

Chapter II.D

International trade as an engine for development

1. Introduction

The Addis Ababa Action Agenda acknowledges that international trade is an engine for inclusive economic growth and poverty reduction. It notes that, with appropriate supporting policies, infrastructure and an educated work force, trade can also help to realize productive employment, decent work, women's empowerment and food security, as well as a reduction in inequality, among other objectives.

International trade in goods and services increased rapidly in the past several decades, from about US \$4 trillion in 1990 to about US \$24 trillion in 2014. However, the 2008–2009 financial crisis changed world trade dynamics. Although trade strongly rebounded in 2010 and 2011, global trade in goods has not yet regained its pre-crisis rate of growth. The slowdown in global merchandise trade has been somewhat compensated for by high growth in trade in services, and developing countries' participation in services trade also increased in the past decade. Nonetheless, dwindling commodity prices make it difficult for least developed countries (LDCs) to repeat the buoyant growth in commodity export earnings, which contributed to almost doubling their share in world exports from 0.6 per cent in 2000 to 1.1 per cent in 2014.

One of the features that characterises today's patterns of global trade flows is the emergence of global value chains (GVCs). GVCs have been the motor behind the massive expansion in trade among developing countries, or South-South trade, in the past decade. In 2014 South-South trade, at around US \$5.5 trillion, almost equalled the magnitude of trade among developed countries (North-North trade). A large proportion of the world's GVCs have evolved within the Europe-North America-East Asia

triangle, however, leaving many developing countries, particularly raw commodity-supplier countries in sub-Saharan Africa and Middle-East and North Africa, largely outside the production processes in GVCs. Gains from trade have often been unequally distributed within value chains.

Closely linked to the evolution of GVCs has been the surge in the number of bilateral and regional preferential trade agreements (RTAs). Many recently formed RTAs aim at deeper economic integration, that is they encompass a range of behind-the-border measures and other non-tariff regulatory measures, in addition to reciprocal tariff liberalization. In 2014, almost half of world trade took place between countries that had signed an RTA with one another, and almost one third was regulated by "deeper" trade agreements. Virtually all countries belong to at least one RTA, with some countries being more active in forming bilateral and regional RTAs than others. Globally, the emergence of "mega" RTAs, such as the Trans-Pacific Partnership Agreement (TPP) and the United States-European Union Transatlantic Trade and Investment Partnership (TTIP) may further change the dynamics in world trade flows as well as the underlying international trade rules.

Nonetheless, the Addis Agenda reaffirms the need to promote a universal, rules-based, open, transparent, predictable, inclusive, non-discriminatory and equitable multilateral trading system under the World Trade Organization and meaningful trade liberalization. At the Tenth World Trade Organization (WTO) Ministerial Conference, which took place in December 2015 in Nairobi, Kenya, Members reaffirmed the pre-eminence of the WTO as the global forum for the setting and governance of trade rules. They also acknowledged the contribu-

tion that the rules-based multilateral trading system has made to the strength and stability of the global economy and the role that international trade can play towards achieving sustainable, robust and balanced growth for all.

The current world trade dynamics point to two key challenges towards realising the potential of trade to contribute to sustainable development. The first of these is how to make trade growth inclusive. At the international level, formation of deeper RTAs involving major economies may further exacerbate the marginalization of low-income or small and vulnerable economies in world trade. The entry into force of mega RTAs could result in trade diversion effects against non-members. The second challenge concerns how to establish policy coherence at all lev-

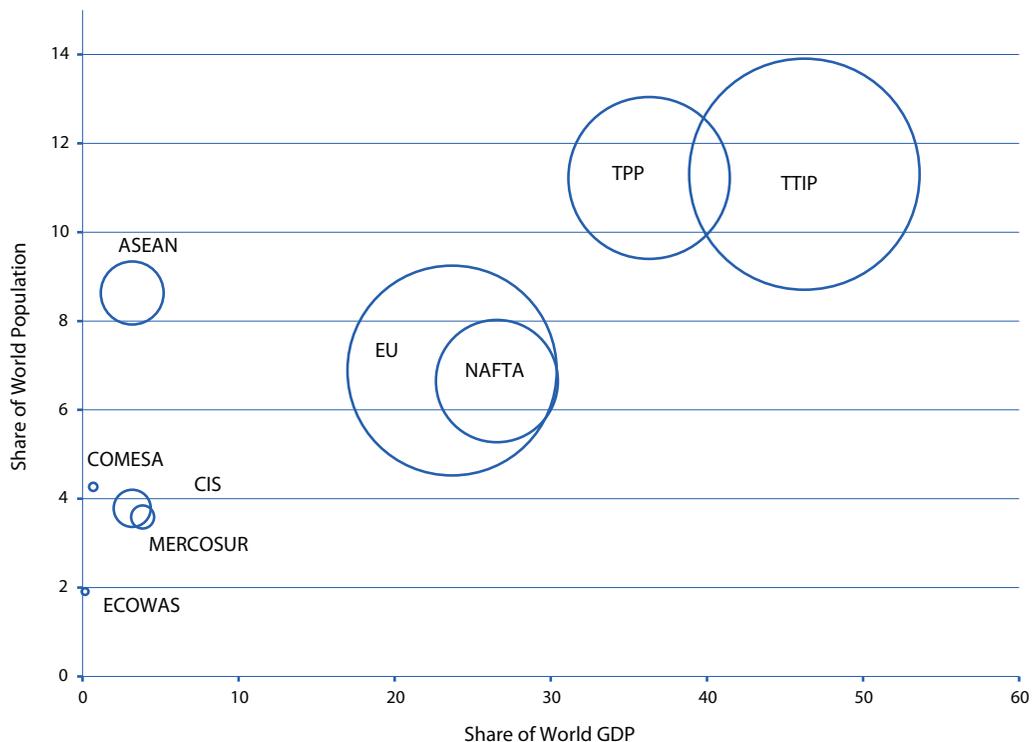
els. At the national level, an effective coordination mechanism is imperative for ensuring synergistic interactions between trade policy and other public policies including particularly industrial policy, as well as those on health, food security, education, gender, migration, energy, human rights and environment. At the regional and the international levels, stronger partnerships are required to ensure that trade's contribution to sustainable development would not result in a situation where a country's trade-led inclusive growth damages other countries' potential to use trade for sustainable development.

Against the above background, the following sections present options for monitoring the commitments covered in the Trade Chapter of the Addis Agenda.

Figure 4

Mega-regionals

(Mega-regionals are substantially larger in all dimensions)



Source: UNCTAD calculations.

Note: Size of circles is proportional to intra-PTAs trade.

2. Strengthening the multilateral trading system

A key message of the Addis Agenda is that, in order to make trade an engine for economic growth and poverty reduction, Member States will promote a universal, rules-based, open, transparent, predictable, inclusive, non-discriminatory and equitable multilateral trading system under the WTO (79, MoI 17.10). The indicator for the Sustainable Development Goals (SDGs) can be an input (*17.10.1 World-wide weighted tariff-average*), but does not effectively track trade policy developments. To follow-up on the commitments in the Addis Agenda, monitoring of these five areas will be crucial to determining how strong the multilateral trading system has become.

2.1. Special and differential treatment/least developed countries

- *Commits WTO members to implement the provisions of special and differential treatment for developing countries, in particular LDCs (84, MoI 10.a)*
- *Welcomes the establishment of the monitoring mechanism to analyse and review all aspects of the implementation of special and differential treatment provisions with a view to strengthening them and making them more precise, effective and operational as well as facilitating integration of developing and least-developed WTO members into the multilateral trading system (84)*
- *Calls on WTO members to realize timely implementation of duty-free and quota-free (DFQF) market access on a lasting basis for all products originating from all LDCs (85, MoI 17.12)*
- *Calls on WTO members to facilitate market access for products of LDCs, including by developing simple and transparent rules of origin applicable to imports from LDCs (85, SDG 17.12)*

The SDG indicators under targets 10a and 17.12 are respectively, (10.a.1) “proportion of tariff lines applied to imports from least developed countries and developing countries with zero-tariff” and (*17.12.1 Average tariffs faced by developing countries,*

least developed countries and small island developing States which can serve as a basis to assess the implementation of these commitments. Tariff data collected by the International Trade Centre (ITC), the United Nations Conference on Trade and Development (UNCTAD) and the WTO, are available on an annual basis and are disaggregated by developing countries and LDCs. The reference databases for tariff data are ITC (MacMap), UNCTAD (TRAINS) and WTO (IDB).

To give a fuller picture, the data for both of these indicators should be disaggregated for other groups of countries, such as landlocked developing countries (LLDCs) and small island developing states (SIDS). The exports of LDCs, as well as LLDCs and SIDS, are typically highly concentrated in just a handful of products where they have comparative advantage. Monitoring the share of imports (calculated in value terms and excluding oil and arms) from developing countries, LDCs, LLDCs and SIDS that are admitted free of duty would also be helpful.

The data for indicator 17.12.1 could also be disaggregated by type of product—for example, agricultural products, textiles and clothing, and environmental goods—to accurately reflect the varying levels of tariffs on different products. Focusing on specific sectors could also be beneficial for the monitoring of other targets. As an example, product specific tariff levels could allow for the tracking of market distortions in agricultural markets (83 and MoI 2b) as well as access to affordable medicines. This data is collected annually by the WTO, UNCTAD and ITC.

Not only have average tariffs on exports from LDCs declined significantly, but so have tariffs on exports from other developing countries. Relative preferential margins enjoyed by LDCs over other developing countries could also be monitored, as a measure of special preferences for LDCs. Moreover, tariffs alone do not adequately reflect market access constraints. Non-tariff measures are playing an increasingly important role in limiting trade, and therefore a methodology for capturing the effects of non-tariff barriers would be helpful.

Preferential treatment may not be fully used by developing countries’ exporters for different reasons such as the inability of certain exporters to meet eli-

gibility criteria (i.e., complying with rules of origin), however this is more difficult to measure. For example, to date, data on “preferences utilization by developing and least developed countries on their exports,” which would provide information on the amounts of exports have effectively benefited from preferential access or duty free access, is available only for some leading importers, and not on a yearly basis.

Following-up on these commitments will also require qualitative assessments on future WTO negotiations and policies. As part of the Doha Round of negotiations, the Special Session of the WTO Committee on Trade and Development (CTD) is reviewing the special and differential treatment provisions in the WTO Agreements with a view to making them more precise, effective and operational. The CTD is also mandated to review periodically the application of special and differential treatment for developing countries, in particular LDCs, and to consider any questions in this regard. At the request of the CTD, the WTO Secretariat compiles evidence on the implementation of special and differential treatment provisions; the most recent of which is from 2013 (WT/COMTD/W/196), and tabulates all the provisions in WTO agreements that provide special and differential treatment.

At the Bali Ministerial Conference in 2013, WTO members decided to establish a monitoring mechanism on special and differential treatment. The function of the monitoring mechanism is to review the implementation of special and differential treatment provisions and, where appropriate, to make recommendations on actions or negotiations to improve implementation. The status of recommendations emerging from the Mechanism will be included in the annual report of the CTD to the General Council, the WTO’s highest-level decision-making body in Geneva.

The implementation of duty-free, quota-free market access (DFQF) is regularly monitored in the WTO CTD, which conducts annual reviews on the steps taken by WTO Members to provide DFQF market access to LDCs. The report provides the percent of tariff lines enjoying DFQF for LDCs and the remaining number of dutiable tariff lines for both developed countries and selected developing WTO members. A special CTD meeting, held in September 2015, provided an opportunity for

Members to have an in-depth exchange on the issues involved with the implementation of DFQF market access for LDC products. Discussion on a possible way forward focused on a “clinical examination” of the issues involved and possible impact arising from the implementation of DFQF market access for LDCs, on the basis of a study to be prepared by the Secretariat.

Market access for LDCs remains an important issue and the WTO Secretariat regularly prepares a note in response to paragraph 8 of the WTO Work Programme for Least Developed Countries (LDCs), which mandates an annual review of market access for products originating from LDCs (WT/COMTD/LDC/11/Rev.1). The latest note (WT/COMTD/LDC/W/60) updates the information on trends in LDC trade and market access conditions. One issue that has been found to hinder market access for the LDCs is preferential rules of origin. This has been the focus of recent work in the WTO. To examine the complexity of rules of origin and other inhibiting factors, the secretariat note estimates the percentage of imports entering under a preferential regime as a percentage of imports eligible for preference to select developed markets.

The WTO Committee on Rules of Origin annually reviews developments in preferential rules of origin, including measures taken by Members to implement the decisions reached at the Tenth WTO Ministerial Conference in Nairobi. The WTO also maintains a Database on Preferential Trade Arrangements (<http://ptadb.wto.org>) where members’ notifications and legislation on preferential rules of origin can be accessed.

Data and statistics for the relative preferential tariff margins facing LDCs are calculated by UNCTAD periodically. These are reported in the annual report titled “Key statistics and trends in international trade”.

2.2. Agriculture and fisheries

- *Calls on WTO members to correct and prevent trade restrictions and distortions in world agricultural markets, including through the parallel elimination of all forms of agricultural export subsidies and disciplines on all export measures with equivalent effect (83, MoI 2.b)*

- *Calls on WTO members to strengthen disciplines on subsidies in the fisheries sector, including through the prohibition of certain forms of subsidies that contribute to overcapacity and overfishing in accordance with mandate of the Doha Development Agenda and the Hong Kong Ministerial Declaration (83, SDG 14.6)*

The Nairobi Ministerial Declaration contains a commitment by all Members to advance negotiations on the remaining Doha issues including advancing work in all three pillars of agriculture, namely domestic support, market access and export competition. Members also adopted decisions on cotton, public stockholding for food security purposes and a special safeguard mechanism for developing country Members.

In Nairobi WTO Members also adopted a decision of direct relevance to the achievement of the SDG objective above on the parallel elimination of all forms of agricultural export subsidies and disciplines on all export measures with equivalent effect. According to the decision, export subsidies shall be eliminated by developed country Members immediately as a general rule, with delayed implementation under certain conditions for a limited number of products. Developing country Members have longer implementation periods. The decision also contains disciplines on maximum repayment terms and self-financing of export credits, export credit guarantees and insurance programmes. Members also agreed to ensure that agricultural exporting State Trading Enterprises do not operate in a manner that would circumvent the other provisions of the decision. Finally, the decision includes disciplines on food aid aimed at minimizing the risk of commercial displacement and more specifically ensuring that food aid does not negatively affect domestic producers and local or regional markets. Least developed and net food importing developing country Members benefit from specific flexibilities.

The WTO Committee on Agriculture shall monitor the implementation of the Nairobi Ministerial Decision on export competition, as stated in its paragraph 4. This monitoring function will be achieved in accordance with existing notification requirements under the Agreement on Agriculture, as well as through the continuation of the annual

dedicated discussion process on export competition, resulting from the WTO Bali Ministerial Conference, in accordance with the provisions of the annex to the Nairobi Ministerial Decision.

The data available to monitor the implementation of the Nairobi Ministerial Decision are as follows.

- On export subsidies, Members' notifications to the WTO Committee on Agriculture on their use of export subsidies, as well as replies by Members to the first section ("operational changes in measures") of the questionnaire on export competition circulated to WTO Members in advance of the annual dedicated discussion
- On export credits, export credit guarantees or insurance programmes, Members' replies to the second section ("export credits, export credit guarantees or insurance programmes") of the questionnaire circulated in advance of the annual dedicated discussion
- On international food aid, relevant information contained in countries' notifications to WFP's INTERFAIS database and in Members' notifications to the WTO Committee on Agriculture on their use of export subsidies, as well as replies by Members to the third section ("food aid") of the questionnaire circulated in advance of the annual dedicated discussion
- On agricultural exporting State Trading Enterprises, relevant information contained in Members' notifications to the WTO Working Party on State Trading Enterprises, as well as replies by Members to the fourth section ("agricultural exporting State Trading Enterprises") of the questionnaire circulated in advance of the annual dedicated discussion

These data are both quantitative and qualitative and their availability depends on the timeliness and accuracy of the replies to the questionnaire and the notifications transmitted by WTO Members. In this regard, the Nairobi Ministerial Decision states that, unless they are in a position to do so at an earlier date, developing country Members shall implement the annex of the decision (i.e., be requested to

reply to the questionnaire) no later than five years following the date of adoption of the decision.

An additional input will be the indicators for monitoring the SDGs. They include *2.b.1 Producer Support Estimate* and *2.b.2 Agricultural export subsidies*. The methodology for 2.b.1 is not yet developed. There is no single source estimate for measuring all distortions in world agricultural markets. Academics, some of whom had worked at the World Bank Group, compiled a database of distortions to agricultural incentives, which includes export subsidies but also other distortions such as domestic producer support, and exchange rate effects. It is updated periodically, but does not have universal coverage.

In terms of fisheries, WTO Members worked intensively up to and during the Tenth Ministerial Conference on proposals to develop new substantive disciplines and/or transparency obligations with respect to fisheries subsidies. However, they were unable to reach an agreement in Nairobi. As Members resume work in the WTO post-Nairobi, fisheries subsidies continue to be identified by some delegations as a priority area for further negotiations. Monitoring should be based on progress made by Members in the adoption of disciplines to limit subsidies that contribute to overcapacity and overfishing and their subsequent implementation. The indicator for SDG 14.6 (*Progress by countries in the degree of implementation of international instruments aiming to combat illegal, unreported and unregulated fishing*) can be an input in this area.

2.3. Access to affordable medicines

- *Reaffirms the right of WTO members to take advantage of the flexibilities in the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS); reaffirms that the TRIPS Agreement does not and should not prevent Members from taking measures to protect public health (86, MoI 3.b)*
- *Urges WTO Members to accept the amendment of the TRIPS Agreement allowing improved access to affordable medicines for developing countries by the deadline of the end of 2015 (86, MoI 3.b)*

Options for monitoring the implementation and use of TRIPS flexibilities by WTO Members

include (i) respecting the requirement to notify relevant laws and regulations to the Council for TRIPS pursuant to Article 63.2 of the TRIPS Agreement; (ii) sharing of experiences by Members on a more regular basis under the relevant agenda items of the Council for TRIPS, such as the Annual Review of the Decision on the Implementation of Paragraph 6 of the Doha Declaration on the TRIPS Agreement and Public Health; and (iii) coverage in the reports prepared by the WTO Secretariat as part of a WTO Member's trade policy review.

The WTO maintains and regularly updates a list of Members that have accepted the Protocol Amending the TRIPS Agreement. While a majority of WTO Members had accepted the TRIPS amendment by March 2016, additional acceptances are still needed to trigger entry into force of the amendment. The WTO General Council Decision to extend the period for acceptance of the TRIPS Protocol until end-2017 provides the basis for Members to complete their domestic procedures and submit their instrument of acceptance to the WTO.

The Committee on Development and Intellectual Property (CDIP) of the World Intellectual Property Organization (WIPO) provides an online Database on Flexibilities in the Intellectual Property System, which contains data drawn from WIPO documents on Patent Related Flexibilities in the Multilateral Legal Framework and their Legislative Implementation at the National and Regional Levels (namely CDIP/5/4 Rev., CDIP/7/3 Add, CDIP/13/10 Rev, and CDIP/15/6). The database allows users to search for the implementation of flexibilities in national IP laws in selected jurisdictions. The Indicators for MoI 3.b, (*Proportion of the population with access to affordable medicines and vaccines on a sustainable basis* and *Total net official development assistance to the medical research and basic health sectors*) can also help contextualize this section.

2.4. Progress on implementation of the Bali and Nairobi outcomes

- *Calls on WTO Members to fully and expeditiously implement all the decisions of the Bali Package (80)*

- *Calls on WTO Members to notify commercially meaningful preferences for LDC services and service suppliers in accordance with the 2011 and 2013 Bali decision (80)*

The WTO regularly reviews the implementation of the decisions in the Bali Package. A report by the Chairman of the General Council on implementation of the Bali outcomes is a standing item at meetings of the WTO General Council.

Regarding the Bali decisions on regular work under the General Council, on TRIPS non-violation and situation complaints, Members at the Tenth Ministerial Conference decided to continue examination of this issue and make recommendations at the next Ministerial Conference. In the meantime, it was also agreed that Members will not initiate such complaints under the TRIPS Agreement.

On Aid for Trade, Ministers at the Tenth Ministerial Conference recognized, inter alia, the importance of and continuing need for the Aid-for-Trade Initiative. A new Aid-for-Trade work programme with the theme of “Promoting Connectivity” has been developed for the period 2016–2017 (see paragraph 3.3). (See also section 3.3 below.)

On Trade and Transfer of Technology, the Working Group on Trade and Transfer of Technology has in its Annual Report recommended that it continues to work to fully achieve its mandate.

Other areas of the Bali and Nairobi packages where specific decisions were taken are analysed under the sections where the respective commitments have been elaborated. These include Trade Facilitation, DFQF, Preferential Rules of Origin, the Services Waiver and the Monitoring Mechanism on special and differential treatment.

- *Calls on WTO Members to notify commercially meaningful preferences for LDC services and service suppliers in accordance with the 2011 and 2013 Bali decision (80)*

The so-called “LDC Services Waiver”, first adopted at the WTO’s Eighth Ministerial Conference in 2011, releases Members from their most-favoured nation obligation under the General Agreement on Trade in Services (GATS). This allows Members to grant LDC services and service providers preferential access to their markets for 15 years

with the objective to enhance LDCs’ participation in world services trade. The Bali decision was subsequently adopted in 2013 as initial progress to implement the LDC Services Waiver was slow.

The 2011 “LDC Services Waiver” was extended by Nairobi Ministerial Decision T/MIN(15)/48 for an additional four years, until 31 December 2030. The Nairobi Ministerial Decision also encourages discussions among members on technical assistance aimed at increasing the capacity of LDCs to participate in services trade. It also urges members who have not yet notified their preferences to the WTO’s Trade in Services Council to promptly do so and sets up a review to monitor the operation of the notified preferences. With regards to this commitment, monitoring will be based on the number of countries and regional groups that have indicated that they will provide preferences to LDC services and service providers in certain sectors.

2.5. Trade negotiations, WTO accessions, trade policy reviews and trade monitoring reports

- *Commits to promptly conclude the negotiations on the Doha Development Agenda and reiterates development concerns as integral to the Agenda (83, MoI 17.10)*
- *Calls on WTO Members to accelerate accession of developing countries in negotiations for WTO membership (83)*
- *Commits to combat protectionism in all its forms (83)*

The Nairobi Ministerial Declaration contains a strong commitment of all Members to advance negotiations on the remaining Doha issues. This includes advancing work in all three pillars of agriculture, namely domestic support, market access and export competition, as well as non-agriculture market access, services, development, TRIPS and rules.

Members acknowledged that this work shall maintain development at its centre and provisions for special and differential treatment shall remain integral. Members also agreed to continue to give priority to LDC concerns and interests.

Members agreed at Tenth Ministerial Conference that officials should work to find ways to advance negotiations and request the Director-Gen-

eral to report regularly to the General Council on these efforts. While Members concurred that officials should prioritize work where results have not yet been achieved, some wished to identify and discuss other issues for negotiation; others did not. Members also clarified that any decision to launch negotiations multilaterally on such issues would need to be agreed by all Members.

At the Tenth Ministerial Conference, Members celebrated the enlargement of the WTO by accessions, in accordance with Article XII of the Marrakesh Agreement. Two LDCs completed their respective accession processes at the Tenth Ministerial Conference: Afghanistan and Liberia. WTO Members remain committed to work towards completing and facilitating current accessions; and to provide pre and post-accession technical assistance and support. The WTO Director General reports on developments in accession negotiations, when he presents his Annual Report on Accessions¹ at the year-end Meeting of the General Council. The Annual Report is forwarded to the Ministerial Conference, as appropriate. Real-time updates on accessions are available at the WTO website and through the monthly Accessions Newsletter.

In addition to the regular trade policy reviews of Members on an individual or regional basis, the WTO currently produces two series of trade monitoring reports: the WTO-wide reports on trade-related developments covering the whole WTO membership and observers; and joint reports with the Organization for Economic Cooperation and Development (OECD) and UNCTAD on trade and investment measures taken by G-20 economies. These reports, among other things, track the status of the trade-restrictive measures recorded since 2008, including progress in eliminating them.

3. Facilitating international trade

The Addis Agenda specifies key areas that require coordinated actions at all levels to foster effective participation of developing countries in international trade. These key areas are: (i) promotion of trade growth consistent with the SDGs; (ii) trade finance; (iii) Aid for Trade; and (iv) trade facilitation.

3.1. Promoting world trade growth that is consistent with the SDGs

The Addis Agenda lays out the commitments and action items that would help to ensure that inclusive trade growth is an economic foundation for sustainable development, including the following:

- *Endeavours to increase world trade in a manner consistent with the SDGs, including exports from developing countries, in particular LDCs, with a view towards doubling their share of global exports by 2020 (82, MoI 17.11)*
- *Commits to integrate sustainable development into trade policy at all levels (82)*
- *Commits to support integration of small, vulnerable economies in regional and world markets (82)*
- *Recognizes the need for value addition by developing countries and for further integration of MSMEs into value chains (88)*

The indicator under SDG target 17.11 (*17.11.1 Developing countries' and least developed countries' share of global exports*) can be a helpful input to track the progress toward implementing the Addis Agenda's trade-related commitments. The Addis Agenda commitments also include process-oriented and qualitative objectives, such as increasing world trade “in a manner consistent with the SDGs” and integrating “sustainable development into trade policy at all levels”. The monitoring of these commitments benefits from existing platforms that review and monitor relevant international frameworks and conventions, which include: Istanbul Plan of Actions for the Least Developed Countries for the Decade 2011–2020 (A/CONF. 219/3/Rev.1); Vienna Programme of Action for Landlocked Developing Countries for the Decade 2014–2024 (A/RES/69/137); SIDS Accelerated Modality of Actions/SAMOA Pathway (A/RES/69/15); and United Nations Monitoring Mechanism (UNMM) to Review Commitments towards Africa's Development Needs (A/RES/66/293).

Statistical information that depicts progress in sustained, inclusive and sustainable economic growth at the national level should include, among

¹ The 2015 Director-General's Annual Report on Accessions was circulated as document WT/ACC/25.

others, an export diversification index and changes in factor intensity of traded products. Time-series data that are necessary for such statistics are available through United Nations agencies, including the United Nations Statistics Division (<http://comtrade.un.org/>), UNCTAD and ITC (www.trademap.org). However, within-country firm-level data, which would help assess the increase in the participation of micro, small and medium-sized enterprises (MSMEs) and different segments of society in international trade is not currently available. For assessing synergies between trade growth and sustainable development in social and environmental dimensions, time-series data on trade flows and trade policy (e.g., bound, applied and preferential tariff rates and non-tariff measures available from the WTO, ITC and UNCTAD) can be combined/compared with data related to various SDGs, available at the Food and Agriculture Organization (FAO), World Health Organization (WHO), International Labour Organization (ILO), United Nations Industrial Development Organization, United Nations Environment Programme (UNEP), World Bank Group and OECD, among others.

Given the importance of regional trade integration for vulnerable groups of countries such as LDCs, LLDCs and SIDS, monitoring could also include an analysis of the exports of these countries, the geographic diversification of their exports and measures of intra-regional trade.

3.2. Trade Finance

- *Commits to explore use of market-oriented incentives to expand WTO-compatible trade finance and the availability of trade credit, guarantees, insurance, factoring, letters of credit and innovative financial instruments, including for MSMEs in developing countries (81)*
- *Calls on development banks to provide and increase market-oriented trade finance and to examine ways to address market failures associated with trade finance (81)*

There is no comprehensive source for measuring the size and composition of the trade finance

market. Aspects of bank-intermediated trade finance are captured by statistics in many Committee on the Global Financial System member countries, but coverage differs significantly across countries, and in many cases is quite limited. Combining these data with information from other sources, such as trade associations and SWIFT, can support a general characterisation of the size, structure and trends of the global market, but the approach requires significant interpolation and inference.² Developments in national policy incentives and at development banks can be explored with qualitative information and case studies.

The WTO is currently examining possible concrete measures to address the problem of trade finance availability for SMEs, such as possible proposals for achievable and measurable targets, with a view to reducing the trade finance gap in the future. The idea is not to “re-invent the wheel” but to rely on existing successful mechanisms and initiatives, such as trade finance facilitation programmes, training and capacity building initiatives, and channels of dialogue with regulators. A dialogue is currently taking place with the WTO’s traditional partners.

The WTO Director-General will issue a publication that will contain proposals on how the WTO and its partners can reduce the trade finance gap. It will build on the WTO’s long-standing commitment to support multilateral partners in addressing trade financing gaps, through advocacy in favour of trade finance facilitation programmes (which are largely SME-based), capacity building and market intelligence to improve the understanding of such gaps. This could include working towards aspirational targets which would help members of the international community and of relevant international organizations to galvanize action and pool resources, with a view to reducing the global trade finance gap.

3.3. Aid for trade

- *Commits to focus Aid for Trade on developing countries, in particular LDCs, including through the Enhanced Integrated Framework*

2 Bank for International Settlements, “Trade finance: developments and issues”, Committee on the Global Financial System, CGFS Paper No. 50, January 2014, <http://www.bis.org/publ/cgfs50.pdf>.

for Trade-Related Technical Assistance to LDCs (90, MoI 8.a)

- *Commits to allocate an increasing proportion of Aid for Trade to LDCs, provided according to development cooperation effectiveness principles; and welcomes additional cooperation among developing countries to this end (90, MoI 8.a)*

At the Tenth WTO Ministerial Conference held in Nairobi in December 2015, Ministers recognized the importance of and continuing need for the Aid for Trade Initiative and of according priority to the needs of LDCs. The biennial Aid for Trade Work Programme for 2016–2017 has as its overarching focus “Promoting Connectivity” by reducing trade costs, including in the area of services’ trade costs.

The SDG indicator is *8.a.1 Aid for Trade commitments and disbursements*. In order to collect further data and information on how and to what extent trade costs affect the economic development of developing countries and LDCs, it is foreseen that a series of pertinent questions will once again be included in the self-assessment questionnaire to be developed in connection with the monitoring and evaluation exercise (M&E) that will be conducted in support of the Aid for Trade Work Programme for 2016–2017. An analysis of the results of the M&E exercise will be presented at the Sixth Global Review of Aid for Trade to be held in 2017.

The WTO continues to work closely with the OECD with regard to the monitoring of Aid for Trade flows (The specific website that can be consulted for the purposes of monitoring is <http://www.oecd.org/dac/aft/aid-for-tradestatisticalqueries.htm>). Regarding the monitoring of commitments with respect to the LDCs, Phase Two of the Enhanced Integrated Framework (EIF) began on 1 January 2016, coinciding with the commitments adopted in the Addis Agenda. Therefore, monitoring of donor commitments towards the EIF, as the main Aid for Trade vehicle for LDCs, should be relatively straight forward. Monitoring of commitments can take place at three levels:

- *Donor contributions to the EIF Global Trust Fund (currently US \$90 million pledged) for Phase Two*

- *Additional donor resources leveraged through Tier 2 projects*
- *Additional donor resources leveraged to fund other projects/priorities—as identified through EIF support (e.g., DTIS/Update, Medium Term Programme/Trade Policy Framework)*

3.4. Trade facilitation

In reaffirming the commitments to strengthen the multilateral trading system, the Addis Agenda calls on WTO Members to fully and expeditiously implement the ministerial declarations and decisions agreed at the Ninth WTO Ministerial Conference in Bali (2013), called the Bali Package. One of the major components of the Bali Package was the Agreement on Trade Facilitation, which has been subsequently inserted as a new agreement into Annex 1A of the WTO Agreements.

- *Calls on WTO members to expeditiously ratify the Agreement on Trade Facilitation (80)*

The commitment can be effectively monitored, on an annual basis, by counting the number of countries that ratified the WTO Agreement on Trade Facilitation. Existing frameworks and platforms that can help monitor the implementation of trade facilitation activities across countries would include: Joint United Nations Regional Commissions Trade Facilitation and Paperless Trade Implementation Survey 2015: Global Report; The New Partnership for Africa’s Development (NEPAD) 2010–2040 Programme for Infrastructure Development in Africa (PIDA); Aerodromes and ground aids indicator of the International Civil Aviation Organization’s Universal Safety Oversight and Audit Programme; and the UNCTAD Automated systems of customs data, a computerised customs management system for handling customs declarations, accounting procedures, transit and suspension procedures.

Trade facilitation programmes in international organizations (including UNCTAD, ITC, WTO, and the United Nations Economic Commission for Europe) support the implementation of the Trade Facilitation Agreement including the categorization and establishment of national committees.

Work towards the ratification of the Trade Facilitation Agreement has continued to progress. As of 4 March 2015, Members had submitted 81

category A notifications, and had begun to present the first Category B and C notifications. The WTO has also received 70 instruments of acceptance which is close to the two thirds of ratifying Members required for the Trade Facilitation Agreement to enter into force.

4. Promoting policy coherence in trade

The Addis Agenda calls for greater coherence specifically with a view to: (i) creating domestic enabling environments; (ii) achieving coherence and consistency among bilateral and regional trade and investment agreements and their compatibility with WTO rules; (iii) promoting development-friendly trade and investment agreements; (iv) enhancing women's equal and active participation in international trade; and (v) strengthening international agency/commission relevant to trade, trade laws and development; and (iv) combatting illegal trade, poaching and trafficking of protected species, hazardous waste, minerals and other natural resources.

4.1. Development at the local level: the domestic enabling environment for trade

The Addis Agenda acknowledges the importance of the domestic enabling environment. Tracking improvements in this area is discussed in Chapter II. B and its subsections 2 (investment climate), 4 (policies and regulatory frameworks to better align business and finance with global goals) and 8 (Encouraging quality direct investment/FDI, particularly in underfunded sectors and countries) in detail. With regard to trade, Governments:

- *Commit to strengthen domestic enabling environments and implement policies conducive to realizing the potential of trade for inclusive growth and sustainable development (88)*

The exact nature of the domestic enabling environment and the choice of domestic policies for this purpose must be specific to each country's economic and developmental conditions. Moreover, creating the enabling environment also depends on other sector and how they are mutually supportive with trade policies. In this context, the initiative mentioned for section 3. 1 above, that is inter-agency collaboration

in providing comprehensive statistical information on trade's contribution to the SDGs at the national level, could help each country identify the areas where complementary policy actions are needed.

4.2. Coherence among bilateral and regional trade and investment agreements

The Addis Agenda highlights the significant potential of regional economic integration and interconnectivity to promote inclusive growth and sustainable development (87). It also articulates that regional integration can be an important catalyst to reduce trade barriers and to enable companies, including micro-, small- and medium-sized enterprises, which represent a large share of employment in most countries, to integrate into regional and global value chains. In this respect, the Addis Agenda encourages multilateral development banks (MDBs), in collaboration with other stakeholders, to address gaps in trade, transport and transit-related regional infrastructure (87), and elaborates on the following commitments:

- *Commits to strengthen regional cooperation and regional trade agreements (87)*
- *Commits to strengthen coherence and consistency among bilateral and regional trade and investment agreements, and ensure that they are compatible with WTO rules (87)*
- *Urges the international community to increase support to projects and cooperation frameworks that foster regional and subregional integration, with special attention to Africa, and that enhance the participation and integration of small-scale industrial and other enterprises, particularly from developing countries, into global value chains and markets (87)*
- *Encourages MDBs in collaboration with other stakeholders to address gaps in trade, transport and transit-related regional infrastructure, including completing missing links connecting LLDCs, LDCs and SIDS within regional networks (87)*

To ensure transparency and a better understanding of RTAs, they should be reported to the WTO following the provisions for RTAs in WTO rules. Transparency is further enhanced through

the WTO's Transparency Mechanism for RTAs which has been operational since December 2006. Furthermore, under the Transparency Mechanism, the WTO maintains a database (the Regional Trade Agreements Information System — rtais.wto.org) which contains information on all RTAs reported to the WTO and that have been examined or considered by the appropriate Committee; the information includes legal texts, trade and tariff data on each RTA as well as the factual presentation of the RTA prepared by the WTO Secretariat. The Ministerial Declaration from the Tenth Ministerial Conference has instructed the Committee on Regional Trade Agreements to discuss the systemic implications of RTAs for the multilateral trading system and its relationship with WTO rules.

With regard to Africa's regional integration, the African Union Summit in January 2012 committed to establish a Continental Free Trade Area (CFTA) by 2017. The negotiations for the African megaregional trade agreement are now ongoing, with significant expected benefits for strengthening intra-African trade and harmonizing trade policy in Africa. The 2012 Summit also adopted the Boosting Intra-African Trade (BIAT) Initiative. The BIAT identifies seven clusters—market integration, productive capacity, trade-related infrastructure, trade information, trade facilitation, trade finance and factor mobility—where progress is necessary to complement the steps that are to be taken to establish the CFTA. Action plans are being developed by the regional economic communities, which will provide the basis for data collection and monitoring progress in regional cooperation in Africa.

In addition, the Africa Regional Integration Index, published jointly by the African Development Bank (AfDB), African Union Commission and the United Nations Economic Commission for Africa, can be a valuable tool to monitor progress in implementing commitments falling under African regional integration frameworks. The three organizations also produce a recurring joint publication, *Assessing Regional Integration in Africa*, partly based on the Index. With regard to Asia, the Integration Indicator of Asian Development Bank (ADB) provides a set of

indicators to monitor progress on regional cooperation and integration of the ADB's 48 regional members. Universally, the WTO's Transparency Mechanism for RTAs and the Regional Trade Agreements Information System provides information on existing RTAs, which can be used for assessing whether a given trade agreement is compatible with WTO rules.

Today's deeper regional economic integration depends increasingly on compliance with trade regulatory measures such as sanitary requirements and goods standards, which constitute non-tariff measures (NTMs) that generally impose disproportionately higher trade costs on exporters from low-income countries than from richer countries. Information on official NTM notifications is collected by the WTO (<http://i-tip.wto.org/goods/default.aspx?language=en>), ITC, UNCTAD and the World Bank Group. All members of RTAs, such as the Association of Southeast Asian Nations, the Economic Commission of West African States and the Latin American Integration Association, have been cooperating in the collection of NTMs applied worldwide. While this information is not available for all countries and cannot be produced on a yearly basis, there have been continuous efforts to extend coverage.³ NTM data are made available in online databases such as World Integrated Trade Solution (WITS), Market Access Map (MacMap), Trade Analysis and Information System (TRAINS), and Integrated Trade Intelligence Portal (I-TIP) on goods. ITC has also been involved in the rollout of business surveys on NTM with the objective of capturing the perspective of SMEs involved in international trade. The findings of these surveys are then discussed with national and regional institutions and stakeholders to identify possible solutions and remedial actions.⁴

MDB actions on infrastructure were covered under Action Area II.B. The UNCTAD Maritime connectivity index (unctadstat) can assist in measuring the physical connectivity of regions. The UN Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States also reports on the development of transit transport systems and any available estimates of the length of missing links in

3 For reference purposes, see information on NTMs at www.macmap.org and wits.worldbank.org

4 For reference purposes, see <http://www.intracen.org/itc/market-info-tools/non-tariff-measures/business-surveys/>

trans-continental road and rail networks in regions with landlocked developing countries.⁵

4.3. Trade and investment agreements

Closely related to the commitments in section 4.2 above, the Addis Agenda focuses on ensuring trade and investment agreements would not undermine countries' ability to pursue public policy objectives (91). In this respect, the Addis Agenda puts forward the following commitments:

- *Endeavours to craft trade and investment agreements with appropriate safeguards so as not to constrain domestic policies and regulation in the public interest (91)*
- *Commits to implement such agreements in a transparent manner (91)*
- *Commits to support capacity building including through bilateral and multilateral channels, in particular to least developed countries, in order to benefit from opportunities in international trade and investment agreements (91)*
- *Requests UNCTAD to continue its existing programme of meetings and consultations with Member States on investment agreements (91)*

UNCTAD publishes recurrent analysis of trends in international investment agreements (IIAs) and investor-state dispute settlement (ISDS), including in its World Investment Report series,⁶ which includes data on investment agreements and their provisions. UNCTAD's IIA⁶ and ISDS⁷ navigators can be used for assessing whether the contents of IIAs constrain domestic policies and regulation in the public interest. In addition, the WTO's Transparency Mechanism for RTAs and the Regional Trade Agreements Information System provides information on existing RTAs, which may be used for assessing whether the contents of a trade agreement constrain domestic policies and regulation in the public interest.

At this stage, there is no international framework that comprehensively tracks the transparent implementation of trade and investment agreements, nor on capacity building specifically in this regard. Capacity building can be monitored through OECD data, as well as from inputs from Task Force agencies engaged in capacity building in this area, with further detail included above under Aid for Trade. Action Area II.G also contains information about following up on capacity building support. Qualitative information and case studies can examine the use of safeguards in treaties.

The request to UNCTAD to continue its existing programme of meetings and consultations on investment agreements will, among other matters, be addressed at the upcoming Fourteenth session of UNCTAD (UNCTAD 14), due to take place in July 2016 in Nairobi, Kenya, which will agree on the organization's plan of action for 2017–2024. The IIA Conference at UNCTAD's World Investment Forum, held back-to-back to UNCTAD 14, is the next key event implementing this mandate.

4.4. Gender/women as producers and traders

Throughout its chapters, the Addis Agenda establishes a strong link between gender equality and women's empowerment on one hand, and achieving sustained, inclusive and equitable economic growth and sustainable development on the other. Moreover, it calls for gender mainstreaming in the formulation and implementation of all financial, economic, environmental and social policies, as discussed in the chapter on cross-cutting issues and its subsection on gender. In its chapter on international trade as an engine for development, the Addis Agenda:

- *Affirms that trade can help promote productive employment and decent work, women's empowerment and food security, a reduction in inequality, and can contribute to achieving the*

5 See Report of the Secretary General, Implementation of the Vienna Programme of Action for Landlocked Developing Countries for the Decade 2014-2024, A/70/305.

6 The IIA Navigator, see <http://investmentpolicyhub.unctad.org/IIA>, offers the world's most comprehensive collection of IIAs.

7 The ISDS Navigator, see <http://investmentpolicyhub.unctad.org/ISDS>, provides information on close to 700 known ISDS cases.

SDGs under the condition that appropriate supporting policies, infrastructure and an educated work force are in place (79)

- *Recognizes women’s critical role as producers and traders, and commits to address their specific challenges in order to facilitate women’s equal and active participation in domestic, regional and international trade (90)*

The Addis Agenda is unique in that it links issues in the global partnership for sustainable development, including trade, to gender issues. Outcomes in the gender and trade area can be assessed by having gender disaggregated trade data, such as the female share of seasonal and permanent jobs in export-oriented sectors, gender wage gaps, female share of high-skilled and managerial jobs in export-oriented sectors, and work conditions and social benefits for women in the export sector relative to the domestic sector. Specific policies to address the challenges women face to equal and active participation in trade can be presented in case studies such as those conducted by UNCTAD. Disaggregated firm level information that would allow reconciling trade information with gender economic empowerment assessments could be derived, among others, from the World Bank Group Enterprise survey database, ITC Business surveys on non-tariff measures.

4.5. Strengthen the important role of the United Nations Conference on Trade and Development

In relation to policies and actions to realizing the potential of trade for inclusive growth and sustainable development, the Addis Agenda reiterates the important role that has been played by UNCTAD in this area. In this respect, the Addis Agenda:

- *Commits to strengthen the important role of UNCTAD as the focal point within the United Nations system for the integrated treatment of trade and development and interrelated issues in the areas of finance, technology, investment and sustainable development (88)*

UNCTAD’s 194 member States will meet at the Fourteenth session of UNCTAD, in July 2016 in Nairobi, Kenya. The agreed theme of the Conference, “From Decisions to Actions” will address how specifically to meet this commitment. Some impor-

tant elements in this regard have been suggested by the UNCTAD Secretary-General in his report (UNCTAD (XIV)/1 Rev.1) to the Conference, which elaborates the actions that need to be taken at the national, regional and international levels to ensure that trade and related issues make a strong commitment to achievement of the 2030 Agenda.

4.6. United Nations Commission on International Trade Law

The Addis Agenda recognizes international trade as an engine for inclusive economic growth and poverty reduction and that it contributes to the promotion of sustainable development. The Agenda specifically:

- *Endorses the efforts and initiatives of the United Nations Commission on International Trade Law as the core legal body within the United Nations system in the field of international trade law (89)*

Achievement of these targets as they relate to the United Nations Commission on International Trade Law (UNCITRAL) can be monitored through data that is already collected on: Treaty actions and enactments of UNCITRAL texts; relevant court and arbitral decisions applying and interpreting UNCITRAL texts that are reported and publicized through the Case Law on UNCITRAL texts system (CLOUT); participation in UNCITRAL sessions by States, intergovernmental organizations (IGOs) and nongovernmental organizations (NGOs); cooperation and coordination activities involving UNCITRAL participation; technical assistance activities, teaching, training and capacity building conducted by UNCITRAL. Data collected can be disaggregated, as appropriate, by reference to factors such as type of activity, topic, gender, country, region, and level of development.

4.7. Illegal wildlife trade/fishing/logging/mining

Legal and sustainable trade in natural resources can be beneficial for economic growth, conservation of natural resources and livelihoods, while failure to regulate it can undermine the livelihoods of people, species, ecosystems, and businesses alike. However, the Addis Agenda recognizes the challenge many

countries face in combating illegal wildlife trade, illegal unreported and unregulated (IUU) fishing, illegal logging, and illegal mining.

In its chapter on International trade as an engine for development, the Addis Agenda:

- *Resolves to enhance global support for efforts to combat poaching and trafficking of protected species, trafficking in hazardous waste, and trafficking in minerals, including by strengthening both national regulation and international cooperation, and increasing the capacity of local communities to pursue sustainable livelihood opportunities (92, MoI 15. c)*
- *Commits to enhance capacity for monitoring, control and surveillance of fishing vessels to effectively prevent, deter and eliminate illegal, unreported and unregulated fishing (92)*

Over the past years, we have seen an increased recognition on the economic, social and environmental impacts of illicit trafficking in wildlife, and on the need to tackle both the supply of, and demand for illicit wildlife products. By virtue of it being illicit, conducting a quantitative assessment of the impact caused by the illegal taking and trafficking of natural resources remains difficult. The information on the market dynamics of trafficking in these products, as well as their broader environmental and socio-economic implications is largely speculative. The primary challenge on monitoring is therefore in keeping the evidence base under review, through strengthening available information and filling the gaps in data and knowledge. The trend, however, is considered to be increasing at such a rate that trafficking in wildlife may become one of the most lucrative kinds of transnational crimes, similar to trafficking in narcotics, humans and arms.

The SDG indicator can be used as an input in the Addis Agenda follow-up process is *15.c.1/15.7.1 Proportion of traded wildlife that was poached or illicitly trafficked*. The baseline data on legal trade is already collected by the 182 Parties of the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) and submitted annually, which is compiled and maintained in

the CITES trade database. Second, data on illegal trade (seizures) is collected by both CITES and the World Customs Organization, which is compiled by the United Nations Office on Drugs and Crime (UNODC) in a global database. At present, the CITES trade database and the UNODC seizures database contain over 15 million transactions (growing at about 1 million per year) and 125,000 seizure incidents, respectively.

The Donor Roundtable on Wildlife and Forest Crime, established in 2015 and comprised of CITES, the United Nations Development Programme (UNDP), UNEP, UNODC, and the World Bank Group and held at UNDP, is currently undertaking a study to analyse multilateral, bilateral and other international funds used to finance efforts directly addressing the illegal wildlife trade crisis. The results and recommendations of this study will provide a baseline and indicators with which international coordination and scaling up of global support actions may be more effectively considered.

CITES has developed a handbook that assists parties in making a rapid assessment of the effects of the application of CITES-listings on livelihoods in poor rural communities, and guidelines to mitigating the negative effects while enhancing the potential benefits of legal and sustainable trade in wildlife. The continuing work by CITES parties in utilizing these tools and developing good practice case studies may lead to a discussion on the possible indicators for monitoring the impact of wildlife trade on livelihoods in the future.

The second part of the Addis Agenda will require measuring the degree of capacity for implementing the FAO Agreement on Port State Measures to Prevent, Deter and Eliminate Illegal, Unreported and Unregulated Fishing. FAO is currently undertaking a series of regional workshops to raise awareness about the Agreement, as well as to facilitate knowledge and skills development for port managers and inspectors in strengthening good governance, harmonization and coordination of port State measures, and exchange of national experience in combating IUU fishing.

