



Briefing Paper

Achieving SDGs: What is the Relevance of the WTO for Small Developing Countries and LDCs?

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Summary

This briefing paper aims to inform delegates and governments from small developing countries of ways they can leverage work at the WTO, to make progress on key SDG targets for them. In particular, analysis is conducted across 5 priority SDG areas for small developing and least developed countries: (i) Food Security and Agriculture; (ii) Industrial and Private Sector Development; (iii) Services; (iv) Environment and Climate Change; and (v) Technology and Innovation. This is based on a study by CUTS titled “Leveraging the WTO to Achieve SDGs: Priority Goal Areas for Small Developing Countries and LDCs” by Julien Grollier, available at <https://bit.ly/2Vuydg9>.

Introduction

The Sustainable Development Goals (SDGs) set out a menu of actions for ending poverty and hunger, promoting social welfare, fighting inequalities, as well as building economic growth while tackling climate change and preserving the environment.

In this context, trade is a key enabler towards achieving development goals, and will play a significant role in most SDGs, such as: (i) SDG1 on No poverty, as a result of increased productivity and competition through trade which enhances market performance; (ii) SDG2 on Zero hunger, through elimination of agriculture export subsidies that distort agriculture markets which WTO has done in 2015; (iii) SDG3 on Good health and well-being, by ensuring affordable access to medicines for developing countries which WTO can influence in the context of the TRIPS Agreement; (iv) SDG5 on Gender equality, through enhanced employment opportunities for women through trade; (v) SDG8 on Decent work and Economic Growth, through WTO's Aid for Trade and Enhanced Integrated Framework (EIF) initiatives aimed at enhancing a trade-led inclusive growth; (vi) SDG9 on Industry, Innovation and Infrastructure, through trade's effect in allowing competition and transfer of technology and innovation which enhances industrialisation; (vii) SDG10 on Reduced inequalities, through the adoption of SDTs that takes into account special challenges faced by developing countries; (viii) SDG14 on Life below water, through the prohibition of fisheries subsidies that lead to overcapacity and overfishing; and (ix) SDG17 on Partnerships for the Goals, which explicitly mentions trade as key in achieving the 2030 Agenda through the adoption of an equitable multilateral trading system.¹

Trade can generate significant opportunities for addressing hunger, food security, nutrition and sustainable agriculture, as well as other SDG areas. While it is explicitly mentioned in a number of SDGs, particularly through references to the World Trade Organization (WTO), trade also underpins many more SDG areas where the WTO could also have an important role to play given critical sector linkages.

Based on a recent research study², this briefing paper aims to inform delegates and governments from small developing and Least Developed Countries (LDCs) of ways they can leverage work at the WTO, to make progress on key SDG targets for them. In particular, analysis is conducted across 5 priority SDG areas for small and least developed countries: (i) Food Security and Agriculture; (ii) Industrial and Private Sector Development; (iii) Services; (iv) Environment and Climate Change; and (v) Technology and Innovation.

Food Security and Agriculture

Agriculture is the dominant sector in the economy of many small developing countries, and trade plays a significant role in ensuring the sector's sustainability. Yet, agriculture still faces many challenges exacerbated by high population growth, environmental degradation, as well as underdeveloped infrastructure, scientific research, innovation, and technology.

The relevance of the WTO in this regard is acknowledged in SDGs, which call upon correcting and preventing trade restrictions and distortions in world agricultural markets including through eliminating export subsidies.

At the WTO, participation in regular work, such as

¹ https://www.wto.org/english/res_e/booksp_e/sdg_sum_e.pdf
² GROLLIER, J. (2018). Leveraging the WTO to Achieve SDGs: Priority Goal Areas for Small Developing Countries and LDCs.

Geneva: CUTS International, Geneva. Available at http://www.cuts-geneva.org/pdf/KP2018-Study-WTO_and_SDGs.pdf

the Committee on Sanitary and Phyto-sanitary (SPS) Measures and Trade Policy Reviews (TPR), can help members monitor measures by others to ensure they are not unduly affected by them. Besides regular bodies, a number of other WTO work is pertinent in this area as described below.

Domestic support

Reducing domestic support has been a key issue in WTO agriculture negotiations. These aim to improve the way the Agreement on Agriculture (AoA) classifies types of domestic support into categories based on how trade-distortive they are.

A lot of work was done in negotiations under the Committee on Agriculture (CoA) special sessions, which came close to an agreement in 2008 on the so-called “Rev. 4” Draft Modalities.³ As of today however, the text is no longer being accepted by all as the basis for an agreement and the gap between members remains wide. Nevertheless, it is the last comprehensive text on the negotiating table and may serve as a reference point moving forward.

Public Stockholding for Food Security (PSH)

The AoA allows governments to purchase, accumulate and hold food stocks from local farmers and sell them at subsidised rates to the poor and food insecure households in time of need. This is however subject to conditions, which some countries have sought to relax as part of negotiations from fear of breaching allowed support levels and face legal challenge. While proposals in this regard are yet to make consensus, members agreed in 2013 not to challenge such existing programmes until a permanent solution is found.

Since then, members have endeavoured to find a permanent solution by 2019, and a number of proposals have been tabled for consideration in this regard.

Implementing WTO MC10 Decision on Export Competition

At the 10th Ministerial Conference in 2015, WTO members adopted a Ministerial Decision to eliminate agriculture export subsidies and set out new rules for export credits, international food aid and exporting state trading enterprises. This decision will help level the playing field in agriculture markets, to the benefit of farmers and exporters in developing and least developed countries and thus contribute to enhanced food security. This decision fulfils a central element of the second SDG and was among the first SDG targets to be met.

Industrial and Private Sector Development

Sustainable industrial growth can boost development and uplift vulnerable communities out of poverty through value addition, job creation and new livelihood opportunities. Micro, Small and Medium-sized Enterprises (MSMEs) and private sector development are the cornerstone of this structural transformation through their ability to harness domestic and international value chains as well as build up developing countries’ productive capacities. However, this requires a fair, predictable, and enabling environment.

At the WTO, participation in the Committee on Technical Barriers to Trade (TBT) and TPRs can enable members to uncover trade measures that have potentially trade-distortive impacts on their

³ TN/AG/W/4/Rev.4

export industries and private sector. In addition to such regular work, other WTO work areas are relevant as described below.

WTO Negotiations: Non-Agricultural Market access (NAMA)

Tariffs peaks and escalation have remained to be an obstacle for developing countries to enter into industrial exports and develop their industries through value addition. In this regard, as mandated by the Doha Ministerial Declaration, NAMA negotiations aimed to reduce or eventually remove tariffs, including tariff peaks and escalation, as well as addressing Non-Tariff Barriers (NTBs) particularly for products of export interest to developing countries and LDCs.

Although negotiations on the matter are virtually stalled since 2008, NAMA talks addressed a number of relevant areas for MSME and private sector development such as removing NTBs. Negotiations also considered flexibilities to grant developing countries longer implementation periods and lower targets for their tariff reductions.

Implementing the Trade Facilitation Agreement

As the first agreement to be concluded at the WTO after the launch of Doha Round, the Trade Facilitation Agreement (TFA) entered into full force in 2017. The implementation of the agreement will reduce bureaucracy in trade and improve cooperation between customs⁴, with WTO members adopting measures to expedite the passage of goods

across borders. This is highly relevant for MSMEs, whose exports are more sensitive to border delays and tend to suffer more from administrative burdens. The TFA will substantially reduce trade costs, especially for developing countries who are also allowed flexibilities such as subjecting implementation to the acquisition of relevant capacities.⁵ This was also followed by the creation of a Trade Facilitation Agreement Facility (TFAF) responsible to offer assistance to developing countries in the implementation of TFA.⁶

Joint Statement on MSMEs

Through a Joint Ministerial Statement at the 11th Ministerial Conference of Buenos Aires, a group of WTO Members created an Informal Working Group (IWG) aimed at implementing horizontal non-discriminatory solutions for MSMEs' participation in international trade considering specific needs of developing countries and LDCs.

Already, various proposals are suggesting ways to better integrate MSMEs in the multilateral trading system, including through improved access to information, more predictable regulatory environment, reduction of trade costs in areas such as shipping, logistics, procedures and requirements related to origin, financing of MSMEs etc.⁷

While it is presently unlikely that members will pursue a binding multilateral agreement on MSMEs, participants in this plurilateral initiative may agree on some form of non-binding "soft law" in this area.⁸

⁶https://www.wto.org/english/news_e/news18_e/fac_22feb18_e.htm

⁷ WT/MIN(17)/58

⁸ Mukiibi, J. (2018). Initiative to Enhance MSME Participation in International Trade: Challenges and Opportunities in the

Context of the WTO. Briefing Paper, December 2018. Geneva: CUTS International. Available at http://www.cuts-geneva.org/pdf/BP-1812-Initiative_to_Enhance_MSME_Participation_in_International_Trade.pdf

Environment and Climate change

While trade is essential to growth, it causes environmental impacts through greenhouse gas emissions associated with the international transportation of goods which should be mitigated. At the same time, adapting to climate change has become urgent for many small developing countries whose economies often rely on rain-fed agriculture.

Trade in sustainable goods could help solve this conundrum, by leveraging new market opportunities while supporting climate resilience in small developing countries. As described below, a number WTO work areas can support this endeavour, as well as build synergies between trade and environmental policies.

WTO Negotiations: Fisheries subsidies

Sustainably maintaining ocean resources, as detailed in SDG14, is a priority that has long been on the WTO negotiating table. Agenda 2030 however generated momentum for delivering on this promise, and members are now aiming to achieve an agreement in 2019 as per the Buenos Aires ministerial decision. In line with SDG14.6, it should include: (i) prohibiting subsidies linked to overfishing and overcapacity; (ii) eliminating those linked to illegal, unreported, and unregulated fishing; and (iii) special and differential treatment for least developed and developing countries.

WTO Regular work: Committee on Trade and Environment

The Committee on Trade and Environment (CTE) at the WTO functions as a forum for WTO members to build their mutual understanding on the linkages between trade and environmental issues. Set up in 1994 with a 10-point work program, the CTE aims

to identify trade and environmental linkages, as well as make suitable recommendations on provisions in the multilateral trading system. As a case in point, it commenced the preliminary steps towards WTO negotiations regarding the elimination of the detrimental subsidies detailed in SDG14.6, and opened up discussions regarding effective chemical and waste management. The CTE also bridges the gap between the WTO and Multilateral Environmental Agreements (MEAs), by serving as a hub of information transfer and a forum for collaboration.

Plurilateral Track: Environmental Goods Agreement (EGA)

Environmental goods play an important role in sustainable development, yet many also face tariffs which hinder their presence in international trade. Started in 2014, negotiations among 46 members towards an Environmental Goods Agreement (EGA) aim to decrease these tariffs. Trade in environmental goods (such as wind turbines, machines handling solid waste, LED bulbs, etc) has been increasing over the years, and the EGA is aimed at removing barriers that impede further growth. Such goods have been acknowledged as being environmentally beneficial by EGA participants, and a possible agreement could play a key role in promoting further trade in environmental goods and building their potential for sustainable development.

Services, Technology and Innovation

Regulatory issues, particularly services, as well as technology and innovation are crucial for the promotion of trade and sustainable development of developing countries. New technologies allow for an easier, efficient, and economical medium of

exchange of goods and services in open markets.

However, such tools and technologies often remain inaccessible in many small developing countries which are on the wrong side of the digital divide. At the WTO, work under both regular bodies and negotiations are relevant in pursuing key SDG targets on these matters.

WTO Negotiations: Services

Developing countries have comparative advantage in several service sectors, but their services exports often face barriers in export markets which could be targeted in multilateral trade negotiations.

Unlike trade in goods, international commitments and disciplines on trade in services are relatively new and less developed. Since 2001, services negotiations aimed for establishing new rules in the areas of: (i) domestic regulations, to develop disciplines on qualification requirements and procedures, technical standards and licensing requirements and procedures; (ii) rules for emergency safeguard measures and subsidies; and (iii) market access for further liberalisation of trade in services.

However, services negotiations were also affected by the stalemate of Doha Development Agenda (DDA) negotiations, and have been at a standstill for a long time. Nevertheless, there have been attempts to revive the talks, in areas such as services aspects of e-commerce, market access, domestic regulations, and facilitating services trade flows. In particular, the ICT services sector could be considered a priority, given its potential for better integrating developing and least developed countries into global value chains (GVCs).

WTO Regular Work

Smaller developing can derive substantial benefits from actively participating in the regular work of the WTO. In particular, the Council for Trade in

Services (CTS) is responsible for facilitating the operation of the General Agreement on Trade in Services (GATS). There, each Member has the obligation to inform the CTS of the introduction of any new, or any changes to existing, laws, regulations or administrative guidelines which significantly affect its trade in services. Monitoring such notifications can help small developing countries ensure their trading partners abide by WTO rules. In the recent past, CTS work covered issues such as : (i) Notifications Pursuant to Articles III:3 and V:7 of the GATS; (ii) Operationalization of the LDC Services Waiver; (iii) Work Programme on Electronic Commerce; (iv) Assessment of Barriers to Entry; and (v) possible Trade Facilitation Agreement for Services.

On a totally separate track, the Working Group on Transfer of Technology (WDTTT) aims to examine ways to increase flows of technology, as well as the relationship between trade and the transfer of technology from developed to developing countries.

Implementing WTO Decisions

In 2011, the 8th WTO Ministerial Conference decided a 'waiver' that allows any country to offer LDCs preferential treatment on trade in services without running afoul of the GATS' MFN requirement. Since then, discussions have focussed on implementing the waiver into operation – i.e. securing treatment for LDCs that is better than the treatment received by other trading partners.

Under this waiver, 24 WTO members have already notified preferences, mainly in the area of business services such as outsourced back-office services, as well as in professional services, financial services, transport and telecom. Most announced measures however remain shallow, and fall short of addressing real-life barriers to exports of services from LDCs.

The WTO and E-Commerce

Established in 1998, the WTO Work Programme on Electronic Commerce tasks four WTO bodies with exploring the relationship between existing WTO agreements and e-commerce. These have deliberated in detail on a number of issues concerning the sector, creating a basis for better understanding that may be useful to inform potential negotiations on e-commerce.

More recently, on the sidelines of the 11th WTO ministerial conference, 71 members co-signed a “Joint Statement on Electronic Commerce” whereby they endeavoured to initiate exploratory work towards future WTO negotiations on trade-related aspects of e-commerce.

In January 2019, signatories gathered in Davos announced their intention to start plurilateral negotiations on the issue, encouraging all interested WTO members to join towards a high-standard outcome. While the exact scope of negotiations is yet to be determined, possible issues covered may include the moratorium on customs duties on electronic transmissions, digital trade facilitation, data-related issues and the development dimension of the negotiations.

While half of participants are developing countries, 87 countries including India and all but three LDCs have so far declined joining the plurilateral talks which they deem premature.

Conclusion

The international trading system, with the WTO at its center, and a web of regional and plurilateral agreements and arrangements, can contribute to accomplishing the 2030 Agenda for developing countries. Yet, not all countries can participate in

and benefit from the system equally and effectively. Besides the rising stars of emerging economies, many smaller developing countries still grapple with implications of new trade debates given that their negotiating priorities may still lie in more traditional areas.

The SDGs explicitly recognise the importance of the multilateral trading system, including through dedicated targets. Through SDT, WTO rules try to reduce the impact of existing inequalities between countries by granting flexibilities so as to take into account their development levels and capacity constraints.

Yet, multilateralism is facing formidable challenges and is under threat of becoming weaker. While the WTO negotiating function is hobbled, technological, geopolitical and other changes push major trading nations into rethinking trade policy and pursuing new rules by alternative means as exemplified by recent joint statements on e-commerce, investment facilitation, women and trade, and MSMEs. Smaller developing countries in these initiatives would need assistance for their well-informed and constructive participation.

But the MTS still provides significant development opportunities, and should not be allowed to shrink. In fact, many small developing countries have tended to overlook the potential of WTO regular work to advance their trade interests and achieve key SDG targets. In addition, while the WTO negotiations track might seem stalled, it should not be abandoned as several negotiating areas (e.g. fisheries subsidies, agriculture, services) remain critical for developing countries and LDCs who should be adequately supported for their regular and effective participation in these negotiations.



CUTS International, Geneva

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The "Keeping Pace with Trade Developments" project is undertaken with funding support from the Ministry of Foreign Affairs, Sweden.