

Roberts, Michael

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## Thoughts on how trade, and WTO rules, can contribute to the post-2015 development agenda

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**World Trade Organization**  
Economic Research and Statistics Division

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to the post-2015 development agenda**

Michael Roberts

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# Thoughts on how trade, and WTO rules, can contribute to the post-2015 development agenda

Michael Roberts<sup>1</sup>

13 June 2014

## Abstract

In September 2015, Heads of State and Government will gather in New York to agree the post-2015 development agenda. The role that trade will play in this agenda is neither clear, nor agreed. Yet an open, non-discriminatory, rules-based multilateral trading system underpins sustainable development - a concept that lies at the core of much of the post-2015 debate to date. Indeed, sustainable development is recognized as an objective in the Marrakesh Agreement Establishing the World Trade Organization (WTO).

With the aim of stimulating discussion, this paper asks the question of how trade, and WTO rules, can contribute to the post-2015 development agenda? In reply, the author offers some thoughts on 10 contributions that trade, and WTO rules, can make to the post 2015 development agenda. The list is indicative, not exhaustive. The 10 contributions highlight the complex way in which trade and trade policy interact with the evolving debate on the post-2015 development agenda - a debate which encompasses issues ranging from poverty eradication, inclusive growth, climate change mitigation, decent work, food security, access to health services and sustainable development financing, to name but a few of the topics under consideration.

The paper organizes the 10 indicative contributions around three headings: trade rules as part of the enabling environment for the achievement of the post-2015 development agenda; the role that trade, and trade policy, can play in meeting specific goals (including possible Sustainable Development Goals); and the contribution that Aid for Trade can make.

**Keywords:** WTO, Millennium Development Goals, Sustainable Development Goals, Accession, Inclusive Growth, Food Security, Environment, Intellectual Property, Services, Financing for Development, Aid for Trade, Trade in Value Added, Trade Statistics.

**JEL Classification codes:** F1, F130, O190

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<sup>1</sup> Michael Roberts is Aid-for-Trade Coordinator in the Development Division of the World Trade Organization.

## THOUGHTS ON HOW TRADE, AND WTO RULES, CAN CONTRIBUTE TO THE POST-2015 DEVELOPMENT AGENDA

### OVERVIEW

1. In September 2015, Heads of State and Government will gather in New York to agree the post-2015 development agenda. The aim is to adopt "a single framework and set of goals, universal in nature and applicable to all countries, while taking account of differing national circumstances and respecting national policies and priorities."<sup>2</sup> The role that trade will play in the post-2015 development agenda is neither clear, nor agreed. Yet an open, non-discriminatory, rules-based multilateral trading system underpins sustainable development - a concept that lies at the core of the post-2015 debate to date. Sustainable development is recognized as an objective in the Marrakesh Agreement Establishing the World Trade Organization.
2. The central point of this staff working paper is that an open, rules-based trading system should underpin the post-2015 development agenda. WTO rules, both as currently drafted and as being negotiated in the context of the Doha Development Agenda, provide an "enabling environment" for the realization of the post-2015 development agenda, including a possible set of Sustainable Development Goals (SDGs).
3. Trade, and the multilateral trading system as embodied by the World Trade Organization, is intimately linked to the economic, environmental and social dimensions of sustainable development. Opening markets can expand economic opportunity, stimulate growth and lead to a more efficient allocation of the world's limited resources. Trade expands choice and lowers prices with positive welfare benefits for consumers, producers and governments alike. The trading system is also a vehicle for technology transfer, innovation, investment and research, with positive effects on productivity and adaptation to environmental challenges.
4. Rising productivity and expanded market opportunities positively influence economic growth and contribute to poverty reduction. Important provisos though are that the adjustment costs of trade opening are addressed, the pace of opening is tailored to the development circumstances of poor countries and that the structural obstacles to the participation of developing countries, and in particular least-developed countries (LDCs), in the global trading system (both internal and external) are addressed.
5. Building on the contribution that trade can make to sustainable development, this staff working paper offers thoughts on 10 contributions that trade, and WTO rules, can make to the post-2015 development agenda. The list is indicative, not exhaustive. In practice, trade and WTO rules contribute in many other ways than the 10 outlined in this paper.
6. The working paper seeks to highlight the complex way in which trade and WTO rules interact with a diverse set of issues ranging from development financing and green growth to decent work, food security, health systems and poverty eradication. These contributions are organized around three headings: WTO rules as part of the enabling environment for the achievement of the post-2015 development agenda; the role that trade, and WTO rules, can play in meeting possible specific goals (including possible Sustainable Development Goals); and the contribution that Aid for Trade can make to financing the post-2015 development agenda (see Table 1).

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<sup>2</sup> "Outcome document of the special event to follow up efforts made towards achieving the Millennium Development Goals", Draft resolution submitted by the President of the General Assembly, 1 October 2013 [http://www.un.org/en/ga/search/view\\_doc.asp?symbol=A/68/L.4](http://www.un.org/en/ga/search/view_doc.asp?symbol=A/68/L.4)

**Table 1: 10 indicative contributions that trade and WTO rules can make to the post-2015 development agenda**

Heading	Specific contributions
I. Trade rules as part of the "enabling environment"	1. WTO as a "Global Public Good" 2. Achieving an "inclusive" multilateral trading system
II. The role that trade, and WTO rules, can play in meeting possible specific goals	3. Eradicating poverty 4. Promoting inclusive growth 5. Promoting the goal of sustainable growth 6. Trade as one of the elements to achieve food security 7. The interface between trade policy and public health 8. A "rights" based system, balanced with "obligations" and dispute mechanisms
III. The contribution of Aid for Trade	9. Promoting financing through trade and investment - the role of Aid for Trade 10. A data revolution to improve trade statistics and track trade's contribution to development

Source: Author.

7. Acknowledgement of the contribution of trade in the post-2015 development context is important, not least from the perspective of policy coherence. By the end of 2014, a clearly defined work programme should have been agreed by WTO Members on outstanding Doha Development Agenda issues. This will add further clarity to the contribution that WTO can make in the context of the existing global partnership for development - and any commitment to a renewed global partnership that may be included in the post-2015 development agenda. One difficulty here is that of ensuring coherence between different institutional processes, particularly given the different timeframes involved (2030 for the UN post-2015 process and the more immediate time horizon of WTO negotiations).
  
8. This staff working paper is intended as a reflection on the role of trade in the post-2015 development agenda. The paper is organized as follows. It begins with an overview of the current status of the post-2015 development agenda process. It then moves to analyse and discuss a non-exhaustive list of 10 contributions that trade can make to this agenda, organized under the three guiding themes, and the role of Aid for Trade. The paper concludes with an analysis of the goals, targets and indicators discussed in relation to trade thus far and some thoughts on indicators and monitoring systems. Again, it is important to highlight the purpose of the paper as being to illuminate linkages and provoke discussion, mindful of the inter-governmental nature of the evolving process.

## POST-2015 DEVELOPMENT DEBATE - WHERE DO WE STAND?

9. The framework of goals adopted in September 2015 will cap a process that began in earnest after the MDG Summit in 2010. The consultation process, headed by the UN Secretary-General, is ambitious and extensive. A flurry of reports and thematic think pieces (including one on trade) have already been issued by the various work-streams: the [UN System Task Team](#), the [High Level Panel of Eminent Persons](#), the [Sustainable Development Solutions Network](#), the [UN Global Compact](#) and on the results of the [My world Survey](#). In July 2013, the UN Secretary-General added his own contribution entitled [A life of dignity for all](#).
10. A key milestone in the process has been the United Nations Conference on Sustainable Development - or Rio+20 - that took place in Rio de Janeiro, Brazil on 20-22 June 2012. At that meeting, Member States decided to launch a process to develop a set of [Sustainable Development Goals](#) (SDGs) which will build upon the [Millennium Development Goals](#) (MDGs) (see Box 1 below). Rio+20 did not elaborate what the goals should be, but stated that the SDGs should be limited in number, aspirational and easy to communicate. The goals should address, in a balanced way, all three dimensions of sustainable development (economic, environmental and social) and be coherent with, and integrated into, the UN development agenda beyond 2015

**Box 1: "The Future We Want" – Rio+20 outcome document and the development of Sustainable Development Goals**

"We recognize that the development of goals could also be useful for pursuing focused and coherent action on sustainable development. We further recognize the importance and utility of a set of sustainable development goals, which are based on Agenda 21 and the Johannesburg Plan of Implementation, which fully respect all the Rio Principles, taking into account different national circumstances, capacities and priorities, are consistent with international law, build upon commitments already made, and contribute to the full implementation of the outcomes of all major summits in the economic, social and environmental fields, including the present outcome document. The goals should address and incorporate in a balanced way all three dimensions of sustainable development and their inter-linkages. They should be coherent with and integrated into the United Nations Development Agenda beyond 2015, thus contributing to the achievement of sustainable development and serving as a driver for implementation and mainstreaming of sustainable development in the United Nations system as a whole. The development of these goals should not divert focus or effort from the achievement of the Millennium Development Goals." ([Paragraph 246](#))

11. Work in New York is presently focused on two work-streams: the [Open Working Group on Sustainable Development Goals \(SDGs\)](#) and the [Intergovernmental Committee of Experts on Sustainable Development Financing](#). Both are mandated to report in advance of the 69th Regular Session of the UNGA in September 2014.
12. On 21 March 2014, the co-chairs of the Open Working Group on Sustainable Development Goals published a [communication](#) in which they identified a non-exhaustive list of 19 focus areas. Further work in the Open Working Group has resulted in a "[Zero Draft](#)" of proposed goals and targets on sustainable development. The draft contains 17 focus areas and includes 212 targets - see table 2 below. It will be further negotiated at the Open Working Group's meetings in the week of 16 June and 14 July 2014.
13. [UNCTAD](#) analysis of the "Zero Draft" notes that trade is principally considered as a "means of implementation" for the SDGs. The proposed goal 17 includes elements that contain the word "trade" or are directly related to the WTO rules in support of other proposed goals such as ending poverty (proposed goal 1), ending hunger and food insecurity (proposed goal 2), and promoting inclusive and sustainable economic growth (proposed goal 8). The proposed goal 8 also includes its own trade-related target that calls for measures to facilitate regional trade. In addition to the above group of elements, UNCTAD estimated that there are over 40 other elements in the Zero Draft that would have direct impact upon trade to act as a development-enabler.

**Table 2: Open Working Group “Zero Draft” List of Proposed Sustainable Development Goals to be attained by 2030 (2 June 2014)**

1. End poverty in all its forms everywhere	6. Secure water and sanitation for all for a sustainable world	11. Build inclusive, safe and sustainable cities and human settlements	16. Peaceful and inclusive societies, rule of law, effective and capable institutions
2. End hunger, achieve food security and adequate nutrition for all, and promote sustainable agriculture	7. Ensure access to affordable, sustainable, and reliable modern energy services for all	12. Promote sustainable consumption and production patterns	17. Strengthen and enhance the means of implementation and global partnership for sustainable development
3. Attain healthy life for all at all ages	8. Promote strong, inclusive and sustainable economic growth and decent work for all	13. Promote actions at all levels to address climate change	
4. Provide equitable and inclusive quality education and life-long learning opportunities for all	9. Promote sustainable industrialization	14. Attain conservation and sustainable use of marine resources, oceans and seas	
5. Attain gender equality, empower women and girls everywhere	10. Reduce inequality within and between countries	15. Protect and restore terrestrial ecosystems and halt all biodiversity loss	

Source: UN Sustainable Development Knowledge Platform website.

14. From the September 2015 UN General Assembly (UNGA) meeting, the intergovernmental process will then aim at "working towards a single framework and set of Goals - universal in nature and applicable to all countries, while taking account of differing national circumstances and respecting national policies and priorities", as per the outcome document of the UNGA Special Event on the Post-2015 Development Agenda, held in September last year.

15. A key input in this process will be the report of the UN Secretary-General, mandated for the end of 2014 that will seek to synthesize the inputs from various work streams (see table 3 below). The target is that the process should culminate in the September 2015 Heads of State and Government Summit in New York.

**Table 3: UN work streams and inputs to the post-2015 development agenda**

Reports of the Open Working Group of the General Assembly	Reports of the UN's national, global and thematic consultations
Report of the High-Level Panel of Eminent Persons on the Post-2015 Development Agenda	Reports of UN's regional consultations
Reports of the UN System Task Team on the Post-2015 UN Development Agenda	Reports from the UN Global Compact
Reports from the Sustainable Development Solutions Network	

Source: Adapted from [UNDESA website](#)

16. Outside the UN-led process, a wide-ranging debate on the post-2015 development agenda is also well under way.<sup>3</sup> Some key institutions have already envisioned goals and geared up for implementation. For example, the World Bank has placed [two targets](#) at the heart of its operations: to end extreme poverty, by reducing the percentage of people living with less than \$1.25 a day to no more than three per cent by 2030; and to promote shared prosperity, by promoting income growth of the bottom 40 per cent of the population in each country.
17. In addition to eradicating poverty and addressing inequality, other themes, such as, female economic empowerment, decent employment, tackling climate change and promoting green growth have emerged strongly in the post-2015 debate. The place of trade, though, is not yet agreed and it is uncertain if trade will feature meaningfully in the final targets and indicators.<sup>4</sup> Omission of trade would be unfortunate given the way in which it interacts with so many focus areas identified in the debate on the post-2015 development agenda to date. It would, in the opinion of the author, also be a setback for policy coherence.
18. The staff working paper now seeks to look at the contribution that trade and trade rules can make to the post-2015 development agenda organized around three main themes:
  - I. Trade rules as part of the "enabling environment";
  - II. The role that trade, and WTO rules, can play in meeting possible specific goals; and
  - III. The contribution of Aid for Trade.

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<sup>3</sup> In January 2014, a google search using the phrase "post-2015 development agenda" harvested 11.9 million results. That number had jumped to 18.6 million by the end of April 2014.

<sup>4</sup> Within the Open Working Group on Sustainable Development Goals, trade is currently referenced in the context of focus area 17 (means of implementation/global partnership for sustainable development).



## I. MULTILATERAL TRADING SYSTEM AS PART OF THE ENABLING ENVIRONMENT

19. Goal 8 of the Millennium Development Goals (MDGs) on "Global Partnership for Development" is the obvious starting point for any consideration of the role of trade in the post-2015 development agenda. Since 2008, the UN has published [annual reports](#) tracking delivery on commitments listed under MDG8 including aid, trade, debt relief, access to essential medicines and access to new technologies.
20. At the heart of MDG8 is the target to "develop further an open, rule-based, predictable, non-discriminatory trading and financial system". The approach taken in the global partnership for development reflects the perspective of the multilateral trading system as part of the enabling environment, i.e. that it can support development outcomes and impacts (including the achievement of other MDGs). In this context, two specific contributions of WTO rules can be identified: the WTO and its rules as a global public good and achieving an "inclusive" multilateral trading system.

### 1 WTO AS A "GLOBAL PUBLIC GOOD"

1.1. Underpinned by transparency, surveillance and dispute settlement procedures, the World Trade Organization's (WTO) mandate is to provide the "open, rule-based, predictable, non-discriminatory multilateral trading system" envisaged in Goal 8 of the MDGs. Public goods are by definition non-rival and non-excludable. This is precisely the benefit that derives from a multilateral system with rights and obligations that apply to all Members. The non-rival and non-excludable characteristics of public goods are reflected in the fundamental WTO principles of [most-favoured nation](#) and [non-discrimination](#).

1.2. Public goods get taken for granted; often it requires a crisis to highlight their value. The recent financial crisis and its aftermath were an important "stress test" for the multilateral trading system. The existing body of rules and disciplines, combined with [surveillance](#) of measures taken by governments, helped temper a return to 1930s beggar-thy-neighbour style policies, despite the fact that the downturn was actually deeper than that which followed the "crash" of 1929. WTO's [trade monitoring reports](#), initiated in 2008, helped dampen protectionist intentions. The financial crisis helped underscore that WTO has a critical role, together with other institutions, in keeping markets open and trade working, even in times of crisis. These on-going monitoring reports could help monitor adherence to the "open, rule-based, predictable, non-discriminatory trading system".

1.3. A challenge from the perspective of the post-2015 development agenda is how to progress the multilateral trading system's "*further development*" as called for in MDG8. The UN System Task Team's [report](#) on the global partnership is instructive on this point: "The future global partnership should look to build a more equitable global, multilateral trading system by concluding the Doha Round. A successful conclusion of the Doha Round of multilateral trade negotiations would make an important contribution to improving market access for developing countries."

1.4. The successful conclusion of the "[Bali Package](#)" at the WTO's 9<sup>th</sup> Ministerial Conference in December 2013 represents cause for guarded optimism after many years of deadlock. Much now depends on how this progress can be further advanced by Members in a "clearly defined [work programme](#) on the remaining Doha Development Agenda issues" to be developed in 2014.

## Box 2: Global partnership for development (MDG8) targets and indicators

Targets	Indicators
<p><b>Target 8.A:</b> Develop further an open, rule-based, predictable, non-discriminatory trading and financial system. Includes a commitment to good governance, development and poverty reduction—both nationally and internationally</p> <p><b>Target 8.B:</b> Address the special needs of the least developed countries. Includes tariff and quota free access for the least developed countries' exports; enhanced programme of debt relief for heavily indebted poor countries and cancellation of official bilateral debt; and more generous ODA for countries committed to poverty reduction</p> <p><b>Target 8.C:</b> Address the special needs of landlocked developing countries and small island developing States (through the Programme of Action for the Sustainable Development of Small Island Developing States and the outcome of the twenty-second special session of the General Assembly)</p> <p><b>Target 8.D:</b> Deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term</p>	<p><b>Official development assistance (ODA)</b></p> <p>8.1 Net ODA, total and to the least developed countries, as percentage of OECD/DAC donors' gross national income</p> <p>8.2 Proportion of total bilateral, sector-allocable ODA of OECD/DAC donors to basic social services (basic education, primary health care, nutrition, safe water and sanitation)</p> <p>8.3 Proportion of bilateral ODA of OECD/DAC donors that is untied</p> <p>8.4 ODA received in landlocked developing countries as a proportion of their gross national incomes</p> <p>8.5 ODA received in small island developing States as a proportion of their gross national incomes</p> <p><b>Market access</b></p> <p>8.6 Proportion of total developed country imports (by value and excluding arms) from developing countries and least developed countries, admitted free of duty</p> <p>8.7 Average tariffs imposed by developed countries on agricultural products and textiles and clothing from developing countries</p> <p>8.8 Agricultural support estimate for OECD countries as a percentage of their gross domestic product</p> <p>8.9 Proportion of ODA provided to help build trade capacity</p> <p><b>Debt sustainability</b></p> <p>8.10 Total number of countries that have reached their HIPC decision points and number that have reached their HIPC completion points (cumulative)</p> <p>8.11 Debt relief committed under HIPC and MDRI Initiatives</p> <p>8.12 Debt service as a percentage of exports of goods and services</p>
<p><b>Target 8.E:</b> In cooperation with pharmaceutical companies, provide access to affordable essential drugs in developing countries</p>	<p>8.13 Proportion of population with access to affordable essential drugs on a sustainable basis</p>
<p><b>Target 8.F:</b> In cooperation with the private sector, make available the benefits of new technologies, especially information and communications</p>	<p>8.14 Fixed telephone lines per 100 inhabitants</p> <p>8.15 Mobile cellular subscriptions per 100 inhabitants</p> <p>8.16 Internet users per 100 inhabitants</p>

Source: UN Website.

1.5. The global partnership, enshrined in Goal 8, advocates "addressing the special needs of least-developed countries, landlocked countries and small island developing states." Market access issues are the focus of the accompanying indicators. As Box 3 highlights, there has been progress made on market access issues, even if further work is needed to reach the targets envisaged in MDG8.

1.6. It is also worth stressing that a key point of differentiation between the MDGs and the post-2015 debate (thus far) has been the focus of the latter on structural transformation, with inclusive, sustainable development at its core. As noted above, the MDG8 goals are "market access" targets.

### Box 3: Improving market access for developing and least-developed countries in WTO agreements

The [Marrakesh Declaration](#) recalls that the results of the negotiations establishing the WTO "embody provisions conferring differential and more favourable treatment for developing economies, including special attention to the particular situation of least developed countries". Special and differential (S&D) treatment [provisions in WTO agreements](#) can be grouped according to six categories: provisions aimed at increasing the trade opportunities of developing country Members; provisions under which WTO Members should safeguard the interests of developing country Members; flexibility of commitments, of action, and use of policy instruments; transitional time periods; technical assistance and provisions relating to [Least-Developed Country](#) Members. One track of the Doha Development Agenda negotiations has examined how to render existing provisions more "[precise, operational and effective](#)".

The [Bali Package](#) has advanced work in this area, with the adoption of a [monitoring mechanism](#) for S&D measures and a series of [decisions benefitting LDCs](#). Prominent among the LDCs decisions is one that further encourages developed-country Members to improve their [Duty-Free, Quota-Free](#) (DFQF) coverage for products originating from LDCs. The [decision](#) also encourages developing-country Members, declaring themselves in a position to do so, to provide DFQF market access for products originating from LDCs, or to improve their existing DFQF coverage for such products. Additional bilateral market access measures for [LDCs](#) were also announced at the 9<sup>th</sup> Ministerial Conference. [Annual reviews](#) of developed and developing country preference schemes have demonstrated that market access conditions for LDCs exports are being continually improved.

*Source:* Author.

1.7. The multilateral trading system has an important enabling function. A recommitment to "an open, *inclusive*, rule-based, predictable, non-discriminatory trading system" in the post-2015 development agenda would underscore the value, both of the WTO as an institution and of the existing body of rules that it enshrines - rules that include special and differential treatment provisions for developing countries.<sup>5</sup> Such a commitment would strengthen the normative foundations on which the WTO is grounded, recognizing its role as a global public good and its contribution to good economic governance.

1.8. Furthermore, by the time that the UN Secretary-General issues his synthesis paper on the post-2015 development agenda at the end of 2014, it should also be clear how the "further development" of the multilateral trading system in terms of market access, as envisaged by MDG8, can be taken forward in the context of an agreed Work Programme on the Doha Development Agenda.

1.9. As this staff working paper goes on to argue, in addition to any "framing" goal on the enabling environment provided by the Multilateral Trading System included in as part of any renewed Global Partnership for Development, the inclusion of indicators to monitor respect for this goal would contribute to coherence and help keep the trade community mindful of the broader context within which they operate. WTO's [trade monitoring reports](#) could play a role in this regard.

## 2 ACHIEVING AN "INCLUSIVE" MULTILATERAL TRADING SYSTEM

2.1. To meet the definition of a public good, the WTO should be universal in membership. The WTO has completed 31 accessions since its creation in 1995.<sup>6</sup> Its 159 Members now cover 97.1% of global trade. A further 24 governments are in the process of accession. [Yemen](#) became the latest country to have its Membership approved at the WTO's 9<sup>th</sup> Ministerial Conference on 4 December 2013. Accession processes for LDCs have been [streamlined](#). A further refinement to the existing MDG8 language in any re-envisioning of the global partnership could capture the issue of universality within the term "inclusivity" i.e. the multilateral trading system should serve all economies.

2.2. A corollary of the issue of inclusivity is the question of whether or not "exclusive" trade arrangements (e.g. in the form of regional and preferential trading arrangements - RTAs and PTAs) are in "conflict" with multilateral rules. Views differ between WTO Members. As of 31 July

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<sup>5</sup> Document [WT/COMTD/W/196](#) includes a useful inventory of "Special and Differential Treatment Provisions in WTO Agreements and Decisions". The last update was issued on 14 June 2013 (i.e. before the Bali Package). Interesting also to note in this regard is the inclusion by the co-chairs of the Open Working Group on SDGs of proposed focus area of industrialization and the suggestion of "ensuring adequate policy space of industrial development" as one of the issues in this context.

<sup>6</sup> Situation as at 2 March 2014.

2013, some 575 RTA [notifications](#) and 36 PTA notifications had been made to the WTO.<sup>7</sup> WTO [research](#) highlights that trade opening — at the multilateral, regional and unilateral level — has reduced the scope for offering preferential tariffs under PTAs. As such, many RTA and PTAs are going beyond preferential tariffs, with numerous non-tariff areas of a regulatory nature being included in the agreements.

2.3. WTO rules make provision for the co-existence of RTAs and PTAs within the [multilateral system](#). Indeed, some Members feel that the issue may be less that of co-existence (PTAs can actually support the WTO's multilateral trading system), but more one of transparency. A temporary [transparency mechanism](#) has been in operation since 2006. Some Members (notably those in the G-20 grouping) have suggested that this should become a [permanent mechanism](#). It is a topic that may be picked up in the Doha Development Agenda (DDA) work programme.

2.4. Setting a target date to achieve an "inclusive" multilateral system by completing existing access processes in the post-2015 development agenda is problematic due to the Member-driven nature of accession processes. Nevertheless, recognizing universality as a principle could act as a useful objective – a point of reference for negotiators. Furthermore, regional and preferential trading arrangements are not by design in contradiction with an inclusive multilateral trading system, indeed, these agreements can complement it. Transparency and review would appear the key issues in this regard, and best left to the DDA work programme to decide how best to take forward.

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<sup>7</sup> Other trade agreements outside the multilateral track will also play a role in determining market access opportunities for developing countries: such as the [African Growth and Opportunity Act](#), the [European Partnership Agreements](#) and the growing array of other [PTAs](#) and [Regional Trade Agreements](#) signed between developing countries.

## II. TRADE, WTO AND SPECIFIC POST-2015 GOALS

2.5. The paper now moves to look at the contribution that trade and trade rules can make under the second of the broad themes identified: meeting possible specific goals. Five possible goals are examined: eradicating poverty; promoting inclusive growth; promoting the goal of sustainable growth; trade as one of the elements to achieve food security; the interface between trade policy and public health; and a "rights" based system, balanced with "obligations" and dispute mechanisms. In the following analysis, other areas are also referenced, notably: education, water and sanitation, and energy, but not developed in detail. As previously noted, this paper is an indicative, not an exhaustive analysis.

### 3 ERADICATING POVERTY

3.1. [Unparalleled progress](#) has been made in tackling absolute poverty. The world reached the poverty reduction target five years ahead of schedule. In developing regions, the proportion of people living on less than \$1.25 a day fell from 47 per cent in 1990 to 22 per cent in 2010. About 700 million fewer people lived in conditions of extreme poverty in 2010 than in 1990.

3.2. Extreme poverty rates have fallen in every developing region. China, in particular, has led the way; extreme poverty in China dropped from 60 per cent in 1990 to 16 per cent in 2005 and 12 per cent in 2010. Poverty remains widespread in sub-Saharan Africa and Southern Asia, although progress in the latter region has been substantial. In Southern Asia, poverty rates fell by an average of one percentage point annually - from 51 per cent in 1990 to 30 per cent two decades later.

3.3. Sustained high rates of economic growth have been central to achieving poverty reduction. In turn, trade performance is a critical determinant of the economic growth of many, if not most, developing countries. China's experience is instructive in this regard; at the same time as it was driving down the incidence of domestic poverty, it was also boosting its participation in the global economy. China's share of world exports jumped from 1 per cent in 1980 to 11 per cent in 2011, turning it into the world's largest exporter.<sup>8</sup> Nor is China alone; other developing countries have followed a similar trajectory.

3.4. The World Bank [argues](#) that eradicating poverty will "require rapid economic growth in low-income countries, which in turn must be translated into a rate of poverty reduction that is higher and sustained over longer periods than ever seen in the past". Trade, and trade rules, will play a role in this regard.

3.5. Trade-to-GDP ratios are a useful proxy to understand the relationship between trade and economic growth. Rates of trade to GDP differ widely among developing countries. For some of the world's poorest countries, trade-to-GDP ratios are over 100% (e.g. the Democratic Republic of Congo ratio was 130% and in Mauritania was 146% in 2011). Medium-term economic growth prospects for such countries are strongly correlated to demand for their export commodities - which are often few in number and weighted to the extractive sector. Narrowly focused economies and high import dependence for basic products (including food) make their economies fragile and highly sensitive to external shocks. [Diversification is needed](#) for long-term growth and development to reduce dependence.

3.6. In other developing countries trade-to-GDP ratios are lower, in some cases much lower, and are indicative of problems in connecting to regional and global markets (e.g. Central African Republic had a trade-to-GDP ratio of 25% and Nepal 43% in 2011). Increasing connectivity, and using trade to circumvent national market constraints related to limited purchasing power and small population size, can provide a pathway for economic growth, in particular for small developing countries, including landlocked ones. Countries such as [Cambodia](#), [Costa Rica](#) and [Peru](#) provide examples of how this is being achieved.

3.7. The graduation from least-developed country status of [Cape Verde](#), the [Maldives](#), and [Samoa](#), demonstrates how improved trade performance, in these cases linked to growth in the services sectors, has opened opportunities for economic growth. At the same time, these economies lack opportunities for scale and are constrained by limited natural and human resources by reason of their geography - a fact that, in their view, makes them inherently vulnerable to economic shocks.

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<sup>8</sup> If European Union member States are counted separately.

Since 2002, the WTO has had a [work programme](#) "to frame responses to the trade-related issues identified for the fuller integration of small, vulnerable economies into the multilateral trading system."

3.8. The role that trade can play in economic development post-2015 varies from economy to economy. There is no one-size-fits-all prescription. Indeed, some economists consider the role of trade in development as ambiguous. While most economists associate open markets with higher rates of growth and development, others argue that short-term adjustment costs and dislocation caused by trade opening outweigh long-term benefits that have, in their view, proved elusive. The resulting policy prescriptions oppose those arguing for "faster and deeper" liberalization versus those arguing for continued "[policy space](#)".

3.9. Progress in meeting MDG1 targets on extreme poverty has been focused on a number of developing countries that have emerged as key players in the global economy, successfully using participation in the liberalized multilateral trading system to generate growth, employment, and poverty reduction.<sup>9</sup> The WTO's [World Trade Report](#) of 2013 is instructive in this regard. Examining the factors that will likely shape future world trade, the report notes that "developing and emerging countries have the most to gain from a vibrant economic scenario with further trade opening and the most to lose from a subdued economic outlook and faltering trade cooperation". In the former scenario, developing and emerging countries would grow at an average annual rate of 7 per cent, compared with 2.8 per cent in the latter scenario. The main reason for the divergence in growth rates is to be found in the fact that developing countries are increasingly trading with each other; the share of "South-South" in world trade jumped from 8 per cent in 1990 to 24 per cent in 2011.

3.10. One of the challenges of the post-2015 development agenda exercise is to envision goals with a time horizon of 2030 in mind. The global economy is undergoing a period of profound structural change. The rise of South-South trade and the growing weight of many developing economies in the global economy are creating new trade patterns and opportunities for growth. As these trends further embed themselves, so structural change in the global economy will become ever more apparent. The 2014 edition of the WTO's World Trade Report will explore these issues in more detail.

3.11. Trade, and the multilateral trading system as embodied by the World Trade Organization, has a critical enabling role to play in achieving the goal of poverty eradication. Trade acts as a conduit for technology transfer and hence a stimulus for productivity growth. Trade rules and new agreements offer secure and expanded market opportunities. Both can positively influence economic growth and in turn contribute to poverty reduction.

## 4 PROMOTING INCLUSIVE GROWTH

4.1. One theme of the post-2015 development agenda debate has been a focus on inclusive growth. The co-chairs of the Open Working Group on Sustainable Development Goals in their March 2014 paper on focus areas note that "achieving sustained and inclusive economic growth rates remains the surest means of eradicating poverty and attaining shared prosperity". From a trade perspective, this inclusive growth is perhaps best understood as including all economies, notably the 49 poorest least-developed countries (LDCs). The analysis in this section also examines the question of economic opportunities for both men and women.

4.2. [The share of LDCs](#) in world trade was 1.14% in 2012, up from 0.59% recorded in 2000. Exports from LDCs increased in value from US\$36 billion in 2000 to US\$232 billion in 2012. The [Istanbul Programme of Action](#) established the aim of doubling the share of LDCs exports in global exports by 2020, including by broadening LDCs' export base. Another aim is for at least half of the 49 LDCs to meet the eligibility criteria for LDC graduation by 2020. Product categories, including textiles and clothing, food and semi-manufactures have seen impressive growth rates. There has also been a profound change in the direction of LDCs' trade, with other developing countries now accounting for 52% of LDCs' exports.

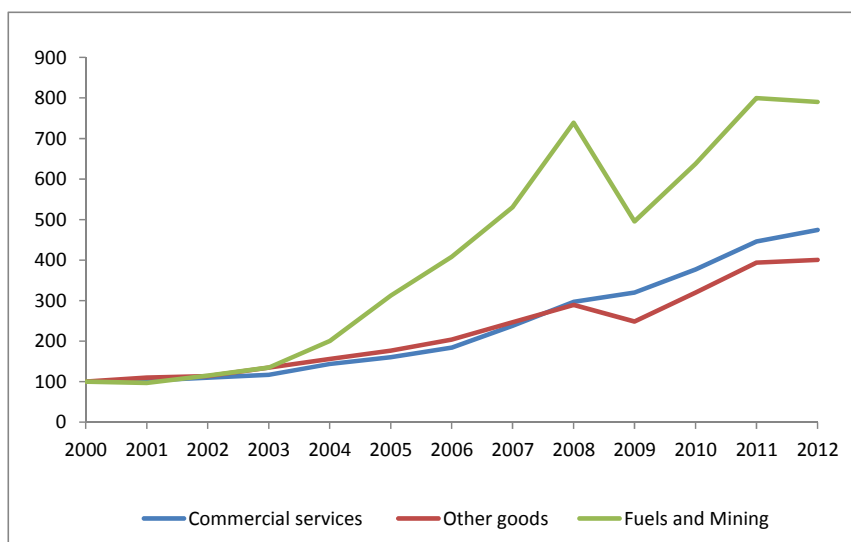
4.3. High commodity demand in the last decade has concentrated the share of primary commodities in LDCs' export at 77% in 2011. It has also tended to obscure growth in commercial service exports and other non-commodity exports of goods - as highlighted by Chart 1. That said, it is clear that short-term growth prospects are highly correlated to the commodity cycle. One

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<sup>9</sup> [Monitoring](#) of the trade performance of new Members that have acceded since 1995 suggests that their trade performance has outstripped that of other economies.

concern not captured in the post-2015 debate to date is the effect that any sustained weakening of commodity prices (i.e. a continuation of the negative tendencies of 2012) and a drop-off in demand for primary commodities might have on the growth and development prospects of poor resource exporting countries - i.e. an end to the current [commodity super-cycle](#). Such a sustained trend would have a potentially deleterious impact, not least on the prospects for LDC graduation, and economic development prospects more generally.

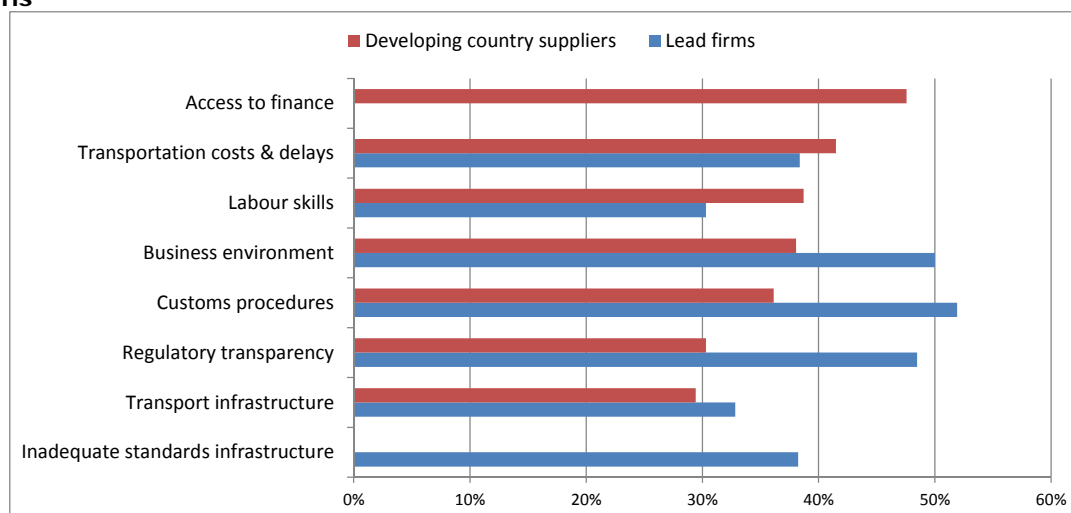
**Chart 1: Evolution of LDCs' exports of goods and commercial services, 2000-2012 (Index, 2000=100)**



Source: WTO Secretariat.

4.4. [LDCs](#), like other developing countries, face a range of constraints in promoting economic diversification - many of which will also impinge on the structural change envisioned by the SDGs. In 2013, the OECD and WTO surveyed factors inhibiting firms from developing countries from [connecting to value chains](#). The answers given by both lead firms (i.e. those at the apex of the value chain) and their developing country suppliers are instructive of the supply-side and trade-related infrastructure constraints firms' face.

**Chart 2: Key factors affecting the ability of developing country firms to connect to value chains**



Source: OECD, WTO.

4.5. High among the issues cited in Chart 2 is that of trade facilitation. One of the elements of the "[Bali Package](#)" agreed at the WTO's 9<sup>th</sup> Ministerial Conference in December 2013 was the [Agreement on Trade Facilitation](#). Once in legal force, the Agreement will, inter alia, improve transparency in customs operations by ensuring publication of customs information (including on the internet and setting up enquiry points), providing opportunities for comment on new or

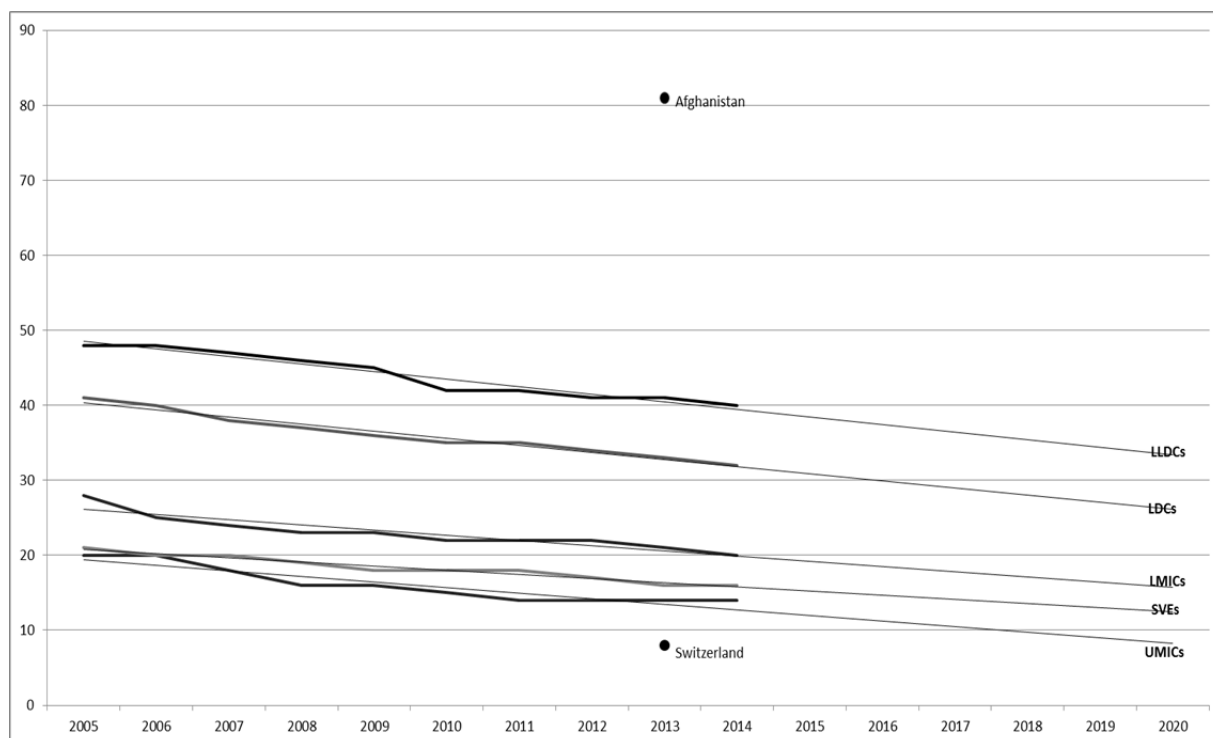


amended laws, establishing appeal and review procedures, improving disciplines on customs formalities, fees and charges, as well as stronger disciplines on customs release and clearance, freedom of transit (of particular importance for landlocked countries) and cooperation between customs authorities.

4.6. The [United Nations Conference on Trade and Development](#) (UNCTAD) estimates that the average customs transaction involves 20–30 different parties, 40 documents, 200 data elements (30 of which are repeated at least 30 times) and the re-keying of 60–70 per cent of all data at least once. With the lowering of tariffs across the globe, the cost of complying with customs formalities has been reported to exceed in many instances the cost of duties to be paid. This burden falls disproportionately on LDCs and landlocked developing countries (LLDCs). Data from 2005–2014 on the World Bank Doing Business Indicator "[time to export](#)" (as measured by the number of days) shows that exports from LDCs and LLDCs on average took more than double the number of days than middle income countries.

4.7. Chart 3 charts the progress in reducing the time to export made in the period 2005-2013. It uses the data to project a trend line to 2020. From the data it is clear that even though progress has been made, and will continue to be made if existing trends are sustained, LDCs (27 days on average in time to export in 2020) and in particular LLDCs (34 days in 2020) will still face serious obstacles in their ability to connect to global markets (particularly as compared to a projected 9 days for upper middle income countries). Particular emphasis may need to be placed on addressing the concerns of specific countries, such as Afghanistan which suffers the highest time to export in the Doing Business Indicators at 81 days.

**Chart 3: Time to export in days, actual and projected, 2005-2020<sup>10</sup>**



Source: Author's calculation, World Bank Doing Business Index data.

4.8. The [Trade Facilitation Agreement](#) contains provisions dealing with S&D treatment, including tying the implementation of commitments to the acquisition of implementation capacity through the provision of assistance and support for capacity building. Since 2006, a total of US\$1.4 billion has been disbursed in [trade facilitation related support](#). Continued support will be needed to implement the agreement and to further hasten the rate of decline of time to export. Both the [Aid-for-Trade Initiative](#) and the [Enhanced Integrated Framework](#) for least-developed countries can play a supportive role in this regard by helping countries to mainstream trade into their national

<sup>10</sup> Categories: [UMICs](#): Upper Middle Income Countries; [SVEs](#): small, vulnerable economies; [LMICs](#): lower middle income countries; [LDCs](#): least-developed countries; [LLDCs](#): landlocked developing countries. Use hyperlinks to go to lists of economies in each category.



and regional development policy plans (so promoting policy coherence and the mobilization of domestic resources to address these constraints) and through development assistance.

4.9. Promoting inclusive growth means also grappling with a set of issues that impinge on structural transformation, notably as regards LDCs' export diversification, and stymie trade more generally. Entry into force of a Trade Facilitation Agreement (once two-thirds of the WTO's Membership has ratified it) is an historic opportunity to address these issues. In the first list of 19 focus areas identified by co-chairs of the Open Working Group on SDGs, "identify promoting trade facilitation and preferential market access for LDCs as areas that could be considered", was proposed under the focus area for economic growth.<sup>11</sup>

4.10. A further aspect to inclusive growth is that it should also provide opportunities for both men and women. Gender equality and women's economic empowerment featured strongly in the MDGs, notably MDG3 "to promote gender equality and empower women". Goal 5 of the Open Working Group's "[Zero Draft](#)" of the SDGs concerns gender equality and women's empowerment, with 11 accompanying targets. The [UN reports](#) that gender gaps in access to education have narrowed, but disparities remain among regions. Women are gaining ground in the labour market, but in every developing region still tend to hold less secure jobs. Women's share of paid employment outside the agricultural sector (one of the indicators used to track MDG3) has increased slowly from 35 to 40 per cent between 1990 and 2010, though it remains under 20 per cent in Western Asia, Northern Africa and Southern Asia. Women still enter the labour market on an unequal basis to men, and are often relegated to vulnerable forms of employment." Gender equality is a basic human right; it is also a matter of economic efficiency and competitiveness, leading to the achievement of other key development outcomes.

4.11. Globalisation and trade can play an important role in reducing barriers to achieving greater gender equality. A [correlation](#) exists between trade integration and increases in female employment, with women enjoying economic opportunities in export-oriented industries (often also with better terms and conditions). The [Women and Trade Programme](#) managed by the International Trade Centre highlights how assistance to women entrepreneurs, for example, to access [government procurement](#) opportunities, can have positive trade and development impacts. The UN's [System Wide Action Plan](#) on gender equality and female employment is an opportunity to address this issue throughout the UN's operations. The positive contribution that global integration through trade can make to female economic empowerment through employment could be recognized within the discussion on inclusive growth.

## 5 PROMOTING THE GOAL OF ENVIRONMENTALLY SUSTAINABLE GROWTH

5.1. In his [July 2013](#) report, the UN Secretary-General placed sustainable development at the core of the post-2015 debate. "Sustainable development, enabled by the integration of economic growth, social justice and environmental stewardship, must become our global guiding principle and operational standard. This framework can bring together the full range of human aspirations and needs. It offers a template for mutually reinforcing approaches to global challenges. Sustainable development is, in short, the pathway to the future."

5.2. In 2011, the WTO issued a [report](#) entitled: "Harnessing trade for sustainable development and a green economy". The report was prepared as an input to the Rio+20 conference, but its narrative remains relevant in the context of the on-going discussions on SDGs and the post-2015 development agenda. It looks at how the multilateral trading system embodied in the WTO supports efforts by countries to achieve sustainable development. In doing so, it discusses how WTO rules provide room for Members to adopt trade-related measures for legitimate objectives such as the protection of the environment (see Box 4). In certain circumstances, Members may be permitted to side-step basic WTO rules. At the same time, this room for manoeuvre in setting policy is subject to conditions to prevent Members taking measures with hidden protectionist intent.

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<sup>11</sup> This recommendation was omitted in the [Working Document](#) for the 5-9 May 2014 session of the Open Working Group.

#### Box 4: WTO disciplines relevant to the environment

There is always the concern that certain measures taken to achieve environmental protection goals may, by their nature, restrict trade and thereby impact on the WTO rights of other members. This is why exceptions such as GATT Article XX are important (the General Agreement on Tariffs and Trade is the core WTO agreement relating to trade in goods). GATT Article XX on General Exceptions lays out a number of specific instances in which members' trade measures may be exempted from GATT rules that would otherwise have applied. The provision seeks, among other things, to ensure that environmental measures are not applied arbitrarily and are not used as disguised protectionism.

Rules such as the WTO Agreement on Technical Barriers to Trade (which deals with technical requirements) and the WTO Agreement on the Application of Sanitary and Phytosanitary Measures (dealing with food safety and animal and plant health) provide scope for WTO Members to put in place regulatory measures to protect the environment and advance a green economy, while at the same time imposing disciplines to ensure such measures are not unnecessary restrictions on international trade.

The WTO Agreement on Subsidies and Countervailing Measures seeks to prevent members from providing subsidies that distort international trade. Provided certain basic disciplines are respected, the agreement leaves Members with policy space for, among other things, supporting the deployment and diffusion of green technologies.

The WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) provides a framework for applying the intellectual property system to promote access to and dissemination of green technologies, and provides policy space to promote public interest in sectors of vital importance to socio-economic and technological development, as well as specific incentives for technology transfer and exclusions of environmentally damaging technologies from intellectual property (IP) protection.

The plurilateral WTO Agreement on Government Procurement aims at opening up procurement markets to international competition on a transparent and non-discriminatory basis. Under the agreement, parties and their procuring entities may prepare, adopt or apply technical specifications aimed at promoting "green procurement".

In the 2001 WTO Doha Ministerial Declaration, Ministers recognized that "...under WTO rules no country should be prevented from taking measures for the protection of human, animal or plant life or health, or of the environment at the levels it considers appropriate, subject to the requirement that they are not applied in a manner which would constitute a means of arbitrary or unjustifiable discrimination between countries where the same conditions prevail, or a disguised restriction on international trade, and are otherwise in accordance with the provisions of the WTO Agreements."

The language, which is drawn from GATT Article XX, can also be found in Principle 12 of the Rio Declaration: "Trade policy measures for environmental purposes should not constitute a means of arbitrary or unjustifiable discrimination or a disguised restriction on international trade." It is present as well in Article 3.5 of the UN Framework Convention on Climate Change: "Measures taken to combat climate change, including unilateral ones, should not constitute a means of arbitrary or unjustifiable discrimination or a disguised restriction on international trade."

*Source:* WTO Secretariat "Harnessing trade for sustainable development and a green economy" report.

5.3. Since 2001, the DDA has included specific [trade and environment negotiations](#). A major focus of this work has been on liberalizing trade in goods and services that can benefit the environment. Work on trade and environment also includes negotiations on ways to ensure a harmonious co-existence between WTO rules and specific trade obligations in various Multilateral Environmental Agreements. In addition, the DDA seeks to address environmentally harmful, trade-distortionary measures, for example by seeking to clarify and improve WTO disciplines on fisheries subsidies, taking into account the importance of this sector to developing countries. Other areas of the DDA, such as [agriculture](#), [industrial goods](#) and [services](#) also have resonance for the work on SDGs.

5.4. Besides the DDA negotiations, the multilateral trading system supports WTO members in their efforts to realize sustainable development through the work of its transparency and monitoring mechanisms. Of particular resonance in this regard is the work of the Committee on Technical Barriers to Trade, which serves as a transparency platform for WTO members to share information on draft technical regulations and conformity assessment procedures that may have an impact on trade. This transparency platform is an important tool to help countries obtain information about measures contemplated by others, including trade-related environmental measures, before these measures result in negative trade consequences, thus ensuring as much certainty and predictability in trade as possible.

5.5. Trade and trade rules interact with sustainable development and any eventual related goals in a range of different ways. The essential point to capture in this context is that there is no

inherent contradiction between WTO rules and sustainable development. Indeed, existing WTO rules and negotiations on new rules can contribute to the achievement of sustainable development and any future SDGs. Thus, it would be important to consider how best to reflect this mutual supportiveness in the on-going work on SDGs and in the context of efforts to strengthen global environmental governance.

## 6 TRADE AS ONE OF THE ELEMENTS TO ACHIEVE FOOD SECURITY

6.1. The Millennium Development Goals included the goal of eradicating extreme poverty and hunger (MDG1). An associated target is to "halve, between 1990 and 2015, the proportion of people who suffer from hunger". According to the UN, the target of halving the percentage of people suffering from hunger is [within reach](#). Numbers of people going hungry remain too high — one in eight worldwide — although, the proportion of undernourished people has decreased from 23 per cent in 1990-1992 to 15 per cent in 2010-2012. The UN believes that with concerted action, the hunger target can be achieved.

6.2. Since 2000, however, the focus has shifted from hunger to food security and nutrition. According to the UN, the [extraordinary rise of global food prices in early 2008](#) posed a major threat to global food and nutrition security and caused a host of humanitarian, human rights, socio-economic, environmental, developmental, political and security-related consequences. The 2008 crisis prompted in-depth consideration of the issue of food security and the formation of the [UN High Level Task Force on the Global Food Security Crisis](#). The issues of food security and nutrition have also been picked up within the discussion in the Open Working Group on [Sustainable Development Goals](#).

6.3. Food security is broader as a goal than that of the elimination of hunger, with the operation of markets (nationally, regionally and globally) taking a more prominent role. In 2010, the [UN High Level Task Force on the Global Food Security Crisis](#) noted that "more liberalized international markets would contribute to global food and nutrition security through increased trade volumes and access to diverse sources of food imports." Transparency in market operations is an important related consideration.

6.4. WTO Members consider [food security](#) as a critical element of both the [Agreement on Agriculture \(AoA\)](#) and the [Doha Development Agenda \(DDA\) negotiations](#). The preamble of the AoA stresses that commitments should take into account food security concerns. Food security is explicitly mentioned several times in the AoA, is referenced in the [Marrakesh Decision on measures concerning the possible negative effects of the reform programme on net food importing developing countries](#) and is mentioned explicitly (or has led the positions taken by Members) in several provisions of the [December 2008 DDA draft modalities on agriculture](#). The issue also took centre stage at the recent Bali Ministerial Conference, where agreement was reached on a number of decisions (see Box 5) on agriculture trade.

### Box 5 : Bali Ministerial decisions on agriculture

- General Services — Ministerial Decision — [WT/MIN\(13\)/37 — WT/L/912](#)
- Public Stockholding for Food Security Purposes — Ministerial Decision — [WT/MIN\(13\)/38 — WT/L/913](#)
- Understanding on Tariff Rate Quota Administration Provisions of Agricultural Products, as Defined in Article 2 of the Agreement on Agriculture — Ministerial Decision — [WT/MIN\(13\)/39 — WT/L/914](#)
- Export Competition — Ministerial Declaration — [WT/MIN\(13\)/40 — WT/L/915](#)

6.5. Decisions taken at Bali mandate further work, as part of the post-Bali work programme - and also on separate tracks. For example, WTO Members agreed to a work programme, to be concluded no later than the 11<sup>th</sup> Ministerial Conference (most likely in 2017), to come up with recommendations on public stockholding for food security purposes. There was also agreement that export competition should remain a priority issue for the post-Bali work programme with the aim of fulfilling the objective set out in the 2005 Hong Kong Ministerial Declaration on the parallel elimination of all forms of export subsidies and disciplines on all export measures with equivalent effect. In the Bali Decision, Members agreed to "exercise utmost restraint" in using any form of export subsidy and export measures with equivalent effect, to "ensure to the maximum extent possible" that progress will be maintained towards the elimination of all forms of export subsidies, that actual subsidies will remain well below the permitted levels, and that disciplines will apply to export measures that may have equivalent effect as subsidies.

6.6. Current WTO rules on agriculture provide governments with considerable flexibility to pursue legitimate objectives, including food security, notably through "[Green Box](#)" support and Article 6.2 development programmes. In addition, the Bali decision on General Services extended the list of general services of the Green Box by adding a certain number of programmes of particular interest to the developing countries.

6.7. The challenge now lies in striking the right balance between flexibilities and functioning markets. Highly trade distorting support, in particular the use of export subsidies, high levels of protection, and unpredictable trade measures restricting imports or exports were [among the short and long causes of the price spikes in 2008 and 2010](#). Policies that create distortions in the global market may, therefore, threaten rather than improve global food security. Concerns along these lines have previously been raised in the WTO [Committee on Agriculture](#).

6.8. Food security lies at the heart of the Doha Development Agenda - and the work of the WTO more broadly. It would be no surprise if food security featured prominently among the specific objectives of the post-2015 development agenda. It is recommended therefore that the role of trade in promoting food security be recognized in this debate. Going beyond this general statement of position, the debate could perhaps distinguish (in the same way as WTO rules) between practices that are trade distorting and those with limited trade impacts — encouraging countries to move towards less trade-distorting practices. Noteworthy in this regard is that within goal 17 of the "Zero Draft" of the SDGs one of the targets is to "reduce distortions in international trade, including the phasing out of agricultural export subsidies as soon as possible in line with the objective set out by the WTO Ministers in the 2005 Hong Kong Ministerial Declaration."

## 7 THE INTERFACE BETWEEN TRADE POLICY AND PUBLIC HEALTH

7.1. Three of the eight Millennium Development Goals concern public health objectives: MDG4 to reduce child mortality, MDG5 to improve maternal health and MDG6 to combat HIV/AIDS, Malaria and other diseases. Target E of MDG8 (Global Partnership for Development) also covers providing access to affordable essential drugs in developing countries.

7.2. The [July 2013](#) report of the UN Secretary-General identifies health as one of the transformative and mutually reinforcing actions that should apply to all countries in the post-2015 development agenda. The report recommends that actions be taken to: "Address universal health-care coverage, access and affordability; end preventable maternal and child deaths; realize women's reproductive health and rights; increase immunization coverage; eradicate malaria and realize the vision of a future free of AIDS and tuberculosis; reduce the burden of non-communicable diseases, including mental illness, and road accidents; and promote healthy behaviours, including those related to water, sanitation and hygiene."

7.3. [Discussion](#) in the Open Working Group on SDGs has included establishing a single, overarching health goal - a goal that would "Attain healthy life for all at all ages". To this overarching health SDG would in turn be added specific targets and indicators, including updated targets for the three existing MDG goals. As with other areas in the post-2015 development agenda, the current approach seeks to extend the focus beyond specific deliverables (e.g. reduction in maternal mortality or prevalence of HIV) to a more holistic approach related to access to health services and health outcomes more generally. The "Zero Draft" of the SDGs contains the target to "achieve universal health coverage including financial risk protection, with particular attention to the most marginalized and people in vulnerable situations".

7.4. Independent of the final focus of any health goal(s) in the post-2015 framework, trade has an important role to play in the debate. All countries rely to varying degrees on imported goods to provide for the health care needs of their populations. In most countries, especially in smaller developing countries with little or no local production capacity in medical technologies, such imported goods make a unique contribution to these countries' health systems. Countries are also increasingly engaging in trade in health care services. As such, trade policy affects the way in which access to medical services and medicines functions, through supplementation by and competition, from imported goods and services.

7.5. Public health is, unsurprisingly, a prominent issue for trade policy-makers and negotiators. Consideration of the place of health within the multilateral trading rules predates the MDGs. Under the WTO's forerunner, the General Agreement on Tariffs and Trade (GATT), the focus was on according contracting parties the right to take measures to protect public health by blocking imports - as reflected in [Article XX\(b\)](#). Under this exception, contracting parties enjoyed the right to take trade-restricting measures necessary to protect human, animal or plant life or health under

certain conditions. With the entry into force of the WTO in 1995, similar exceptions were also enshrined in the areas of services ([Article XIV\(b\)](#) of the General Agreement on Trade in Services) and Intellectual Property ([Article 8 of the TRIPS Agreement](#)).

7.6. One high profile contribution that the WTO has already made to achievement of Target E of MDG8 is the [Doha Declaration](#) on the TRIPS Agreement and Public Health. This declaration affirms that the Agreement "can and should be interpreted and implemented in a manner supportive of WTO members' right to protect public health and, in particular, to promote access to medicines for all". On 6 December 2005, WTO Members approved changes to the TRIPS agreement [making permanent a decision](#) on patents and public health originally adopted in 2003. The Decision provides additional flexibility under the TRIPS Agreement to gain access to affordable medicine through the so-called "Paragraph 6 System" - that allows generic versions of patented medicines to be made under compulsory licence (that is, without the consent of the patent holder) for export to countries that cannot manufacture the medicines themselves. Work is still required by WTO Members to ratify the Decision (see Box 6 below) before the 2005 decision can enter permanently into force, but the framework is in place. The Doha Declaration contributes to the achievement of Target E of MDG8 and, more broadly, it is also supportive of Target B of MDG6, which aims to achieve universal access to treatment of HIV/AIDS.

**Box 6: Ratification – an on-going challenge for the TRIPS Decision**

The 2005 [Decision](#) will be formally built into the TRIPS Agreement when two thirds of the WTO's members have accepted the change i.e. when 106 of the current 159 Members ratify the Decision. A preliminary deadline of 1 December 2007 has been extended on three occasions, the lastest moving the deadline to 31 December 2013. To date, 49 Members have notified their ratification of the Decision - still some 57 short of the total needed for ratification and for the decision to become a permanent one.

*Source:* Author.

7.7. Since 2009, the World Health Organization, the World Intellectual Property Organization and WTO have been working closely together on access issues. One product of this collaboration is a [joint study](#), published in July 2013, on Promoting Access to Medical Technologies and Innovation. As the study emphasizes, the focus on access to medicines for communicable diseases (i.e. those tackled by MDG6) has broadened out; access to medicines for non-communicable diseases is now perhaps the bigger challenge going forward.

7.8. Among the 12 targets identified by the [High Level Panel of Eminent Persons](#) goal 4 is to "ensure healthy lives". This, too, is reflected in the discussion of the Open Working Group on [Sustainable Development Goals](#). In a July 2013 update on its work, it noted that "diseases that primarily afflict the poor must remain a central focus of post-2015 global health efforts, and that needs to be reflected in the health targets. At the same time, reducing the burden of non-communicable diseases has become a high priority in many countries, highlighting the need, inter alia, to promote healthy diets and lifestyles."

7.9. The shift in focus of the post-2015 debate towards access to health services and non-communicable diseases may now push the policy focus towards other areas of WTO law related to access to services. Of particular importance are the following four areas: the Agreement on Technical Barriers to Trade (TBT), the Sanitary and Phytosanitary Measures Agreement, the General Agreement on Trade in Services GATS) and the plurilateral Government Procurement Agreement (GPA).

7.10. The [TBT agreement](#) is germane in the context of the policy debate on the overarching health goal. The agreement covers technical requirements and voluntary standards - most of which are taken with human safety or health objectives in mind - and the conformity assessment procedures to ensure that these are met. The coverage of the agreement is wide; examples include regulations on motor vehicle crash performance, pharmaceutical manufacturing regulations, and nutrition labelling. The Agreement recognizes the right of Members to take measures to meet legitimate objectives (such as health or environmental protection), subject to various requirements, including that they do not arbitrarily or unjustifiably discriminate between suppliers or operate as a disguised restriction on international trade. Work on [good regulatory practice](#) is also a focus of the Committee's work.

7.11. A sister Agreement, the Agreement on [Sanitary and Phytosanitary Measures](#) recognizes the rights of members to take measures to protect human, animal and plant life or health to protect against food safety risks, animal and plant diseases, and contains similar disciplines on non-



discrimination and avoiding measures that are scientifically unjustified or more trade restrictive than necessary to protect human, animal or plant life or health.<sup>12</sup> Both the TBT and SPS agreements recognize the right of Members to take measures to protect health, but balance that right with the need to ensure that measures are not taken for protectionist purposes. Of particular importance is the way in which both agreements encourage harmonization on the basis of international standards so as to ensure the appropriate functioning of international markets (divergent standards and conformity procedures increase costs for producers and consumers alike).

7.12. International trade in health services is growing. Health professionals are moving between countries; investments are being made in hospital operators and health insurance; countries are seeking to attract health consumers from other countries. The General Agreement on Trade in Services (GATS) provides multilateral rules that cover all internationally-traded services according to four modes of supply: services supplied from one country to another (e.g. tele-medicine), known as “cross-border supply” (in WTO jargon, “mode 1”); consumers or firms making use of a service in another country (e.g. medical procedures (e.g. dentistry) for which the patient travels abroad), termed “consumption abroad” (“mode 2”); a foreign company setting up subsidiaries or branches to provide services in another country (e.g. foreign investors purchasing an insurance company or building a private hospital), officially “commercial presence” (“mode 3”); and finally individuals travelling from their own country to supply services in another (e.g. doctors or other health care professionals), officially “presence of natural persons” (“mode 4”).

7.13. The GATS Agreement provides a legal framework for trade in services which is complemented by commitments made by Members across different services sectors on the basis of these four modes of supply. The provision of [health services](#) is one of the sectors where WTO Members have undertaken the least commitments. Less than 50 WTO Members (the EC-27 counting as one) have undertaken commitments in one of the four health services sub-sectors; most of the commitments concern hospital services. The level of commitments in relevant health-related professional services is in the same range. Furthermore, health services have so far attracted limited attention in the services negotiations, which began in January 2000. It is the only major sector where no negotiating proposal and no collective request has been tabled. Focus on access to health services in the context of an overarching post-2015 development goal on health could potentially revive interest in the services dimension of access issues. However, the issue is not without controversy though, particularly in the [health community](#).

**Box 7: Services and the post-2015 development agenda**

Health services are one of a number of areas in which WTO rules on services could potentially interact with specific goals. Among the focus areas identified by the co-chairs of the Open Working Group on Sustainable Development Goals where WTO rules, and the commitments made by Members may interact, include education services, [energy](#) and water and sanitation services (covered as a subset of [environmental services](#) in the [services classification list](#)).

A Secretariat background note on education services, published in 2010, notes that: “Over time, trade in education services, particularly at the tertiary level, has been growing in importance. Driving factors include a combination of demographic changes, technological developments, national development goals, and governmental reforms to the funding and provision of higher education. Abetting the growth in international trade in this sector has been the expansion in the number and diversity of private education programmes, as well as the emergence of innovative arrangements between institutions across borders. The sector, however, has remained one of the least committed under the GATS. Trade barriers exist in all four modes of supply. With increased availability of international programmes of study, issues of accreditation, quality assurance and recognition have also assumed particular importance for both suppliers and consumers of education services.”<sup>13</sup>

Source: Author.

7.14. A further plurilateral agreement which influences access to health-related services is the [Government Procurement Agreement](#) (GPA). Government procurement activities account for 15-20 per cent of global GDP - with health-related spending accounting for a sizeable proportion of that total. The GPA is a plurilateral agreement that commits Members to certain core disciplines

<sup>12</sup> The SPS Agreement also contains disciplines that cover measures to protect against the entry, establishment and spread of pests. These disciplines are germane to target (15.9) included in the Zero Draft of the SDGs that covers measures to prevent the introduction and significantly reduce the impact of invasive alien species.

<sup>13</sup> See Education Services, Background Note by the WTO Secretariat, S/C/W/313, 1 April 2010

regarding transparency, competition and good governance in the procurement sector. It covers the procurement of goods, services and capital infrastructure by public authorities. A [revised Agreement](#) entered into force on 6 April 2014. 43 WTO members participate in the GPA (including the European Union's 28 member states). 10 other WTO members - Albania, China, Georgia, Jordan, the Kyrgyz Republic, Moldova, Montenegro, New Zealand, Oman and Ukraine - have applied to join. A further five WTO members - the former Yugoslav Republic of Macedonia, Mongolia, the Russian Federation, Tajikistan and Saudi Arabia - have provisions regarding accession to the Agreement in their respective WTO accession protocols.

7.15. The aim of the GPA is to open up, as much as possible, government procurement markets to international competition. It aims at making government procurement more transparent, and provides legal guarantees of non-discrimination with regard to the products, services or suppliers of any party to the Agreement. At the same time, it provides flexibilities for developing country parties to manage their transition to a more internationally competitive government procurement regime.

7.16. From the preceding analysis, it is clear that trade and trade policy have much to contribute to the post-2015 debate on health. Until now the focus has been in the TRIPs area, and related to the affordability of medicine. One outstanding action that could be integrated into the post-2015 debate is the ratification of the 2005 decision amending the TRIPs Agreement. With the focus of the debate now moving to broader health outcomes, other areas of WTO law also come into play. Here two recommendations could be: first, to ensure that measures taken comply with the TBT and SPS Agreements and second to consider how commitments in the area of the GATS and GPA Agreements could positively influence access to, and the affordability of, health-related services.

## **8 A "RIGHTS" BASED SYSTEM, BALANCED WITH "OBLIGATIONS" AND DISPUTE MECHANISMS**

8.1. Goals to be adopted within the post-2015 framework will be non-binding targets, i.e. norms. The UN Secretary-General's July 2013 report calls for a "rights-based approach", with particular emphasis on women, young people and marginalized groups. The objective of using such a "rights-based approach" is to give the universal goals more traction in national implementation. An example here is pursuing food security at national level through the "right to food".<sup>14</sup>

8.2. Trade is not articulated as an explicit right in the WTO texts. Legal texts treat the right to trade as an implicit given, and instead condition the "conduct of trade" by the WTO's Members. Normative principles such as non-discrimination, transparency and predictability underpin these WTO rules. The texts also "embody provisions conferring differential and more favourable treatment for developing economies, including special attention to the particular situation of least-developed countries". Furthermore, the framework recognizes the objective of sustainable development, protecting human, animal and plant life and health together with preserving and protecting the environment. Rules governing the "conduct of trade" are underpinned by procedures for resolving trade disagreements as set out in the [Dispute Settlement Understanding](#). Furthermore, the approaching 20 years of experience with the dispute system, has demonstrated that there is [broad confidence](#) in it. [Negotiations](#) on further refining the Dispute Settlement system are on-going.

8.3. Another area identified as a focus area by the co-chairs of the Open Working Group on SDGs where rights-based approaches have been advocated is that of "Employment and Decent Work for All". Goal 1 on ending poverty includes the target of "by 2030, achieving equal access to productive employment and decent work for all" The issue of the relationship between WTO agreements and ILO labour standards was debated extensively during the first years of the WTO's existence. At the 1996 Ministerial Conference in Singapore a paragraph was included in the [Ministerial Declaration](#) on labour standards (Box 8).

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<sup>14</sup> Right to food. See : <http://www.fao.org/righttofood/right-to-food-home/en/>

#### **Box 8: Singapore Ministerial Declaration on labour standards**

We renew our commitment to the observance of internationally recognized core labour standards. The International Labour Organization (ILO) is the competent body to set and deal with these standards, and we affirm our support for its work in promoting them. We believe that economic growth and development fostered by increased trade and further trade liberalization contribute to the promotion of these standards. We reject the use of labour standards for protectionist purposes, and agree that the comparative advantage of countries, particularly low-wage developing countries, must in no way be put into question. In this regard, we note that the WTO and ILO Secretariats will continue their existing collaboration.

*Source:* Singapore Ministerial Declaration 1996.

8.4. Since the 2006 Declaration, the ILO and WTO have collaborated in various ways, including a [joint 2007 study](#) on trade and employment. This study found that while trade is often blamed for inequality, technological change may in fact be the main driver, with trade acting as the vehicle through which new technology is disseminated. Trade policy also interacts strongly with other policy areas, including labour market policy, education policy and redistribution policy. The report also highlights that coherence among these policy fields helps to optimize the outcomes of trade liberalization in terms of growth and employment. Increased policy coherence could thus have high pay-offs and strengthen the social pillar of sustainable development. Other programmes, such as the joint International Labour Organization and International Finance Corporation's [Better Work Programme](#), show how promoting compliance with national labour laws and international standards can be beneficial both for working conditions and competitiveness. Furthermore, the ILO's Skills for Economic Diversification and Trade [Programme](#) is instructive in this regard.

8.5. In taking forward rights-based approaches within the post-2015 development agenda, clear account should be taken of the existing rights and obligations enshrined in the WTO's legal texts and its dispute settlement system. The commitment made by WTO Members to observe internationally recognized core labour standards could also be considered in the context of further development of a possible post-2015 goal on employment and decent work for all.



### III THE CONTRIBUTION OF AID FOR TRADE

8.6. The paper now moves to look at the contribution that Aid for Trade can make. Two specific areas are discussed here: financing; and promoting a data revolution to improve trade statistics that track trade's contribution to development.

#### 9 PROMOTING FINANCING THROUGH TRADE AND INVESTMENT - THE ROLE OF AID FOR TRADE

9.1. In 2002, the United Nations organized an [international conference on financing for development](#) in Monterrey, Mexico. The aim of the conference was to address the shortfall in resources to meet the Millennium Development Goals. The resulting consensus proposed "a new partnership between developed and developing countries. We commit ourselves to sound policies, good governance at all levels and the rule of law. We also commit ourselves to mobilizing domestic resources, attracting international flows, promoting international trade as an engine for development, increasing international financial and technical cooperation for development, sustainable debt financing and external debt relief, and enhancing the coherence and consistency of the international monetary, financial and trading systems."

9.2. At the onset of the financial crisis, the UN called a follow-up conference in [Doha, Qatar in 2008](#). The [Doha Declaration](#) reiterated the commitments made in Monterrey and states that: "domestic economies are now interwoven with the global economic system and, inter alia, the effective use of trade and investment opportunities can help countries to fight poverty". The Declaration also references Aid for Trade (Aft) (see Box 9 below).

##### **Box 9: United Nations Doha Declaration on Financing for Development**

"Aid for Trade is an important component of the measures that will assist developing countries in taking advantage of the opportunities offered by the international trading system, the outcome of the Doha round and regional trade agreements. A critical aim of Aid for Trade should be to enhance trade capacity and international competitiveness while ensuring ownership and alignment with national development strategies of individual developing countries. Aid for Trade should aim to help developing countries, particularly least developed countries, with trade policy and regulations; trade development; building productive capacities; trade-related infrastructure; trade-related adjustment and other trade-related needs. However, Aid for Trade is a complement and not a substitute for a successful outcome of the Doha Development Agenda or any other trade negotiation. Successful programmes under the Aid for Trade Initiative require joint efforts by concerned partners. The commitments by individual donors relating to Aid for Trade should be fully implemented in a timely manner. It is also important that the Aid for Trade needs and priorities of recipient countries are fully integrated and reflected in their national development strategies. United Nations specialized agencies that have a relevant mandate in this field should continue to help developing countries build their trade-related productive capacities."

*Source:* Doha Declaration on Financing for Development.

9.3. The Aid-for-Trade initiative was launched at the Hong Kong Ministerial Conference in 2005. At the 9<sup>th</sup> Ministerial Conference in Bali in December 2013, WTO Members renewed their commitment to Aid for Trade in a [Ministerial Decision](#). Since 2008, the UN has tracked the provision of Aid for Trade, on the basis of joint [OECD](#) and [WTO](#) monitoring, in [annual reports](#) tracking the implementation of MDG8 (global partnership for development)

9.4. Financing will be a critical issue for the post-2015 development agenda and the UN is planning a conference on this topic before the September Summit. The Report of the High-Level Panel of Eminent Persons on the Post-2015 Development Agenda suggested that this conference should discuss how to integrate development, sustainable development and environmental financing streams.

9.5. Various submissions made thus far on the post-2015 development agenda have concerned the issue of financing. For example, in the UN Secretary-General's 2013 report it is noted that: "Official development assistance will remain crucial, including for leveraging other finance, particularly for the least-developed countries, landlocked developing countries and small island developing States, many countries in Africa and countries emerging from conflict and disasters. In addition to delivering on past commitments, it will be critical for donors to establish a timetable for meeting official development assistance targets and enhancing development effectiveness, including through the principles and actions set out in the Busan Partnership for Effective

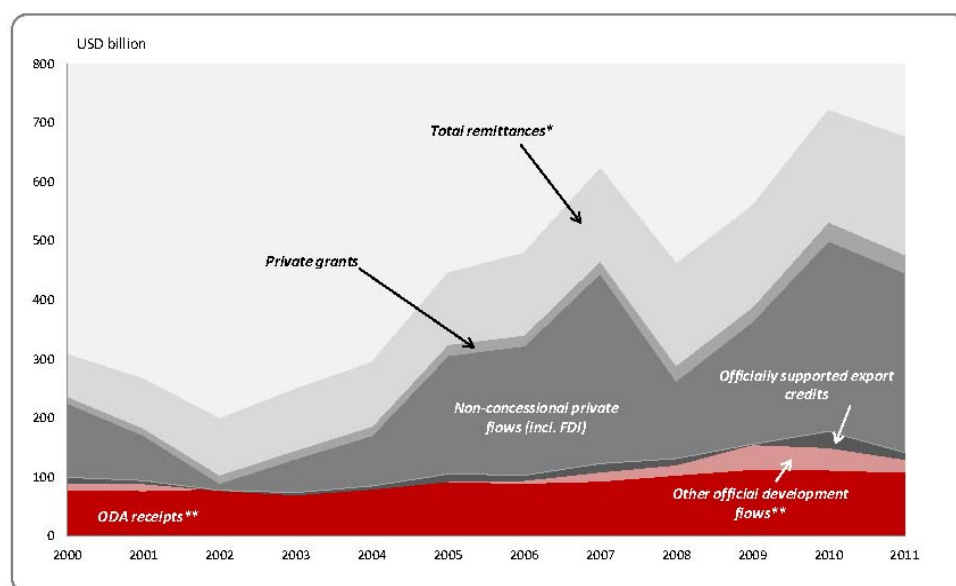
Development Cooperation. The impact of official development assistance can be magnified by other sources of finance, including innovative sources."

9.6. The Report of the High-Level Panel of Eminent Persons called for "A new global partnership should engage national governments of all countries, local authorities, international organisations, businesses, civil society, foundations and other philanthropists, and people – all sitting at the table to go beyond aid to discuss a truly international framework of policies to achieve sustainable development. It should move beyond the MDGs' orientation of state-to-state partnerships between high-income and low-income governments to be inclusive of more players." The Report also suggests that "we need to find new ways of using aid and other public funds to mobilise private capital".

9.7. Discussions on financing are on-going in the Intergovernmental Committee of Experts on [Sustainable Development Financing](#). At a meeting in [December 2013](#), the experts agreed that the Monterrey Consensus and the Doha Declaration provide the basis for a financing framework. There was "broad consensus that while global savings are adequate, they are currently not being allocated where needed to achieve global sustainable development. Given also the large financing needs, there was strong consensus that all types of flows will be necessary, including public, private, international and domestic. However, public and private sources need to be mutually reinforcing, and must be seen as complements rather than substitutes, as each of them has different goals and objectives. ODA will remain crucial for the eradication of extreme poverty, particularly in LDCs, SIDS, and countries in special situation. Nonetheless, ODA alone will not be sufficient, even if all countries meet their commitments. Private investment will also need to play an essential role in meeting sustainable development needs."

9.8. Chart 4 highlights how financing for development flows have evolved since 2000. While ODA remains important, particularly for LDCs, other sources of financing have become available, particularly foreign direct investment (FDI). According to [UNCTAD's World Investment Report](#), in 2012 – for the first time ever – developing economies absorbed more FDI than developed countries, accounting for 52 per cent of global FDI flows.

**Chart 4: Developing countries' net resource receipts from DAC countries and multilateral agencies, 2000-2011, USD billions, 2010 current prices**



Source: [OECD](#) \*Total remittances estimated from DAC Members to developing countries. \*\* Includes bilateral and multilateral outflows to developing countries.

9.9. As Chart 4 makes clear, if public resources (i.e. ODA) can work in tandem with private sources (notably FDI), this can generate a significant multiplier. At a minimum, aid can be used to improve the business and investment environment. A [report](#) prepared by Japan and Cambodia, as co-chairs of the Regional Technical Group on Aid for Trade in Asia and the Pacific, for the 4<sup>th</sup> Global Review of Aid for Trade in July 2013, examined how aid for trade has been used to improve the investment climate and through public-private dialogues to catalyse other financial flows. The 4<sup>th</sup>

Global Review in July 2013 examined how Aid for Trade could help [connect developing countries](#) to global value chains (GVCs).

9.10. More than half of the world's manufacturing imports and intermediate goods (primary goods, parts and components, and semi-finished products), and more than 70 per cent of the world's services imports are business services. [UNCTAD](#) finds that the development contribution of GVCs can be significant; with a positive correlation between participation in GVCs and growth rates of GDP per capita. GVCs have a direct economic impact on value added, jobs and income, although they are not also without their risks. They can also be an important avenue for developing countries to build productive capacity, including through technology dissemination and skill building, thus opening up opportunities for longer-term industrial upgrading.

9.11. Aid for Trade is about helping developing countries, in particular LDCs, to build the trade capacity and infrastructure they need to benefit from trade opportunities and opening. Working on the business and [investment climate](#) and seeking to use ODA in a catalytic way promise both to make the aid dollar go further and to increase its impact. As such, it is important that the Intergovernmental Committee of Experts on [Sustainable Development Financing](#) should consider Aid for Trade in the Post-Development Financing framework.<sup>15</sup> Recognition of Aid for Trade's potential, in the context of the post-2015 development agenda, to improve trade performance by addressing supply-side and infrastructure constraints and to catalyse other sources of development financing would be important in galvanizing future support in this area. A first WTO [report](#) examining Aid-for-Trade in the context of other sources of development finance and which examines the contribution of financing flows to trade performance and development outcomes has been published and further work is foreseen.

9.12. Furthermore, there is positive synergy between Aid for Trade and green growth. Research on 2010 Aid-for-Trade flows found that some 30 per cent of AFT-related economic infrastructure was contributing to "environmental objectives". Many of the issues to be addressed by climate change funds, for example sustainable renewable energy, address the same trade-related infrastructure constraints targeted by the [Aid-for-Trade Initiative](#). From recognition of sustainable development as a key principle to guide the Aid-for-Trade Initiative, a growing body of work is now emerging which underscores the contribution that Aid for Trade is making to sustainable development in practice.

## **10 A DATA REVOLUTION TO IMPROVE TRADE STATISTICS AND TRACK TRADE'S CONTRIBUTION TO DEVELOPMENT**

10.1. One of the actions called for by the [High Level Panel of Eminent Persons](#) is "a data revolution for sustainable development, with a new international initiative to improve the quality of statistics and information available to citizens. We should actively take advantage of new technology, crowd sourcing, and improved connectivity to empower people with information on the progress towards the targets". This data revolution should extend to the area of trade statistics and measure progress against a series of benchmarks.

10.2. The UN Secretary-General also identified an "urgent need to further improve data collection, dissemination and analysis" in his July 2013 report. Calling for a comprehensive monitoring framework and robust accountability mechanisms, he noted that while the availability of information had improved during the implementation of the MDGs, better baseline data and statistics were needed.

10.3. Current approaches to trade statistics mean that there is double counting in trade in goods and problems in capturing the full contribution of services. UNCTAD estimates that this double counting could affect as much as 28 per cent or US\$5 trillion of the US\$19 trillion in global gross exports in 2010. Inaccurate trade statistics increases the risk of misguided, or counter-productive, policy decisions, particularly around such sensitive political debates as trade imbalances and their origin. The trade problem arises because of a statistical bias created by attributing the full commercial value of an export to the last country of origin. This leads to intermediate components of final products being counted several times when they would be counted only once if a "value added in trade" approach is followed that looks at the final value of

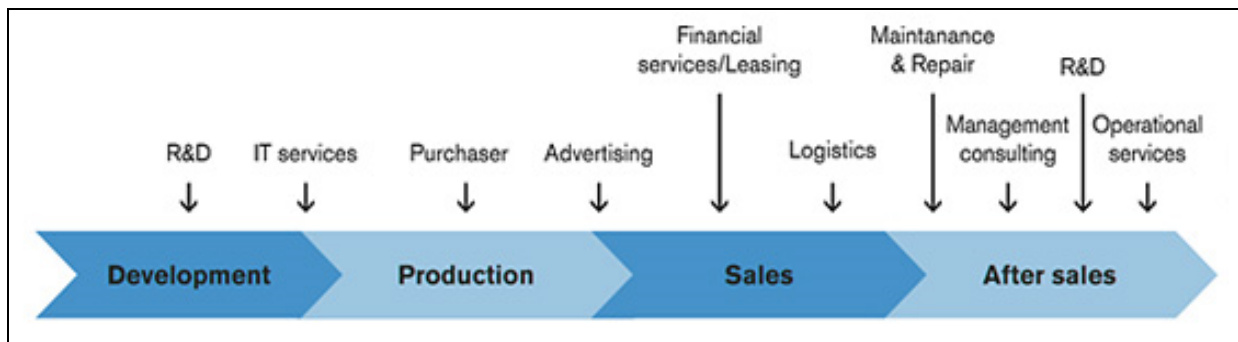
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<sup>15</sup> Aid for Trade has been recognized in the « Zero Draft » of the SDGs (in target 17.25) in reference to " increasing the trade-related capacity-building assistance to developing countries, including support for building their capacity to meet product regulations and standards, and enhance Aid for Trade initiatives through the « Enhanced Integrated Framework".

the final exported product and not the trade in its intermediate components. Not only do existing trade statistics not fully represent trade flows, they also underplay the value of services.

10.4. Services play two key roles in global value chains. First, trade in intermediate goods depends on cost effective and reliable transport, logistics and ICT services. It is the services infrastructure that allows GVCs to operate. Second, considerable value is generated by services activities including research and development (R&D), design, professional and business services, marketing, sales and so on. (See Chart 5 below for an illustration of how services are typically involved in manufacturing). A large share of the final cost of production of a manufactured product is due to such embedded services. Based on value added, services (49%) are the largest contributor to the value of global exports, surpassing the share of manufacturing (37%).<sup>16</sup>

**Chart 5: Example of services in a value chain**



Source: WTO Secretariat.

10.5. To improve statistical coverage both on services and also on trade in value added, the WTO is engaged in collaborative efforts with the World Bank to improve the statistics on [trade in services](#) and with the OECD on [trade in value added statistics](#). In addition to addressing data classification issues, there is also a pressing need to improve country coverage. Only 22 of the 59 countries in the joint OECD-WTO Trade in Value Added (TIVA) in May 2013 are non-OECD countries - and only one, Cambodia, is an LDC. Analysing LDC trade is heavily constrained by data gaps - with most estimated using mirror statistics (data reported by LDCs' trading partners) that underestimate trade between neighbouring countries. High levels of informal trade add to the challenge of accurately reporting on trade in LDCs and some other developing countries. WTO is engaged in outreach and training activities with its Members on this issue.

10.6. The post 2015 development goals (and SDGs) will be backed by a range of targets and indicators. Work on targets and indicators is accompanying that on defining goals, albeit perhaps one step behind given that the goals must be agreed first. Among the reports published to date, that of the High Level Panel on the Post-2015 Development Agenda includes a set of 12 [illustrative goals](#) with some accompanying targets. Goal 12 of the illustrative list is "to create a global enabling environment and catalyse long term finance". Among the 6 accompanying headings is one on trade, specifically to "Support an open, fair and development-friendly trading system, substantially reducing trade-distorting measures, including agricultural subsidies, while improving market access of developing country products".

10.7. Accompanying notation to the High Level Panel Report's illustrative Goal 12 states that: "The WTO is the most effective tool to increase the development impact of trade, and a successful conclusion of the Doha round of trade talks is urgently needed to put the conditions in place for achieving the post-2015 agenda. Currently, goods and services produced by firms in least-developed countries (LDCs) face quotas and duties that limit their ability to cross borders and succeed in the global marketplace. Systems that provide market access for developing countries, including preference programmes and duty-free, quota-free market access, can assist LDCs. However, even when these fees and limits are reduced, other complications can arise, such as 'rules of origin', that can create unnecessary red tape and paperwork for LDCs. This curtails the participation of LDCs in global production chains, and reduces their competitiveness in the global marketplace. Some agricultural subsidies can distort trade and market access of developing country products." The [Bali Package](#), notably the Ministerial Decisions on [Preferential Rules of Origin](#) for LDCs and [Duty-Free and Quota-Free](#) Market Access for LDCs, is germane in this regard.

<sup>16</sup> OECD/WTO Trade in Value Added Database as quoted in Escaith, H (2013), Measuring trade in goods and services, International Trade Forum, Issue 1.

10.8. The UN System Task Team on the Post-2015 UN Development Agenda is another relevant work stream for targets and indicators. Since September 2012, twenty agencies, under the joint leadership of UN DESA and UNDP, have participated in a working group on monitoring and indicators. In close cooperation with the Inter-Agency Expert Group on MDG Indicators, the working group produced a report on 'Statistics and indicators for the post-2015 development agenda'. The [report](#) was published on 4 July 2013. The report does not recommend specific indicators; instead it examines the statistical basis for goal setting in the context of the post-2015 development agenda. In this context, the authors suggest that established frameworks, including those for trade, can be utilized, extended and refined.<sup>17</sup> The UN Task Team report of March 2013 on "[A Renewed Partnership for Development](#)" argued that a "future global partnership should look to build a more equitable global, multilateral trading system by concluding the Doha Round while also building on the Aid for Trade platform. However the report did not recommend goals or accompanying indicators. Work is on-going on this issue in the UN Task Team.

10.9. Also germane is the on-going work on setting targets and goals in the Open Working Group on the SDGs. In its Working Document for the 5-9 May 2014 Session, a series of three goals/targets are included for trade under the focus area 15 "Means of implementation/Global partnership for sustainable development". The document also footnoted the proponents of these targets<sup>18</sup>:

- a) promote open, rules-based, non-discriminatory and equitable multilateral trading and financial systems<sup>19</sup>, including complying with the agricultural mandate of the WTO Doha Round<sup>20</sup>
- b) provide greater duty-free and quota-free market access to least developed countries in keeping with World Trade Organization decisions<sup>21</sup>
- c) improve market access for agricultural and industrial exports of developing countries, especially Least Developed Countries,<sup>22</sup> and at least double the share of LDCs exports in global exports by 2020.<sup>23</sup>

10.10. These targets have been further elaborated in the "Zero Draft" of the SDGs issued on 2 June 2014. Still in the means of implementation, the text on promoting an open, rules-based multilateral trading system in 10.9 (a) above has been expanded to include not just the agriculture mandate, but also services and non-agricultural products areas, together with implementing the outcomes of the Bali Declaration. Likewise 10.9 (b) above has been redrafted and relocated in the June "Zero Draft" in target 17.2 by cross-reference to the goal to end poverty in all its forms everywhere to read "realize the timely implementation of duty-free quota-free market access, on a lasting basis for all least developed countries in accordance with WTO decisions and the Istanbul Programme of Action. Lastly, the coverage of 10.9 (c) above has been expanded, both in products (with fisheries added) and in country groupings, with LDCs now also joined by African countries, land-locked developing countries and small island developing states – and the target to double LDC exports dropped.

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<sup>17</sup> The report suggest that they could be refined to yield new monetary indicators of policy and public concern, including household accounts and uncounted household production, distribution of household income and consumption, tourism accounts, environment accounts, trade capacity-building, subtraction or exclusion from national income of socially negative or neutral goods and services costs which do not contribute to wellbeing, such as from pollution or defence. This work is ongoing in both academic and research settings and in official statistics: See [para 112](#).

<sup>18</sup> On 19 April 2014, a [Compilation](#) of Goals and Targets Suggestions from OWG-10 was published that provides additional information on the various proposals made to date.

<sup>19</sup> Benin (on behalf of LDCs); Bolivia (on behalf of G77), Zambia (on behalf of the Southern Africa Region); Tanzania (on behalf of the African Group); Argentina/Bolivia/Ecuador, Colombia/Guatemala, Brazil/Nicaragua; AOSIS; China/Indonesia/Kazakhstan; France/Germany/Switzerland; Australia/Netherlands/UK; PSIDS/Papua New Guinea; Paraguay, Bhutan/Thailand/Viet Nam

<sup>20</sup> Argentina/Bolivia/Ecuador, Colombia/Guatemala, Brazil/Nicaragua; indicators could address progress of developed countries towards eliminating all forms of agricultural export subsidies, substantially reducing domestic support and substantially improving market access for developing countries

<sup>21</sup> WTO Ministerial Decision of 7 December 2013 (WT/MIN(13)/44-WT/L/919

<sup>22</sup> Brazil/Nicaragua; Australia/Netherlands/UK; PSIDS/Papua New Guinea; Tanzania (on behalf of the African Group); Indicators could include: tariffs and non-tariff barriers on industrial products of importance to developing countries, including tariff escalation

<sup>23</sup> IPOA target; Egypt; Australia/Netherlands/UK; Tanzania (on behalf of the African Group).

10.11. Textual references to trade are likely to further evolve during the remaining meetings of the Open-Ended Working Group and from there in the inter-governmental process from September 2014 onwards. One question is how any reference to the multilateral trading system should be phrased. Different wording has been used in different reports - and sometimes within the same report<sup>24</sup>. Another question is that of policy coherence between the DDA negotiations (taking place in Geneva) and the Post-2015 Development Agenda (taking place in New York) with regard to possible trade goals, targets and indicators. At this stage, a more immediate concern, however, may be to secure any role for trade among the goals, targets and indicators in the Open-Ended Working Group, and the post-2015 development agenda more generally. Unlike other issue areas, the place of trade is neither certain, nor agreed.

10.12. Any goals, targets and indicators on trade within the post-2015 development framework would also need to be monitored. Here there could be a role for the WTO's on-going [trade monitoring reports](#) in reporting on the openness of the multilateral trading system. Another related monitoring function could be to track "development" outcomes. A preliminary approach here was attempted in the 2013 AfT fact sheets, which used a results-based management to look at data on an economy wide level. An indicative fact sheet from this exercise is reproduced in Annex 1.

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<sup>24</sup> The « Zero Draft » of the SDGs includes two different references to the Doha Development Agenda in targets 17.22 and 17.23



## 11 CONCLUSIONS

11.1. This staff working paper has offered some thoughts on how trade, and WTO rules, can contribute to the post-2015 development agenda. In it, the author has identified 10 indicative contributions. The paper is not an exhaustive examination of the role that trade can play; it is intended as a contribution to the emerging debate on this issue.

11.2. A restatement of the goal of a global partnership for development as enshrined in MDG8, together with a commitment to the *"further development of an open, inclusive, rule-based, predictable, non-discriminatory trading system supportive of sustainable development"* in the post-2015 development agenda would underscore the value of both the WTO as an institution and the existing body of rules that it represents. Such a recommitment would strengthen the normative foundations on which the WTO is grounded, recognizing its role as a global public good and its contribution to good economic governance. To achieve an "inclusive" multilateral system, the post-2015 development agenda could examine further the issue of achieving universality through the accession process.

11.3. A corollary of an "inclusive" multilateral trading system is participation in trade. Reducing the [thickness of borders](#), and time to export, particularly of LLDCs and LDCs, will help in this regard. Of particular relevance here is the [Trade Facilitation Agreement](#) and support for its entry into force and implementation. Accompanying indicators and targets here could include: full implementation of the Trade Facilitation Agreement and separate, but related targets established using World Bank Doing Business Index time to export indicators.

11.4. The target to halve the number of those in extreme poverty was met earlier than envisaged. There appears agreement that this task should now be completed and extreme poverty eradicated. Meeting this objective will require sustained high rates of economic growth. An open, rules-based multilateral trading system has been integral to progress to date; it will play a similar role in meeting the challenge of eradicating extreme poverty. WTO research also suggests that if markets are open this objective may be met more quickly. Accompanying indicators for inclusive growth could build on the Istanbul Programme of Action targets for LDCs and also recognize the role that trade integration can play for women's economic empowerment. The positive contribution that "globalization" is making to female economic empowerment through employment could be underlined.

11.5. The successful conclusion of the ["Bali Package"](#) at the WTO's 9<sup>th</sup> Ministerial Conference in December 2013 represents cause for guarded optimism on the Doha Development Agenda after many years of deadlock. Much now depends on how progress can be further advanced by Members in a "clearly defined [work programme](#) on the remaining Doha Development Agenda issues" to be developed in 2014. This will affect, too, how WTO rules can contribute to the conclusion of specific goals, notably in the area of sustainable development, food security and health.

11.6. Trade and trade rules interact with sustainable development in a range of different ways. The essential point to capture in this context is that current WTO rules, and negotiations on further rules, contribute to the attainment of sustainable development - the concept which lies at the heart of some of the UN work-streams (notably the Open Working Group on Sustainable Development Goals). Work on this topic should take this complementarity into account.

11.7. Food security is one of a number of issues under consideration in the DDA - and the work of the WTO more broadly. It also features prominently among the specific objectives of the post-2015 development agenda. The role of trade in promoting food security should be recognized in the post-2015 debate, for example, by distinguishing between practices that are trade distorting and those with limited trade impacts — and encouraging countries to move towards less trade-distorting practices and greater transparency.

11.8. Trade and trade policy have much to contribute to the post-2015 debate on health. Until now the focus has been in the TRIPs area, and related to affordability of medicine. One outstanding action that could be integrated into the post-2015 debate is the ratification of the 2005 decision amending the TRIPs agreement. With the focus of the debate now moving to health outcomes and access to health services, so other policy areas come into play. Among the issues that could be considered here might be ensuring measures taken comply with the relevant WTO Agreements (notably the SPS and TBT Agreements) and how the GATS and GPA Agreements may affect access to, and the affordability of, health-related services. The issue of WTO rules and

negotiations on services could also be considered in relation to education, water and sanitation services, as well as energy services.

11.9. Rights-based approaches being proposed in the post-2015 development agenda should take account of the WTO's existing system of rights and obligations, backed up by the dispute settlement system. Furthermore, discussion of the issue of employment and decent work should take into account past consideration of this issue, including the Singapore Ministerial Declaration.

11.10. Working on the [investment climate](#) and seeking to use ODA in a catalytic way promise both to make the "aid dollar" go further and to increase its impact. Recognition of Aid for Trade's potential, in the context of the post-2015 development agenda, to improve trade performance by addressing supply-side and infrastructure constraints and to catalyse other sources of development financing would be important in galvanizing future support in this area. Furthermore, there is positive synergy between Aid for Trade and actions in support of green growth and other "environmental objectives".

11.11. A further area that could be addressed by Aid for Trade is what the UN Secretary-General argues is the "urgent need to further improve data collection, dissemination and analysis". Trade is one of the areas where both data coverage and reliability can be improved, together with migrating to new approaches to looking at trade in value-added. In addition to the indicators identified in this paper, there may also be a role for WTO to contribute to the monitoring of any over-arching goal on trade through our regular monitoring reports and to assist in tracking the development impact of trade.



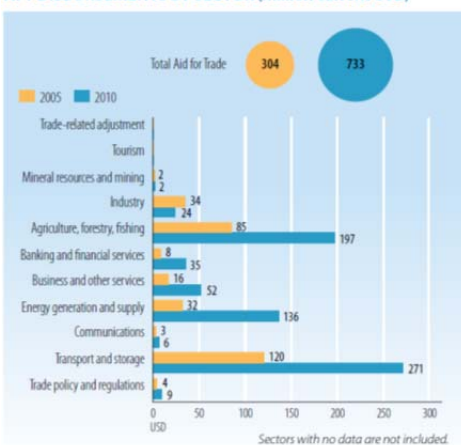
## ANNEX 1: INDICATIVE FACT SHEET

### INVESTMENT AND FINANCING (INPUTS)

Indicator (million current USD)	2005	2008	2010	Δ:05-10
<b>Gross fixed capital formation</b>	3 487.1	6 080.6	6 512.4	87%
of which: public	842.2	1 690.6	1 901.8	126%
of which: private	2 644.8	4 390.0	4 610.6	74%
<b>External financing inflows</b>				
FDI inflows	935.5	400.0	433.4	-54%
Long-term external debt and IMF disbursements	474.3	523.4	1 259.6	166%
Trade-related non-concessional flows disbursed	1.0	41.2	2.7	185%
AIT flows disbursed	303.7	480.0	732.8	141%
Remittances and compensation of employees	19.4	18.6	24.8	28%

Sources: OECD, DAC-CRS Aid Activities Database; World Bank, World Development Indicators; World Bank, International Debt Statistics

### AFT DISBURSEMENTS BY SECTOR (million current USD)



Source: OECD, DAC-CRS Aid Activities Database

### AFT DISBURSEMENTS: TOP DONORS (million current USD)

Year	Donor	Value	%
2005	World Bank	119.1	39
	EU Institutions	79.3	26
	African Dev. Bank	27.7	9
	Denmark	15.5	5
	Sweden	15.0	5
2010	World Bank	270.5	37
	United States	108.3	15
	African Dev. Bank	69.0	9
	Denmark	62.1	8
	Japan	54.7	7

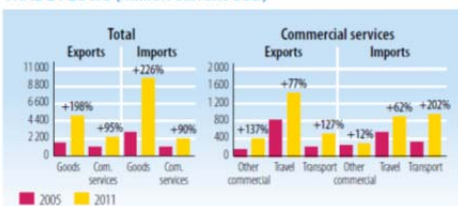
Source: OECD, DAC-CRS Aid Activities Database

### TRADE PERFORMANCE (OUTPUTS)

Indicator	2005	2008	2011	Δ:05-11
Trade to GDP ratio (%)	50	68	82	32
Commercial services exports as % of total exports	42	35	32	-10
Commercial services imports as % of total imports	27	19	18	-9
Non-fuel intermediates (% of merchandise exports)	76	73	82	6
Non-fuel intermediates (% of merchandise imports)	46	41	40	-6

Source: WTO Secretariat

### TRADE FLOWS (million current USD)



Source: WTO Secretariat

### TOP 5 MARKETS FOR MERCHANDISE EXPORTS (%)

2005	%	2011	%
EU (27)	25	Switzerland	19
South Africa	18	South Africa	18
Switzerland	9	China	14
China	6	EU (27)	12
Kenya	6	Japan	8

Source: WTO Secretariat

### TOP 5 EXPORT PRODUCTS (% of merchandise exports)

2005	%	2011	%
Gold, non-monetary excluding ores	33	Gold, non-monetary excluding ores	36
Tobacco, unmanufactured	8	Precious metals ores, concentrates	11
Fish, fresh, chilled, frozen	8	Ores and concentrates of base metals	10
Cotton	7	Coffee, coffee substitute	3
Precious metals ores, concentrates	6	Fruit, nuts excluding oil nuts	3

Source: WTO Secretariat

### TOP 5 MARKETS FOR MERCHANDISE IMPORTS (%)

2005	%	2011	%
EU (27)	19	EU (27)	14
Bahrain	16	India	14
South Africa	12	United Arab Emirates	11
China	7	Switzerland	10
Japan	6	China	9

Source: WTO Secretariat

### TOP 5 IMPORT PRODUCTS (% of merchandise imports)

2005	%	2011	%
Petroleum products	22	Petroleum products	31
Passenger motor vehicles ex. bus	4	Wheat, meslin, unmilled	4
Telecomm. equipment, parts, n.e.s.	3	Civil engineering equipment	3
Goods, special transport vehicles	3	Goods, special transport vehicles	3
Medicaments	3	Fixed vegetable fats and oil, other	3

Source: WTO Secretariat

### TRADE INDICATORS (OUTCOMES)

Indicator	2005	2011
GDP growth (%)	7.4	6.3
Number of exporters	1 580	1 807
Product export concentration (0 to 1)	0.09	0.09
Goods RTAs notified to the WTO	n.a.	3
Services EIAs notified to the WTO	n.a.	0
Services sectors with GATS commitments	1	1

### Tariffs (% 2006 and 2011)

Indicator	2006	2011
Imports: simple avg. MFN applied	12.7	12.5
Imports: weighted avg. MFN applied	9.7	8.6
Exports: weighted avg. faced	5.0	2.3
Exports: duty free (value in %)	81.6	90.7

Sources: UN Comtrade; World Bank, Exporter Dynamics Database; World Bank, World Development Indicators; WTO, Trade and Tariff Profiles

### EXPORT SHARES BY REGION (%)

Region	2005	2011
Africa	36.1	36.1
Asia	20.2	28.6
Commonwealth of Independent States	0.3	0.2
Europe	35.4	31.6
Middle East	4.5	2.2
North America	3.5	1.2
South and Central America	0.1	0.1

Source: WTO, Trade and Tariff Profiles

### TRADE FACILITATION INDICATORS



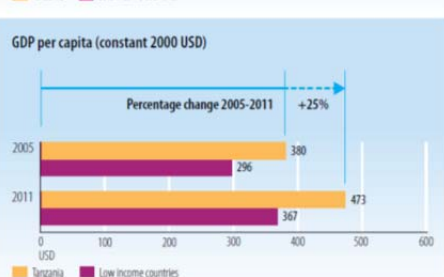
Source: World Bank, World Development Indicators

### DEVELOPMENT INDICATORS (IMPACTS)

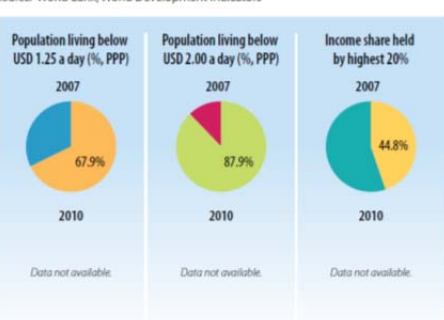
Indicator	2005	2010
Unemployment (% of total labour force)	4.3	n.a.
Labour force, female (% of total labour force)	50.1	49.8
Net ODA received (% of GNI)	10.8	13.0
Import duties collected (% of tax revenue)	n.a.	n.a.
Total debt service (% of total exports)	4.3	3.0
Human Development Index (0 to 1)	0.42	0.46

Sources: UNDP, International Human Development Indicators; World Bank, World Development Indicators

### GROSS DOMESTIC PRODUCT



Source: World Bank, World Development Indicators



Source: World Bank, World Development Indicators

StatLink <http://dx.doi.org/10.1787/888932845987>

Source: OECD/WTO (2013), Aid for Trade at a Glance 2013: Connecting to Value Chains.