

International Trade Centre

Inputs into the 2018 High-Level Political Forum

4 May 2018

This document provides input from the International Trade Centre (ITC) to the 2018 High Level Political Forum following the main headings requested by the President of ECOSOC in her letter dated 27 November 2017.

This input is from the perspective of ITC as the joint agency of the UN and the World Trade Organization (WTO) dedicated to supporting the internationalization of micro, small and medium-sized enterprises. ITC's mandate combines a focus on expanding trade opportunities that contribute to sustainable and inclusive development.

a. Assessment of the situation regarding the principle of “ensuring that no one is left behind” at the global level

Trade is explicitly recognised as one of the means to implement the 2030 Agenda for Sustainable Development, as an engine for inclusive economic growth, job creation and poverty reduction. The 2030 Agenda also recognises the role of the private sector “as a partner in development, and a major driver of productivity, inclusive economic growth and job creation.”

ITC research indicates that micro, small and medium-sized enterprises (MSMEs) represent more than 90% of all enterprises and over 70% of jobs. MSMEs tend to employ people in the most vulnerable segments of society, including women and youth. MSMEs integrated into global markets are more productive than those that do not participate in international trade. Lifting MSME competitiveness is a precondition for higher wages and better working conditions in the firms that collectively employ most workers in any economy, and thus for inclusive growth. Therefore, together, international trade and improved MSME competitiveness, are important preconditions for “ensuring that no one is left behind”.

According to the WTO, trade has contributed to lifting one billion people out of poverty since 1990. After years of weak growth, world trade showed signs of recovery in 2017. Global merchandise exports expanded by an estimated 4.7% in 2017, compared to a lacklustre 1.3% in 2016. Including services boosted global export growth to 5.0%, which still falls short of the 25-year average of 5.6% (all figures in volume terms).

Despite the uptick in trade, significant risks, including a rise in protectionist sentiments and policies, threaten this important means to achieve the Sustainable Development Goals (SDGs).

b. Gaps, areas requiring urgent attention, risks and challenges

Poverty and inequality

At the heart of the 2030 Development Agenda is Goal 1, to end poverty in all its forms and dimensions everywhere. Over the past two decades, global poverty has shrunk significantly, but the pace of reduction is slowing. There has been a resurgence of poverty across regions due to economic or environmental shocks and escalating conflicts. Income disparities within countries are rising. There is also an increased recognition that poverty is multi-dimensional. Many at the base of the

pyramid, including economic migrants and refugees, work in the agricultural sector and in the informal sector, characterized by low productivity and insecurity.

Making trade work for the 99%

Recent years have seen trade and multilateralism under stress. The impact of the 2008 financial crisis, the unequal distribution of the fruits of growth and progress, and more broadly societal changes have heightened anti-globalization and economic nationalist sentiments in some parts of the world. The search for equality and for ensuring that no one is left behind in our economies has taken a central role.

Technology driving change

The speed of change in the ‘fourth industrial revolution’ has no historical precedent. Technology and digitization are rapidly disrupting entire systems of production and consumption at the global level, with both positive and negative consequences. Jobs are disappearing in entire sectors while technology is creating new jobs and enabling some countries to leapfrog traditional development paths. A growing services sector, especially digital services, is shaping trade, production and consumption patterns. At the same time, access to technology, the internet, information and digital skills remains unequal, both within countries and among them.

Climate change and sustainable production and consumption

The threat of climate change and the increasingly influential role of consumers in how goods and services are produced, has led to a shift towards more sustainable business models. Transparency and traceability in supply chains, supported by certification of ethical and sustainable standards are fast becoming prerequisites for doing business.

Geopolitical instability, a stagnant multilateral environment

Many of the biggest challenges and opportunities facing the world today, such as climate change, irregular migration, technological change, and indeed, international trade, cannot be addressed by single countries on their own. They are trans-frontier issues requiring multilateral responses. However, the current global environment has placed multilateralism, and multilateral institutions under tremendous threat.

The dark side of globalization: Tax evasion, illicit financial flows, illicit trade

Domestic resource mobilization is essential to achieving the SDGs. However, tax evasion, illicit financial flows and cross-border corruption and crime not only seriously reduce countries’ ability to manage domestic public finances, they also feed negative sentiment toward globalization. This further threatens support for an open multilateral trading system and harnessing international trade as an engine for inclusive and sustainable growth and development.

c. Valuable lessons learned on transformation towards sustainable and resilient societies

Creating value chain opportunities for societies, including poor and marginalised communities, to thrive

In order for societies to be sustainable and resilient, communities need productive opportunities that generate the means in order for them to thrive. Social protection and adequate legal frameworks are necessary for survival. In ITC’s work in post-conflict countries, and working with poor and marginalised communities, including women, youth and refugees, we have found that partnerships to build vocational skills that markets demand, access to finance and opportunities for entrepreneurship and employment with prospects for growth help communities thrive.

ITC works with the European Union on two initiatives, both funded through the “Emergency Trust Fund for stability and addressing root causes of migration and displaced persons in Africa”. The

Ethical Fashion Initiative in Burkina Faso and Mali links poor and marginalised communities in Burkina Faso and Mali to employment opportunities in the fashion industry – linking traditional skills to luxury brands. The Gambia Youth Empowerment Project, in collaboration with the Ministry of Trade, Industry, Regional Integration and Employment and the Ministry of Youth and Sports of the Gambia, takes a market-driven approach, focusing on traditional sectors such as agriculture and tourism while also helping diversify the Gambian economy by supporting new promising sectors including the creative and digital services industries. The project works to improve the skills and employability of potential and returning migrants to meet the needs of the job market, while simultaneously creating opportunities along value chains. Through this project, young Gambians have improved their employability through vocational skills; the quality of Gambian products and services has improved to meet market demand, the productive capacities of MSMEs has been strengthened and these businesses have built links to national, regional and international markets. In its first year alone 1,100 young people were trained, 250 companies were supported and 30,000 youth were reached on new opportunities.

Initiatives for economic development must be market-led initiatives

In order for positive impact to be sustained, initiatives to create jobs, boost small businesses and improve productive capacity in developing countries need to be market-led. This means starting with market demand and potential, and working with market partners in the design and implementation of initiatives. Partners, including social enterprises, business associations and multi-national corporations, can work with MSMEs from developing countries to ensure they deliver quality products and services that meet international standards and trends, that they are produced in a cost effective way and that there are buyers for the product or service.

Sustainable production and consumption

While trade and business development are means for growth and development, these cannot be at the cost of the environment and the health and well-being of communities. Consumers are increasingly demanding knowledge on where and how the products they consume are made, and who was involved in the production process. ITC's Trade for Sustainable Development (T4SD) is a partnership-based programme which helps businesses, regardless of their position in the value chain, chart their path to more sustainable trade by better understanding the sustainability initiatives landscape and to connect with business partners. Ensuring sustainable and inclusive growth and more transparent supply chains are critical for promoting "good trade", a time-proven path to economic progress in less-wealthy countries. Responsible supply chains are those that respect human rights, labour rights, and the environment. ITC also works with MSMEs in developing countries to help improve the way they work in the face of environmental threats such as climate change

Partnering with the private sector: as markets, investors and experts

Achieving the 2030 Agenda for Sustainable Development will require partnerships beyond the UN system and governments. Private sector partners are keen to partner with the UN and create shared value while many UN entities see the private sector as mainly a source of funding. ITC primarily partners with the private sector in three ways: through mobilising partners' core business operations and value chains, for example as a market for MSMEs' goods and services; through mobilising partners' social investment and philanthropy for ITC's projects and clients, for example as co-funders to ITC's programmes, and as a provider of expertise and in-kind assistance.

ITC's work on Ethical Fashion in Kenya, Haiti, Mali, Pakistan or Vanuatu is one example of the private sector partnership premised on markets. We work to connect thousands of talented but marginalised artisans – the majority of them women – to international fashion companies. This is not charity. The quality of the inputs, the skilling of the entrepreneurs, and the reliability of the supply are core to this relationship. And the results we have seen are transformational. Incomes increasing ten fold, children receiving an education and generational job creation. The same can be said of our

work in other sectors such as in agriculture – cocoa in Ghana, coffee in Rwanda or IT services in Bangladesh.

The private sector can also contribute towards the 2030 Agenda by investing in particular in the base of the pyramid. One example of this is ITC's work to connect mid-size Indian investors to East African opportunities. In order for the UN to collaborate with the business community as an investor, procedures must be modernised. ITC's work on Trade for Sustainable Development we are working with a number of large businesses who have contributed funds to develop global public goods to support more sustainable value chains.

An area of collaboration which is increasing is partnership based on in-kind contributions, ranging from the provision of knowledge and expertise – such as with DHL, UPS E-Bay, Maersk and Barclays - to shared advocacy on issues such as women's economic empowerment or youth employment.

The private sector partnerships that form the basis of many of ITC's interventions with our MSME clients are replicable and scalable.

Working at local, national, regional and global levels

The influence of cities on the global development landscape is continuing to increase. This influence also goes beyond the city boundaries. Cities can make global goals have local impact by better supporting sustainable production and consumption (goal 12) through a more fair and ethical approach to trade. ITC recognises the contribution of sustainable cities to building a more resilient and sustainable global community through the Fair and Ethical Trade Award, in partnership with the European Union. This award recognises cities in the European Union that demonstrate commitment and leadership, as well as initiative and impact, in the field of supporting fair and ethical trade. Partnership with cities in the developing world is part of the award criteria. Applications from over 20 cities were received. The winning city will be announced in June 2018.

Empowering women economically

For societies to be sustainable and resilient women and men must be equal players. Unleashing the power of female entrepreneurship is a vital dimension of the economic empowerment of women and one which can have a dramatic effect on a country's economy, building sustainable and resilient societies. Empowering women-owned businesses to grow and trade is good for the individual business, it's good for families and it's good for society and the economy as a whole.

Women's participation in trade can provide an additional boost to the growth potential of openness and to the sustainability of that growth. Economies with better opportunities for women are more competitive. These economies will benefit more from openness than economies that are less friendly to female involvement in the economy.

Increased female income is likely to be disproportionately spent on the well-being and education of children. As a result, women's income has a direct impact on reducing income inequality and on future growth through its impact on education. When women earn an income they spend a higher proportion of it than men do on their children's health, food and education – a trend which, if encouraged, can help break intergenerational cycles of poverty. Evidence also suggests that countries which provide more economic opportunities to women, including entrepreneurship, are more competitive in the global economy. Women-owned MSMEs that export tend to earn more, pay more, employ more people and be more productive than firms that only operate domestically. Yet, ITC research (2015)¹ indicates that women-led companies are underrepresented in trade and that women-owned businesses are more likely to face obstacles to trade. Insights from ITC business surveys on non-tariff measures (2010-2017), highlight several key challenges and opportunities for women in trade: only one in five exporting firms is owned and/or managed by a woman; women-led companies directly participating in international trade are likely to be smaller; women and men own

¹ ITC (2015), Unlocking markets for women to trade

and manage companies in different export sectors; women-led exporting companies tend to employ proportionally more women; the share of women employees is higher in large exporting businesses; and, female and male employees work in different sectors.

ITC works to level the playing field for women entrepreneurs, by making sure they can access the trade intelligence, institutional support, and connections they need to do business across borders. ITC devotes particular attention to identifying and tackling the obstacles facing these women entrepreneurs in the world economy. Women's economic empowerment through international trade requires concerted efforts by governments, the private sector and civil society. The ITC-led [SheTrades initiative](#), which has commitments to connect 3 million women-owned businesses to markets by 2021, has identified the following seven global actions to unlock markets for women: quality gender-disaggregated data on economic participation to inform meaningful policy; integrating gender awareness into trade policies and trade agreements; opening up government procurement to women entrepreneurs; support supplier diversity in the private sector; enable market access for women in a wider array of sectors; enable access to financial services; overturning legal impediments to women's economic participation, including access and ownership of resources.

d. Emerging issues likely to affect building sustainable and resilient societies

(Very closely linked to section B)

Climate change

The threats and realities of climate change affect the livelihood and well-being of societies across the world. Climate change will increasingly determine the spectrum of choices available to societies, especially in agriculture.

Technology

The disruption that technology introduces to systems of production, consumption and exchange is already changing societies, in positive and negative way. Harnessing the power of technology to foster sustainable and resilient societies, while implementing measures to compensate for negative disruptions to society will continue to present challenges.

Resilience of multilateralism and international institutions

Many of the deep challenges facing societies today are trans-frontier and therefore require collaborative responses at regional and global levels. Phenomena such as Brexit, and the challenging of agreed positions at the United Nations, demonstrate the fragility of international institutions and threaten the possibility of achieving multilateral solutions to global problems.

Irregular migration and displaced people

Demographic trends (youth bulge in the South and an ageing population in the North), lack of economic opportunity, war and climate change have all contributed to growth in irregular migration, including internally displaced people. Without addressing the root causes of irregular migration, these factors will continue to destabilise both home and host societies.

e. Areas where political guidance by the High-Level Political Forum is required

Reviving multilateralism and committing to international institutions

HLPF leadership is needed to ensure that protectionist rhetoric does not snowball into large-scale trade restrictions that can harm the poorest and most vulnerable within societies. Renewed commitment to multilateralism in trade rule-making and enforcement will foster sustainable and resilient societies.

f. Policy recommendations on ways to accelerate progress in establishing sustainable and resilient societies

Boosting regional trade as the door to global trade

In order for trade agreements to benefit small business, and therefore benefit the most vulnerable groups within societies, these agreements must be “deep”. The key finding of recent [research](#) conducted by ITC (2017) into the effect of regional trade was that “deep integration” is good for MSMEs². That is, the broader the scope and coverage of a country’s regional trade agreements the better it is for stimulating involvement in international value chains. MSMEs appear to gain more in relative terms, as greater value chain activity in turn appears to boost the competitiveness of MSMEs more than that of large companies, thus narrowing the MSME competitiveness gap. For each additional policy area covered by a country’s trade agreements - such as investment, competition policy, intellectual property rights, or environmental standards – ITC’s analysis shows a 2.5% increase in its value chain production and trade. More significantly, there is a 1.25% reduction in the competitiveness gap between the country’s small and large firms. This may not sound like much, but it represents the difference between the competitiveness gaps in Botswana or Ecuador and those in far less unequal Eastern European economies.

Effective regional integration goes beyond implementing trade agreements. Policymakers can lower trade costs for MSMEs by building strong regional transport infrastructure and region-wide technical institutions for standard-setting and certifying regulatory compliance.

ITC urges policy makers to deepen regional integration in order for regional trade to be of benefit to MSMEs, to create jobs and further economic opportunities that strengthen societies. For the widest benefits, economic and inclusiveness policies should be developed coherently.

Supporting thriving societies through procurement

Policymakers can contribute to thriving societies by ensuring government expenditure directly impacts inclusive growth through procurement policies. Governments across the world spend around \$13 trillion on purchasing goods and services. In developing countries, the share of public spend can be as much as 40% of annual GDP, yet only an estimated 1% of this is spent with women suppliers.

ITC provides governments with practical ways to open up procurement markets for women, including a guide for procurement officers, an e-learning course, and procurement map – an online tool where we publish 150,000 public tenders each day.

ITC encourages the HLPF to:

- Promote the participation of women-owned businesses in public procurement markets by adopting transparent and inclusive procurement policies using the full range of such policy measures available in line with international best practices and standards, including preferential policies, with the aim of achieving wide-reaching results and impacting corporate supply chains;
- Consider corporate commitment to gender equality, including supplier diversity, when making decisions about which businesses to procure from or partner with;

² ITC (2017), SME Competitiveness Outlook, The region: a door to global trade

- Set a minimum 10% or more public procurement target from businesses that are certified to an accepted standard definition of ownership, management and control by one or more women;
- Take measures to remove demand side barriers, including those found in tender design, qualification and requirements, and access to information on tender opportunities and payments;
- Take measures to address supply side constraints by facilitating or supporting training, mentoring and capacity building to enable more women-owned businesses to access contracts and sell to governments, including to foreign governments.

Informing policy through inclusive public-private dialogue

In order to build resilient societies and achieve Agenda 2030, governments and the United Nations will need to partner with diverse stakeholders for common objectives. Robust policy that leads to positive outcomes for societies requires meaningful and active engagement and participation of diverse stakeholders, including the private sector and civil society. This public-private collaboration is necessary in identifying the root causes of development challenges and also developing and implementing shared solutions.

ITC urges the HLPF to include the private sector in the policy making process, particularly in relation to economic and trade-related policy. ITC is able to share practical and proven examples of how to facilitate public-private dialogue. For example, through the Supporting Trade Negotiations and Policy Reform Programme, ITC assists chambers of commerce and other business organizations to articulate business views and engage effectively with policy processes to ensure that trade negotiations, national policies and regulatory reforms reflect a well-informed private-sector perspective. ITC also works with policymakers to help them better understand business perspectives.