



# WTO CONTRIBUTION TO THE 2020 HLPF

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## 1 OVERVIEW: CURRENT STATE OF THE MULTILATERAL TRADING SYSTEM

1.1. The multilateral trading system overseen by the WTO has contributed significantly to the unprecedented economic development that has taken place over the last decades. Greater certainty over trade policies creates predictability that allows long-term business planning and investment. The recent erosion of predictability and certainty has made the system's value more evident.

1.2. The value of international trade in 2018 continued to grow following a strong rebound in 2017 from the negative growth experienced in the previous years. The total value of trade in goods and services reached \$24.5 trillion in 2018, representing around one-third of global output. However, weighed down by trade tensions and slowing economic growth world merchandise trade registered a slight decline for the year of -0.1% in volume terms after rising by 2.9% in the previous year. Meanwhile, the dollar value of world merchandise exports in 2019 fell by 3% to US\$ 18.89 trillion. In contrast, world commercial services trade increased in 2019, with exports in dollar terms rising by 2% to US\$ 6.03 trillion. The pace of expansion was slower than in 2018, when services trade increased by 9%.

1.3. Trade tensions and uncertainty continue to affect trade prospects and could significantly change the structure of global value chains (GVCs). Over the past two years, governments have introduced trade restrictions covering a substantial amount of international trade. WTO members implemented 102 new trade restrictive measures from mid-October 2018 to mid-October 2019. While this represents a decrease in number of trade restrictive measures from the previous year, the trade coverage of import-restrictive measures is estimated at \$746.9 billion, a 27 per cent increase from the 2017-2018 period and the highest recorded figure since October 2012. Measures included tariff increases, bans, quantitative restrictions, stricter customs procedures, import taxes and export duties. Governments need to show strong collective leadership and coordination in curbing the imposition of new trade restrictive measures and reducing the accumulated stock of restrictions.

1.4. Unfortunately, the COVID-19 crisis is also having a significant impact on supply and demand in the global economy. This is inevitably causing major disruptions to trade, particularly trade in services and expectations of recovery in the value of world trade will need to be revised downwards. The introduction by several governments of fiscal and monetary measures to prevent social lockdown from leading to large-scale business failure and job losses, is a positive development. Alongside these measures, maintaining open trade and investment flows will be critical to protect jobs, prevent supply chain breakdown, and ensure that vital products do not become unaffordable for consumers.

And once recovery begins to take hold, trade will play a central role in returning economies to full speed.

### **1.1 Progress on multilateral trade negotiations and WTO reform**

1.5. WTO rules are important means for pursuing inclusive trade and economic growth. One of the core principles that underpin the functioning of the multilateral trading system is that of non-discrimination. The most-favoured nation and national treatment provisions of the WTO prohibit arbitrary discrimination amongst trading partners and promote an inclusive approach to the sharing of benefits from governments' trade concessions.

1.6. These benefits should not be taken for granted. For the WTO to keep working and delivering on development goals, the system needs to be supported and strengthened.

1.7. There are several challenges to the system's ability to keep on functioning as it has in the past. These include the marked increase in trade restrictive measures, often referred to as the "trade war", and the paralysis of the Appellate Body, which is weakening the WTO's ability to resolve trade disputes among members.

1.8. To address these challenges, WTO members have already started working on strengthening mechanisms of cooperation and building confidence in the trading system, through reforms aimed at updating the WTO rulebook and the ways the organization operates. These efforts for reform cover all the main functions of the organization.

1.9. The first area of work is the dispute settlement system, including addressing the situation with the Appellate Body and preserving a second-stage review process for panel rulings. This is of the utmost importance in safeguarding the rules-based trading system which protects all WTO members, and makes sure that the rules remain enforceable. A well-functioning dispute settlement mechanism benefits all members which rely on the rule of law to defend their trade interests.

1.10. The dispute settlement mechanism suffered a setback at the end of 2019 when members could not agree on reforms for the Appellate Body. Since then, consultations with members have started to identify potential solutions. At the same time, many members are weighing an array of creative interim options to keep two-stage dispute settlement operational while a permanent arrangement is found. In particular, a group of WTO members agreed in January 2020 to work together to put in place a transitional mechanism for appeals of WTO panel reports in disputes among themselves.

1.11. The second area of focus is on improving the regular work of the WTO's councils and committees. These bodies monitor how members observe the current rules of the WTO. Several members have insisted on the need to improve transparency among the membership's trade policies. Clearly, it is vital that members meet their obligations on transparency and notifications – although some members say they need assistance to do so.

1.12. The third area of focus is advancing negotiations at the WTO. In the short term, the key multilateral test is the negotiations on fisheries subsidies. At the end of 2019 there was a reset in these negotiations. This is not just a trade issue – it is a sustainable development issue. Failing to successfully conclude these negotiations will not just be bad for marine fish stocks; it will affect the credibility of the WTO and cast doubt on the feasibility of multilateral rulemaking.

1.13. Another issue that is being discussed by members is the question of who should continue to benefit from Special and Differential Treatment for developing countries. Some members feel that eligibility for special and differential treatment should be determined before any negotiations start. Others feel that potential flexibilities, and the extent to which members can use them, should be part of a negotiation. Still others want the present system of self-denomination and undifferentiated Special and Differential Treatment for developing countries to continue. The Trade Facilitation Agreement shows that functional, good-faith solutions on Special and Differential Treatment are possible, though other templates and alternatives may also be found.

1.14. Work has already started in defining more concretely the outcomes for the next WTO Ministerial Conference. Some longstanding issues such as agriculture and food security, for example continue to be given serious attention by members.

1.15. Groups of members are also working towards outcomes on a range of issues — electronic commerce, investment facilitation, domestic regulation in services. Members are seeking, as well, to make it easier, safer and more viable for women and smaller businesses to participate in global trade.

1.16. In order for international trade to more holistically contribute to sustainable development, two other issues require immediate action by the international community. Firstly, the international community should commit to measures that more fully address the challenges faced by least developed countries (LDCs) in international trade. This may include agreeing on possible follow ups to SDG target 17.11, which calls for doubling LDCs' share in global trade by 2020.

1.17. Such measures would also include building trade and productive capacities so that the provision of preferential market access to LDCs can contribute more to export growth as well as economic diversification. This commitment would require continuous support through mechanisms such as Aid for Trade and the Enhanced Integrated Framework (EIF). Countries which graduate from the LDC category in the coming years could also be provided with temporary market access provisions to ensure a smooth transition and reduce the impact of a sudden loss of preferences.

1.18. Secondly, the international community should reinforce national and international policies that ensure a more equitable distribution of gains from trade. For example, the introduction of new technology can play a significant role in distributing economic gains to smaller producers and businesses through e-commerce. Further, digital technologies can also foster the upward mobility of women beyond the informal sector. Because digital technologies play key roles at all levels of the economy, these technologies are potential allies in the drive to reduce gender inequities.

1.19. However, in order to reap the full benefits of e-commerce and the digital economy there needs to be an increase in the physical and institutional e-commerce readiness and gender responsiveness of developing countries, a readiness that can be developed through technical assistance and Aid for Trade programmes. Further, any comprehensive e-commerce rules should also be considered from the perspectives of the needs of developing countries.

1.20. Furthermore, building a more inclusive international trade requires addressing growing trade finance gaps. Gaps in trade finance disproportionately affect smaller companies and businesses in developing countries. This gap in access to finance impedes the abilities of countries to seize available trading opportunities. Measures include helping local banks to leverage technology to digitize paper-intensive products and streamline verification processes. Multilateral efforts to address trade finance gaps need to not only continue but intensify.

## **2 LESSONS LEARNT FROM THE ENHANCED INTEGRATED FRAMEWORK (EIF) FOR THE LDCs: MAINSTREAMING TRADE TO ATTAIN THE SDGs AND ACCELERATING DEVELOPMENT**

2.1. Through the Enhanced Integrated Framework (EIF), a multilateral partnership dedicated exclusively to assisting least developed countries (LDCs), the WTO works specifically with least developed countries to help the multilateral trading system be an engine for growth, sustainable development and poverty reduction. This is a central goal in the mainstreaming of trade within the strategic plan of WTO members. The WTO's 2018 publication "Mainstreaming trade to attain the Sustainable Development Goals" highlights the importance of trade across many of the SDGs. This write-up focuses in on five key means to support this process. These are mainstreaming trade into core national planning documents, into sector strategies, having a clear national trade policy, ensuring effective institutional coordination mechanisms, and for developing and least developed countries, into development cooperation.

2.2. Trade needs to be effectively considered in national planning from infrastructure development to agriculture. To inform the national planning process, trade ministries need to have solid analytics on the opportunities for trade in growth and development, such as through Diagnostic Trade Integration Studies, to inform the discussions and decisions around the national planning process.

2.3. Secondly, sector strategies under the mandate of different government Ministries and Agencies operationalize national plans. Trade Ministries should ensure that these strategies, from industry and fisheries to ICT and tourism, include trade specific considerations. The vast majority of trade is driven through, or reliant on the backbone of sectors under the mandate of their own strategic priorities.

2.4. Thirdly, there needs to be a very clear, and actionable trade policy that brings together the many threads through which trade links across the various spheres of the economy. This policy should have a clear and monitorable strategy for implementation enabling progress to be tracked across each of the priority areas of intervention.

2.5. Fourthly, a robust institutional mechanism needs to be in place to ensure effective and ongoing coordination. This entails investments into the ministries of trade as the governmental body responsible for trade policy. National committees related to trade need to be effectively coordinated and together feed into a higher-level decision-making body, led by a senior member of government with the mandate to coordinate across different ministries.

2.6. For developing countries, and particularly, the least developed countries, mainstreaming of trade in the development planning and investments is also key. With the vast majority of Aid for Trade delivered through sector programming, such as infrastructure and agriculture, investments in these areas need to be built and delivered with trade considerations in mind. The EIF, with its secretariat at the WTO, provides a framework for coordinated investments of Aid for Trade, and supporting the broader trade mainstreaming process for the LDCs.

### **3 TRADE POLICIES FOR A CIRCULAR ECONOMY: RECENT DEVELOPMENTS AT THE WTO**

3.1. A core goal of a circular economy is to minimize inputs of virgin materials, use resources more efficiently throughout their lifecycle, and minimize waste. To achieve this goal, a circular economy comprises efforts to: design products to make them more durable, repairable and reusable; keep products and materials in use by collecting end-of-life products for reuse, repair, refurbishment, remanufacturing or recycling; reduce waste and pollution in production processes; and expanding the sharing, service and bio-economies.

3.2. Driving the interest in circular economy are its potential benefits in terms of opportunities to diversify the economy, increase efficiency and improve health and environmental outcomes in line with the Sustainable Development Goals. Proactive trade policies designed and implemented with circularity in mind can help to scale up circular economy solutions globally and accelerate the shift to an inclusive, sustainable and globally integrated circular economy.

3.3. For example, tackling the barriers and distortions affecting the cross-border flow of goods and services related to reuse, repair, refurbishment, remanufacturing or recycling would enable these activities to happen in the best possible locations in terms of cost, quality, skills and other location-specific advantages. A globally integrated market would give companies involved in these activities access to a larger supply of recovered products, components and materials and to a larger consumer base, allowing them to lower costs through vital economies of scale and strengthening their incentive to invest in eco-design, reverse logistics and other building blocks of circular business models.

3.4. Open and transparent trade policies can also facilitate access at lowest cost to critically important circular economy solutions, from waste sorting machines and devices that break down hard-to-recycle materials to the critical inputs needed to produce biodegradable plastics. At the same time, appropriate action is needed to help ensure that trade in end-of-life products do not pose a threat to human health and the environment. International cooperation is also required to avoid the illegal channelling of waste to countries without the proper capacity to treat them in an environmentally sound manner.

3.5. Against this backdrop, WTO members have shown growing interest in discussing circular economy approaches and to deepen their understanding of how trade policies can support them. The focal point for policy dialogue on these issues has been the WTO Committee on Trade and Environment or CTE, which is open to all WTO members.

3.6. Part of the CTE dialogue on the trade aspects of a circular economy has happened in the context of briefings and updates provided by the secretariat of the Basel, Rotterdam and Stockholm Conventions (BRS Conventions). For example, the BRS Conventions secretariat recently briefed CTE participants on the results of the 2019 Basel Conference of the Parties, including the decision to amend the Basel Convention to include plastic waste in a legally-binding framework which seeks to make global trade in plastic waste more transparent and better regulated, while ensuring that its management is safer for human health and the environment. The CTE work programme calls on WTO members to intensify dialogue and cooperation between Multilateral Environmental Agreements (MEAs) such as the BRS Conventions and the WTO to promote coherence between the global trade and environment regimes.

3.7. Exchanges between MEAs and the WTO are informed by background notes, communications and other documents prepared jointly or individually by the MEA and WTO secretariats. In addition, the WTO secretariat, in consultation with MEA secretariats, maintains a "[matrix](#)" or compendium of trade-related measures contained in the BRS Conventions and several other MEAs. For each MEA, the document describes the non-compliance and dispute settlement mechanisms, the provisions relating to non-parties to the MEA, and measures to support implementation, including those related to technology, finance and capacity-building.

3.8. WTO members have also used the CTE as a forum to discuss trade issues arising in the context of their own efforts to move towards a circular economy. For example, CTE participants have received briefings on several domestic initiatives on waste and chemicals management, extended producer responsibility, and recycling.

3.9. Discussions have also revolved around the economic and job opportunities related to the sustainable management of e-waste and examples of support available to developing countries to help reap those opportunities, not least by facilitating their participation in sustainable e-waste recycling value chains. Moreover, CTE participants have discussed trade-related initiatives to support recycling and other activities related to the circular economy. Some Members have proposed greater consideration of the role that the WTO could play in helping combat plastic pollution.

3.10. Another way that WTO members can cooperate to make trade work better for the circular economy is through Aid for Trade. SDG 8a calls for an "increase in Aid for Trade support for developing countries, particularly LDCs." Aid for Trade helps developing countries, especially the least-developed ones, to improve their trade capacities when engaging with global markets (Box 1). It is part of overall Official Development Assistance targeted at trade-related programmes and projects. It includes technical assistance, infrastructure and adjustment assistance. The WTO works on Aid for Trade in cooperation with developing countries, regional organizations, multilateral development banks, donor countries and a range of UN and other international organizations, including the Organisation for Economic Co-operation and Development (OECD).

3.11. The Aid for Trade work programme for 2020-2021 identifies the circular economy as a focus area and highlights the opportunities that the circular economy offers for economic and export diversification in developing countries. For example, the work programme cites a UN study which estimates the value of recoverable materials in e-waste to total USD 55 billion in 2019. This is more than the 2016 gross domestic product of most countries.

**Box 1. Unlocking the hidden value of cotton by-products in least-developed countries**

Cotton is grown primarily for its fibre or lint (the raw material in cotton textiles), and several least developed countries (LDCs), particularly in Africa, are cotton lint producers and exporters. However, several value-added products, including food and feed products, can be obtained from other parts of the cotton plant resulting from cotton farming/processing, such as the stalks, husks, cottonseed and short staple fibres.

Cotton by-products can be divided in two broad categories: those derived from the ginning and oil milling process, such as linters, husks, oil and cake; and the products that can be obtained from the ligneous stalks of the plant, such as organic fertilizers, briquettes, pellets, substrates for growing mushrooms and particle boards. Stalks, for example, represent two-thirds or more of the cotton plant total biomass; they are often burned in LDCs to comply with post-harvest pest

management regulations. Yet, burning stalks constitutes a net waste of precious soil nutrients and a source of CO<sub>2</sub> emissions. Their processing into smokeless briquettes and pellets, for instance, would require micro investments and basic technologies to set up processing plants, allowing several African cotton producing LDCs to reduce their reliance on wood charcoal for fuel.

Cotton by-products can be classified as agricultural waste available for re-utilization. They present opportunities for LDCs to create new income streams for farmers and processors, increased domestic value addition, improved exports, and reduced waste in cotton value chains. The [International Cotton Advisory Committee](#) (ICAC) maintains that, despite their numerous benefits, cotton by-products are still underutilised in LDCs, or even neglected. ICAC estimates that, in the case of cottonseed alone in a group of African LDCs, about 25 per cent of raw material go unused with missed revenue opportunities of about USD 237 million. According to several technical and scientific assessments, capacity building, support for product commercialisation, establishment of clear strategies to mobilise investments, and transfer of the necessary technologies are needed to foster the development of cotton by-product activities in LDCs, particularly in Africa.

In line with this, the World Trade Organization (WTO), in cooperation with the International Trade Centre (ITC) and the United Nations Conference on Trade and Development (UNCTAD), is implementing a project, focusing on 8 African LDCs that produce cotton as a pilot target group. The project has benefitted from the initial support of the Enhanced Integrated Framework (EIF), a multilateral partnership dedicated to assisting LDCs to use trade as an engine for growth, sustainable development and poverty reduction. The move towards a circular economy is at the core of this project, which focuses on adding value to re-usable waste from cotton harvesting and pre-industrial processing, so as to achieve long term economic, environmental and social benefits, particularly for smallholder farmers, women and young workers.

3.12. The increased focus of Aid for Trade on the circular economy reflects the growing attention of development partners to environmental sustainability in Aid for Trade. Of the USD 340 billion disbursed under Aid for Trade between 2006 and 2016, around one-third (USD 112 billion) has been allocated to projects with an environmental goal. For the period 2006-16, almost 60 per cent of Aid for Trade disbursements with an environmental goal went to projects related to infrastructure development, mostly energy infrastructure, while most of the rest went to projects to build productive capacity. These trends provide a strong foundation to examine further how Aid for Trade could play a greater role in helping developing countries, especially the least-developed ones, seize the economic and export diversification opportunities of a circular economy.

#### **4 MRLS AND (BIO)PESTICIDES: PROMOTING SAFE TRADE, PROTECTING THE ENVIRONMENT**

4.1. The Standards and Trade Development Facility (STDF) is a global partnership that supports developing and least developed countries to meet international standards on food safety, animal and plant health. In doing so, the STDF facilitates safe trade in support of the Sustainable Development Goals (SDGs).<sup>1</sup> Effective sanitary and phytosanitary (SPS) measures are proven to have positive long-term development impacts, including protecting the environment in areas linked to agricultural production.

4.2. SPS measures can prevent drinking water, farm soils or fish stocks from being contaminated by heavy metals and help protect biodiversity. They can also help to develop agricultural systems that are more resilient to climate change, minimizing the negative effects on food security. At the same time, building SPS capacity supports small-scale farmers and MSMEs to reduce costs associated with the use of chemicals (including pesticides), to increase their productivity and reduce the burden on land, improve product quality and safety.

4.3. Pesticide residues for instance, often cause trade issues for exports from developing countries. Producers sometimes only have access to older, more toxic pesticides that can be harmful to the environment and their knowledge on good practices in pesticide management is often limited. Lack of Maximum Residue Limits (MRLs) for tropical crops, and differences in national and international food safety standards or across trading partners are additional challenges, as well as large gaps and high costs of generating residue data in developing countries.

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<sup>1</sup> See: <https://www.standardsfacility.org/>

4.4. Between 2013 and 2017, the STDF funded *Pesticide Residue Data Generation Projects* in Asia, Latin America and Africa.<sup>2</sup> These regional projects improved technical capacity to generate quality pesticide residue data in line with internationally agreed Good Agricultural and Good Laboratory Practices (GAP, GLP), enhanced access to lower-risk pesticides, and established a replicable model for joint projects. Thanks to field and lab-based training, over 160 scientists and government officials in 17 countries developed new skills to generate, review and interpret pesticide residue data. Government officials also gained the expertise to design regulatory frameworks for pesticides that meet public health and environmental objectives. These projects also catalysed the development of the *Global Minor Use Foundation* in 2015. The Foundation is mobilizing more resources to expand low-risk pesticide options for tropical produce. The projects' role in fostering global public-private sector collaboration has been recognized in high-level fora such as the 11<sup>th</sup> WTO Ministerial Conference in 2017.

4.5. Building upon this effort, STDF launched a new regional project in Asia. The project will test a new approach to pesticide use that combines non-residue producing biopesticides with conventional pesticides. It aims to reduce trade issues linked to non-compliance with pesticide MRLs.<sup>3</sup> Given its nature, it is expected that this project will have even more evident positive environmental impact. Data generated as well as lessons learned will be shared with other regions and countries as part of the STDF's knowledge hub.

## **5 MAIN ACTIVITIES OF THE WTO ON TRADE AND GENDER**

5.1. Gender is a critical issue for the WTO and gender-responsive trade policies have a key role to play in women's economic empowerment. Increasing women's economic competitiveness will likely have concurrent effects on economic growth. Women account for 40% of the global labour force, their unpaid labour accounts for between 10 per cent and 39 per cent of GDP, and they own almost 10 million of the world's MSMEs. MSMEs account for 70-80% of global jobs. Furthermore, economic empowerment for women has proven positive results on the education, health, and nutrition level of entire families. Gender responsive trade policies and technical assistance can increase women's participation in global trade. Thus, trade can play an important role in women's economic empowerment.

5.2. Furthermore, women's empowerment and gender equality have a catalytic effect in the achievement of other development goals. The enactment of policies that aid women's economic empowerment will have a significant effect on countries ability to meet SGD goals on poverty (goal 4), nutrition (goal 2), education (goal 4), water and sanitation (goal 6), and employment (goal 8), among others. Sustainable economic growth and the achievement of development goals are possible only through the active participation of women. The WTO work on trade and gender follows the recommendations, actions and objectives set in the Buenos Aires Declaration on Trade and Women's Economic Empowerment as well as the WTO Trade and Gender Action Plan for 2017-2019.

### **5.1 The Implementation of Buenos Aires Declaration on Trade and Women's Economic Empowerment**

5.3. The Declaration is a vital element in the WTO's work to make trade more inclusive. It provides guidance from the Members to the WTO for the way forward. It has put these issues on the WTO agenda like never before.

5.4. The 127 proponents of the Declaration represent 74% of the total WTO Membership and include 4 country observers to the WTO. On the basis of the Declaration, WTO Members have brought the discussion on trade and gender into the WTO through six thematic workshops (organized from March 2018 to October 2019) with the aim of better understanding the links between trade and gender and identifying Members' best practices. Themes were data collection, government procurement, global value chains, trade agreements, digital trade and financial inclusion. During these discussions, international and regional economic studies were presented; tools for sex-disaggregated data collection and for evaluating trade's impact on gender were showcased and best practices in terms of gender responsive trade policies were identified.

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<sup>2</sup> See: <https://us4.campaign-archive.com/?u=1dd65e410f4f874eaf3175abc&id=97014839a0>

<sup>3</sup> See: <https://standardsfacility.org/PG-634>

5.5. As a next step, the Declaration's proponents are currently working on a report on its implementation to be presented to ministers at the next Ministerial Conference. They are looking at ways to take this work forward, including by making the discussion more structured and prominent.

5.6. Aid for Trade and the Trade Policy Review Mechanism are WTO instruments highlighted in the Declaration to make trade more inclusive. Members have also started to integrate gender into their WTO work. Last year, 10 out of the 12 members who went through the Trade Policy Review process voluntarily included information on their gender-responsive trade policies. This is a 66% increase from the year before. In the last 12 years, donors and partner countries have gradually and increasingly integrated gender into their Aid for Trade objectives. Today, women's economic empowerment is equally high on both donors and partner countries agenda: 84% of donors' Aid for Trade strategy and 85% of partner countries national or regional development strategies seek to promote women's economic empowerment.

## **5.2 WTO Trade and Gender Action Plan for 2017-2019**

5.7. To help guide the WTO's work, the Action Plan is based on four main objectives: raise awareness of the links between trade and gender; support WTO members' activities in this area; analyse collect new data on the impact of trade measures on gender issues; and provide training for government officials and Secretariat staff.

5.8. In March 2019, the WTO launched its first training module on trade and gender. Since then, 13 courses have been provided to government officials, including three at the regional level. The course explains the nexus between trade and women's economic empowerment. It examines this question in the context of WTO rules and the different perspectives of Members as to how they can be translated into trade policies.

5.9. The WTO has also launched a number of studies on the impact of trade on women's empowerment. In 2017, the WTO and the World Bank launched a long-term research partnership to deepen understanding of the linkages between trade and gender. Other WTO research<sup>4</sup> is focusing on gender responsive trade policy<sup>5</sup>; the links between trade, gender, trade and the environment; Aid for Trade; and how market access instruments, notably generalized system of preference (GSP) schemes, can help in fostering women's empowerment.

5.10. In 2019, in partnership with the South Asian Women Development Forum and TradeMark East Africa, the WTO has conducted 2 regional surveys, one in South Asia and one in East Africa targeting women entrepreneurs. Over 200 women entrepreneurs working in the formal sector were surveyed. In both regions, the results showed that more than half of the women entrepreneurs never received training on trade regulations and procedures since they have created their business; two thirds do not know what the WTO is or does; and about 90% demonstrated high interest in receiving trade related trainings.

## **5.3 Trade policies as enablers for Women's empowerment**

5.11. In order to enable women to receive quality employment opportunities from trade liberalization, it is imperative that trade policy changes be systematically assessed from a gender perspective, with a special attention given to social norms that tend to associate women with secondary roles in the labour market. In this regard, trade policy changes need to be accompanied by measures in support of economic empowerment of women, such as promoting access to vocational training and skill certification programmes.

5.12. A review of trade policies of 111 WTO members from 2014 to 2018 shows that most members (about 70 per cent) have integrated women's empowerment in their national or regional trade

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<sup>4</sup> De Boghossian, A. 2019. [Trade Policies Supporting Women's Economic Empowerment: Trends in WTO Members](#). Staff Working Paper, Economic Research and Statistics Division. World Trade Organisation.

<sup>5</sup> Rohini Acharya, Olga Falgueras Alamo, Salma Mohamed Thabit Al-Battashi, Anoush der Boghossian, Naghm Ghei, Tania Parcerro Herrera, Lee Ann Jackson, Ulla Kask, Claudia Locatelli, Gabrielle Marceau, Ioana-Virginia Motoc, Anna Caroline Müller, Nora Neufeld, Simon Padilla, Josefita Pardo de León, Stella Perantakou, Nadezhda Sporysheva, Christiane Wolff, [Trade and Women—Opportunities for Women in the Framework of the World Trade Organization](#), *Journal of International Economic Law*, Volume 22, Issue 3, September 2019, Pages 323–354.

strategy to mostly enhance women participation into the workforce. For example, some strategies aim at promoting female employment and access to male dominated economic sectors. While most countries establish general gender objectives in their trade policies, some measures can also be very specific. These include financial and non-financial incentives in support of women owned/led companies, training programmes for women farmers and fisherwomen and preference in government procurement to companies that implement gender equality or wage equality policies.

5.13. Digital technologies can also foster the upward mobility of women beyond the informal sector and subsistence levels. For example, the rapid uptake and expansion in Africa of mobile finance applications such as mobile money is strengthening the potential for a wider variety of alternative financing and insurance schemes available to women entrepreneurs. Leveraging new networks of women leaders in e-commerce in different developing regions can also give women leaders more visibility as role models and provide them with opportunities to influence the policy debate at national and international levels. Online platforms can also be used to showcase businesses from women entrepreneurs and help companies to include more women-owned business in their supply chain.

## **6 EMPOWERING MSMEs TO TRADE INTERNATIONALLY TO FOSTER DEVELOPMENT**

6.1. MSMEs are the backbone of the world economy. Today, 95% of companies across the globe are MSMEs, accounting for 60% of the world's total employment. According to ITC's 2019 SME Competitiveness Outlook, supporting MSMEs can make a positive impact on 60% of the individual SDG targets, and as recalled in the Political Declaration of the 2019 High-Level Political Forum on Sustainable Development adopted by the UN General Assembly (A/RES/74/4), supporting the competitiveness of MSMEs would contribute to closing the SDG financing gap.

6.2. Despite MSMEs' contribution to the world economy in terms of employment and number of companies, their participation in international trade remains limited. Firms with fewer than 250 employees account for only 34% of exports, according to the 2016 World Trade Report. In developing countries, MSMEs' exports amount to only 7.6% of total sales in the manufacturing sector, compared with 14.1% for large manufacturing enterprises. Reasons commonly invoked to explain the low participation of MSMEs in international trade include lack of relevant skills, lack of knowledge about international markets, non-tariff barriers, cumbersome regulations and border procedures, and limited access to finance, particularly trade finance.

6.3. To address these obstacles, a group of 88 members decided to launch an Informal Working Group on MSMEs at the 11th WTO Ministerial Conference in December 2017 to explore ways in which WTO members could better support MSMEs' participation in global trade. The Group, which is open to all WTO Members, has now grown to 91 members, accounting for around 80 per cent of world exports.

6.4. The Group is working on various initiatives and recommendations to:

- a. Improve MSMEs' access to market and trade-related regulatory information. The Group is actively supporting the development of the Global Trade Helpdesk (GTH - <https://www.globaltrahelpdesk.org/>). The GTH is a joint ITC-UNCTAD-WTO project launched at the WTO's 11th Ministerial Conference that aims to simplify market research for companies, especially MSMEs, by integrating trade-related information into a single online portal. Using the GTH, firms can compare demand for their products across markets, explore tariffs and other market access conditions, access details about buyers, navigate domestic export procedures, and find business partners. The Group is also developing a new online platform that would consolidate practical trade-related information relevant to MSMEs and policy makers.
- b. Improve the collection of information on MSME-related policies. The Group advocates the submission of specific MSME-related information as part of WTO Members' trade policy review processes and the establishment of a database of the information collected or provided by Members through their TPR process.
- c. Improve MSME inclusion in trade-related regulatory developments. The Group champions the consultation of MSMEs when new trade-related regulations are

developed, the early publication of draft regulations, and the conduct of impact assessments of new regulatory measures on MSMEs.

- d. Promote the implementation of MSME-friendly trade facilitation measures. The Group advocates consultation of MSMEs when new trade facilitation measures are designed and impact assessment of such measures, as well as exchange of good practices in order to identify concrete measures that could promote implementation of the Trade Facilitation Agreement in a MSME-friendly manner.
- e. Facilitate MSMEs' access to trade finance, particularly through the exchange of good practices.

6.5. Beyond discussions in the context of the Informal Working Group on MSMEs, the WTO, in the context of the Working Group on Trade, Debt, and Finance, has been working with partner agencies such as multi-lateral development banks to address the MSME trade finance gap. Several regular WTO committees and bodies also discuss MSMEs-related issues.

6.6. In 2012, WTO members participating in the WTO Government Procurement Committee decided to establish the Committee's work programmes on MSMEs. Under the work programme, these WTO Members review measures and policies to support MSMEs' participation in government procurement.

6.7. In addition, within the Council for Trade related Aspects to Intellectual Property Rights (TRIPS), Members regularly exchange information about their policies aimed at supporting MSMEs' creativity, inventiveness and R&D investments. Some of these policies include, for instance, financial assistance schemes, streamlining application procedures, and enhanced transparency of intellectual property rules.

6.8. Finally, the WTO participates in various multi-agency programmes and initiatives, such as the Aid for Trade, the Enhanced Integrated Framework, and the STDF that aim, among others, at supporting MSMEs through technical assistance and capacity building.

## **7 ADDRESSING THE GLOBAL TRADE FINANCE GAP: ACHIEVING COOPERATION BETWEEN THE WTO AND PARTNER AGENCIES**

7.1. Access to affordable trade finance is a condition of success in international trade, to the same extent as rapid clearance of customs and efficient transportation. In the Addis Ababa Action Agenda of the Third International Conference on Financing for Development, there is an acknowledgement that the lack of availability of trade finance can severely hinder the trade opportunities of developing countries which may have a comparative advantage in producing the goods, but no finance to export them; there is a call for relevant institutions to act upon it.

7.2. According to the Asian Development Bank's (ADB) trade finance survey, the trade finance gap in the developing world reaches \$1.5 trillion annually. This is the amount of trade finance requested by firms and rejected by the financial system. There are many domestic reasons for rejections including, inter alia, high demands for collaterals and lack of sufficient national savings to support domestic lending. Moreover, since the financial crisis of 2008, several international banks responsible for a large volume of trade finance have been shrinking their network of correspondent banking relationships, mainly in developing countries, reducing their ability to clear transactions with the rest of the world.

7.3. This has been concerning to international institutions. Without loans and guarantees, many entrepreneurs in developing countries, mostly cash-less ones, cannot trade and compete. This is a major obstacle to accessing global markets and ensuring that trade plays its full role in promoting growth, development, and job creation. WTO Members have repeatedly flagged the need to address trade finance gaps.

7.4. For several years now, the WTO has worked with other international agencies, particularly multilateral development banks, to address problems and call the attention of the international community over trade finance shortages. The strategy has pointed to three directions:

- a. supporting multilateral development banks' trade finance facilitation programmes by way of advocacy and mobilization;
- b. reducing the knowledge gap regarding trade finance products and regulatory issues regarding trade finance;
- c. opening a dialogue with trade finance regulators;

7.5. Progress has been achieved in each of these areas.

7.6. Each year, the trade finance facilitation programs of multilateral development banks are supporting some 10,000 trade transactions, mostly from SMEs in developing countries, which would not have taken place without the support of such programs.

7.7. The WTO, multilateral development banks and the International Chamber of Commerce train about 1,500 trade financiers per annum, either through on-site training or e-learning. In 2019 and 2020, the WTO directly participated in workshops organized by the IFC in Rwanda, Madagascar, Zimbabwe, Zambia, Liberia and Mauritania; by the Afreximbank in South Africa; and by the European Bank for Reconstruction and Development (EBRD) in Bosnia and Herzegovina and in Greece. All in all, the WTO provided training for 600 trade financiers in developing countries.

7.8. The joint WTO-IFC publication "Trade Finance and the Compliance Challenge: A Showcase of International Cooperation" highlights the challenge of regulatory compliance and the efforts made by international organizations, such as the WTO and the International Finance Corporation, to address the issue. Case studies describe the capacity-building projects undertaken with multilateral development banks to help improve the availability of trade finance.

7.9. The third area is to increase dialogue with regulators. The WTO is working with other multilateral institutions with a view to developing practical steps to help trade finance providers come to grips with regulatory demands. One example is to promote the development of information repositories for due diligence. Other inter-agency initiatives are ongoing. Finally, the WTO provides diagnostics of trade finance markets in least-developed countries who specifically request it, such as Myanmar and Cambodia, in the context of their diagnostic trade integration studies.

## **8 IMPROVING ACCESS TO TRADE AND MARKET ACCESS STATISTICS USING A WTO ASYCUDA MODULE**

8.1. Strengthening the statistical capacity of customs authorities and the efficient use of information communication technology (ICT) can play a key role in facilitating companies to trade internationally, help verify compliance with recognized standards, and collect government revenue. A unique example is the Automated System for Customs Data (ASYCUDA) program of the United Nations Conference on Trade and Development (UNCTAD). Implemented in more than 100 countries and territories worldwide – including most LDCs – the software has become the reference for customs computerization in developing countries.

8.2. Members of the World Trade Organization (WTO) are requested to notify a range of relevant trade policy information. Some WTO Members, mostly LDCs and developing Members, have difficulties obtaining the required information and reporting it in a timely manner. As the underlying ASYCUDA centralized databases record transaction-level trade data, including a wide range of regulatory requirements, it constitutes an ideal source for information of relevance for notifications. However, only one-third of LDCs currently using ASYCUDA are reporting tariff and import data, and some not even on a regular basis.

8.3. A project led by the WTO in close co-operation with the UNCTAD is currently in development. It foresees a software module to be built into the latest ASYCUDA software to extract relevant data and submit to the WTO as Members' official notifications. The extracted data on trade flows, customs duties and preferential trade arrangements, as well as information on non-tariff measures, would enhance the statistical capacity and analysis of national authorities. It would also facilitate the notification of data to national institutions and international organizations.

8.4. Increased transparency and accuracy of relevant information systems would allow policymakers to make more informed decisions based on reliable statistics. It would also improve the measurement of SDG relevant indicators (in particular 10.a, 17.10, 17.11, and 17.12 and others), and built statistical capacity to promote transparency and consistency in economic policy. Furthermore, this project constitutes a very practical example of the United Nations Statistical Commission (UNSD) recommendation to the Economic and Social Council on "strengthening coordination of the statistical programmes of the UN system" as referred to by the United Nations Statistical Commission (UNSC) beginning of March 2020.

## **9 CONCLUSION AND WAY FORWARD IN THE FACE OF THE COVID-19 CRISIS**

9.1. As this report narrates, there were already multiple challenges that were being tackled in the ensuring that trade continued to play a role in the attainment of the Agenda 2030 in all its dimensions economic, social and environmental. Merchandise trade volume in 2019 fell by 0.1%, weighed down by trade tensions and slowing economic growth. The dollar value of world merchandise exports in 2019 fell by 3% to US\$ 18.89 trillion. These negative figures are now compounded by the enormous trial of responding to a pandemic.

9.2. The COVID-19 pandemic, while above all a public health crisis, presents the world with unprecedented social and economic challenges. Emergency measures needed to curb the spread of the disease have unintended impacts on the world economy and trade, including the global supply chains that produce and distribute essential goods such as medical supplies, food, and energy. The WTO is stepping up to the challenges brought on by this crisis in several ways.

9.3. The first priority of the WTO as with any government, corporation or organization, is to keep our Members, our staff and the public, all of whom are our stakeholders, safe and to assure continuity of service. To this end the WTO has adopted a number of measures, which unfortunately include postponing the 12<sup>th</sup> Ministerial Conference which was to take place in Kazakhstan in June.

9.4. The second WTO priority is to provide an international cooperative framework in which Members can consider their individual responses to this crisis. The G7 leaders pledged to do all that is necessary to fight the spread of the virus and to deal with its economic consequences, and WTO is pledged to fully support this effort.

9.5. The primary ways in which the WTO can implement this pledge are the following:

- a. The WTO agreements act as a framework for trade and trade-related policy design.
- b. The WTO agreements are very flexible in these circumstances, but still have built in best practices. Emergency measures should generally be targeted, temporary, and transparent.
- c. The WTO also serves as a venue for discussions, cooperation, coordination and negotiation, even if the discussions will for the time being largely not be face-to-face.

9.6. The first steps taken by several WTO Members have sensibly been to protect the health of their peoples and then of their economies through macroeconomic measures such as fiscal stimulus packages and tax relief, to go along with measures that Central bankers have taken with respect to the money supply and interest rates. Some trade measures have also been taken and the WTO is monitoring this situation.

9.7. The third priority is to be able to inform Members of the effects on world trade of the spread of the virus. The WTO has set up a cross-divisional task force to gather all possible information on measure taken by countries that influence world trade related to the spread of the virus. This includes measures that facilitate as well as those which restrict international trade.

9.8. The WTO Director General has urged WTO Members to provide notifications of trade measures they have taken in response to the Covid-19 outbreak, and that is happening. A Covid-19 web page has been established to make publicly available relevant information including trade measures taken by WTO Members.

9.9. The WTO expects world trade to fall by between 13% and 32% in 2020 as the COVID 19 pandemic disrupts normal economic activity and life around the world. The significant spread in the range of decline is explained by the unprecedented nature of this health crisis and the uncertainty around its precise economic impact. WTO economists also believe the decline will likely exceed the trade slump brought on by the global financial crisis of 2008-09. Nearly all regions will suffer double-digit declines in trade volumes in 2020, with exports from North America and Asia hit hardest. Trade will also likely fall steeper in sectors with complex value chains, particularly electronics and automotive products. While services trade may be most directly affected by COVID-19 through transport and travel restrictions. When it comes to the expected recovery in 2021 how this will unfold is still quite uncertain, with outcomes depending largely on the duration of the outbreak and the effectiveness of the policy responses.

9.10. A central factor to focus on is the substantial increase in trade costs due to the coronavirus – the costs of moving goods from their point of origin to a market beyond an international border. The increase in trade costs is estimated to be a multiple of total current average tariffs worldwide. This is due to not just overtly trade restrictive measures and traditional tariffs that affect costs of trade; we are also seeing a deterioration in the conditions for trade since COVID-19 began to spread.

9.11. The fourth priority is to make it clearly understood that there is wide freedom to take necessary positive actions to meet the crisis. Members are completely free to apply lower tariff rates or have no tariffs on any products, including essential medical supplies to deal with the emergency.

9.12. Tariff rates in WTO schedules are maximum permissible levels. In the case of WTO Members who have committed to high rates, the applied rates are very often lower. In addition, some 20% of world trade flows outside of WTO notified rates, much of which is subject to duty free treatment under bilateral and regional trade agreements.

9.13. The WTO Rules also allow Members to take actions to protect the health and safety of their citizens. However. We have seen a number of export restrictions on medical supplies put into place as a response to the crisis. Unfortunately, these have been taken without notice or consultation. Emergency actions must not impose unwarranted restrictions on trade.

9.14. Other measures that may be taken and which could be consistent with WTO rules could take the form subsidies from being granted to increase the global supply of medical products needed to respond to the Covid-19 pandemic. Moreover, additional flexibility in the WTO's Agreement on Trade Related Intellectual Property can facilitate countries' access to affordable life-saving medicines.

9.15. The fifth priority is to facilitate the crafting a coordinated response. A number of Members have taken steps together to pledge to keep trade flows open, both with respect to imports and exports. A broader conversation among Members on next steps is also underway.

9.16. The sixth priority is to assure the continuation of ongoing negotiations and work at the WTO. For the WTO, the next Ministerial meeting is as important as the 2020 Olympics was to Tokyo and to the global sporting community. It has to be rescheduled because the pace of negotiations on key subjects, which were mentioned in the first chapter of this report, such as E-commerce and curtailing fisheries subsidies is usually geared to the rhythm of meetings of trade ministers. In addition, ideas on WTO reform, environmental issues, empowerment of women, and a host of other useful initiatives, also covered in this contribution are stimulated by the fact of a ministerial conference being held. Intensive consultations with members as to the timing and venue of the next ministerial meeting and ministerial input are already underway. But in the meantime, it is crucial to find ways to sustain the momentum that had been achieved in several of these subjects, in particular on fisheries subsidies.

9.17. The circumstances brought about by the pandemic are unprecedented in our lifetimes and in the history of the multilateral trading system. They call for an unprecedented level of international cooperation. The WTO was remarkably successful in avoiding the spread of protection during the Financial Crisis in 2008 and in the years following.

9.18. A rapid, vigorous rebound from this extraordinary crisis is possible. Decisions taken now will determine the future shape of the recovery and global growth prospects. The international community needs to lay the foundations for a strong, sustained and socially inclusive recovery that

moves us closer to the achievement of the 2030 Agenda. Trade will be an important ingredient here, along with fiscal and monetary policy. Keeping markets open and predictable, as well as fostering a more generally favourable business environment, will be critical to spur the renewed investment that is needed for a swift recovery to happen. Countries must work together; this will result in a much faster recovery than if each country acts alone. And for this cooperation to happen the multilateral system and institutions provide an ideal framework, as they were designed precisely to respond to complex, multi-faceted, global emergencies such as the one brought on by the COVID-19 pandemic.