allows developing countries, and the least developed countries in particular, to delay implementation of stringent intellectual property rights provisions in sectors critical to public health and technological development, specifically with regard to compulsory licensing in the pharmaceutical sector. Under the Doha Declaration on the TRIPS Agreement and Public Health (2001), countries were granted flexibility to address public health challenges, particularly for access to medicines. In the case of the least developed countries, the current general transition period expires on 1 July 2034, or when a country graduates from the least developed country status, whichever comes first. In 2022, the least developed countries were given a separate extension, until 1 January 2033, for obligations related to pharmaceutical products.

38. India has used TRIPS Agreement provisions to leverage its pharmaceutical industry. Article 31 of the TRIPS Agreement allows Governments to authorize the use of a patented invention without the patent holder's consent, provided certain requirements are met, such as adequate compensation to the patent holder, and for domestic consumption. In 2012, India granted its first compulsory licence to an Indian generic drug manufacturer to produce a low-cost version of a patented cancer drug developed by a pharmaceutical firm.[31] By enabling Indian manufacturers to produce affordable medicines domestically, the compulsory licence supported both public health and local industry. It significantly reduced the price of the cancer drug for Indian patients, with the pharmaceutical firm selling the drug at $5,500 per month compared to the drug manufacturer's price of $175 per month. Domestic production of a patented drug in India, thanks to compulsory licensing, substantially decreased the price of the drug and made it accessible to people at a lower cost. This example shows the importance or utility of compulsory licensing and domestic production of generic drugs at a lower cost compared to patented original drugs. This enhances accessibility and affordability of medicines.[32]

IV. New and emerging issues in trade

39. The evolving global landscape requires new multilaterally agreed solutions to address contemporary challenges such as climate change, plastic pollution, environmental sustainability, and transitions to clean energy and the digital economy.

40. In the meantime, new issues have emerged on the trade agenda, driven by domestic priorities framed as national security and sustainability issues. Although these new sets of trade policy rules have not been formalized within the WTO framework, developing countries are already grappling with their implications, which often threaten their access to export markets.

41. The pressing question for developing countries is what trade policy instruments they can deploy to navigate these growing constraints and maintain their ability to participate effectively in international trade.

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[30] Green box measures refer to support with no, or minimal, distortive effect on trade. These are in contrast to "amber box" measures, which are trade-distorting.

[31] Misra P and Nedumpara JJ, 2012, *NATCO v. BAYER*: Indian patent authority grants its first ever compulsory licence on pharmaceutical products, *Global Trade and Customs Journal,* 7(7/8):326–330.

[32] Ibid.

A. Sustainable agriculture

42. Deforestation primarily reflects the absence of inclusive development and results largely from insufficient resources to address sustainable forest management. Developing countries, including the least developed countries, face significant challenges in participating in trade in agriculture. For example, enabling smallholders to sustainably integrate into global value chains requires targeted interventions, such as affordable credit schemes, risk-sharing mechanisms and subsidies for sustainability investments. Current certification challenges and associated costs can exclude smallholders from these value chains, either due to their inability to meet voluntary standards or their failure to comply with mandatory ones.[33] To ensure inclusivity, it is vital to develop cost-effective and accessible solutions designed through inclusive processes that empower smallholders to fully participate in sustainable agriculture trade.

43. Harmonization of sustainability standards and disclosure rules across countries could streamline compliance requirements, reducing costs and complexities for smallholders. Achieving international consensus on these frameworks is thus essential to enhance transparency and promote sustainable trade.

44. Traceability has increasingly become a prerequisite for developing countries to participate in trade in agriculture. However, the rules governing traceability are usually set outside the multilateral framework. To address this, enhanced dialogue on transparency standards is required to design and implement scalable, interoperable and inclusive traceability tools that cater to the needs of smallholders. Such tools should integrate seamlessly across diverse supply chains, ensuring efficiency and inclusivity, while preventing the exclusion of vulnerable stakeholders. Digital public infrastructure that uses open standards can further address traceability challenges. UNCTAD can play a role as a to discuss these issues and identify common ground prior to legislating.

45. Efforts on the ground are essential to identify bottlenecks, bridge knowledge gaps and address implementation challenges. Policymakers and organizations should collaborate to provide training activities, capacity-building and technical assistance to smallholder farmers.

B. Critical energy transition minerals

46. Critical energy transition minerals are essential for clean energy technologies, such as electric vehicles, solar panels and wind turbines. As the global energy transition accelerates, demand for these minerals is projected to surge. By 2040, clean energy technologies could require 40 times more lithium, 25 times more graphite and 20 times more nickel and cobalt than in 2020.[34]

47. While critical energy transition minerals represent opportunities, they also pose challenges, particularly for commodity-dependent developing countries. Historically, resource wealth in these countries has failed to translate into broad-based economic benefits.

48. The global race for critical energy transition minerals underscores existing inequities. Developing countries endowed with significant reserves of critical energy transition minerals[35] often see limited value from their resources. The Democratic Republic

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[33] See UNCTAD, 2022d, *Exploring the Role of Voluntary Sustainability Standards in Women's Economic Empowerment in the Agriculture Sector in Developing Countries* (United Nations publication, Geneva).

[34] International Energy Agency, 2021, *The Role of Critical Minerals in Clean Energy Transitions*, World Energy Outlook Special Report, Paris.

[35] In 2024, the Democratic Republic of the Congo accounted for 74 per cent of world cobalt production; Gabon and South Africa accounted for 59 per cent of manganese production; Australia and Chile, for about 72 per cent of lithium; and Indonesia, for half of nickel production (United States Geological Survey, 2024, *Mineral Commodity Summaries 2024*, Reston, Virginia, United States of America).

of the Congo dominates cobalt production, while Chile is a leading lithium producer, along with Australia. Most processing of these metals is, however, concentrated in other countries.[36] This concentration in upstream and midstream activities limits opportunities for diversification and value addition in producing countries.

49. Moreover, industrial policies in developed countries are reshaping the global critical energy transition mineral landscape. Programmes, such as the Inflation Reduction Act[37] of the United States and the Green Deal Industrial Plan[38] of the European Union, provide subsidies to localize production of clean energy technology and secure access to raw materials. Such policies can distort trade and exclude developing countries from fair participation in downstream value chains, perpetuating historical inequities.[39]

50. Clean technologies that depend on critical energy transition minerals, and already worth $700 billion, are expected to grow to $3.3 trillion by 2035.[40] By advancing into higher-value segments, such as refining, processing and manufacturing components for energy technologies, commodity-dependent developing countries could capture a larger share of the benefits.

51. The international community should foster conditions that align trade in critical energy transition minerals with global development goals. The Panel on Critical Energy Transition Minerals established by the Secretary-General of the United Nations underscores the need for a just and equitable transition. The panel advocates the promotion of development through benefit sharing, value addition and economic diversification, in addition to protecting human rights, preserving biodiversity and ensuring good governance.[41]

52. Key measures include promotion of inclusive policies, support for local capacity-building and ensuring environmental and social safeguards. Harmonizing global standards and fostering international cooperation to boost investment in value addition in developing countries will be vital to the creation of a balanced trade framework for critical energy transition minerals.

C. Trade and environment

53. Trade and trade policy have significant potential to support the sustainable use of resources and promote climate adaptation and mitigation. However, to be truly effective, these policies need to be agreed at the multilateral level.

54. Despite the explicit reference to “sustainable development” in the preamble of 1994 Marrakesh Agreement Establishing the World Trade Organization, progress on developing multilateral trade rules that integrate trade and environmental considerations remains a work in progress. Urgent action is needed to further clarify current trade and environment rules, in the light of various examples of domestic legislation in which a response to climate change, biodiversity loss and other environmental concerns is sought by moving from a product-centred approach under the WTO, towards an increase in the inclusion of process and production methods as border and internal marker requirements.

[36] International Energy Agency, 2021.

[37] United States, Treasury Inspector General for Tax Administration, 2024. Quarterly Snapshot: The [Internal Revenue Service]’s Inflation Reduction Act, Spending through June 30, 2024. Available at https://www.tigta.gov/reports/list.

[38] Examples of other European Union programmes are the Net-Zero Industry Act, Temporary Crisis and Transition Framework and Critical Raw Materials Act.

[39] See Kleimann D, 2023, Climate versus trade? Reconciling international subsidy rules with industrial decarbonization. Policy Contribution 03/2023, Bruegel, 5–6; Espa I, 2023, Green industrial policy and international trade, Remaking the Global Trading System for a Sustainable Future Project, White paper, available at https://remakingtradeproject.org/white-papers.

[40] International Energy Agency, 2024, Energy Technology Perspectives 2024.

[41] United Nations Secretary-General’s Panel on Critical Energy Transition Minerals, 2024, Resourcing the energy transition: Principles to guide critical energy transition minerals towards equity and justice. Available at https://www.un.org/en/climatechange/critical-minerals.

55. Increasingly, these process and production methods are applied to key export sectors of developing countries, such as agriculture, fisheries and manufacturing. However, use of these methods can translate into additional costs for producers in developing countries, which then limit export opportunities and constrain development prospects. Process and production method-related measures should therefore be designed to balance sustainability and development objectives and avoid such consequences.

56. Research on spillover effects, combined with international dialogue that brings together diverse stakeholders from trade, development and environment sectors, is essential to achieving a fair, coherent and inclusive approach to this evolving trade–environment–development nexus.

1. Carbon pricing mechanisms and developing countries

57. Carbon pricing mechanisms, such as the carbon border adjustments to be introduced by the United Kingdom of Great Britain and Northern Ireland in 2027, introduced by the European Union in 2023 and under consideration in Australia, Canada and the United States of America, are raising concerns regarding potential impacts on developing countries.[42] Ex ante assessments suggest that carbon border adjustment mechanisms could disproportionately affect the trade competitiveness of developing countries without significantly reducing global greenhouse gas emissions.[43] To address these challenges, better design and coordination of carbon pricing requirements with internationally agreed development goals are essential, along with the exploration of alternative methods. Ensuring equitable outcomes while meeting climate goals will require multilateral cooperation and inclusive intergovernmental dialogue.

2. Opportunities for fisheries subsidies reform

58. The 2022 WTO Agreement on Fisheries Subsidies represents a landmark effort to align trade rules with sustainability goals.[44] Members of WTO that have submitted instruments of acceptance have brought the agreement closer to the two-thirds ratification threshold required for its entry into force.[45] Once effective, the agreement will prohibit subsidies that support harmful practices, including illegal, unreported and unregulated fishing, fishing on overfished stocks and fishing in unregulated high seas. Negotiations on unresolved issues, such as subsidies contributing to overcapacity and overfishing, are nonetheless ongoing. These measures are critical for achieving target 6 of Sustainable Development Goal 14 and ensuring sustainable fisheries management worldwide.

3. Opportunities in trade in non-plastic substitutes

59. Markets are increasingly prioritizing non-plastic substitute materials and by-products to transition away from plastics and related pollution costs. In 2022, global exports in non-plastic substitutes reached $831 billion in value, growing 30 per cent faster than that of plastics trade.[46] Under the current WTO Dialogue on Plastic Pollution initiative,[47] UNCTAD has made a case on the need to provide guidance, enable exchange of best practices and facilitate trade of sustainable environmentally sustainable, safe and effective non-plastic substitutes.[48] Inclusion of non-plastic substitutes in any potential multilateral,

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[42] International Monetary Fund, OECD, United Nations, World Bank and World Trade Organization, 2024, *Working Together for Better Climate Action: Carbon Pricing, Policy Spillovers and Global Climate Goals*, Geneva.

[43] UNCTAD, 2021, *A European Union Carbon Border Adjustment Mechanism: Implications for Developing Countries*, Geneva.

[44] UNCTAD, 2023, *Trade and Environment Report 2023: Building a Sustainable and Resilient Ocean Economy beyond 2030* (United Nations publication, Sales No. E.23.II.D.10, Geneva).

[45] See WTO, Agreement on Fisheries Subsidies, Members accepting the Protocol, available at https://www.wto.org/english/tratop_e/rulesneg_e/fish_e/fish_e.htm (accessed 5 March 2025).

[46] UNCTAD, 2024, New data tracks global trade in non-plastic substitutes, 28 November.

[47] See https://www.wto.org/english/tratop_e/ppesp_e/ppesp_e.htm (accessed 5 March 2025).

[48] UNCTAD, 2024, *Beyond Plastics: A Review of Trade-related Policy Measures on Non-plastic Substitutes* (UNCTAD/TCS/DITC/INF/2024/4).

non-reciprocal or regional negotiations or trade agreements related to environmental goods could allow for a synergic approach on market creation for emerging sustainable products, particularly from developing countries.

D. Inclusive trade

1. Gender and trade

60. Trade policies often produce unequal distributional effects across economies, sectors and social groups, with significant gender-differentiated impacts. Women face systemic challenges that limit their ability to fully benefit from trade opportunities as workers, entrepreneurs and consumers. Adopting gender-sensitive approaches ensures that trade becomes a tool that empowers women and reduces existing inequalities.[49]

61. Efforts to address gender disparities in trade have gained momentum, with progress in several areas:

(a) Integration of gender provisions in trade agreements, which have grown through gender-specific provisions or stand-alone chapters. While these provisions have raised the profile of gender issues in trade policymaking, implementation remains uneven; debates on achieving measurable, progressive impacts are ongoing.[50, 51]

(b) Cooperation regional and international frameworks, for example, the Global Trade and Gender Arrangement[52] and regional forums such as the Group of 20 and Asia–Pacific Economic Cooperation forum,[53] have intensified efforts to improve the role of women in trade. These initiatives emphasize sharing best practices and building cooperative strategies to foster inclusiveness.

(c) At national levels, some countries have made significant advancements in the integration of gender into trade frameworks, setting benchmarks and offering valuable insights for others that aim at enhancing inclusive trade practices.[54]

62. At the multilateral level, WTO has played a pivotal role in promoting dialogue on the trade–gender nexus. The Buenos Aires Declaration on Trade and Women's Economic Empowerment and the Informal Working Group on Trade and Gender have facilitated knowledge sharing among WTO members.[55]

63. Despite progress, much remains to be done. It is crucial to evaluate the gendered impacts of trade policies and agreements before implementation. Trade policies should

[49] UNCTAD, 2022e, *Linking Trade and Gender towards Sustainable Development: An Analytical and Policy Framework* (United Nations publication, Sales No. E.22.II.D.38, Geneva).

[50] Kuhlmann K and Bahri A, 2023, Gender mainstreaming in trade agreements: A Potemkin façade?, in: WTO, 2023, *Making Trade Work for Women: Key Findings from the 2022 World Trade Congress on Gender*, Geneva: 235–253.

[51] Trade agreements that incorporate trade and gender provisions include the recent New Zealand–European Union Free Trade Agreement, and the Canada–Chile Free Trade Agreement Canada–Israel Free Trade Agreement.

[52] International Institute for Sustainable Development, 2023, GTAGA: The Global Trade and Gender Arrangement, decoded, available at https://www.iisd.org/articles/deep-dive/global-trade-and-gender-arrangement.

[53] In 2024, both the Group of 20 and Asia–Pacific Economic Cooperation forum intensified efforts to address gender equality in trade by adopting strategic measures, including the establishment of specialized working groups, development of actionable road maps and organization of high-level ministerial meetings (see https://www.apec.org/press/news-releases/2024/apec-ministers-advance-women-s-economic-empowerment and https://w20brazil.org.br/communique_english/).

[54] For instance, Canada systematically undertakes a comprehensive analysis of the gender-differentiated impacts of trade policies and free trade agreements and negotiations through the Gender-Based Analysis Plus framework (see https://www.international.gc.ca/trade-commerce/gender_equality-egalite_genres/gba-fta-acs-ale.aspx?lang=eng).

[55] See WTO, Informal Working Group on Trade and Gender, available at https://www.wto.org/english/tratop_e/womenandtrade_e/iwg_trade_gender_e.htm.

prioritize women's integration into global value chains and high-productivity industries by improving access to resources, networks and opportunities, alongside targeted investments in education and skills development. By leveraging international partnerships for knowledge sharing and capacity-building, trade can become a transformative tool for gender equality, economic empowerment and inclusive growth.

2. Disability inclusion and international trade

64. There are approximately 1.3 billion people with disabilities, with a disproportionate 80 per cent living in low- and middle-income countries.[56] Often, the most vulnerable groups in societies do not benefit from transformational shifts such as the expansion of trade. In the absence of substantial public investment and complementary policies, trade expansion on its own is unlikely to benefit the most disadvantaged groups and might instead lead to inequitable outcomes. Effective disability inclusion will, however, have profoundly positive effects across social, cultural and economic spheres.

65. International trade in assistive products is concentrated in developed countries, which account for 74 per cent of the value of exports,[57] and many assistive products are subject to tariffs. Worldwide, the average tariff on assistive products is around 5 per cent, though some tariffs are as high as 35 per cent.[58] Only 10 per cent of people in low-income countries can access the assistive technology they need, compared to 90 per cent in high-income countries.[59]

66. Furthermore, the lack of internationally comparable data hampers a comprehensive analysis of trade in assistive products and associated barriers. For instance, recent studies for which the WHO priority assistive products list was used to analyse trade have only been able to match data for up to 40 per cent of these products.[60]

67. To promote wider recognition of these issues and work towards solutions across the multilateral trading system, in early 2024, UNCTAD, WTO, the International Trade Centre and the International Labour Organization established an inter-agency technical working group on trade and disability inclusion. The technical working group promotes the integration and enhancement of disability inclusion within trade and development agendas. The group has organized several events to further the issue across the trade community.[61]

E. Competition and consumer protection: The role of efficient markets in equitable trade gains

68. Efficient markets are essential for equitable and effective distribution of trade benefits. They allocate resources optimally while addressing risks of market failures, such as monopolistic practices, misinformation, fraud and other issues, through competition and consumer protection laws and policies. These policy frameworks are vital for fostering innovation and for strengthening inclusivity and fair markets, thereby contributing to the Sustainable Development Goals.

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[56] World Health Organization, Integrated African Health Observatory, 2023, Equity for people with disability…we need to do more, Analytical fact sheet, November.

[57] United Nations, Department of Economic and Social Affairs, 2024, *Disability and Development Report 2024: Accelerating the Realization of the Sustainable Development Goals by, for and with Persons with Disabilities* (United Nations publication, Sales No. E.23.IV.3, New York).

[58] Ibid.

[59] See https://atscalepartnership.org/news/2024/2/21/unlock-the-everyday-assistive-technology-campaign-launch-davos (accessed 5 March 2025).

[60] Bahri A, 2022, Making trade agreements work for people with disabilities: What's been achieved and what remains undone?, presentation, May, WTO.

[61] See https://unctad.org/meeting/wto-public-forum-2024-session-disability-inclusive-trade-leveraging-digital-technologies and https://unctad.org/meeting/panel-discussion-disability-inclusive-trade-call-action.

69. Likewise, consumer protection policies empower individuals to make informed decisions, fostering sustainable consumption and responsible business practices. They support global sustainability efforts, through promotion of equity and resilience, to address issues such as greenwashing and enhance transparency. Consumer protection policy reinforces the public's trust in markets and thus also contributes to supporting demand.

70. UNCTAD amplifies the impact of these domestic measures by offering technical assistance, capacity-building and policy guidance, particularly for developing countries. The UNCTAD intergovernmental machinery on competition and consumer protection policy also offers a unique forum to share good practices and deliberate on issues that require intergovernmental cooperation to harness competition and consumer protection policies in support to internationally agreed development goals. These initiatives help establish transparent regulatory environments that attract investment, drive innovation and address systemic challenges, such as poverty and gender inequality.

71. In 2020, UNCTAD member States adopted the recommendation on preventing the cross-border distribution of known unsafe consumer products, which tackles health and safety concerns at the intersection of trade and electronic commerce.[62]

72. Additionally, the WTO Joint Statement Initiative on Electronic Commerce[63] includes provisions on online consumer protection, recognizing the importance of competition and consumer safeguards in the digital economy.

73. Member States could leverage WTO and UNCTAD forums to further secure consumer protection and promote competitive markets that contribute to internationally agreed development goals.

V. Role of UNCTAD in supporting developing countries

A. Research and analysis

74. The Bridgetown Covenant calls for UNCTAD to analyse the opportunities and challenges of the multilateral trading system and support developing countries to enhance their participation in the multilateral trading system, taking into consideration their sustainable development needs.[64] By better understanding the areas in which developing countries can focus to maximize trade opportunities for economic diversification and structural transformation, they may come up with more targeted domestic policies that place them in a better position to leverage their WTO membership.

75. UNCTAD supports the strategic use of WTO provisions, such as tariff flexibility and export subsidies for the least developed countries, to foster industrialization and economic transformation, as well as add value to natural resources. By helping countries move from commodity dependence to higher-value manufacturing and services, UNCTAD ensures they capture a greater share of global trade benefits.

76. UNCTAD can also continue providing research in areas of comparative advantage to developing countries in quickly growing market for environmentally preferable goods and services, including sustainable use of marine and terrestrial biodiversity, as well as on carbon measurement, building of carbon markets and decarbonization opportunities.

B. Technical cooperation and capacity-building[65]

77. UNCTAD equips developing countries with the knowledge and tools needed to effectively utilize WTO provisions. This includes support in the areas of navigation of

[62] See TD/RBP/CONF.9/9, chapter I, section C.
[63] WTO, 2024, INF/ECOM/87.
[64] TD/541/Add.2.
[65] See also UNCTAD Toolbox, Delivering Results, 2020, Geneva.

complex trade agreements, addressing non-tariff measures and optimization of tariff preferences. UNCTAD trains and builds capacities of developing countries, including the least developed countries, from conception of a trade policy framework to assistance on specific aspects of policy areas, in support of their development objectives.[66] In doing so, UNCTAD responds to evolving demands from member States. Recent areas of new interventions in line with evolving priorities include the preparation of rapid assessment of value addition and diversification capacity, to support diversification and value addition in critical energy transition minerals, as well as new support on preparation of trade policy aspects in nationally determined contribution under the Paris Agreement on climate change.

C. Consensus-building

78. UNCTAD is the main forum to discuss trade and development and interrelated issues in the areas of finance, technology, investment and sustainable development. Due to its deliberative and non-binding nature, UNCTAD inter-government machinery can be used as a safe space by its member States to initiate conversations on trade and trade policy issues, helping to identify respective positions and areas where consensus can be forged on key issues. In doing so, UNCTAD continues to highlight the importance of special and differential treatment provisions, enabling developing countries to adjust policies at their own pace and prioritize national development goals.

VI. Conclusion and issues for member States consideration

79. In the evolving global trade landscape dominated by geopolitics and inward-looking trade policies, developing countries face structural vulnerabilities, limited diversification and significant challenges in integrating into the world market and, even more so, higher-value segments of global value chains. By leveraging multilateral trade rules provisions effectively, and with the support from the international development community, where needed for financial and technical support, developing countries can unlock new opportunities, strengthen their integration into global trade and achieve long-term economic transformation.

80. Accordingly, member States may want to consider ways to:

(a) Develop targeted strategies to maximize WTO flexibilities, such as special and differential treatment and preferential market access. In this regard, member States could consider requesting that UNCTAD review the current status of special and differential treatment and flexibilities available to developing countries, including the least developed countries, in the WTO.

(b) Strengthen partnerships with UNCTAD to build technical expertise and foster evidence-based policymaking.

(c) Promote regional cooperation and South–South trade to enhance market access and resilience.

(d) Advocate for multilateral reforms that align trade strategies with sustainability and development goals, particularly in emerging areas such as digital trade and clean technologies.

(e) Pursue coherence between WTO negotiations and the United Nations Framework Convention on Climate Change, Convention on Biological Diversity and other instruments to ensure that the trade and development aspect is respected.

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[66] TD/B/WP/332.