Issue 2

100% Aid for Trade
The power of Aid for Trade

ARANCCHA GONZÁLEZ, Executive Director, International Trade Centre

This year marks the tenth anniversary of the first Global Review of Aid for Trade. I am incredibly proud to have been part of the process from the start: first in my role as Chief of Staff at the World Trade Organization (WTO) and now as Executive Director of the International Trade Centre (ITC).

No one can dispute the impact Aid for Trade has had on global development since the WTO initiative was set in motion by its Hong Kong Ministerial Conference in 2005. From 2006 to 2015, an estimated US$ 264.5 billion was disbursed for financing Aid for Trade programmes and projects, representing a significant share of aid earmarked for trade-led development.

Aid for Trade has also played an important role in the global efforts to attaining the United Nations’ Millennium Development Goals and especially on partnerships (MDG8) and sustainable diversity (MDG7).

Aid for Trade will again be a crucial vehicle for attaining the goals and targets in the new 2030 Agenda for Sustainable Development.

When the Aid for Trade initiative was launched, it was primarily thought of as a technical-assistance tool to ensure that developing countries, and least developed countries in particular, had the supply-side capacity to take advantage of new market-access opportunities. It has proven to be much more powerful than that: aid for trade facilitation, for example, has gone from only US$5.8 million in 2002, to US$416.5m in 2015.

At its most effective, Aid for Trade is a vehicle that ensures greater inclusiveness, creating opportunities for micro, small and medium-sized enterprises (MSMEs), and for women and youth. Building effective trade capacity in developing countries has direct knock-on effects on other development priorities such as education, health and well-being: more and better jobs enable people to send their children to school and pay for basic and better health services.

A strengthened relationship between the trade, aid and development communities has been a direct outcome of the Aid for Trade initiative. The development community has better understood the incredible power of trade as a tool for poverty reduction and sustainability; and the trade community has recognized the need to play an active part in development, not least to ensure future businesses opportunities. It is a win-win for both sides and the overall winner are people and MSMEs in developing countries.

Despite the success of Aid for Trade, now is not a time to rest. Key funders have seen their development aid budgets under strain but demand for assistance from our partners in the field has increased. What we need is to accelerate our efforts to respond to these needs and demands but to make the extra effort to show smarter partnerships, greater impact and more sustainable results.

Thanks to the important monitoring work done by the WTO and the Organisation for Economic Cooperation and Development, we have the facts on Aid for Trade. We know what the gaps are and which ones need to be filled. We have more tools today than we did a decade ago to make Aid for Trade even more successful. Ratifying the WTO Trade Facilitation Agreement, which entered into force earlier this year, and above all e-commerce, offer new possibilities for businesses in developing countries to enter international markets.

But to harness the potential success of such new tools we need to recommit to the agenda and ensure trade impact for good.

ARANCCHA GONZÁLEZ
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Contents

GLOBAL VIEW

NEWS BRIEF.................................................................6

THE DIGITAL TRADE OVERSIGHT.................................................10
Hosuk Lee-Makiyama, Director, European Centre for International Political Economy

WTO TRADE FACILITATION DEAL NEEDS ITS OWN FACILITATION......12
Peter Ungphakorn, freelance journalist and blogger

HOW MUCH DOES IT COST TO POWER THE WORLD’S FASTEST GROWING ECONOMIES? ........................................14
John Hewko, General Secretary, Rotary International

AGENDA ..................................................................37

SPECIAL REPORT

LESSONS LEARNED FROM AID FOR TRADE..............................16
Rajesh Aggarwal, Chief of Trade Facilitation and Policy for Business, International Trade Centre

TRADE, CONNECTIVITY AND INCLUSIVENESS FOR SUSTAINABLE DEVELOPMENT..................................................18
Roberto Azevêdo, Director-General, World Trade Organization

UPGRADING AID FOR TRADE FOR THE DIGITAL ERA ..................20
Mukhisa Kituyi, Secretary-General, United Nations Conference on Trade and Development

CONNECTING FOR DEVELOPMENT: THE WORLD BANK’S APPROACH TO AID FOR TRADE ........................................22
Anabel Gonzalez, Senior Director, Trade and Competitiveness, World Bank Group

TOWARDS A MORE INTEGRATED AID FOR TRADE APPROACH.......24
Jonathan Fried, Coordinator, International Economic Relations, Global Affairs Canada

WHY AID FOR TRADE MATTERS TO SMALL-ISLAND DEVELOPING STATES ..........................................................26
Ashit Kumar Gungah, Minister of Industry, Commerce and Consumer Protection Mauritius
PHOTO FEATURE

SMALL BUT BIG
Meet some of the people behind the small business that power the world.

SPECIAL REPORT

ENTREPRENEURIAL LAWYERING FOR DIGITAL TRADE ..................28
Colette van der Ven, Associate, Sidley Austin

BEHIND THE SCENES AT AID FOR TRADE ..................................................30
Matthew Wilson, Chief of Staff, International Trade Centre

ANALYSIS

UNLOCKING THE POTENTIAL OF DIGITAL TRADE ...............................32
Mohammad Saeed, Victoria Tuomisto, Eleonora Salluzzi, Trade Facilitation Officers, International Trade Centre

ITC IN ACTION

A ROADMAP TOWARDS A SUSTAINABLE COCOA SECTOR IN GHANA ....................................................................................................34
Sandra Cabrera de Leicht, Sustainability Standards and Value Chain Adviser, International Trade Centre

CELEBRATING THE WORLD’S MSMEs ...................................................36
Elizabeth Adams, Intern, International Trade Centre

PUBLICATIONS

RESOURCES ON TRADE AND EXPORT DEVELOPMENT ....................38
New Blue BioTrade initiative announced at Ocean Conference

At the United Nations Ocean Conference, held in June, the United Nations Conference on Trade and Development (UNCTAD), the Development Bank of Latin America (CAF), the United Nations Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES), and the International Ocean Institute (IOI) announced the new Blue BioTrade initiative, which aims to establish sustainable biodiversity-based value chains, products and services. The initiative has identified four possible areas of focus: specialized fisheries, aquaculture and seafood products; sea-based cosmetics; marine pharmaceuticals; and coastal and marine ecotourism.

According to the UNCTAD’s BioTrade Initiative and BioTrade Facilitation Programme, strengthening value chains is a critical element in facilitating good practices related to the sustainable use and conservation of biodiversity. The Blue BioTrade initiative serves as a pathway to more sustainable and healthy oceans – the objective of Sustainable Development Goal 14, to preserve life below water. It is likely to be especially beneficial to coastal countries and communities and improve the livelihoods of small-scale fishermen.

Consultations hopeful for Afghanistan’s National Export Strategy

Industry leaders, small business owners and public-sector representatives have been participating in a series of consultations since May 2017 in Kandahar, Herat and Jalalabad to discuss the development of Afghanistan’s National Export Strategy (NES). The strategy is expected to provide a blueprint to improve value chains, increase competitiveness and address supply capacities and quality management. It will focus on socio-economic growth, private sector development, investment promotion, investor protection and economic diversification.

Developing a NES is central to the Trade for Economic Growth and Regional Cooperation programme for Afghanistan funded by the European Union and implemented by the International Trade Centre in support of Afghanistan’s Ministry of Commerce and Industries. Mohammad Qurban Haqgo, the nation’s deputy minister for commerce, has stated that the strong public and private-sector dialogue that has taken place will be invaluable in developing a sustainable and inclusive strategy. Consultations will continue until the end of July 2017 followed by a secondary national consultation in Kabul.

New report on West African cross-border cooperation

The Organisation for Economic Co-operation and Development (OECD), together with the Sahel and West Africa Club (SWAC), has released a report entitled ‘Cross-border Co-operation and Policy Networks in West Africa.’ The need for mutual cross-border assistance will increase substantially as the forecast population growth of nearly 200 million for West Africa by 2050 will encourage densification of regional and border settlements.

The report analyzes the current situation, its potential and the priorities for its development. It also explores how those elements intersect and suggests the most effective public policies.

Key recommendations include using social-network analysis to make regional and national cross-border cooperation policies more adaptable to local conditions; implementing a series of place-based policies; and integrating the directives of the Niamey Convention on cross-border cooperation into national law.
United Nations, Palestine agree to new development strategy

The United Nations and the government of the State of Palestine signed the second United Nations Development Assistance Framework (UNDAF) for 2018-2022. This $1.3 billion, five-year strategy was inspired by the Sustainable Development Goals and Agenda 2030 to promote inclusive development.

The new strategy is centred around projects in four core areas supporting Palestine’s path to independence; its access to accountable, effective and responsive democratic governance; sustainable and inclusive economic development; and promoting social development and protection. The agreement is closely aligned with the government’s new National Policy Agenda for 2017-2022.

Sixteen United Nations agencies with offices in Palestine and four non-resident agencies, including the International Trade Centre (ITC), are signatories to the accord. ITC is currently working with Palestine through its Aid for Trade Initiative for Arab States to improve transparency on non-tariff measures (NTMs) and create regional trade intelligence capacities. It is ready to continue its support of Palestinian small and medium-sized enterprises (SMEs) over the next five years.

WTO marks 20 years of Information Technology Agreement with new publication

Since the Information Technology Agreement (ITA) entered into force in July 1997, approximately $1.7 trillion in information, communication and technology-related tariffs have been eliminated. Eighty-two World Trade Organization (WTO) members are now signatories to the ITA, representing 97% of world trade in ICT products. The report, ‘20 Years of the Information Technology Agreement: Boosting Trade, Innovation and Digital Connectivity’, focuses on the evolution of the ITA and its economic impact.

According to the WTO, world ICT exports have more than tripled in value over the last 20 years and now represent 15% of total merchandise exports, surpassing automotive products, textiles and clothing, and pharmaceuticals. Further, the ITA has deepened developing countries integration into global production networks. ICT exports from developing economies rose from 26% in 1996 to 63% in 2015.

The lower costs and greater availability of computers and mobile phones has resulted in increased access to the internet and growth of the digital economy, creating more opportunities for trade and making it easier for small businesses to acquire new technologies, according to the WTO report.

Investing in skills for inclusive trade

A joint study by the International Labour Organization (ILO) and the World Trade Organization (WTO), shows that boosting core work, technical and management skills can help countries and businesses meet the challenges of an ever more competitive global economy by reducing costs, improving quality of products.

‘Investing Skills for Inclusive Trade’ suggests that countries with responsive skills development systems tend to be more successful in putting skills to use in tradable activities and thereby improving that country’s competitive position in the global economy.

‘While trade has helped lift hundreds of millions of people out of poverty and been a crucially important tool for growth, development and job creation there are those who have been left behind. Improving the capacity of our workers and managers to respond to these changes is clearly the best way to foster more inclusive trade,’ said WTO Director-General Roberto Azevêdo.

‘Providing the right skills is essential to reap the benefits of trade in increased productivity and better jobs, and to ensure that trade contributes to inclusive development. In a fast changing world of work it is more important than ever that skills development responds to current and emerging skills needs, enhancing outcomes for workers and firms both now and in the future,’ said ILO Director-General Guy Ryder.
MSMEs make the economic world go round

EKATERINA BAGLAeva, Assistant Editor, International Trade Forum

Did you know that almost everything you use or have came from a small business in some way?

There are 500 million micro, small and medium-sized enterprises (MSMEs) in the world. That means nine out of every 10 companies are privately owned MSMEs. From the toothbrush you use in the morning to the rice you cook at night, a small business was almost certainly involved in its production or distribution.

‘When you buy from a small business, an actual person does a happy dance’ is a funny, yet very accurate statement. Behind every product is an actual person who has spent time and energy to produce it and deliver it to you.

The International Trade Centre (ITC) works to help small businesses in developing countries and economies in transition become more competitive and connect to international markets. This creates job opportunities and raises incomes, especially for youth, women and poor communities.

‘ITC helped me to take my business global,’ says Shana from Indonesia. ‘I met new international partners and clients and I have been able to introduce the magical Komodo National Park to the world.’

She and many other MSME owners in developing countries have benefited from ITC support, which aims to make trade more inclusive and sustainable.

1. An artisan creates leather shoes for ITC Ethical Fashion Initiative and Camper collection.
2. A tomato grower in her greenhouse in Lesotho.
4. Tourist guide from Indonesia at one of the many hiking trails in the Komodo National Park.
5. A vegetable farmer in Tanzania attends to plants in his greenhouse.
Two decades into the digital revolution, the notion that the internet and mobile connectivity are transforming trade and bridging the digital divide is a staple talking point at diplomatic conferences on trade and development. Needless to say, tariff cuts and digitalisation have combined to boost productivity and create a new breed of exporting firms, especially among small and micro-businesses in developing countries.

However, this Brave New Trade should not be taken for granted. Trade on the internet is increasingly fragmented by government measures designed to disrupt open exchange of data. To date, at least 36 jurisdictions have banned moving bits and bytes across borders – most of them enacted in the last five years, through measures commonly referred to as ‘data localisation’.

As access to information online is conducive to all trade, this fragmentation of the internet does not only block new services like social media. At least half of all trade in services is supplied via the internet. Even trade in traditional offline services – typically outsourcing business, consultancy services, or logistics – can be severely hampered through data localisation and other regulatory requirements. As a result, many countries have effectively rolled back their commitments in their trade agreements, without a single shot being fired.

By losing sight of the internet, the trading system has opened a backdoor to de-globalisation and rollback of existing commitments. Since the trading system is now so closely interlinked with the internet, they will likely go down together.
In addition, bans on performance requirements in investment treaties are being circumvented through privacy and financial regulations that force foreign investors of all sectors to place infrastructure, servers and staff in every host country. Calls for double-taxation of foreign online services – first where they are headquartered, and again where the customers are based – risk making exports a loss-making endeavour for app developers, advertisements or web sites.

‘HARD’ OBJECTIONS TO INTERNET TRADE

Far from the lawless high seas to which it has been likened, the internet has become subject to a myriad of overlapping jurisdictions and conflicting obligations. Domestic laws are routinely enforced extraterritorially on trading activities that take place overseas – for example, the US Department of Justice has argued (albeit unsuccessfully) in court that subsidiaries of US corporations must release any data they keep to US law enforcement agencies, even when the data resides in a European jurisdiction. Similarly, Europe’s privacy laws apply globally and forbid businesses in other countries to touch the personal information of European citizens: An Indian site developer, a Kenyan craftsman or a Thai tailor collecting the user preferences of European customers is likely to be in violation of EU law.

Other countries are far too impatient for extraterritoriality, and block foreign websites and e-commerce platforms outright. Online censorship is prevalent for various political or illegal content in many countries, but blocking also occurs for harmless and apolitical content. Such is the case of China and other economies where internet management practices have at least some commercial objective.

Furthermore, it is not just governments that are interfering with open trade flows. In the absence of effective antitrust rules, private entities could hamper trade. Telecoms operators could deny network access for foreign web services or outsourcing enterprises by imposing unfair commercial terms or by slowing down traffic. Not just non-market economies, but even the US has been subject to such complaints.

The internet is hardly the first conflict between the trading system and domestic regulations. But digital protectionism often serve objectives that are related to national security, political stability or right to privacy. Such ‘hard’ objectives go beyond the typical pretexts for commercial protectionism, and are nearly impossible to address in bilateral or multilateral trade negotiations. Even already existing rules (for example in the Telecom Annex of the General Agreement on Trade in Services) tend to remain unused.

TITANIC OVERSIGHT IN THE TRADING SYSTEM

By losing sight of the internet, the trading system has opened a backdoor to de-globalisation and rollback of existing commitments. Since the trading system is now so closely interlinked with the internet, they are likely go down together. There are no signs of an end to this trend. Even like-minded and strategically allied countries have chosen to tackle cyber crime, privacy and tax issues unilaterally, rather than through judicial cooperation. Attempts to harmonise e-commerce, tax or privacy rules in international forums have proven to be a relatively arduous affair, as regulatory divergences between countries are simply too wide.

As other forms of cooperation fail, the WTO and trade agreements are often singled out as the only way to deal with fragmentation. The Trans-Pacific Partnership (TPP) came close to set a new standard for various trade-related aspects of digitalisation – including data localisation as well as the accessibility of websites, devices or apps – but likely to be watered down in subsequent agreements. In fact, most of the coming preferential agreements are likely to contain more carve-outs than the WTO rules they were supposed to improve upon – not least in Regional Comprehensive Economic Partnership (RCEP) or in the EU-Japan trade agreement and other pending European foreign trade agreements.

This also raises the question whether new digital trade rules can be conceived at the WTO. Relatively well-crafted proposals may be on the table in Geneva, but still beg the question: can the WTO membership – the same governments that cannot agree on non-tariff measures for electrical insulation – agree on e-commerce? For one, a hypothetical renegotiation of the WTO exception would certainly lead to a worse result today on services than in the 1990s when the current provisions were drafted – and should that effort be worthwhile, when already existing WTO rules are not used to convene consultations or settle disputes?

It is perhaps easy to conclude that the ship may have sailed on digital trade – and with it, much of the existing commitments on traditional services and goods. Only a few visionaries saw the impact digitalisation would have on commerce and its rules – and understandably, trade negotiators were typically not among them. Ironically, while technology is often said to make globalisation inevitable, the risk of de-globalisation actually gets worse the more people and products are digitalised: fragmentation affects an ever-larger share of trade, while the underlying policy concerns over cyber security, privacy or pure protectionism remain irreconcilable.

1. At least half of all trade in services is supplied via the internet.
2. Even like-minded and strategically allied countries have chosen to tackle cyber crime, privacy and tax issues unilaterally, rather than through judicial cooperation.
WTO trade facilitation deal needs its own facilitation

PETER UNGPHAKORN, freelance journalist and blogger

A huge effort is still needed for Trade Facilitation Agreement to achieve its potential. For a start, the rest of the membership must ratify it

Those foreseeing the gains the TFA makes possible make one crucial assumption: that the agreement is fully implemented. That result is a long, long way away and much more needs to be done if we are to get anywhere near it.

First, ‘entry into force’. The celebrations were about the ratifications reaching the two-thirds of the membership needed for the agreement to enter into force. Drowned out by the cheering was the fact that the agreement has only entered into force in the ratifying countries. The remaining members also have to ratify the TFA if it is to apply to them and for them to receive any aid under the agreement.

The real work is just beginning,’ said World Trade Organization (WTO) Director-General Roberto Azevêdo on 22 February 2017. He was warning against complacency as the Trade Facilitation Agreement (TFA) entered into force after 20 years of hard slog.

Make no mistake: the TFA is a major achievement. By streamlining customs and other border procedures, and with assistance for developing countries built in, it promises a huge boost to world trade. The biggest gains should go to the countries needing the most reform. (Much of this was described in detail in International Trade Forum 1/2017.)

Experts are confident that ratifications will continue to flow in because the agreement is in a given nation’s own interests. Unfortunately, the publicity campaign has gone quiet and the pressure has eased off. Outside the limelight, some countries may no longer consider this a priority.

Four months after those celebrations only seven more members have ratified, less than half the 16 that ratified in the four months up to 22 February. In other words, 44 countries still have not ratified the TFA. The agreement still does not apply to over one-quarter of WTO members. Among them are Argentina, Egypt, Indonesia, South Africa, and several are least-developed countries (LDCs).

Experts are confident that ratifications will continue to flow in because the agreement is in a given nation’s own interests. Unfortunately, the publicity campaign has gone quiet and the pressure has eased off. Outside the limelight, some countries may no longer consider this a priority.
Ultimately, the country streamlining its procedures best gains the most. Its imports and exports enter and leave the country more quickly and at lower cost.

That said, those that have not ratified will still be able to trade more easily with other countries because each applies the provisions to all comers. Still, larger countries that have not ratified might not implement the agreement and may cause problems for their trading partners.

NOTIFY AND IMPLEMENT
The agreement includes provisions on governments providing information and allowing consultation on laws and regulations; how rulings and appeals are handled; impartiality and non-discrimination; fees; release and clearance of goods; cooperation between border agencies and between customs authorities; freedom of transit; and various formalities.

Developed countries simply have to implement everything. Most have already done a lot unilaterally.

But for developing countries, ratifying the agreement says nothing about what each country is going to do. They can choose how they want to handle its provisions under three categories:

- **Category A** – Measures they will implement immediately (or one year later for LDCs). Some, such as Egypt and Indonesia, have already notified under this category even though they have not yet ratified the agreement, suggesting their ratification process ought to be under way.
- **Category B** – Measures to be phased in over a notified period.
- **Category C** – Measures that will be phased in so long as assistance is provided.

They have to tell other members – and the world at large – what they have chosen to do and under which category. The information is shared through notifications to the WTO.

So far the stream of notifications has been promisingly steady, if slow. By late June the WTO had still received less than half of the notifications expected for the full range of options. The figures (www.tfadatabase.org) are broad and hide crucial detail. Even if a country has handed in notifications in all three categories the content might not cover all the provisions, so further notifications will be needed.

Often overlooked is how notification also plays an important role domestically. It means the country’s government is getting its act together and is prepared to tackle any vested interests that might oppose reform. The agreement also encourages cooperation between various agencies.

CUSTOMS PROCEDURES
It is an open secret that customs procedures in a number of countries are prone to corruption and inefficiency. Change can also threaten officials’ sense of security.

Ultimately, the country streamlining its procedures best gains the most. Its imports and exports enter and leave the country more quickly and at lower cost.

The agreement will not apply to them until they ratify it, although other countries will apply the trade facilitation measures equally to all WTO members.

**Countries yet to ratify the TFA**

The agreement does not commit donors to give assistance. On this, it is a statement of intent. Donors said they could not legally bind their budgets.

While implementing this side of the deal has only just begun, in general aid for trade-facilitation has been around for some time. For example, the European Union (EU) says its latest data shows over €700 million (US$795.2m) provided in the period 2008-12. That is before the WTO deal was struck.

The TFA Facility website’s list of donors includes 17 developed countries (including the EU and some of its members), eight international organizations, 12 regional organizations, five transport organizations and four others, with links to their programmes.

All of this means it will take time and effort for the agreement to achieve its potential. In some countries, probably a long time – longer than the economists’ simulations assumed. As Azevêdo said, it’s only just begun.

**TECHNICAL ASSISTANCE**

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*Peter Ungphakorn spent almost two decades as an information officer at the WTO Secretariat, Geneva. He is now a part-time journalist and blogs on trade, Brexit and other issues at [https://tradebetablog.wordpress.com](https://tradebetablog.wordpress.com). An earlier longer piece on trade facilitation is at [https://tradebetablog.wordpress.com/2017/02/25/hard-work-lies-ahead-for-tfa](https://tradebetablog.wordpress.com/2017/02/25/hard-work-lies-ahead-for-tfa).*

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1. A ship is unloaded at Douala Port, Cameroon.
How much does it cost to power the world’s fastest growing economies?

JOHN HEWKO, General Secretary, Rotary International

The trillions of dollars needed to for infrastructure may seem an incredible burden, but it is also a unique opportunity to reframe the narrative of inclusive development.

According to estimates by the Asian Development Bank (ADB), the Asia-Pacific region requires US$1.7 trillion of infrastructure investment every year until 2030 just to maintain its current rate of growth.

Spending US$26 trillion over the next 13 years may seem an incredible burden, but it is also a unique opportunity to reframe the narrative of inclusive development.

In Asia, there is a new breed of multilateral institutions – in particular the Asian Infrastructure Investment Bank (AIIB) – in addition to the established practitioners of development assistance, such as the World Bank, the European Union and the Asian Development Bank (ADB).

The challenge that all these institutions face, whether old or new, is to create infrastructure that serves the innovation economies of the future.

In addition to typical hard infrastructure, such as fixed electricity pylons that provide power or transport links to open up new markets, the ADB anticipates demand for ‘telecommunications, and water and sanitation infrastructure’.

REMOVING BARRIERS

We can add to this the demands of a new context in which any major infrastructure strategy means more than removing barriers to economic growth. The new context reflects the importance of sustainable development in response to three major transformations occurring in the global economy, as noted by the UK’s recent Industrial Strategy review:

- The need to decarbonize in order to meet climate-change mitigation targets;
- The Fourth Industrial Revolution and the changing world of work, and;
- Changing demographics, especially ageing populations, which challenge our ability to maintain future living standards.

Whatever our approach to the infrastructure gap, we must recognise its global implications.

The world feels the effect of any slowdown in Asia’s tiger economies, so everyone has a stake in the success of this new breed of multilateral institutions.

Here are three steps that Asia and its development institutions can take to stay ahead of the curve.
Acknowledging the global infrastructure gap also means acknowledging that the second and third industrial revolutions, those of electric and digital power, are still unfolding in some parts of the world.

Nearly 1.3 billion people still lack access to electricity and more than half of the world’s population still lack internet access. While the possibilities of the Fourth Industrial Revolution are exciting, we must not neglect the primary infrastructure - such as basic sanitation and clean water supplies – still essential to the quality of life and economic prospects of millions.

As the World Bank notes in its 2016 Digital Dividends Report: ‘The poorest households are more likely to have access to mobile phones than to toilets or clean water.’ This illustrates the limits of the leapfrogging concept, which posits the idea that a developing country can skip the intermediate technologies that advanced economies had to adopt in the course of their development, such as fixed landlines and electricity pylons, and go straight to the most modern technologies, such as smartphones.

As the report indicates, the extent of the diffusion of new technologies and their associated benefits for education, economic growth and society as a whole are determined by the availability of older infrastructure from previous revolutions, as well as the extent to which communities are prepared to use and maintain this infrastructure.

For example, if Asia wants to continue its tremendous progress in lifting millions out of poverty (from 60% in extreme poverty in East Asia in 1990 to under 5% today) it must plan its infrastructure development not only to prepare its workforce for an innovation-driven economy, but also to give more girls a quality education.

Central Asia, in particular, has a significant educational attainment gender gap, and the World Economic Forum projects that at current rates of change it will take ‘87 years’ to achieve education parity.

To address these gaps, projects that implement the basic infrastructure required to optimise school attendance for young girls – such as hygiene, water and sanitation facilities – are just as important as projects that focus on improving digital literacy.

China’s new outward investment strategy, particularly its International Production Cooperation Initiative, offers a promising directive for ‘Chinese enterprises to work with local businesses’ and to promote interaction between ‘business, community, and government leaders’.

To implement these new cooperative development frameworks, civil society organizations will be an important bridge between large development banks, private sector players, government leaders and communities on the ground.

For example, two Rotary International-USAID grant projects in the Philippines aimed to overcome the obstacles of the country’s complex, decentralized and fragmented water supply and sanitation sector through implementing a sustainability index methodology.

The index considers ‘four main factors that are known to have an impact on sustainability: institutional arrangements, management practices, financial conditions, and technical operations and support.’ The projects put mechanisms in place to try and ensure the sustainability of future projects, enhancing knowledge of weaknesses in any of the four key factors that infrastructure strategists at all levels can address.

Using the expertise of local NGOs and consulting local populations can encourage the most sustainable infrastructure improvements, instead of falling into the trap of tactical stopgaps for systemic problems, such as – in the case of water infrastructure – installing a new hand pump without any follow-up training or maintenance.

AN AGEING POPULATION
By 2030, the world will have 34 ‘super-aged’ nations in which more than one in five of the population is 65 or older.

Asian nations at different stages of growth are part of the list of ageing nations, including Japan, Singapore and South Korea (super-aged), and China and Thailand (aging). This places further demands on national infrastructure.

Governments can make structural reforms to counter the expected slowdown in economic growth which results from an ageing population. For example, Changyong Rhee of the International Monetary Fund’s Asia and Pacific Department recommends a series of measures including immigration reform, retirement age extensions, and maximising labour market participation.

Those over 65 can also stay active and productive in many other ways. An experimental project run by a government-supported non-profit in Belgium is attempting to reduce unemployment among young migrants. The scheme matches migrants with local retirees who used to work in their field of employment interest. The retirees advise the youngsters and make connections with suitable employers.

It also makes financial sense, according to the Centre for Social Impact Bonds: ‘Should one-third of the participants find employment who otherwise wouldn’t, the state could realise savings of around €2m, a figure over eight times higher than the initial cost of the intervention.’

Although the sums needed to address regional infrastructure gaps may appear daunting, allowing innovation and the local understanding of both civil society organisations and the private sector will help to ease the burden.

Addressing the infrastructure gap requires an approach that emphasizes sustainability, multi-sectoral, localized collaboration, and a strategic – rather than tactical – response to the effects of the Fourth Industrial Revolution and the reality of ageing populations in growing and advanced economies. Asia, home to many of the world’s fastest-growing nations, will be a vital testing ground for the best ideas to create sustainable, inclusive infrastructure.
Lessons learned from Aid for Trade

RAJESH AGGARWAL, Chief of Trade Facilitation and Policy for Business, International Trade Centre

Through targeted interventions, ITC is using Aid for Trade to fill gaps in trade-led development

Many developing countries, particularly least developed countries (LDCs), are prevented from fully taking part in international trade due to a range of supply-side and trade-related infrastructure challenges. The multilateral Aid for Trade initiative, launched in 2005 at the World Trade Organization’s (WTO) Ministerial Conference in Hong Kong, was designed to mobilize resources to address trade-related constraints in developing countries and support their integration into the global economy.

The International Trade Centre (ITC) is a 100% Aid for Trade institution with a unique mandate of supporting the internationalization of small and medium-sized enterprises (SMEs) by connecting them to international markets.

TECH OPPORTUNITIES
New opportunities abound for assisting SMEs in developing countries to use new technologies and network business models to benefit from globalization. However, the rise of populism, mercantilism and protectionism has imperilled this global effort. In the changing landscape, donors are increasingly demanding that Aid for Trade funds be used more efficiently while at the same time targeting areas where there might be maximum impact. Hence, it is imperative that international development agencies continue to adapt their strategies to use Aid for Trade to address the changing landscape of trade and development assistance.

An analysis of the lessons learned from ITC’s past interventions can offer a strong tool that can help reshape strategies in
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such a way that they meet the demands of donors, beneficiaries, partners and all stakeholders involved. Through its delivery of trade-related technical assistance for over five decades, there are a number of experiences ITC can draw upon to further the effectiveness of Aid for Trade initiatives.

VALUE-ADDED ASSISTANCE
The evolution of Aid for Trade has resulted in a move from providing general assistance with often-intangible results to filling gaps in national development strategies to add real value to beneficiary countries. Specificity has become the hallmark of success. As such, the role of needs assessment and diagnostic studies has gained considerable significance.

While developing countries are more likely to suffer from multifaceted supply-side constraints, it remains unrealistic to be able to address all needs at a given time. A detailed cost-benefit analysis needs to be conducted to select solutions (as there can be many for the same problem) that will have the most impact. Experience has shown that taking sector-specific approaches can not only result in creating a niche by providing more tangible impact, but also help in securing the buy-in of local stakeholders, especially from the private sector.

MARKET-ACCESS BARRIERS
ITC used this approach in providing support to the Central European Free Trade Agreement (CEFTA) Secretariat to address market-access barriers affecting intra-regional trade. The project focused on the beverages and auto-parts sectors to analyse trade barriers and provide recommendations to enhance intra-regional trade. Since many problems and solutions turned out to be cross-sectoral in nature; the recommendations will help improve the business environment in general and not just for some selected sectors.

There are no one-size-fits-all solutions, nor any guarantees that interventions that worked in one country will work in another. Therefore, continuous engagement with domestic institutions including government departments, business associations, academia and other stakeholders in beneficiary countries can go a long way towards enriching project design, thereby ensuring long-term sustainability of project initiatives, easing the coordination challenges in project implementation and making monitoring and evaluation more effective. It also enables international development agencies to align their expertise with local realities and harmonize trade development strategies with larger national development agendas.

COORDINATED ENGAGEMENT
The results of country ownership were at display in Myanmar in 2015, where, following ITC support in development of a National Export Strategy, 75 initiatives funded by the national budget, development partners or private investors were taken to implement the strategy.

Coordinated engagement in systematic mapping and tracking of the projects ensured greater transparency among ministries, private-sector participants and development partners, enabling them to maximize efficiency, minimize duplication in resource allocation and build national ownership of all Aid for Trade projects.

Boosting the capacity of trade and investment support institutions (TISIs) and partnering with them to implement interventions can ensure the long-term sustainability of Aid for Trade initiatives. TISIs should be seen as both enablers and multipliers in the field.

The empowered TISIs provide unity in businesses’ voice while preventing vested interests from hijacking the development agenda. ITC is dedicated to using TISIs as a channel to reach out to SMEs with technical assistance services. The steady expansion of ITC’s SME Trade Academy, which now offers over 80 e-learning courses to more than 5,000 participants, and ITC’s Supply Chain Management Programme, implemented through 80 network partners, illustrate its effective use of local institutions as multipliers of technical assistance interventions.

POLICY REFORM
The relative importance of trade barriers resulting from non-tariff measures (NTMs) has risen in recent decades as formal tariffs continue to be reduced or eliminated. Addressing NTMs provides disproportionately greater benefit to SMEs and contributes significantly to their integration into regional and global value chains.

The WTO Trade Facilitation Agreement, which entered into force at the beginning of 2017, has been instrumental in focusing the attention of stakeholders in developing countries on reducing business costs by bringing about efficient cross-border trade procedures. Moreover, the TFA is bound to add and ensure greater impact from the global Aid for Trade initiative.

1. Better infrastructure will provide better market access.
2. Technical support helps strengthen supply chains.
Failure to address a growing digital divide risks reinforcing existing inequalities within societies

The biennial Aid for Trade Global Reviews provide an opportunity for the trade and development community to come together to evaluate the support provided to developing and least developed countries (LDCs) to help them integrate into the multilateral trading system. At this year’s Global Review, ministers, heads of international organizations and stakeholders from around the world will participate in no fewer than 54 sessions of at the World Trade Organization (WTO) on 11-13 July.

The WTO’s Aid for Trade initiative has helped developing countries and LDCs better integrate trade priorities into their national and regional development policies since 2006. In so doing, greater policy focus has been brought to trade issues and more resources have been allocated by development partners to address trade-related infrastructure and supply-side constraints.

More than US$300 billion of aid-for-trade support has been disbursed since the initiative was launched just over a decade ago, backing a range of essential projects. Some 146 developing countries have received support, mainly in Asia (41.5%) and Africa (38.7%), with 27% of the total going to LDCs. Disbursements to LDCs reached a record US$10.5 billion in 2015.

Successive Global Reviews since 2007 have shed light on the steps being taken by developing country governments, and their development partners, to leverage trade for development. The Reviews have also sought to contribute analysis on specific issues. The theme of this year’s Review is ‘Promoting trade, connectivity and inclusiveness for sustainable development’.

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Development Goals, notably as regards women’s economic empowerment, will be prominent in the discussions.

AID IMPACT
The impact of Aid for Trade is demonstrated by a growing body of research. Some 500 case stories have been collected in the past six years, illustrating the practical difference this initiative can make. This year’s cases, focused on trade facilitation, are particularly powerful. For example, at the Busia One-Stop Border Post between Uganda and Kenya, streamlining of customs and border controls has reduced the average time to cross by 80% and cut customs processing time by 84% in the past five years.

This is welcome news, particularly in the context of the entry into force of the WTO’s Trade Facilitation Agreement (TFA) on 22 February this year. WTO research suggests that African countries and LDCs can expect the biggest reduction in trade costs (in excess of 16%) from TFA implementation.

Trade facilitation is an Aid for Trade programming priority due to demand from both developing countries and their development partners. This work encompasses not only the TFA itself but also the related infrastructure needed to get trade flowing. Of course, this physical infrastructure is ever-more intertwined with digital connectivity. Fiber-optic cables are often laid at the same time that roads are built. Submarine cables have reached even the most geographically remote WTO members in the past five years.

DIGITAL DIVIDE
Despite this progress, the International Telecommunication Union (ITU) estimates that 3.9 billion people, more than half the world’s population, remain offline. The digital divide is also a market-access divide, as people who are offline are excluded from the global market the internet represents. The divide is seen both between and within countries: between rural and urban populations, women and men, and small and large firms. Failure to address it risks reinforcing existing inequalities within societies.

A key objective of the United Nations 2030 Agenda for Sustainable Development is to ‘significantly increase access to information and communications technology and strive to provide universal and affordable access to the internet in LDCs by 2020’. This is important not just in enabling people to access the web, but also in helping them to benefit from trade. The trade impact from poor connectivity is clear. A recent WTO Trade Policy Review highlighted the case of an LDC that had installed an electronic customs clearance system. While this innovation promised big gains in efficiency, the customs officials regularly have to revert to a paper-based system due to regular power outages, which interrupt internet access.

Of course, while connectivity is effective, it is only one of the many factors that determine trade success. Training, skills development, payment systems, trade logistics, legal frameworks and access to finance. The list goes on. However, we know that when the right conditions are in place, then e-commerce can be truly transformational for MSMEs – and a major driving force for development.

This is where Aid for Trade comes in. Work to bridge the physical and digital divides is essential. The Global Review is an opportunity to highlight progress made to date, lessons learned and the challenges still remaining. It also works to help us better understand the role that digital connectivity in particular can play for development in the context of a fast-changing global economy.

The Aid for Trade initiative has made a significant difference over its relatively short history. The Global Review is our opportunity to make sure that it keeps delivering in the years ahead. I hope you will be able to join us for this landmark event in the trade and development calendar.

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1. Trade is much better than aid.
Upgrading Aid for Trade for the digital era

MUKHISA KITUYI, Secretary-General, United Nations Conference on Trade and Development

The time has come for a ‘system upgrade’ to the aid we offer to the ones most in need

In a world of 4 billion google searches a day, 4 billion people remain disconnected from the internet. These contrasts matter for development; they matter for trade, and much more so than we imagined a decade ago when the Aid for Trade initiative was launched.

Aid for Trade has been fundamental in helping developing economies, in particular the least developed countries (LDCs), to build trade capacity and infrastructure to better profit from trade opening. But with the blazing trail of technology reshaping all aspects of human activity – including trade – the time has come for a ‘system upgrade’ to the aid we offer to the ones most in need.

Such an upgrade implies improving our ability to help developing countries to catch the wave of promising trade trends and ride with them. And one of them is e-commerce, which can be a powerful engine of growth, and a source of inclusiveness.

E-commerce is clearly trending. In 2015, the value of e-commerce worldwide was estimated at more than US$25 trillion. This is almost comparable to the total revenues of the world’s 500 largest companies (US$27.6 trillion) in the same year.

There is a clear gap between developed and most developing countries in their ability to benefit from e-commerce. And if we do not do anything this gap will only widen.
GLOBAL DISCREPANCIES

E-commerce is big business. But there are sharp differences in how countries use it and subsequently profit from it. For instance, while between 60% and 80% of Europeans shop online, in Africa, less than 5% of the population does so. And in some countries, like Uganda, this share is as low as 1%.

According to UNCTAD’s business-to-consumer (B2C) e-commerce index, developing countries are clearly trailing behind developed ones in terms of readiness to engage in and benefit from e-commerce. The index is composed of four factors: 1) internet use; 2) credit card penetration; 3) postal reliability; and 4) the number of secure, encrypted internet servers per capita. The average score for developed countries is 71, whereas for Latin America and the Caribbean it is 42, for Southern, Eastern and South-Eastern Developing Asia it is 38, with Africa at the bottom with only 24.

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E-commerce is a superb opportunity. It offers the possibility of bringing new, better and cheaper products to consumers, and it offers the possibility of opening new markets to anybody with a good idea, internet and a computer. Still, under the current circumstances, in many developing countries, e-commerce can exacerbate exclusion rather than inclusion, putting entrepreneurs in these countries at a disadvantage in the evolving digital economy.

AID FOR TRADE DECLINE

Despite the growing importance of the digital economy for the achievement of the Sustainable Development Goals and the huge digital divides that still exist, the share of the information, communication and technology area in total Aid for Trade declined from 3% during the period 2002-2005 to only 1% in 2015 (OECD and WTO, 2017).

This is why we all need to revise and update our Aid for Trade efforts. These need to be revamped and complemented, so that we can build a future where men and women, of all ages, can benefit from inclusive digital trade. This is the goal of the UNCTAD-led eTrade for all initiative.

UNCTAD is conscious about the urgency of the response needed. This is why it has created a Rapid e-Trade Readiness Assessment to help countries to quickly identify barriers to further e-commerce development. Assessments have already been completed for Bhutan and Cambodia. Burundi and Liberia are next in line. Many more African LDCs are expected to benefit from this exercise in the forthcoming 18 months.

There are a number of key challenges on a wide range of issues that need to be addressed for e-commerce to succeed. From internet access to access to finance; skills and training; to lack of trust and security. For instance, in LDCs, only 15% of the population has access to internet, and if you are a woman, you have 31% less access.

JOINT EFFORTS

Today there are many organizations – national, regional and international – that offer assistance in different areas of e-commerce to developing countries. But current efforts are simply inadequate. They are highly fragmented. They are insufficient in scale and scope.

There is only one way we can face these challenges: together. This is what the eTrade for all initiative is about. This is how we aim to upgrade our Aid for Trade efforts.

E-Trade for all raises awareness of opportunities, challenges and solutions related to e-commerce in developing countries. It mobilizes financial and human resources for e-commerce projects and strengthens coherence and synergies among partners’ activities.

The main tool, an online platform (etradeforall.org), helps developing countries and donors navigate the supply of technical and financial support available to foster e-commerce and digital trade, learn about trends and best practices, and to raise visibility for the various partners’ initiatives and resources.

Since its launch in July 2016, 24 organizations have joined the initiative and more than 30 private-sector entities – including giants like Alibaba and eBay, as well as smaller businesses like Burundishop and Kapruka – have joined the Business for eTrade Development initiative, and we expect the group to expand further in 2017. This reflects the wide consensus that we need to act together.

Upgrading our aid for trade efforts is essential to ensure that e-commerce does not only benefit the big firms, but also the smaller ones; that it does not only benefit the privileged ones, but also any hard working man or women regardless age. It will be only then that we will be able to confidently say: e-Trade is an opportunity for all.

1. China’s Alibaba is one of the company’s fuelling global e-commerce.

2. Delivery firms such as DHL benefits from the rise in online trade.
Connecting for development: the World Bank’s approach to Aid for Trade

ANABEL GONZALEZ, Senior Director, Trade and Competitiveness, World Bank Group

Trade is key to inclusiveness, connectivity and sustainable development

A central feature of contemporary trade governance is the focus on its contribution to development. A key corollary is the acknowledgement that developing nations – especially least developed countries (LDCs) – require a range of support from the donor community to meaningfully profit from closer integration into world markets, reap the rewards of parallel domestic reform efforts and derive greater benefits from more active participation in trade negotiations.

The 2017 edition of the World Trade Organization’s (WTO) Global Aid for Trade Review usefully recalls the overriding importance of connectivity for purposes of inclusive and sustainable development. Being and staying connected allows nations and traders to adapt and respond to changing demand conditions, comply with evolving regulatory requirements and overcome what for many can be a triple tyranny of size, distance from markets and inadequate transport infrastructure.

Aid for Trade represents one of the most tangible development dividends emerging from collaboration among WTO members. Aid for Trade assistance has helped developing countries take fuller advantage of market openings by reducing trade costs and overcoming obstacles hampering cross-border transactions, including poor infrastructure, trade-inhibiting regulations and policy disincentives. It also works to cushion the domestic adjustment costs inherent to any new liberalization, a particularly important dimension at a time when the very idea of engaging world markets faces increasingly vocal opposition.

Still, Aid for Trade can be a vital catalyst in reducing economic displacement related to modernization, a recent study co-authored by the World Bank Group, International Monetary Fund and WTO showed (‘Making Trade An Engine of Growth for All: The Case for Trade and for Policies to Facilitate Adjustment’).

The World Bank Group (WBG) multi-pronged Aid for Trade programme focuses precisely on helping governments and private operators address and overcome obstacles limiting their connection to regional and world markets. The programme targets a number of soft and hard constraints weighing...
on trade-led integration, including concessional lending to low-income countries and non-concessional lending to middle-income countries for trade-related projects.

The WBG’s assistance further involves policy advice and technical assistance aimed at helping governments deliver better trade results. It does so by strengthening the institutional and regulatory fabric of client countries, for instance through Diagnostic Trade Integration Studies (DTIS) undertaken in the context of LDCs. The WBG is also a key catalyst in mobilizing resources for a broad range of capacity-building efforts. It provides many of the above services in partnership with leading donor agencies and development partners, leveraging resources through close cooperation with the International Trade Centre, the United Nations Conference on Trade and Development, the United Nations Development Programme and the WTO, to name just a few.

Finally, through the International Finance Corporation (IFC), the WBG invests directly in private-sector activities with a view to spurring productive capacity and increased exports of both goods and services. Examples of IFC funding include trade finance, equity participation in promising private-sector enterprises and infrastructure upgrading.

TRADE FACILITATION
No area of Aid for Trade support illustrates the WBG’s focus on connectivity better than efforts to help client countries implement the WTO’s path-breaking Trade Facilitation Agreement (TFA). Its recent entry into force calls for stepped-up efforts targeted at further reducing trade costs; scaling up the quality of logistics supply chains and transport infrastructure; and enhancing the commercial friendliness of borders.

Doing so requires a complementary mix of hard and soft Aid for Trade product offerings spanning infrastructure financing, the strengthening of logistics performance, adoption of pro-competitive regulatory reforms and digitization of customs procedures. Initiatives aimed at gender-neutral border practices, given the key role of micro-trading enterprises headed by women, are required as well. A key component of WBG Aid for Trade support in this area has been the Trade Facilitation Support Program (TFSP) launched in June 2014 and co-financed by seven leading donors: Australia, Canada, the European Union, Norway, Switzerland, the United Kingdom and the United States. Since its launch, over 60 countries have reached out for technical assistance and support to implement the TFA.

GROWTH SECTORS
A second example of Aid for Trade assistance connecting traders to markets is the WBG’s involvement, alongside several development partners, in the WTO’s Standards and Trade Development Facility (STDF). Its aim is to promote safe trade in foodstuffs, minimize transaction costs and prevent the spread of pests or diseases among plants and animals. These are areas in which many developing countries maintain important pro-poor offensive interests in trade governance and natural comparative advantages long stifled by difficulties in meeting sanitary and phytosanitary regulatory exigencies in importing markets.

E-trade represents a third area where the aim of enhancing connectivity for sustained economic progress underpins Aid for Trade efforts. The ongoing digital revolution heralds far-reaching gains in innovation, competitiveness and growth, all of which offer new opportunities – especially for micro, small and medium-sized enterprises – to plug into world markets and supply chains. However, even as the digital economy advances at breakneck speed globally, its benefits are not felt equally. Much more work is required to ensure that the promise of digital technologies can be realized by firms, traders and consumers in client countries.

DIGITAL ECOSYSTEM
Progress towards a digital economy ecosystem relies on three essential pillars: digital infrastructure, technical skills and an enabling e-business environment. All are areas to which Aid for Trade directs attention with a view to laying the infrastructural, regulatory, institutional and human capital foundations of connected economies and societies. Our work shows that governments must address all pillars of the e-trade environment in a coordinated manner to increase e-trade competitiveness and reduce poverty.

While much remains to be done, the period since 2005 has included considerable progress in integrating and mainstreaming trade into national development strategies, with Aid for Trade a central underpinning factor. By deploying its unique expertise, financial resources and leveraging capacity, the WBG aims to pursue its Aid for Trade efforts alongside governments and donors. While working more closely the trade and development communities must see to it that, as is called for by the WTO’s Sixth Global Aid for Trade Review, trade continues to be a leading global source of inclusiveness, connectivity and sustainable development.  

1. People wait for the border to open between the Democratic Republic of Congo and Rwanda.
2. A gamme-ray scanner station at Sihanoukville Port in Cambodia used to look for illegal items also helps to speed up customs processing.
Towards a more integrated Aid for Trade approach

JONATHAN FRIED, Coordinator, International Economic Relations, Global Affairs Canada

Creating a more inclusive economic model requires a more integrated development agenda

International trade and investment are drivers of development, fostering economic opportunity, efficiency and growth. They encourage the use of international norms and connect local economies to regional and global value chains. Indeed, the statistics bear this out: the World Trade Organization (WTO) estimates trade has helped lift one billion people out of poverty since 1990.

Today, however, we are faced with growing concerns about the legitimacy and desirability of international trade. In this context, it is imperative that we regain the ‘social licence’ for trade by ensuring the global trading system is working for the benefit of all. This will require us to adopt a more integrated trade and development approach while addressing a number of broader challenges.

ECONOMIC GOVERNANCE
At the most basic level, citizens and businesses need to have the confidence to participate in the economy. This puts a premium on good economic governance, including transparent and predictable regulations; stable fiscal and monetary policies; functional capital markets; fair and broad-based taxation systems; and responsive and effective
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public spending. Targeted domestic investments are necessary to limit market gaps, institutional failures and other binding constraints to growth. This is especially true in the network infrastructure that is so essential for the modern economy: energy, transportation, storage, and digital communications.

Sound social spending can also stimulate trade, investment and growth. Investments in people, education, and skills are complementary and mutually reinforcing, generating growth by reducing risk and increasing the returns on human capital. This in turn generates the resources to further increase and improve social investments. Such a virtuous circle works best when aimed at inclusion gaps and determinants of poverty, such as gender, youth, disability, isolation, or social exclusion. The promotion of women’s economic empowerment and entrepreneurship is a clear candidate for more Aid for Trade assistance.

CONNECTING SMEs
Small and medium-sized enterprises (SMEs) drive employment growth, include more people in the benefits of growth and diversify economic exposure to external shocks and price fluctuations. Despite unique challenges in terms of size, informality and productivity, SMEs are increasingly using e-commerce to buy and sell on a global scale – and there is potential to unlock even more growth in this area. One place to begin is with development assistance aimed at providing trade-related technical assistance and enhancing SME trade readiness.

Another important, but often overlooked, dimension is competition law and policy, which can help address abusive monopolies and state-owned enterprises while creating a more open business environment in which SMEs can grow. Trade facilitation efforts and improved border/beyond-the-border logistics can also help ease the barriers to entry faced by SMEs. The WTO’s Trade Facilitation Agreement is a good start in this regard.

PROGRESSIVE APPROACHES TO TRADE
Trade only supports truly sustainable development if its benefits are offered equally to all segments of society. Unfortunately, for too long, trade’s opportunities have been largely unavailable to women, youth, indigenous peoples and the poor. Canada has begun implementing a Progressive Trade Agenda to ensure its approach to trade and investment benefits all Canadians, including these underrepresented groups. However, this is just a start. It will be important for all countries – including Canada – to begin thinking more broadly about how the form and function of international trade could be evolved to better incorporate development considerations.

TOWARD A MORE INTEGRATED APPROACH
This diagnosis indicates that trade and investment alone are not sufficient. Complementary domestic policies are necessary to foster an environment of increased economic security and inclusion and enable truly sustainable development. Seen in this light, ‘Aid for Trade’ is a somewhat misleading moniker: all development assistance aimed at strengthening economic and social frameworks – including through public-private partnerships – should properly be understood as trade-related.

The United Nations Sustainable Development Goals (SDGs) agreed in 2015 are universal, interconnected and ambitious. Clearly, trade and investment will be crucial if we are to achieve the SDGs and attain inclusive growth and sustainable development for all.

Still, reaching these goals will also require us to move well beyond traditional donor-government models. This will include consideration of new and innovative mechanisms and partnerships to incentivize increased private investment and knowledge exchange. While public-private partnerships can be challenging, they also present incredible opportunities. As Canadian experience on issues like blended finance (the Convergence platform) and development financing (our recently announced Development Finance Institution) attests, this type of systemic change – although difficult – is well worth the pain.

The ongoing Aid for Trade review is an opportunity to begin laying the groundwork for a more integrated trade and development approach. By promoting trade and investment as catalysts and enhancers of broad-based and sustainable development growth, we can unleash the potential of our entrepreneurial populations, generate increased economic opportunity, strengthen the legitimacy of the global trading system, and make the world a better place for all. ☞

1. Connecting SMEs to value chains must go hand in hand with development policies lowering barriers to trade
2. Targeted domestic investments are necessary to limit market gaps.
Why Aid for Trade matters to small-island developing states

ASHIT KUMAR GUNGAH, Minister of Industry, Commerce and Consumer Protection Mauritius

Aid for Trade embraces a new architecture to facilitate the transition of poorer countries towards integration in global trade

Trading among countries has the potential to be an engine of growth that lifts millions of people out of poverty. However, many developing countries face obstacles that prevent them from fully benefiting from global trade. Some are in export markets, which the Doha Development Round of multilateral trade negotiations aims to reduce or eliminate. These include traditional tariffs as well as non-tariff barriers that are increasing in significance. Barriers found at home, including a lack of knowledge, excessive red tape, inadequate financing and poor infrastructure, can also act as major impediments for exporters.

One aim of the Aid for Trade initiative is to address such supply-side constraints. It therefore has the commendable objective to assist developing countries, in particular the least developed countries (LDCs), to play a more active role in the global trade, using it as an instrument for economic growth and poverty alleviation. Aid for
Trade, however, is not a substitute for trade opening, but a necessary and increasingly important complement. In fact, it embraces a new architecture to facilitate the transition of poorer countries towards integration in global trade. For small-island developing states (SIDS) such as Mauritius, it has a huge potential to help them overcome the inherent constraints of small economies.

**AMBITION REFORM**

Mauritius played a significant role in its promoting Aid for Trade as a major development agenda of the Doha round and was actively involved in the World Trade Organization’s (WTO) Aid for Trade Task Force, established in February 2006, as the coordinator of the Group of Countries. Mauritius also took the initiative of convening a High-Level Consultative Meeting on Aid for Trade in July 2006, whose objective was to build advocacy for the initiative. It presented its ambitious reform and restructuring programme in anticipation of the conclusion of the Doha round and for support to be put in place in the context of the proposed Aid for Trade. In addition, many of Mauritius’s proposals were mainstreamed in the recommendations of the WTO task force.

Mauritius also participated in the two-day regional review, held in Dar-es-Salaam, Tanzania, in October 2007. The aim of this meeting was to gather financial resources to help developing countries in Africa utilize trade more effectively as a tool for economic development, job creation and poverty alleviation. Mauritius participated actively in the Regional Review and presented a paper to showcase its reform programme.

**COMPETITIVENESS**

In Mauritius, the Ministry of Finance and Economic Development plays an active role in aid coordination. Country presence of development partners in terms of number of offices and amount of development assistance has increased since 2008 but remains rather modest. Under the Economic Partnership Agreement, Mauritius obtained 950,000 (US$1.06 million) under the regional indicative programme for short-term projects and 10 million under the European Union’s 11th European Development Fund (EDF), which will end in 2020. The funds are being utilized to create a more conducive business environment and increase competitiveness of local operators.

In Mauritius, funds under the 11th EDF are geared towards two key projects: an e-business licensing system (€7 million) and implementation of the country’s Intellectual Property Development Plan (€3m). The e-licensing system, spearheaded by the Board of Investment, aims to reduce the bureaucratic procedures for business registration, permits and licensing. It will allow users to identify the licenses they need to start a business and apply for the relevant permits. The e-licensing project is in the pipeline and will reduce time lag in starting and developing business projects. It will also help Mauritius to improve its rank in the World Bank Ease of Doing Business Index.

The second project is related to intellectual property (IP) rights. It aims to put in place a comprehensive framework encompassing all aspects of IP, including the modernization of laws; accession to new IP treaties; the establishment of an online platform for operators to have access to IP data; and support for the commercialization of IP assets, amongst others, with a view to attracting investors in high value-added sectors such as software development, pharmaceuticals and medical devices.

**ACCELERATING DEVELOPMENT**

Aid for Trade has the laudable objective of accelerating the pace of development of developing, LDCs and SIDS economies to bridge the economic divide with more developed economies.

However, for upper middle-income economies like Mauritius, it is crucial not to fall victim of their economic development success. It is therefore crucial to stay part of – and engaged in – the Aid for Trade process to ensure continued economic advancement.

1. A view of Port-Louis, Mauritius’s capital.
2. Mauritius is looking to boost its e-commerce competitiveness.
Entreprneurial lawyering for digital trade

COLETTE VAN DER VEN, Associate, Sidley Austin

To ensure that the rise of e-commerce does not leave SMEs in LDCs behind, lawyers must expand their activities beyond macro-level trade agreements.

In March 2017 I attended Geneva Global Goals Innovation Day to visit a pop-up shop set up by the EcomCoop, a pro bono client of Sidley Austin’s Emerging Enterprise Pro Bono Program. Displaying colourful handicrafts from all across Africa, this makeshift arrangement sought to familiarize potential customers with the products of African small and medium-sized enterprises (SMEs) that soon will be available for purchase online in the European Union (EU) and the United States. I took advantage of the opportunity and bought a Rwanda-made wallet of cow leather, tanned in neighbouring Burundi.

It has long been recognized that e-commerce has the ability to lower traditional trade barriers and costs, providing great promise for inclusive trade. However, to jump on the international e-commerce bandwagon, it is imperative for businesses to have the ability to navigate and comply with an increasingly complex labyrinth of legal and regulatory hurdles. This involves both traditional trade issues, such as technical barriers to trade, sanitary and phytosanitary requirements (TBT/SPS), value-added tax and custom regulations, as well as e-commerce-specific laws and regulations, including privacy laws, consumer protection regulations, and cyber security regulations.

When conducting commerce through the internet, traditional legal and regulatory trade barriers can be multiplied. Typically, producers engaged in e-commerce enter multiple markets simultaneously (‘Small online Business Growth Report: Towards an Inclusive Global Economy’, eBay, January 2016). This means that the merchant must be able to identify, and be able to comply with, the different legal and regulatory requirements of the end markets in which it expects to have consumers.

For instance, to sell the Rwandan leather wallet I brought into the EU, the merchant must not only ensure that the leather was processed in compliance with the EU health and safety regulations – which may be more difficult to verify when it is processed in Burundi – but also that it complies with labeling requirements, such as language, that vary for different EU members.
SMEs from many LDCs are not able to open merchant accounts on international market places like Amazon and eBay or to receive payments from international customers because they have limited or no access to secure payment systems.

UNDERSTANDING REGULATIONS
Similarly, e-commerce augments the importance, as well as the complexity, of understanding custom duties and VAT regulations of countries where the product will likely be sold. Merchants must calculate the exact amount of custom duties and VAT that will be levied prior to export and reflect this in the final price. They likewise must be aware of the relevant incoterms to ensure additional charges are not passed on to the customer.

Moreover, providing for returns is often legally required for products sold online. Where a returned product is above the de minimis level, it may be subject to custom duties as well as paperwork requirements – the responsibility of which falls on the seller (‘International E-Commerce in Africa: The Way Forward’, ITC, 2015).

In addition to these traditional trade barriers, SMEs that are selling online must also comply with the data privacy regulation in the consumer market as well as consumer protection regulations, which may differ between EU members. Thus, SMEs must have in place privacy agreements and buyer-seller contracts that comply with these often stringent requirements in all the markets the SME is targeting. Since many least-developed countries (LDCs) do not have data privacy and consumer protection laws in place, SMEs from these countries often experience particular compliance difficulties in these areas.

TRANSACTION ACCESS
A prerequisite to participate in international e-commerce is the ability to access secured transactions and payment systems to prevent fraud. To sell products into the EU market, SMEs from LDCs must have access to electronic trust tools and services. While international marketplaces like eBay and Amazon provide a number of these services, SMEs from many LDCs are not eligible to open merchant accounts on these platforms or receive payments from international customers because they have limited or no access to secure payment systems, thus creating due-diligence challenges.

Given the complexity of the digital trade landscape, it is unsurprising that SMEs have listed the lack of information as a top barrier to online commerce (Companies engaged in online activities, Flash Barometer 413, 2015).

In an attempt to address some of these problems, many regional and multilateral institutions are exploring initiatives to establish a regulatory framework to facilitate international e-commerce. While these initiatives are necessary to reduce the complexity of the cross-border issues faced by SMEs, they do not necessarily address the on-the-ground obstacles keeping many SMEs from LDCs from participating in international e-commerce.

One way to help SMEs identify and address these barriers would be to establish a one-stop shop – in the public or private sector – that provides custom-made legal advice to SMEs from LDCs on the maze of different legal and regulatory barriers they must comply with when targeting consumers in a particular market. This could be done either as part of a law firm’s pro bono program, or through the work conducted by an international organization or non-governmental organization. This would require a different approach to legal specializations: rather than focusing in areas of law, like trade, corporate or privacy law, the specialty of this one-stop-shop would be defined by the type of problem it aims to solve and the type of entity it is advising.

Part of the work of such one-stop shops would likely center on directly advising SMEs from LDCs on how to sell goods online internationally through their own website, and establish a set of best practices. The other part should focus on putting in place the requisite legal framework that will enable innovative market that are accessible to SMEs from LDCs to flourish. Doing so would scale-up the impact of the legal advice provided.

LEGAL TRAINING
There exists various examples of innovative market places that generate such a multiplier effect. One such model is ITC’s brainchild, the EcomCoop, a United Kingdom-based cooperative that operates a marketplace owned by African SMEs that helps solve cross-border issues and provides access to foreign markets in a cost-effective way. By being registered in the UK, African-based SMEs have access to secure international payment systems. With the help of Sidley Austin lawyers, the EcomCoop has put in place a legal framework as well as training sessions on VAT and TBT/SPS compliance, ensuring that all SMEs that transact using its platform – including the Rwandan SME that manufactured the leather wallet I purchased – comply with the requisite EU laws and regulations.

Another example of an innovative model is inclusivetrade.org, a marketplace for garment-producing SMEs from developing countries. Set up by the platform SPINNA Circle – also a Sidley pro bono client – the marketplace is set to go live in August. Registered in the UK, SPINNA Circle enables its SMEs – which have all undergone a strict and socially-oriented due diligence process – to sell their products to various EU countries. Like the EcomCoop, it provides a number of services that diminish the costs and burden for SMEs in developing countries to sell products online to consumers in the EU market.

Providing comprehensive legal advice to these innovative market places generates a trickle-down effect: it enables them to train their SMEs to meet the legal and regulatory requirements to sell online internationally.

In sum, SMEs must navigate a complex legal and regulatory landscape to sell online into high value markets like the EU. To turn e-commerce from promise into opportunity for SMEs in LDCs, lawyers cannot limit their activities to macro-level trade agreements. Rather, we must do our part by thinking entrepreneurially on how to best provide comprehensive advice on the legal and regulatory challenges most pressing to SMEs from LDCs, and by identifying and supporting innovative models that could multiply the benefits of such legal services provided. Then, a few years from now, I may not just carry a Rwandan wallet, but also wear beaded Kenyan sandals, and use Ghana-made shea butter cream – all purchased online.

The views expressed in this chapter represent the personal views of the author, and do not represent the views of Sidley Austin LLP or its clients. This article has been prepared for informational purposes only and does not constitute legal advice.

1. Creating awareness is crucial for making customers purchase goods online from developing countries.
Behind the scenes at Aid for Trade

MATTHEW WILSON, Chief of Staff, ITC


Matthew Wilson: You have been one of the most constant faces of the Aid for Trade initiative since it was launched in 2005. How did it all start?

Michael Roberts: I may be a familiar face but I was actually not involved in the launch of the initiative. At that time I was leading the Standards and Trade Development Facility (STDF), which coincidentally is an example of Aid for Trade in action through its work on implementing international sanitary and phytosanitary (SPS) standards.

At the inception of Aid for Trade, the initiative sought to address the issue of market-access opportunities for firms, particularly those from least developed countries (LDCs). From a political perspective, it was important that in the discussions on trade liberalization, the supply-side constraints and trade-related infrastructure shortcomings, which plagued many developing countries, were also given due weight and attention alongside the Doha Development Agenda negotiations.

MW: Why do you think there is still a need to shine this spotlight on Aid for Trade?

MR: LDCs still account for just over 1% of global trade. Even though the value and volume of global trade has risen there is still a tremendous amount to do for LDCs
With the 2030 Agenda now in place there is every reason to hope that the Aid for Trade Global Review will remain not just prominent, but will continue to increase in relevance and impact.

and other countries that face geographic and sector-specific constraints.

One key insight from the 2015 Global Review was that trade costs remain high in the agriculture sector, in part as a result of the perishable nature of products being traded but also as a result of the compliance costs. And I appreciate that the International Trade Centre (ITC) in particular helps these countries and their small and medium-sized enterprises (SMEs) address such constraints.

And of course the trade and development community now has a detailed framework and a set of Goals to aim at in the 2030 Agenda for Sustainable Development.

MW: How does Aid for Trade fit into the 2030 Agenda for Sustainable Development?

MR: Among the 17 Sustainable Development Goals (SDGs) of the 2030 Agenda there is no specific goal for trade. Still, trade underpins the achievement of most of the SDGs, and especially Goal 9 – industry, innovation and infrastructure – in which there is a clear trade-related component.

MW: The Global Reviews on Aid for Trade have morphed from a small committee discussion to a ‘must-attend’ event for trade and development experts. How did this happen?

MR: This has been immensely satisfying. Development initiatives can sometimes be short lived but Aid for Trade has proven to be durable and has grown in relevance over the past decade. With the 2030 Agenda now in place there is every reason to hope that the Aid for Trade Global Review will remain not just prominent, but will continue to increase in relevance and impact.

MW: Any insight into any innovative changes we can expect at this year’s event?

MR: Thematically one change is of emphasis and that is gender. Women’s empowerment issues have steadily increased in profile over the past five years and this year’s review will put further focus on this. And not just as a topic in dedicated sessions, but as a cross-cutting theme running through the event. There will also be innovation in the format of the event, with the aim of making the sessions more appealing and interactive.

MW: One of the key elements of Aid for Trade has been partnerships. Tell us a bit more about that.

MR: One misconception about the initiative is that it is the WTO that spends the US$50 billion dollars committed by development partners on Aid for Trade. The WTO is active in development cooperation but the work on Aid for Trade is based on partnerships. Those partnerships cut across the different regions through the regional development banks, UN agencies and United Nations regional economic commissions. They also cover financing issues and thematic issues such as trade facilitation.

Another satisfying aspect of the evolution of the initiative has been the growth of these partnerships, based on the core relationship on the monitoring exercise with the Organisation for Economic Co-operation and Development (OECD).

MW: How do you ensure that Aid for Trade retains an agenda with country ownership and is not just another ‘Geneva event’?

MR: The core work of the Global Review is to see how trade is mainstreamed at national and regional levels. For this, efforts are made to ensure that the trade agenda is owned by stakeholders at these levels. The 2030 Agenda adds another dimension in ensuring that trade mainstreaming is fully owned by those affected, for example, by policies. Evidence of the buy-in is the continued engagement of developing countries, and in particular LDCs, in this monitoring and evaluation exercise. For this year’s review we received more than 110 questionnaire responses from the development community and over 150 case stories.

MW: For years there have been calls to move from Aid for Trade to Investment for Trade. What are your views on that?

MR: First, Members decide and not the WTO Secretariat. Second, investment-climate reforms are already tracked as part of the work on Aid for Trade, so past monitoring exercises demonstrated examples of investment-climate reforms that had been submitted by developing countries and their development partners. There is an increasing focus among the multilateral development banks as to how to leverage their resources to attract private capital. A good example of this is the ‘millions to trillions’ approach being developed by the World Bank and partners.

MW: What does it take to plan an event like the Global Review?

MR: A minimum of 12 months of planning to ensure that the monitoring exercise, the publication and the actual review are all successfully pulled together with multiple deadlines, the inevitable crises and finding solutions. It requires a lot of hard work, but also gives a profound sense of satisfaction.

MW: The accompanying ‘Aid for Trade at a Glance’ publication has developed into the equivalent of a door stop. Tell us about the evolution of the publication?

MR: ‘Aid for Trade at a Glance’ has evolved from 84 pages in its first edition in 2007 to close to 300 in its last edition. The expansion of the publication reflects the partnerships that undermine the review exercise. Having first issued the report with OECD as our publishing partner, we have expanded the collaboration to include contributions from a range of other organizations.

This year’s edition include the Enhanced Integrated Framework, ITC, the International Telecommunications Union, the World Bank Group and the United Nations Conference on Trade and Development. The breadth and depth of analysis reflects the quality of the monitoring information submitted and the expertise of the different author institutions. And the focus on social media this year aims to compress the information into a digestible form for a broader audience.

I’ve been extremely lucky with the support from colleagues and the WTO’s development division, but also with the political emphasis placed on the initiative by successive directors-general, in particular Roberto Azevêdo, the current director-general. 1

1. Michael Roberts and Matthew Wilson in conversation.
Unlocking the potential of digital trade

MOHAMMAD SAEED, VICTORIA TUOMISTO, ELEONORA SALLUZZI, Trade Facilitation Officers, International Trade Centre

E-commerce is transforming the economic landscape and the way economic transactions are made in the global trade system. With the advent of the digital era, the exponential growth of e-commerce in the last decade is expected to grow in the coming years regardless of any accompanying trade rules. An estimated 1.6 billion people worldwide purchased goods online in 2016, generating revenue amounting to US$1.9 trillion, a figure expected to more than double by 2020.

Although the global digital divide has engendered common assumptions that online shopping is mainly a Western phenomenon, electronic commerce is also booming in developing countries. In Asia e-commerce sales in 2016 accounted for 12.1% of total global retail sales and Malaysia, India, Indonesia and Philippines are expected to witness the greatest share in terms of business-to-consumer e-commerce development by 2021.

Since small and medium-sized enterprises (SMEs) in developing countries make up the majority of businesses and employ the majority of manufacturing and service sector workers, facilitating cross-border e-commerce can have a direct impact on improving livelihoods and boosting economic development. The case of online retailer Alibaba’s Taobao Villages in China is a paramount example of how e-commerce succeeded in fostering higher living standards through a new model of rural development.

‘E-commerce is a huge tool for SMEs to leapfrog development,’ says International Trade Centre (ITC) Executive Director Arancha González. ‘Beyond local, national and even regional markets, e-commerce is an engine that puts SMEs into a global marketplace. Businesses in developing countries – especially SMEs – can hence seize the biggest gains from simpler, faster and more efficient cross-border e-commerce.’

Trade facilitation reforms for cross-border e-commerce: unlocking the physical and procedural barriers of digital trade

© ITC
The shift from large containers to small packages characterizing much of e-commerce has resulted in a massive increase in the number of shipments, creating a tsunami of parcels at the borders.

SHOPPING ACROSS BORDERS
E-commerce is now expected to be quick, efficient and predictable from the click triggering the online transaction to the product's arrival. For domestic online shopping, this process mainly requires easy online access, good in-house organization of sales and delivery, and efficient transport services. However, e-commerce across borders brings challenges to traders and border regulatory agencies (BRAs) alike. When ordering from an international online store, a product shipped from a foreign retailer may face numerous lengthy and costly cross-border procedures, thereby undermining the expected speed and efficiency of the process.

A unique aspect of cross-border e-commerce is that it plays at the intersection of physical and digital infrastructures. Consumers shop and perform transactions on electronic platforms, yet the delivery of products is still constrained by physical transport and border procedures. Moreover, the consequent shift from large containers to small packages characterizing much of e-commerce has resulted in a massive increase in the number of shipments, creating a tsunami of parcels at the borders. The growing volume of online purchase and increasing demand for express delivery results in great pressure on shippers and BRAs to transport, clear and release goods within hours or a few days at most.

FACILITATING E-COMMERCE
The challenges that e-commerce poses on trade facilitation are not new. Traditional and digital traders frequently identify poor quality of cross-border transport and infrastructure (including information technology and connectivity for digital traders), as well as inefficient procedures at the border, as key barriers to cross-border trade. The latter include the lack of transparency, complex and outdated customs procedures, and the absence of a coordinated approach by BRAs. These hurdles also explain why the performance of SMEs in cross-border e-commerce is only a limited fraction compared to the percentage of domestic e-commerce shares in many countries. No doubt, SMEs necessitate an enabling landscape of improved regulatory framework to assure wider access to cross-border online markets.

The demand for greater speed and efficiency at each stage of cross-border e-commerce – including administrative compliance at the border – renders these challenges even more pronounced and calls for conducive and transparent measures. Above all, the rapid surge of e-commerce solicits a substantial change in the mindset of policymakers and BRAs to design and implement reforms that respond to business needs. Only a technologically advanced, collaborative and transparent model of e-governance of administrative procedures – a shift from physical to digital control of compliance through simplification, standardization and harmonization of rules – can help businesses to overcome burdensome procedural obstacles.

Increasing efficiency and transparency of cross-border procedures is already directly addressed in the provisions of the World Trade Organization’s Trade Facilitation Agreement (TFA), which aims to expedite the movement, release and clearance of goods across borders. With e-commerce calling for high-speed compliance, an even more expedited implementation of trade facilitation reforms is required. Not only that, the reform processes must be designed from a ‘whole of supply chain’ perspective – which ensures efficiency at every stage of the transaction from the sellers’ premises to the buyers’ shelves. New solutions must also uplift the perspective of the private sector, especially the concerns of SMEs, which – for their smaller resources and capacity – suffer most from inefficient and non-transparent customs procedures.

INCLUSIVE PROCESS
To bring SME voices into the rule-making of cross-border commerce, ITC has set up a unique Trade Facilitation Programme to address trade facilitation issues beyond the TFA. ITC promotes the inclusion of business perspective in trade facilitation reforms through the enhancement of public-private dialogue and increased collaboration between key stakeholders. Among ITC’s clusters of intervention, the modernization and automation of cross-border procedures aims at comprehensively responding to the needs of business – including e-traders – through enhanced transparency and improved access to information and documentation. ITC also assists SMEs in overcoming physical and procedural barriers to online commerce by strengthening their capacity to meet border requirements. By leveraging trade facilitation measures, business has the opportunity to not only join but also to thrive in the virtual global marketplace.

1. Despite payment barriers, e-commerce is growing in developing countries.
2. ITC is helping SMEs shape cross-border trade legislation.
A roadmap towards a sustainable cocoa sector in Ghana

SANDRA CABRERA DE LEICHT, Sustainability Standards and Value Chain Adviser, International Trade Centre

Sharing knowledge, connecting stakeholders and empowering producers can generate improvements for all

The world may face a shortage in cocoa supply within a few years according to the most recent Cocoa Barometer 2015 report. This is a consequence of a major problem not visible where consumers buy their chocolate: the world is running out of cocoa farmers.

Younger generations no longer want to be in cocoa production and older generations are approaching retirement. More distressingly, poverty is increasing in West Africa’s cocoa fields, where farmers’ share of profits decreased from 15% to between 4%-6% in the past 25 years. This phenomenon is accompanied by many other social, environmental and economic problems. Cocoa farmers are not receiving living wages and the value chain is being squeezed, leaving the cocoa sector’s sustainability at stake.

Cocoa Decline

In Ghana, the world’s second-largest cocoa producer, the cocoa sector once accounted for 25% of GDP. Today this percentage is 7%.

For at least 700,000 farmers in the West African country, cocoa production represents the principal portion of their income (70%-100%).

There is a need to raise awareness about critical issues that are presently not receiving sufficient attention and to thus initiate strategies to ensure the sustainability of the Ghanaian cocoa industry. While the private sector is increasingly aware that sustainable production and community development must be at the core of corporate strategy...
and daily operations, there is also a need to empower producers with better access to knowledge and technology to bridge the economic disparities along the value chain.

Developing a single strategy to tackle all existing problems is challenging and many critical issues exist involving a multitude of actors. Still, there is a way to ensure, step-by-step, more active participation of farmers within the supply chain, to share value with the cocoa industry and to increase their possibilities to earn living wages simultaneously.

THREE-STEP ROADMAP
A roadmap with three main steps forms the basis for an effective response contributing towards a sustainable cocoa sector in Ghana:

- **Share knowledge:** There is already a pool of resources and expertise in the sector along the supply chain that needs to be visible to all. The real impact of sharing knowledge is only palpable if key actors of the value chain agree to participate in the activities to exchange experiences, knowledge and resources.
- **Connect stakeholders:** Brings disparate actors together using innovative technology to reduce obstacles to connecting upstream to downstream participants in the cocoa supply chain.
- **Empower cocoa producers:** Tackles producer problems by developing customized training and tools that contribute to solving the sustainability challenges they face.

This roadmap can be implemented within the framework of a partnership among private, international and national organizations willing to use a collaborative and innovative approach. This collaboration confronts the challenges of the cocoa sector to implement sustainable development practices on a pre-competitive base. The focus of such a partnership should be the well-being of all actors of the cocoa supply chain, especially those at the bottom of the chain, the farmers.

**CHOCOTHON**
The innovative and collaborative Chocothon Initiative is an interesting example of the development and implementation of such a roadmap including the three steps mentioned above. It is based on a partnership between the Trade for Sustainable Development (T4SD) programme of the International Trade Centre (ITC); the Google Food Lab (GFL); Business School Lausanne (BSL); the Future Food Institute; and the Crowdfooding platform.

The first Chocothon mission was held in January 2017 in Accra and Kumasi. The Chocothon team launched the first event that included knowledge-sharing steps throughout a three-day conference. It connected stakeholders by organizing a two-day hackathon, during which programmers, graphic designers, interface designers and project managers collaborated intensively on software innovation projects. As part of efforts to empower producers, an additional event took place in Kumasi, where cocoa producer representatives or producers’ coaches received a three-day training session in the use of market analysis and sustainability-related tools. The objective was to provide producers with better technical assistance regarding sustainable production.

The results indicated that the three-step approach can make a difference. The total number of direct beneficiaries of the Chocothon included 163 actors from the cocoa value chain in Ghana. The indirect figure of beneficiaries includes farmers who are now part of the cooperatives that were trained.

Sharing knowledge made actors in the cocoa sector aware of the challenges faced along the entire value chain. Connecting stakeholders provided software developers with enough information to develop an application, which can help solve one of the challenges identified in the conference; it is to be tested on the ground by buyers and farmers between the first and second phase of the Chocothon.

**EMPOWERING PRODUCERS**
Perhaps more significantly, empowering producers resulted in 27 technicians from local organizations trained by ITC experts in the use of ITC market analysis and sustainability-related tools. Those trained beneficiaries were accredited by ITC as ‘Trainers on the ITC market analysis and sustainability tools’. They will be able to replicate training activities and provide technical assistance to producer cooperatives.

It is true that isolated interventions often have limited impact. However, when collaborative efforts follow roadmaps that allow experts, knowledgeable, buyers, producers, youth and marginalized producers to share, to connect and to empower each other, significant progress towards sustainable production can be achieved. The Chocothon initiative highlighted the relevance of this approach, which can be reproduced in any sector or developing country.

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1. Fewer farmers mean less cocoa.
2. Participants at the Ghana Chocoton discuss new solutions to revive the industry.
Celebrating the world’s MSMEs

World observes first Micro, Small and Medium-Sized Enterprises Day

Micro, small and medium-sized enterprises (MSMEs) are the backbone of every economy across the world. They make up over 90% of all firms worldwide and account for up to 70% of total employment and half of GDP.

It was in recognition of their position and the important role MSMEs can play in achieving the 2030 Agenda on Sustainable Development that the United Nations General Assembly designated 27 June as International Day for MSMEs.

MSMEs are well placed to respond quickly to societal needs. Because they tend to employ a larger share of vulnerable sectors of the workforce - such as women, youth, the poor and those living in rural areas - they foster inclusion and promote income distribution. By putting policies supportive of MSMEs in place, policymakers can help ensure that more people benefit from greater economic growth.

MSME DAY CELEBRATIONS

To raise awareness of MSMEs and their significant contributions, the International Trade Centre (ITC) led an awareness-raising campaign on behalf of the United Nations family which gathered momentum across the world, especially on social media.

ITC also hosted two events to mark the day. A main celebration held in Geneva in partnership with the Permanent Mission of Chile, the Canton of Geneva and the Geneva Chamber of Commerce and Industry. The other was at United Nations headquarters in New York in partnership with Argentina; the United Nations Department of Economic and Social Affairs; and the United Nations Global Compact.

The Geneva event was opened by ITC Executive Director Arancha González and Héctor Casanueva, Chile’s Permanent Representative to the World Trade Organization (WTO), who cited the need to cut red tape that creates barriers for MSMEs to internationalize.

Several entrepreneurs also made contributions. Catherine Fiankan-Bokonga, editor of Kwin magazine and correspondent for broadcaster France 24, led a session with four young entrepreneurs who set out challenges they face in business, as well as opportunities. They also made the link to business as a tool for poverty eradication.

Cattelaya Romero-Faude, founder of Saganà, a Philippines-based company producing coconut sweetener, emphasized that only a responsible business with a conscience can elevate people out of poverty.

‘Any business should have a positive impact on the environment, on health and should please both producers and consumers,’ Romero-Faude said.

CONNECTING PEOPLE

Omar Bawa, co-founder of Swiss social network Goodwall, reminded the audience of the importance of planning for the future when it comes to jobs.

‘Goodwall is about building up the next generation’s employees and workers,’ Bawa said. ‘We are growing with our users and want to help them find their first job, their first meaningful internship.’

Francisco Villalpando Mendiola, co-founder of Villalpando-Mendiola, a tequila producer, pointed to the need for solutions to how MSMEs can better respond to the negative effects of climate change.

‘We recently had snowfall, which caused a spike in agave prices,’ he said. ‘Now we are looking for sustainable alternatives in our industrial production process that will allow us to withstand changes in climate.’

Brian Pallas, chief executive officer and founder of Opportunity Network, pointed out that young people today are less focused on building businesses solely for profit.

‘We want to create jobs. Today, businesses are born for impact,’ Pallas said.

The event also heard remarks from Nicholas Niggl, Director-General, Economic Development, Research and Innovation of the Republic and State of Geneva; Ms. Yvette Stevens, Ambassador and Permanent Representative of Sierra Leone to the UN and the WTO, and Michael Møller, Director-General of the United Nations Office at Geneva.

New York’s MSME Day was marked by a lively high-level discussion led by United Nations Under-Secretary-General Wu Hongbo, who set out on the importance of MSMEs for the business models of multinationals such as Chinese online retailer Alibaba Group.

Agenda
from 7 July 2017

Upcoming events

<table>
<thead>
<tr>
<th>Date</th>
<th>Event Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>7-8 July</td>
<td>12th meeting of the Group of Twenty (G20), Hamburg, Germany</td>
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<tr>
<td>10 July</td>
<td>51st meeting of the International Trade Centre’s Joint Advisory Group 51st, Geneva</td>
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<tr>
<td>10-19 July</td>
<td>High-level Political Forum on Sustainable Development: Eradicating poverty and promoting prosperity in a changing world, New York</td>
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<tr>
<td>11-13 July</td>
<td>World Trade Organization’s Sixth Global Review of Aid for Trade, Geneva</td>
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<tr>
<td>19-21 July</td>
<td>YouthConnekt Africa Summit, Kigali, Rwanda</td>
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<tr>
<td>12 August</td>
<td>International Youth Day</td>
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<tr>
<td>19 August</td>
<td>World Humanitarian Day</td>
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<tr>
<td>12-25 September</td>
<td>UN General Assembly, New York</td>
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<tr>
<td>17-18 September</td>
<td>UN Social Good Summit, New York</td>
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<tr>
<td>19-21 September</td>
<td>10th World Chambers Congress, Sydney</td>
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<tr>
<td>21 September</td>
<td>International Day of Peace</td>
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<tr>
<td>25-26 September</td>
<td>ITC’s 4th Trade for Sustainable Development Forum, Geneva</td>
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<tr>
<td>26-28 September</td>
<td>WTO Public Forum, Geneva</td>
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<tr>
<td>4-6 October</td>
<td>India Economic Summit, New Delhi</td>
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<tr>
<td>6-7 October</td>
<td>World Trade Forum 2017 - ‘Trade Policy in Turbulent Times’, Grindewald</td>
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<td>7 October</td>
<td>UN Geneva Open Day</td>
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<td>9-20 October</td>
<td>World Telecommunication Development Conference (WTDC-17), Buenos Aires, Argentina</td>
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<tr>
<td>9-11 October</td>
<td>UNCTAD’s Annual International Investment Agreements (IIA) Conference, Geneva</td>
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<tr>
<td>11 October</td>
<td>International Day of the Girl Child</td>
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<tr>
<td>13-15 October</td>
<td>Annual Meetings of the International Monetary Fund and the World Bank, Washington, DC</td>
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<tr>
<td>13 October</td>
<td>Launch of ITC’s SME Competitiveness Outlook, Geneva (TBC)</td>
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<tr>
<td>14 October</td>
<td>World Standards Day</td>
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<tr>
<td>16 October</td>
<td>International Food Day</td>
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<tr>
<td>24 October</td>
<td>United Nations Day</td>
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<tr>
<td>25-26 October</td>
<td>ITC’s 17th World Export Development Forum, Budapest, Hungary</td>
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<tr>
<td>6-11 November</td>
<td>Geneva Peace Week, Geneva</td>
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<tr>
<td>6-17 November</td>
<td>23rd Conference of Parties to the UN Convention on Climate Change, Bonn</td>
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<tr>
<td>21-22 November</td>
<td>OECD 2017 Green Growth and Sustainable Development Forum</td>
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<tr>
<td>25 November</td>
<td>International Day for the Elimination of Violence against Women</td>
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<tr>
<td>10 December</td>
<td>Human Rights Day</td>
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<tr>
<td>11 December</td>
<td>11th WTO Ministerial Conference, Argentina</td>
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<tr>
<td>18-21 December</td>
<td>Internet Governance Forum, Geneva</td>
</tr>
</tbody>
</table>

Connecting one million women entrepreneurs to market by 2020

1. Champion. Quality data
2. Enact. Fair policies
4. Strike. Business deals
5. Enable. Market access
6. Unlock. Financial services
7. Grant. Ownership rights

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THAILAND: COMPANY PERSPECTIVES – AN ITC SERIES ON NON-TARIFF MEASURES

The International Trade Centre (ITC) surveyed over 1,000 Thai companies to understand their perceptions of non-tariff measures (NTMs). Overall, 38% of Thai exporters said they are affected by burdensome NTMs. Compliance with technical requirements, administrative hurdles relating to obtaining certificate of origins and border clearance procedures were cited as the key concerns of exporters. The study also found that Thai authorities were taking appropriate measures to address business concerns and facilitate trade.

http://www.intracen.org/publication/NTM-Thailand/

PHILIPPINES: COMPANY PERSPECTIVES – AN ITC SERIES ON NON-TARIFF MEASURES

Trade rules and procedures pose challenges for 73% of surveyed businesses in the Philippines, according to ITC interviews with more than 1,000 exporters and importers. The survey results offer the Philippine government an opportunity to address non-tariff measures in the domestic business environment, based on detailed analysis of challenges across many sectors and markets. The report recommends strengthening the inter-agency National Committee on Trade Facilitation to align and sustain trade facilitation efforts.

http://www.intracen.org/publication/NTM-Philippines/

BENIN: COMPANY PERSPECTIVES – AN ITC SERIES ON NON-TARIFF MEASURES (French)

Three-quarters of exporters in Benin suffer from challenges related to NTMs, according to an ITC survey of 360 companies. Fresh pineapples and fruit juices are among the most affected products. Despite strong export potential, rigorous European Union sanitary standards and neighbouring countries’ surcharges are hampering small businesses. Survey results suggest streamlining certification procedures and greater transparency for customs formalities.

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