

**A New Leader for a New Era:
A WTO agenda for the 2020s**

**New ITC Chief Looks to
Raise the Bar**

**New Zealand: Let's use
trade policy to tackle
the climate crisis**

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A NEW LEADER FOR A NEW ERA: A WTO AGENDA FOR THE 2020s

by Sophia Murphy



Sophia Murphy is the executive director of the Institute for Agriculture and Trade Policy.

“What the new director general needs above all is consummate negotiating skills.”



“It is not a job for the faint of heart, but the breadth of Okonjo-Iweala’s experience and her reputation bode well.”

The search for a new World Trade Organization (WTO) director-general is over after months of uncertainty. With the withdrawal of Yoo Myung-hee on February 5, only one woman is left standing: Ngozi Okonjo-Iweala. She is both the first woman and the first African in the role.

Okonjo-Iweala is an impressive candidate: raised in Nigeria, a graduate of Harvard with a doctorate from the Massachusetts Institute of Technology and a 25-year career at the World Bank, she rose to the highest levels of the hierarchy there, and was then, twice, minister of finance in Nigeria.

In the initial flurry of candidacies, detractors claimed she lacked the necessary trade experience for the job. What the criticism missed was that her experience offers so much more. After all, there are hundreds of trade experts in the WTO secretariat already. What the new director general needs above all is consummate negotiating skills.

“Tailor-Made for Feminist Leadership”

The job is tailor-made for feminist leadership: lead from behind (it is a member-driven organization); look for unlikely alliances; build out from the middle until there is a big enough bloc either to ignore or bring in the extremes; know when to push, and who, and when to let the arguments ripen a little longer; know when to call the national capitals or go on a speaking tour, and when to focus on the roomful of people that can bring the text all but to completion. Challenge vested power, keep personal ego to a minimum, and remember you are in public service.

It is not a job for the faint of heart, but the breadth of Okonjo-Iweala’s experience and her reputation bode well.

The new director general will take office amid tremendous uncertainty and change. The global pandemic has shut down economies around the globe, triggering a sharp rise in hunger and unemployment. Governments are spending public money at unprecedented rates, while many developing countries are starting to seek debt renegotiation because, for many, the pandemic has curtailed primary sources of foreign exchange (tourism, oil, foreign remittances, and overseas development assistance).

The United States Is Now Less of a Headache

One of the bigger headaches for the previous director-general was the United States. Joseph Biden’s victory in the presidential race has ushered in a new administration that has publicly declared its commitment to renewed and more constructive engagement with multilateralism. This is welcome.

But the new WTO chief should note that the Biden Administration has also made strong commitments to act on climate change,



“For all the devilish details, the harbinger of change is indisputable: trade agreements are entering a new era. Citizens want more from their governments on trade.”

improve working conditions, support environmental justice, and end social and racial exclusion. The new administration is acutely aware of the urgency of its domestic agenda and the repairs needed to U.S. democratic institutions. A flurry of executive orders in the first days of Biden’s presidency showed the intended direction, and among the domestic policies in negotiation are proposals to spend significant sums of public money in the domestic economy, and the “Buy American” initiative to favour goods substantially made in the United States.

The policies will challenge the economic orthodoxy that has informed so much of the rhetoric heard at the WTO and reflected in the organization’s agreements and dispute findings.

The challenge to the way things were is not limited to the United States. Another concrete example comes from Switzerland, where, on March 7, citizens voted in a referendum on a proposed trade agreement between the European Free Trade Association (an intergovernmental organization of Iceland, Liechtenstein, Norway, and Switzerland known as EFTA) and Indonesia. The accord contains something new: the promised tariff reductions for Indonesia’s palm oil are conditional on compliance with principles of sustainability.

What Challenges Does the EFTA–Indonesia Trade Deal Face?

The idea sounds simple, although the practice will be complex. [Analysis from Elisabeth Bürgi](#) at the University of Bern raises some of the challenges. For instance, the EFTA market is valuable, but relatively small. Indonesia’s main trading partners are China and the members of the Association of Southeast Asian Nations bloc.

Diverting more sustainable palm oil production to EFTA will not necessarily improve standards more broadly in the market. The agreement proposes to give financial and technical assistance to Indonesia to help the sector comply with the new standards, but the amount of money involved is left unspecified. The new trade deal does not attempt to impose sustainability criteria on financial service providers, which leaves banks and investors from EFTA member states free to continue funding the destruction of Indonesian forests.

Conditional market access also poses clear threats to developing countries’ economic autonomy and inclusion.

For all the devilish details, the harbinger of change is indisputable: trade agreements are entering a new era. Citizens want more from their governments on trade. The social and economic inequalities that have deepened so significantly in recent years have triggered demand for more effective taxation, better protection of decent wages and working conditions, and implementation of polluter-pays principles to regulate the continued systematic destruction of natural resources and ecosystems.

How Can the WTO Tackle Public Hostility Toward Trade?

Imports and exports both play an important role in almost every economy. Economic integration is a fact of modern life. Yet trade and trade agreements are not popular. The power of trade accords is often exaggerated in public debates—sometimes by the same governments that negotiated them. It can be convenient to blame an apparently external force. It is also true that trade policy can be misunderstood, including by heads of state.

Yet, there are reasons for public antipathy to trade. One reason is the now extreme lengths to which secrecy dominates the negotiations. This means too little information circulates, resulting in mistrust. Trade policy is also kept strangely isolated from other areas of government.

For the WTO to realize its lofty mission of sustainable health and prosperity for all, it is crucial that governments acknowledge the interaction of trade with other systems—economic, social, and ecological. The resistance of rich country governments to the proposed waiver on WTO intellectual property rights protection to secure universal access to a COVID-19 vaccine suggests that at least some WTO members do not yet understand the urgent need to strengthen the trade body's capacity to engage in global governance, rather than continue as a favourite redoubt of a narrow, if powerful, set of economic interests.

It's Time for a New Trade Agenda

The new director general of the WTO will need an open mind and plenty of grit. A new trade agenda is long overdue. That agenda will define a role for the WTO in tackling the great challenges of our times, above all, in mitigating climate change and better preparing for adaptation, given the climate-related turbulence ahead. The agenda will need to centre on international cooperation, including both the inequalities in existing economic relationships and the unevenly distributed consequences of climate change.

International economic policies of the last decades, including trade policies, have generated highly concentrated market power and wealth, to the detriment of both well-functioning markets and accountable government. The new agenda should be less concerned with how to increase a member's exports and dictate another country's economic choices, and more focused on how best to protect sustainable production, distribution, and consumption.

The WTO is ready for a new phase of existence, one that is more adaptive, better at listening, more willing to experiment, less orthodox in its economics, more inclusive in its politics, and more respectful of the public it was founded to serve. Ngozi Okonjo-Iweala, you have the floor.

“The new director general of the WTO will need an open mind and plenty of grit. A new trade agenda is long overdue.”



UN Photo/Eskinder Debebe

NEW ITC CHIEF COKE-HAMILTON LOOKS TO RAISE THE BAR

by Jennifer Freedman



Jennifer Freedman is the managing editor of the *Trade and Sustainability Review*.

“We can’t keep doing the same thing we did before because it’s a different landscape.”



The new executive director of the International Trade Centre (ITC) has big dreams and plenty of plans to reach them. Pamela Coke-Hamilton has set the bar high for herself and ITC, which she intends to shape into a more agile, innovative, and fit-for-purpose organization amid a global pandemic that has ravaged the micro, small, and medium-sized enterprises (MSMEs) that are the focus of its work.¹

“The fundamental priority is to keep us strong,” said [Coke-Hamilton](#), who became ITC chief in October. “It is a strong organization and has achieved a lot, particularly over the last 10 years. But the reality is that MSMEs have been devastated by COVID-19, and we can’t keep doing the same thing we did before because it’s a different landscape.”

Small companies account for more than 90% of all businesses and 70% of jobs worldwide, but they’re often the least resilient to crises. This is because they typically have limited cash reserves, smaller client bases, and less capacity than big firms to manage commercial pressures. A [December report](#) by Facebook, the Organisation for Economic Co-operation and Development (OECD), and the World Bank found that 15% of small businesses with a profile on the sprawling social media platform went bankrupt due to COVID-19 between May and November.

Not surprisingly, the pandemic has been particularly harsh on vulnerable groups such as women and young people. These are two of the four areas that Coke-Hamilton has prioritized.

Empowering Women and Youth

Women’s economic empowerment tops her list—and not only because women are bearing the brunt of the economic and social fallout of COVID-19. Giving women the ability to participate fully in economic life across all sectors is vital to achieving gender equality and sustainable development as well as to building stronger economies. Having financial resources also enables women to escape domestic violence and abuse, Coke-Hamilton said.

“When women are more economically empowered, they have greater strength to leave a situation, and they are therefore more independent. That is critical. Women’s economic empowerment is not just about empowering them to earn more money. It’s about life—it’s about strengthening their ability to negotiate in a space that may be dangerous for them.”

¹ ITC, the joint agency of the WTO and the United Nations Conference on Trade and Development (UNCTAD), is the only international organization fully dedicated to supporting the competitiveness of micro, small and medium-sized enterprises.

“It’s important that when we build, we embed. That’s been my driver and that’s my goal.”



Another priority is digital penetration. While e-commerce has ramped up globally due to the pandemic, many people—especially in developing economies—are still not connected to the Internet. Household penetration is just 18% in Africa and 11% in least developed countries (LDCs).

“If you don’t have access, how can you engage with the marketplace? We have to ensure that the first thing that is met is their actual ability to access the internet,” Coke-Hamilton said, adding that she hopes to work with the International Telecommunication Union and the Broadband Commission for Sustainable Development to explore how to help companies get online.

Digital literacy is a serious challenge for MSMEs. Improving basic digital skills is tough enough for small firms, but it’s even trickier when coupled with the rise of technologies such as “Big Data,” the Internet of Things, and cybersecurity. Few small enterprises can afford to compete with large companies to attract and retain scarce digital talents, running the risk of missing out on the huge market potential.

ITC is already working with youth organizations and programs such as the Gambia Youth Empowerment Project² to help young entrepreneurs enter new markets, obtain financing, and find their place in what is becoming a very digital world.

“We’re trying to see how we can deepen and expand our engagement with youth,” she said. “We’re looking at how it can work more in rural areas and engage youth across the spectrum, so we connect them. If we can connect youth in Africa with youth in Latin America and the Caribbean with Asia, we also create an ecosystem that helps them expand their ability to trade, their engagement in terms of learning, and their opportunities for accessing new markets.”

Helping Small Firms Go Green

Coke-Hamilton is also targeting sustainable development and capacity building to help MSMEs prosper after the pandemic. “I don’t believe in helicopter technical assistance. That’s been one of the greatest challenges I’ve had with many organizations that have helped the developing world for a long time. We fly in, we drop the package, we fly out. It doesn’t build any long-term capacity. It’s important that when we build, we embed. That’s been my driver and that’s my goal.”

ITC projects are always designed with an eye to expanding the capacity of beneficiaries and avoiding ad hoc assistance that isn’t tied to overarching long-term plans for economic development.

² See <https://www.intracen.org/yep/>



“We don’t want the green transition to risk leaving out MSMEs if they can’t afford to make the necessary changes.”

Another goal is helping MSMEs go green. An [ITC survey](#) on COVID-19 found greater resilience among companies that had economically viable, socially responsible, and environmentally friendly business practices before the crisis. “I’m very excited about how we can pursue the green recovery,” she said.

Indeed, the next edition of ITC’s flagship report, the *SME Competitiveness Outlook*, will focus on environmental issues, exploring how the lessons of COVID-19 can help small firms build resilience to the effects of rising global temperatures.

“Climate change may be the next big shock,” she said. “The flagship publication will offer specific recommendations to governments, business support organizations, and businesses themselves to capitalize on the opportunities of climate-smart practices and to reduce vulnerability.”

The impact of climate change on island states such as Coke-Hamilton’s native Jamaica has been “devastating. For every step we take forward, every time there’s a hurricane or something happens, we’re pushed 10 steps back.”

ITC recently adopted a “[Green to Compete](#)” strategy to help small enterprises adopt green business strategies, introduce climate-resilient and green practices, and access green markets and green finance. At the business level, this involves advocating for the green transfer of technology and accessible value chains, sourcing, and alignment.³ At the governmental level, it means supporting the collection of green data and market intelligence as well as developing green trade strategies to build better business ecosystems. And at the international level, it requires pushing for green trade agreements—that is, accords that bake meaningful environmental language into the text.⁴

“We’re trying to enhance their low-carbon footprint and see how they can take advantage of being seen as sustainable, to have sustainable exports, to increase their capacity to be more competitive, and also to meet requirements on the voluntary sustainability standards,” Coke-Hamilton explained. “We don’t want the green transition to risk leaving out MSMEs if they can’t afford to make the necessary changes.”

³ ITC supports MSMEs to use resources such as water and energy more efficiently to help them better manage environment-related requirements in supply chains as well as the risks that stem from climate change.

⁴ Many agree that representatives from environmental groups must participate in trade talks and help shape trade deals for a pact to be truly “green.” Environmentalists want to use trade agreements to protect and enforce climate-friendly regulations and legislation, stop offshoring pollution to countries with lower regulations, and support a clean energy economy. See https://institutdelors.eu/wp-content/uploads/2020/11/201109_GreeningTrade4_Lamy-et-al_EN.pdf for recommendations on how to make trade agreements more environment friendly.

She recognizes that “all of this is going to be a huge challenge, because many developing countries are reeling from COVID-19, and the greening of trade strategies and engaging in green markets and green finance is going to be a new undertaking for many of them. But we think it’s the best way for them to build resilience.”

Playing in the Sandbox

While ITC came rather late to the game of helping firms go green, Coke-Hamilton said she has “always been good at playing in the sandbox.” And ITC has an edge: “We bring a particular skill set, which is working directly with MSMEs. How do we translate the measures that have been agreed at the WTO into actual capacity building for MSMEs to be able to meet the requirements and engage in climate-smart activities—that’s our role.”

“We are looking at how to make existing green trade strategies more responsive to MSMEs. It’s one thing to have the strategies, another to have them drilled down to the MSME level—and be part of the conversation,” Coke-Hamilton added.

In December, the informal working group on MSMEs adopted a set of voluntary and non-binding recommendations on what Coke-Hamilton calls the “key issues that hinder the participation of MSMEs in the global economy.” The group, which includes over 90 WTO members, is one of the joint initiatives launched by groups of members alongside the organization’s Eleventh Ministerial Conference in December 2017. The package covers areas such as collecting and keeping information related to MSMEs; customs procedures; access to finance and cross-border payments, and including these enterprises in regulatory development. Coke-Hamilton notes that “these are areas where the ITC expertise is crucial, notably through the interagency Global Trade Helpdesk.”⁵

Array of Challenges

Coke-Hamilton’s goals would be labelled ambitious in the best of times. The added challenges of COVID-19 make them even more difficult—and all the more urgent.

Staggering from the crisis, many donors have signalled that they won’t be able to meet prior commitments or that their plans to expand have been curtailed, Coke-Hamilton said. “We need to figure out how we will fill that gap,” she said.

⁵This multi-agency initiative was created as a user-friendly digital platform (www.globaltradeshelphdesk.org) that empowers MSMEs by providing a one-stop shop where firms can find current trade statistics, export potential estimations, tariffs, regulatory requirements, as well as information about voluntary standards and contact information for key public and private partners. It is a joint project of the ITC, UNCTAD, and the WTO, with the funding and support of various partners.



“What was previously a glass ceiling has now shattered on the floor. So let’s see how we can walk on that shattered glass and keep rising.”

Other key challenges are insecurity in the global trading arena, climate change, and the fact that COVID-19 has exacerbated the debt situation of many countries—especially those reliant on tourism. Funding from the private sector or foundations, partnerships, and creating synergies will be increasingly important for these countries, Coke-Hamilton said.

The uncertain global trading environment is another concern. She believes US President Joseph Biden will re-engage and recommit to multilateralism.⁶ “I’m very optimistic because he could have chosen to not signal, to focus solely on the domestic issues,” she said. “On his first day of office, the United States rejoined the World Health Organization and the Paris Agreement—that says a lot.”

A New Era for Trade

Another new leader, the director-general of the WTO, also has a major role to play.⁷ She will need to tackle longstanding reform issues such as subsidies, special and differential treatment, and the Appellate Body, and “she will need to be fearless,” Coke-Hamilton said, noting with a laugh that “from what I understand, she already is.”

Ngozi Okonjo-Iweala, the former Nigerian finance minister who has now been appointed as WTO Director-General, is “not someone who withers easily,” she added. “My advice to her is to go brave and take it on. I have no doubt that she will be a powerful influence and leader.”

Having a woman steer the WTO for the first time as well as another female chief at ITC⁸ ushers in a new era in trade, Coke-Hamilton said.

“The importance of representation cannot be discounted. It immediately signals that there is a change. It’s not just cosmetic—it’s a fundamental change in what has been a very male-dominated field,” she said.

“My hope is that it signals there is a new game in town and an international gender champion. This will translate to more gender parity in our organizations. What was previously a glass ceiling has now shattered on the floor. So let’s see how we can walk on that shattered glass and keep rising. Let us bring fresh perspectives and increase diversity. As women, we understand what needs to be done and how to do it. And that we will.”

⁶ See Robert Howse’s analysis on Biden and trade in this issue of IISD’s *Trade and Sustainability Review*.

⁷ See Sophia Murphy’s analysis on the new WTO chief in this issue of IISD’s *Trade and Sustainability Review*.

⁸ Coke-Hamilton is the third woman to lead ITC, following Arancha González (2013–2020) and Patricia Francis (2006–2103).



NEW ZEALAND: LET'S USE TRADE POLICY TO TACKLE THE CLIMATE CRISIS

by Charlotte Frater



Charlotte Frater is New Zealand's chief negotiator for the Agreement on Climate Change, Trade and Sustainability in the Trade Negotiations Division of the Ministry of Foreign Affairs & Trade.



Science tells us that climate change is irrefutable, and transformative change in how we produce, consume, live, and work is needed if we are to avoid catastrophic climate change. We know it won't be easy, but it is possible.

New Zealand is committed to accelerating its transition to a low-emissions future and has been working alongside other countries to reduce global emissions to net zero in the second half of the century to keep the 1.5°C target within reach. Given the magnitude and complexity of the climate challenge, we know we must engage all policy levers and tools. And we must do it now.

Prime Minister Jacinda Ardern has identified tackling climate change as a priority for the government, and it is one of the core elements of the nation's COVID-19 recovery plan. This builds on New Zealand's long-standing support for environmental and climate action across successive governments. Indeed, for decades, New Zealand has actively advocated and collaborated on climate change and environmental action with partners in international forums such as the United Nations Framework Convention on Climate Change (UNFCCC), the Montreal Protocol, the International Civil Aviation Organization, and the International Maritime Organization.

New Zealand has also actively sought to advance mutually supportive trade and environmental policies in forums such as the World Trade Organization (WTO), the Organisation for Economic Co-operation and Development, and the Asia-Pacific Economic Cooperation (APEC). As the 2021 APEC host, New Zealand will pursue measures to incentivize sustainability, support green recovery, and tackle climate change as key priorities to generate a green recovery in the wider region.

New Zealand's view is that international trade policy can, and should, play a role in addressing the climate crisis and advancing sustainable development. The preamble to the Marrakesh Agreement is explicit in placing sustainable development at the heart of the WTO's *raison d'être*. The WTO has the transparency and notification mechanisms, the rules framework, and the breadth of members for effective action and real impact.

WTO Ministerial Statement to Target Fossil Fuel Subsidies

Accordingly, New Zealand will continue to argue for multilateral trade action on environmentally harmful subsidies and will again work with like-minded members to advance a ministerial statement on fossil fuel subsidy reform at the next WTO ministerial conference. This statement explicitly signals that reform of fossil fuel subsidies is an international trade issue and encourages information and experience sharing at the WTO.



“We hope that by demonstrating what can be achieved, we can inspire others to join us.”

A multilateral solution, or solutions, for developing trade disciplines to support climate change objectives will always be New Zealand’s overarching goal to drive meaningful change and lasting impact. However, the current pace of progress does not match the urgency of the climate crisis. Therefore, in parallel with our work at the WTO, New Zealand, with a small group of similarly ambitious countries, has also been pursuing a first-of-its-kind plurilateral initiative called the Agreement on Climate Change, Trade and Sustainability (ACCTS).¹

New Zealand’s prime minister, along with leaders from Costa Rica, Fiji, Iceland, and Norway, announced the launch of the ACCTS in September 2019, with Switzerland joining not long after. The ACCTS aims to demonstrate how trade rules and architecture can contribute—in practical and meaningful ways—to combating climate change and broader sustainable development challenges while generating momentum toward eventual multilateral trade rules and outcomes that contribute to the climate change response.

We hope that by demonstrating what can be achieved, we can inspire others to join us.

ACCTS Talks Focus on Four Areas

The ACCTS negotiations cover four key areas:

- Removing tariffs on environmental goods
- Establishing new and binding commitments for environmental services
- Developing guidelines to inform the development and implementation of voluntary eco-labelling programs and mechanisms
- Creating disciplines to eliminate harmful fossil fuel subsidies

The environmental goods pillar aims to incentivize opportunities for trade and investment in environmental goods. It will do so by developing a list of environmental goods that have identifiable and sound environmental end uses or benefits, and eliminating tariffs on them. This will enable ACCTS members to remove a barrier to the uptake of environmental goods and new technologies by consumers and manufacturers.

Similarly, the environmental services pillar of the ACCTS aims to improve access to services that benefit or improve the environment. The ACCTS will identify an updated list of services that goes beyond

¹ See <https://www.iisd.org/articles/time-accts-five-countries-announce-new-initiative-trade-and-climate-change> for IISD’s take on the ACCTS.

“The fossil fuel subsidies pillar is one of the most innovative and groundbreaking areas of the agreement.”

“This is the first time that a detailed legal framework for reforming and eliminating environmentally harmful fossil fuel subsidies will be incorporated into a treaty-level agreement.”

the existing scope of the CPC 94² and captures the expansive and innovative environmental services sector.

The eco-labelling pillar has two key objectives. First, it will establish high-quality and principle-based guidelines to inform the development and implementation of voluntary eco-labelling programs. Second, it will create mechanisms to support the application of the guidelines and provide an avenue for cooperation and collaboration.

Lastly, the fossil fuel subsidies pillar is one of the most innovative and groundbreaking areas of the agreement. The objective is to establish legally binding disciplines to eliminate harmful fossil fuel subsidies. This aligns with the direction set out by leaders in the United Nations’ Sustainable Development Goal (SDG) 12(c) for the rationalization and phase-out of harmful fossil fuel subsidies that encourage wasteful consumption. Our efforts have the potential to make a real contribution to global endeavours to reduce greenhouse emissions and decarbonize the energy sector.

Trade Rules Can Help Eliminate Fossil Fuel Subsidies

The topic of fossil fuel subsidies is not new—a number of political commitments have been made in forums such as APEC, the G20, and the Vulnerable Group of Twenty.³ However, this is the first time that a detailed legal framework for reforming and eliminating environmentally harmful fossil fuel subsidies will be incorporated into a treaty-level agreement.

The case for using trade rules to discipline fossil fuel subsidies is particularly compelling. Globally, countries are subsidizing fossil fuel production and consumption to the tune of more than USD 500 billion a year, and G20 countries alone committed over USD 230 billion in COVID-19 measures to sectors responsible for fossil fuel production and consumption.⁴ These subsidies encourage the ongoing production and use of greenhouse gas-emitting fossil fuels by making them cheaper to produce and buy. They also divert trade and investment from cleaner, renewable energy. These public funds could be spent instead on other sustainable development priorities, including a green COVID-19 recovery.

² Division 94 of the Central Product Classification (CPC 94) provides a definition for environmental services that includes sewage services, refuse disposal services, sanitation services, cleaning services of exhaust gases, noise abatement services, and nature and landscape protection services.

³ The Vulnerable Group of Twenty ministers of finance is an initiative of economies systemically vulnerable to climate change.

⁴ Energy Policy Tracker 2021

“New Zealand is excited by the growing momentum we see in the international community to embrace mutually supportive trade and climate change action.”

According to the 2020 Production Gap Report, production of fossil fuels across the planet must decrease by roughly 6% a year between 2020 and 2030 to limit global warming to 1.5°C.⁵

New Zealand is excited by the growing momentum we see in the international community to embrace mutually supportive trade and climate change action, including recent initiatives by major economies. The ACCTS will be a WTO-consistent treaty and will be open to all other WTO members to join in the future—provided they can meet the standards set out in the agreement. In New Zealand, we describe this as “concerted open plurilateralism.” To this end, we are actively continuing to keep interested stakeholders, including other WTO members, in the loop about the progress being made on ACCTS.

Meanwhile, the ACCTS negotiations continue among the initial six participating countries, with delegations logging in via videoconference from their homes and offices across five time zones. Three rounds of discussions have taken place so far, with the fourth round scheduled to begin in March.

Talks so far have focused on establishing objectives and scope for each pillar, and participants are now delving into the substance. They have begun to put together a list of environmental goods and are considering how to approach difficult issues such as the dual use of environmental goods and services. While the virtual format has had an impact on pace and approach, progress is steady, and New Zealand remains committed to delivering an outcome for COP 26 in November.

By demonstrating how trade and climate objectives can be mutually reinforcing, our hope is that the ACCTS initiative will show what modern trade rules and practices equipped for the future could look like. The ACCTS participants have a big task ahead, but we are all committed to the process and look forward to welcoming others on board in due course.

New Zealand hopes other WTO members will join us in this effort and ensure that trade policy fulfills its promise to help address one of the largest common challenges of our time.

⁵ Production Gap Report 2020.



HARNESSING THE POWER OF DIGITALIZATION FOR TRADE AND THE ENVIRONMENT

By Elisabeth Tuerk and Mariam Soumaré



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Disclaimer: These are the views of the authors and not those of the UNECE secretariat or its member states.

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“One way to enable smarter choices is by using digital solutions to make value chains more traceable and transparent.”



With its devastating impacts, the COVID-19 pandemic offers us a chance to build back better and shape a more resilient and sustainable world. A circular economy transition could pave the way toward a sustainable global recovery, and digitalization could play an important role in this endeavour.

Digital technologies are now embedded in all aspects of our lives and have transformed the fabric of our society. With benefits such as connecting individuals, generating efficiencies, innovations, and economies of scale, the societal opportunities of digitalization are endless.

United Nations Economic Commission for Europe Digital Tools

The United Nations Economic Commission for Europe (UNECE), one of the United Nations’ five regional commissions,¹ offers its member states a wide array of digital tools. Promoting the Sustainable Development Goals and a circular economy² transition are among UNECE’s top priorities.

This article showcases select UNECE digital tools that provide innovative solutions to pursue the following sustainability goals: making value chains more transparent and predictable; reducing food waste and loss; protecting endangered species; fostering sustainable fishing; and promoting the sound management of hazardous waste.

Making Value Chains More Transparent and Predictable

The world continues to use natural resources unsustainably, with a global material footprint rising to 85.9 billion tons³ in the past two decades. The garment industry alone has fragmented value chains and high environmental, social, and health impacts. The sector is growing so rapidly—the volume of clothing being produced is forecast to climb 81% to 102 million tons by 2030—that its impact on the planet is worsening.

To facilitate global sustainability efforts, it must become easier for consumers to make sustainable consumption choices. At UNECE, we believe one way to enable smarter choices is by using digital solutions

¹ Set up in 1947 by the Economic and Social Council (ECOSOC), UNECE was established to promote economic cooperation and integration among its 56 member states. The Secretariat is based in Geneva, Switzerland. The other four regional commissions under ECOSOC are the Economic Commission for Africa, the Economic and Social Commission for Asia and the Pacific, the Economic Commission for Latin America and the Caribbean, and the Economic and Social Commission for Western Asia.

² The theme of the 69th Commission Session of UNECE members states, to be held in April 2021, is “Promoting circular economy and sustainable use of natural resources in the UNECE region.”

³ https://www.un.org/sustainabledevelopment/wp-content/uploads/2020/07/E_infographics_12.pdf

to make value chains more traceable and transparent. UNECE is pursuing this approach in the garment and footwear sector.

UNECE, through UN/CEFACT,⁴ is implementing a framework initiative for “Enhancing Transparency and Traceability of Sustainable Value Chains in Garment and Footwear” in collaboration with the International Trade Centre, and with funding from the European Union. The project aims to help the sector play a stronger role in driving actions toward sustainable production and consumption patterns, and advancing the circular economy. Digital technologies offer huge potential for action.

Improved transparency and traceability of value chains can encourage responsible consumer choice and, indirectly, more sustainable production processes. Value chain traceability is key for eco-design, planning and managing reuse and recycling processes, and effective waste prevention and management. With improved tracking, tracing, and labelling, the garment sector has an opportunity to build back more sustainably.

In January 2020, UNECE began a pilot project in Egypt, Germany, Italy, Switzerland, and the United Kingdom with brands, manufacturers, farmers, and standard-setting bodies to enhance traceability and due diligence in the cotton value chain by implementing blockchain technology and DNA markers. The project seeks to ensure that sustainability and circularity claims are reliable for the entire product journey, from raw material sourcing to branding, retailing, and final consumption. The scope of such technology could reach well beyond the cotton value chain to cover other main fibres and materials, including leather, synthetic fabrics, wool, and cashmere.

Following an event in November that brought together hundreds of stakeholders from the garment and footwear sector, UN/CEFACT agreed to add the project’s Call to Action for approval to its plenary in April.⁵ This is a significant step forward, as it invites all industry

⁴The United Nations Centre for Trade Facilitation and Electronic Business (UN/CEFACT) is a subsidiary, intergovernmental body of UNECE that serves as a focal point within the United Nations Economic and Social Council for trade facilitation recommendations and electronic business standards. For the framework initiative see here: <https://unece.org/trade/TraceabilityforSustainableGarmentandFootwear>.

⁵ As set out in the Call to Action, possible actions include: (a) developing and applying supporting norms and standards; (b) implementing business management systems or instruments for traceability and transparency; (c) establishing supporting fiscal and economic incentives; (d) support to research and development and the scaling up of innovative solutions; (e) increased consumer awareness and education; and (f) multistakeholder collaborative initiatives. Commitments to action(s) should result in one or more of the following: (a) enhanced visibility of compliance with sustainability and circularity requirements by industry actors/partners along the entire value chain; (b) enhanced traceability of the social/environmental/ethical attributes of product(s)/materials along the value chain, (c) a measurable impact on sustainability in value chains over time, eventually verified through life-cycle assessments and/or sustainability certifications; (d) enhanced environmental and socially responsible consumption and production that may be relevant to and inspire other countries



actors to take steps for traceability and transparency using an agreed set of measures, proposed by UNECE and aligned with international commitments toward the 2030 Development Agenda.

Reducing Food Waste and Loss

The world wastes or loses⁶ USD 1.2 trillion on food every year while more than 820 million people across the globe are hungry or malnourished.⁷ These numbers will continue to grow unless we take bold steps. Sustainable Development Goal 2 on zero hunger and Goal 12 on sustainable consumption and production call for responsible choices to accelerate actions and results.

UNECE joined forces with the United Nations Office of Information and Communications Technology to develop FeedUP@UN⁸—a blockchain-powered digital solution to identify, quantify, and trace food lost and wasted along the food supply chain. This solution brings food otherwise lost or wasted back into circulation for economically, environmentally, and socially meaningful use.

UNECE has also published a Code of Good Practice for Reducing Food Loss in Handling Fruit and Vegetables (2019) and a Food Loss and Waste Measuring Methodology for Fresh Produce Supply Chains. These complement FeedUP@UN's food loss and waste reduction efforts.

Protecting Endangered Species

Illicit wildlife trade, along with illegal logging and fishing, is worth at least USD 1 trillion a year. This makes it the fourth-largest global illegal trade after narcotics, counterfeiting of products and currencies, and human trafficking. Criminal networks use forged paper permits to launder illegal trade into the global supply chain.

UNECE, through UN/CEFACT, supports the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES). CITES regulates trade in more than 36,000 species to ensure their survival in the wild while allowing local communities to gain sustainable income from them—for example, through tourism. UN/CEFACT standards allow governments to establish a secure exchange of electronic permits between government

and industry actors/partners; and (e) special attention to small and medium-sized enterprises, small producers, farmers, and other groups including, women, young workers, home-based workers, and migrant workers.

⁶ Food loss happens at all stages preceding retail, i.e., production, distribution, and wholesale. Food waste refers to the decrease in the quantity or quality of food by retailers, food service providers, and consumers (FAO-SOFA, 2019).

⁷ The Boston Consulting Group and the Food and Agricultural Organization of the United Nations.

⁸ For more on the purpose and objectives of FeedUp@UN, see <https://www.youtube.com/watch?v=W6qjIMdqCKs>

agencies, preventing any tampering with documents. Building on these standards, governments are implementing modern, electronic risk-based control systems to combat illegal trade in wildlife and to facilitate legal and sustainable trade.

Electronic CITES permits are already exchanged in pilot projects between the Czech Republic, France, and Switzerland. UNECE supports a European Union project to implement an electronic CITES exchange hub (TRACES eCITES) that will eventually allow the exchange of electronic CITES permits with all EU member states. UNECE also supports several member states that are considering eCITES pilot projects.⁹

Supporting Sustainable Fishing

More than 3.1 billion people depend on fish for almost 20% of their animal protein intake. Overfishing and illegal, unreported, and unregulated (IUU) fishing harm fisheries, livelihoods, and world fish stocks. Illicit fishing accounted for up to 26 million tons of fish in 2016, which represents about 25% of fish harvested annually from the oceans—and billions of dollars.¹⁰

Through UN/CEFACT, UNECE developed the Fisheries Language for Universal Exchange (UN/FLUX), which provides a harmonized message standard that enables fishery management organizations to electronically exchange and access the data needed for sustainable fisheries management. Such data include vessel and trip identification, fishing operations (daily catch or haul-by-haul), fishing data (catch area, species and quantity, date and time, and gear used), landing and sales information, licence information, and inspection data.

UN/FLUX provides timely and accurate data on fishing activities, allowing the sustainable management of fish stocks. It is also an important instrument to combat IUU fishing, which undermines national and regional efforts to conserve and manage fish stocks. As a consequence, IUU fishing inhibits efforts to work toward the goals of long-term sustainability and responsibility.

All member states of the European Union have implemented UN/FLUX, which must be used in the bloc. The North East Atlantic Fisheries Commission (along with Brazil and Thailand) is considering whether to use the system.

⁹ This is part of the joint UNECE & ESCAP (Economic and Social Commission for Asia and the Pacific) Task Force on Pilots for Electronic Permit Exchanges.

¹⁰ UNECE. (2019). *Fisheries Language Universal eXchange (FLUX): The global standard for the exchange of fisheries information*. <https://www.unece.org/fileadmin/DAM/cefact/SustainableFisheriesTeamOfSpecialists/2018/FLUX-Brochure.pdf>





E-waste is now the fastest-growing waste stream in the world.”

Promoting Sound Management of Hazardous Waste

The world produces 400 million tons of hazardous waste each year—almost 13 tons a second.¹¹ The Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal responds to this concern through its three pillars¹² of minimizing the generation, controlling transboundary movements, and promoting the sound handling of hazardous waste.

Before hazardous waste can be exported, the Basel Convention requires the consent of the importing state and any transit state(s), and a contract between the exporter and the disposer specifying environmentally sound management of the waste. A notification procedure must also be established, as well as a confirmation on the final disposal of the wastes involved.

To support the efficient implementation of the convention, UNECE, through UN/CEFACT, developed a standard (UN/eBasel) for exchanging electronic messages. This means transboundary movements of waste and its disposal/exchange can be tracked and traced electronically in compliance with the convention, greatly facilitating legal movements. Pilot implementing countries include Austria and Switzerland.

The Basel Convention Plastic Waste Amendments became effective in January 2021, so UNECE’s eBasel work streams will also become relevant for global efforts to combat plastic pollution.

Challenges: Resource use, e-waste, governance, and leadership

While digitalization provides many opportunities, not everything is rosy. Although major efforts have been made to curb unsustainable and environmentally damaging practices, demand for technological services and devices has scaled up the extraction of rare earth minerals and other precious minerals. Added to this is the e-waste resulting from heavy tech consumerism and outdated equipment.

E-waste is now the fastest-growing waste stream in the world.¹³ It is worth at least USD 62.5 billion annually—more than the gross domestic product of many countries. Furthermore, the massive use of energy to operate blockchain technology is expected to affect the environment due to the high carbon footprint of mining cryptocurrencies such as Bitcoin.

¹¹ The World Counts. (n.d.). *Tons of hazardous waste thrown out*. <https://www.theworldcounts.com/challenges/planet-earth/waste/hazardous-waste-statistics/story>

¹² More specifically, the three pillars are to: (i) minimize the generation of hazardous wastes in terms of quantity and degree of hazard; (ii) control transboundary movements (i.e. imports/exports) of hazardous wastes and other wastes (conditions and the prior informed consent by States involved); and (iii) to promote the environmentally sound management (ESM) of hazardous wastes and other wastes.

¹³ http://www3.weforum.org/docs/WEF_A_New_Circular_Vision_for_Electronics.pdf

Effective leadership and governance are needed not only to ensure that digitalization policies are implemented with ethical and democratic objectives but also to narrow the digital divide.”

While digitalization enables the development of smart solutions to tackle pressing global problems, it also raises governance issues related to privacy and data. Effective leadership and governance are needed not only to ensure that digitalization policies are implemented with ethical and democratic objectives, but also to narrow the digital divide—a phenomenon depriving poorer parts of the world of essential digital resources for development.

That is a key reason behind our focus on development. In our quest to promote sustainability through digital solutions and in line with UN values, UNECE specifically targets 17 program countries in Central Asia, Caucasus, and the Western Balkans that are transitioning to market economies.



BIDEN TIME ON FOSSIL FUEL SUBSIDIES?

By Ronald Steenblik and Peter Erickson



Ronald Steenblik is an IISD senior fellow and former OECD special counsellor for fossil fuel subsidy reform. **Peter Erickson** is director of the Climate Policy Program at the Stockholm Environment Institute.

“One area in which Biden has expressed a need for progress is phasing out fossil fuel subsidies.”



On January 20, 2021, the afternoon that he moved into the White House, U.S. President Joseph Biden issued a [statement](#) accepting the 2015 [Paris Agreement](#) of the United Nations Framework Convention on Climate Change (UNFCCC), including “every article and clause thereof.” The prior administration had formally withdrawn from the agreement. Biden’s act signalled that the United States was looking to play a constructive role in international climate dialogues.

One area in which Biden has expressed a need for progress is phasing out fossil fuel subsidies. Already in the [Biden Plan for a Clean Energy Revolution and Environmental Justice](#), released last summer, he called for ending subsidies for fossil fuels, pledging to

build on the achievements of the Obama–Biden Administration to get G20 countries to phase out inefficient fossil fuel subsidies. By engaging key leaders, including in China, Biden will secure a global commitment to eliminate fossil fuel subsidies by the end of his first term. He will lead by example, with the United States cutting fossil fuel subsidies at home in his first year and redirecting these resources to the historic investment in clean energy infrastructure (outlined in Part I of this plan).

Biden took a first step toward this goal just one week after taking office. In his [Executive Order on Tackling the Climate Crisis at Home and Abroad](#), he called for ending international financing of carbon-intensive fossil fuel-based energy and instructed government officials to identify any fossil fuel subsidies provided by their respective agencies to ensure that “federal funding is not directly subsidizing fossil fuels.” The administration will also seek to eliminate fossil fuel subsidies from its budget request for fiscal year 2022 and thereafter.

Absent from the executive order, though, was any call for a global commitment to end all fossil fuel subsidies, not just international financing for fossil fuel-based energy. Is the Biden Administration still looking to procure such a commitment? If so, in which forum or forums? And will it be binding? Second, how likely will the United States be able to meet those commitments itself—a prerequisite for assuming any kind of leadership role on the issue?

Many Promises, None of Them Binding

To date, several institutions of which the United States is a member have made non-binding commitments relating to fossil fuel subsidies. Surprisingly, the Paris Agreement is silent on the issue, even though the 1997 [Kyoto Protocol](#) to the UNFCCC urged signatories to undertake a “progressive reduction or phasing out of market imperfections, fiscal incentives, tax and duty exemptions, and subsidies in all greenhouse gas emitting sectors.”

“Thankfully, the United States’ disengagement from international efforts to reduce fossil fuel subsidies did not halt progress.”

The stakes were raised significantly in 2009, however, when Biden was vice president under U.S. President Barack Obama. At the G20 meeting, hosted by the United States in September of that year, leaders pledged to “rationalize and phase out over the medium term inefficient fossil fuel subsidies that encourage wasteful consumption.”

Less than two months later, the leaders of the Asia-Pacific Economic Cooperation (APEC) forum (whose members include eight G20 economies) adopted [a similar non-binding commitment](#). Neither group defined any of the key terms—“medium term,” “inefficient,” or even “fossil fuel subsidies”—though the members of the G7 (all also members of the G20) [reaffirmed this pledge](#) in May 2016 and set a date of the end of 2025 to attain it.

The Obama Administration played an important role in pushing the reform agenda over 2009–2016, volunteering for the first pair of G20 peer reviews and helping to fund a spate of peer reviews of non-G20 APEC members. As part of [its own peer review](#), which took place in parallel with China’s, in 2016, the United States signalled that it wanted to scrap 16 policies, mainly federal tax breaks for oil and gas producers. But eliminating those tax breaks could only be done by Congress, and not enough legislators were willing to do that.

United States Takes a Step Backward

The subsequent Trump Administration showed no interest in reforming fossil fuel subsidies and famously refused to endorse communiqués by the G7 and G20 calling for greater climate action. From career civil servants, however, the message was more nuanced, essentially: “We’ve done our G20 peer review; we encourage other countries to do the same.” Hard questions such as “Well, how many of the promised reforms have you been able to accomplish?” were not asked.

Thankfully, the United States’ disengagement from international efforts to reduce fossil fuel subsidies did not halt progress. U.S. financing of APEC peer reviews of its non-G20 members’ fossil fuel subsidies ended, and no additional reviews took place after the first quarter of 2017. But four more G20 peer reviews occurred (Germany and Mexico, and Indonesia and Italy), and Argentina and Canada have agreed to do theirs.

Meanwhile, the United Nations’ Sustainable Development Goals (SDGs), adopted in 2015, were made actionable by the UN General Assembly in July 2017 in the form of a resolution that identifies specific targets for each goal. SDG [12.c.1](#) reads, in part:

Rationalize inefficient fossil fuel subsidies that encourage wasteful consumption by removing market distortions, in accordance with national circumstances, including by restructuring taxation and phasing out those harmful subsidies, where they exist, to reflect their environmental impact.

“If Biden wants to establish a legally enforceable commitment on ending fossil fuel subsidies that applies to a critical mass of countries, there are relatively few pathways available.”



Unlike some other SDGs, 12.c.1 does not specify a date by which it should be achieved, though many assume it to be 2030. National reporting on the [indicators](#) for measuring progress toward the SDG targets—which, like the targets themselves, is “voluntary”—has already started.

What Can Biden Do About Fossil Fuel Subsidies?

Now that the United States plans to be more proactive in addressing the climate challenge, what can it do at the international level on fossil fuel subsidies?

As a start, the Biden Administration could help revive and complete the APEC peer reviews, perhaps institute a process for regularly reviewing progress toward commitments made in those reviews, and call for a freeze on new subsidies. In both APEC and the G20, it could push for a “date certain”¹ for the phase-out of fossil fuel subsidies. It can notify its fossil fuel subsidies to the UN Environment Programme, the custodian of SDG 12.c.1. And, while it’s at it, the United States could set an example for others by including fossil fuel aid in its subsidy notifications to the World Trade Organization (WTO).

But if Biden wants to establish a legally enforceable commitment on ending fossil fuel subsidies that applies to a critical mass of countries, he has relatively few pathways available.

Most of the intergovernmental organizations to which the United States belongs do not provide mechanisms for enforcement. The G20 works through peer pressure and has no enforcement mechanism. APEC’s *modus operandi* is similar. The Major Economies Forum (MEF) on Energy and Climate, which includes many G20 members, last met in 2015. Biden plans to hold a MEF Summit on Earth Day, April 22, at which fossil fuel subsidies will presumably be among the topics. But it is difficult to see that group adopting anything binding, either.

Best Path May Be Through the WTO

That leaves the WTO, the only intergovernmental organization with disciplines (binding rules) on subsidies and mechanisms for enforcing them and arbitrating disputes.²

¹ For a definition of date certain, see <https://www.investopedia.com/terms/d/datecertain.asp>

² The Organisation for Economic Co-operation and Development has had mixed success in the past in getting governments to develop disciplines on subsidies for shipbuilding and steel, but enforcement and dispute settlement would have been done via the WTO. See Fabrizio Pagani, *The OECD Steel and Shipbuilding Subsidy Negotiations: Text and Legal Analysis* (London: Cameron, May 2009).

At the WTO's 11th Ministerial Conference in December 2017, trade ministers representing 12 WTO members issued a [joint statement](#) seeking “to advance discussion in the World Trade Organization aimed at achieving ambitious and effective disciplines on inefficient fossil fuel subsidies that encourage wasteful consumption.”

Not much has since happened on that front. But a push from the United States, perhaps working with the European Union, might get the ball rolling, for example, by launching an informal dialogue at the organization's next ministerial conference (MC12) on how fossil fuel subsidies could be regulated more effectively through the WTO.³

Meanwhile, six WTO members—Costa Rica, Fiji, Iceland, New Zealand, Norway, and Switzerland—have started negotiating a plurilateral [Agreement on Climate Change, Trade and Sustainability \(ACCTS\)](#),⁴ one component of which intends to develop new disciplines on the parties' fossil fuel subsidies. New participants will not be invited to join until after the six reach an agreement, but the Biden Administration could at least initiate preparatory discussions for eventually joining it.

Can Biden Get His Own House in Order?

Meanwhile, the administration must get its own house in order if it wants to have credibility when asking other countries to end their fossil fuel subsidies. John Kerry, Biden's special envoy for climate, acknowledged as much during a press conference accompanying the president's executive order of January 27, 2021.

Ending federal financing of fossil fuel subsidies, including export credits, is within the purview of the executive branch. But changes in taxes favouring fossil fuel producers require Congress's assent, which is not guaranteed. Obama also tried, unsuccessfully, to remove tax breaks for fossil fuels when there was a bigger Democratic majority in the Senate. Today, Biden's own political party controls only slim majorities in both houses of Congress. There is also the problem of incentives provided by the individual states, over which neither Congress nor the president has much influence, other than moral suasion.

The world should welcome the United States back among the comity of nations serious about tackling climate change. But the Biden Administration will also need to adjust its international strategy in light of developments over the last four years, when it was largely absent from the table, and demonstrate it is capable of achieving tangible progress at home.

³ See, for example, <https://www.iisd.org/gsi/subsidy-watch-blog/can-wto-tackle-fossil-fuel-subsidies>

⁴ See Charlotte Frater's article on ACCTS in this issue of IISD's *Trade and Sustainability Review*.

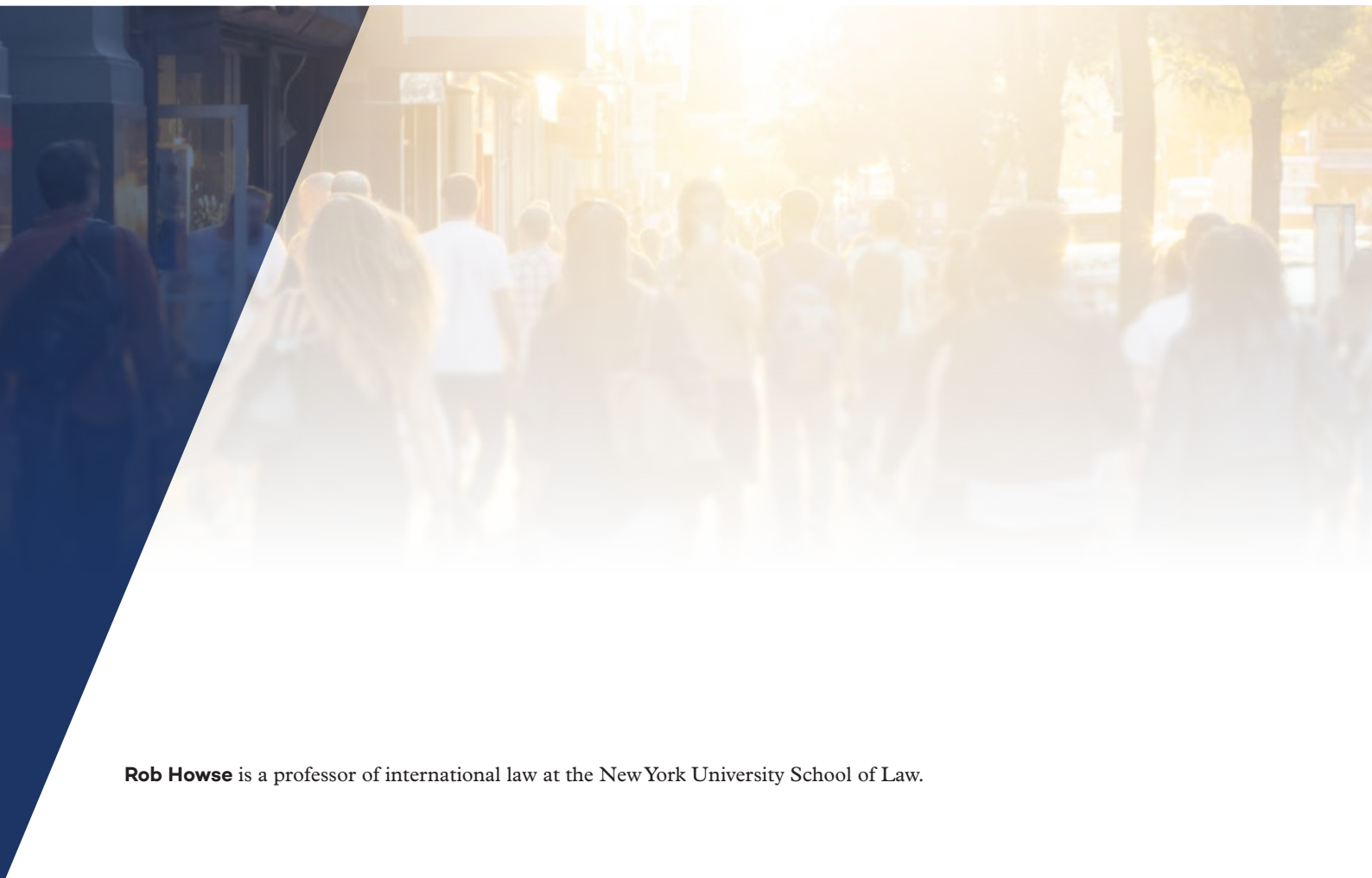


“The administration must get its own house in order if it wants to have credibility when asking other countries to end their fossil fuel subsidies.”

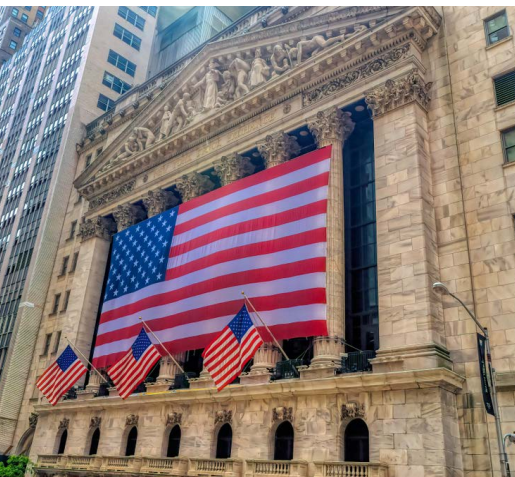


PUTTING AMERICAN WORKERS FIRST FOR ONCE: BIDEN'S TRADE POLICY

By Rob Howse



Rob Howse is a professor of international law at the New York University School of Law.



As President Joseph Biden looked on after introducing her as his choice for United States Trade Representative (USTR), Katherine Tai set forth the Biden Doctrine on trade: “Trade is like any other tool in our domestic or foreign policy. It is a means to create more hope and opportunity for people.”

As Tai elaborated in a later speech, trade policy “starts with recognizing that people are not just consumers—they are also workers and wage earners.” Gone is the cosmopolitan commitment to globalization and free trade as ideals that marked the Democratic administrations of Bill Clinton and Barack Obama. Rejecting that outlook by implication, leading Biden adviser Jake Sullivan declared that trade policy “should involve a laser focus on what improves wages and creates high-paying jobs in the United States, rather than making the world safe for corporate investment.”

The consequences of the Biden Doctrine are multiple:

- Unless backed by unions and offering breakthroughs on labour standards or climate change, the Biden Administration will not be interested in joining mega-regional trade deals like the Trans-Pacific Partnership or restarting negotiations on one with Europe. These kinds of deals are widely perceived as driven by large corporate interests and likely to facilitate further offshoring rather than bringing jobs home.
- The Biden Doctrine will keep the peace on trade within the Democratic Party because it corresponds closely with the views of progressives like Bernie Sanders and Elizabeth Warren.
- For those more radical on the left, who would want the trading order redesigned to address inequality, punish multinational capital, and deliver global justice, the Biden Doctrine is likely to be as disappointing as it will be to the ideological free traders. Such projects are simply, for immediate policy purposes, too removed from “a laser focus on what improves wages and creates high-paying jobs in the United States.” One will not, for instance, expect the new administration to support the proposed waiver of some provisions of the World Trade Organization's (WTO's) Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) waiver¹ for COVID-19, though it may be open to alternative ways of helping poorer countries fight the pandemic.
- While U.S. multinationals, especially Big Tech, Big Pharma, and Wall Street, may not like the notion that they no longer own U.S. trade policy, big business has many issues on which it

¹ South Africa and India have submitted a proposal to the WTO's TRIPS Council for a temporary waiver of certain obligations to facilitate an appropriate response to COVID-19. The United States and Europe were among those blocking the move. See news briefs in the first issue of IISD's *Trade and Sustainability Review* for more details.

“Some business interests may be disappointed, but what the Biden Administration can offer them is something valuable: stability.”

will be facing off with the new administration—regulations and taxes foremost among them. They will not waste their resources in trying to have Biden reverse course on trade.

- Trade policy will not be left to trade officials and experts. As trade is a tool for both foreign and domestic policy, major decisions on trade will involve, among others, the National Security Council and the State Department, and likely also the departments of Labor, Defense, and the Environmental Protection Agency. Based on their statements so far, there is no daylight on trade among Biden’s recently-confirmed USTR (Tai), his recently-confirmed Secretary of State (Antony Blinken), and his newly-appointed National Security Adviser (Sullivan).

Tough Stance on China

At his confirmation hearing in the Senate, Blinken embraced the Trump Administration’s “basic principle” of the need to be tougher on China, even if he did not endorse all of Trump’s methods.

Treasury nominee Janet Yellen promised at her own confirmation hearing the use of a “full array” of tools to counter China’s “illegal unfair and abusive economic practices.”

Whatever the doubts about Trump’s “methods,” removing his China tariffs right now would send the wrong signal, i.e., while China is waging “genocide” (Blinken’s words, now endorsed by Biden himself) against the Uyghurs, oppressing Hong Kong, and sabre rattling at Taiwan. Nor does the administration have to make any immediate decision concerning the fate of the Trump Administration’s Phase I trade deal with China.

Some business interests may be disappointed, but what the Biden Administration can offer them is something valuable: stability. Using conventional legal tools to confront China (antidumping duties, WTO litigation, etc.) rather than erratic tariff increases, arbitrarily targeting some products, and exempting others, is itself stabilizing—and supply chains have already adapted to the existing Trump China tariffs, affected interests have absorbed the shock or pain).

Complex ongoing issues such as TikTok and Huawei, which involve genuine security concerns, and in some cases relations with U.S. allies, will be handled on a case-by-case basis. One can expect more transparency, stakeholder consultation, and rational interagency discussion than under the Trump Administration, but it would be wrong to think that, across the board, outcomes will be less restrictive or hawkish. They are likely to be less arbitrary and volatile (relative to the Trump era, with transactions seemingly banned one day that are exempted the next and vice versa). That may be an outcome that Wall Street, as well as most China hawks, can live with.

As for regaining America’s competitive edge relative to China, Biden has been clear that requires a rebuilding of the domestic industrial economy, based on the national policies of his “build back better.” While the pro-globalization crowd at economics think tanks like the Peterson Institute for International Economics may be dejected by Biden’s lack of enthusiasm for cosmopolitanism and economic globalism, they can also be reassured that the administration will not be trying to out-Trump Trump, as it were, by redoubling efforts to achieve reshoring through even higher tariff walls.

The “Buy American” dimension of Biden’s national economic policy may clash with the idea of open procurement markets, but U.S. commitments under the WTO’s plurilateral Government Procurement Agreement are already limited and could be further restricted without altering the commitment to the basic WTO system. This, in fact, brings us to the WTO.

How to Deal With the WTO?

The parting shot of the Trump Administration in its campaign against the WTO was blocking the consensus to appoint Ngozi Okonjo-Iweala, the Nigerian economist and politician, as the new director-general. To add insult to injury, Trump USTR Lighthizer claimed that Okonjo was not qualified on issues of trade because her international career had focused on development. (The United States preferred the Korean candidate, also highly qualified but—like Lighthizer—a trade lawyer).

The recent news that the South Korean candidate, Trade Minister Yoo Myung-hee, has now exited the race and that Okonjo-Iweala has now taken office will allow the WTO to go about its business with a new head. It also signals that the administration won’t follow Trump in actively disrupting the organization’s functions.² A similar, though weightier, step would be to stop blocking new appointments to the WTO Appellate Body (AB), the practice that led to the AB’s paralysis, as is well known. Starting a normal process to fill vacancies would allow the United States to pursue its concerns about AB “judicial overreach” constructively by weighing in on new appointments.

While the need for radical reform of the WTO became a frequently repeated mantra during the Trump Administration, a widely supported package of changes has never materialized and it was often just a desperate response to Trump’s threats against the organization. There is almost no agreement or overlapping consensus among members about the direction the WTO should take—if, indeed, it

²The press release from the Office of the U.S. Trade Representative is available at <https://ustr.gov/about-us/policy-offices/press-office/press-releases/2021/february/office-united-states-trade-representative-statement-director-general-world-trade-organization>.



needs to change direction. The call for radical change may be little more than a knee-jerk reaction to the apparent crisis in the WTO provoked by Trump's disruptive trade policies.

The Biden Administration would waste valuable resources and political capital trying to lead an overhaul of an institution divided about how it should change but able to function well on a day-to-day basis. Despite the disruption of the AB and the threat that the Trump trade wars would spill out into a generalized descent into protectionism, rules-based trade has held up rather well (as it did through the 2007–2011 financial crisis). In the COVID-19 emergency, the WTO proved agile in responding to the danger of beggar-thy-neighbour trade responses to shortages of needed medical supplies.

One area where the Trump Administration teamed up with others (Japan and the European Union [EU]) to push for WTO reform is subsidies and state enterprises, where the real target was China. But the Biden Administration has its own ambitious plans for industrial policy. Who would agree to rein in state aid during a pandemic when governments are spending flat out to prevent economic devastation?

On the other hand, where the existing WTO agenda provides opportunities to advance the administration's climate change plans, one would expect those to be taken up—though with realistic expectations. Decades of talks have produced little progress, for instance, in the environmental goods negotiations (which are now pursued on the WTO sidelines as plurilaterals). Introducing issues like carbon border adjustment and carbon taxes into WTO politics will likely only increase tensions with high-carbon-emitting members. Better to resolve disagreements in dispute panels, applying precedents like “shrimp-turtle”³ that give WTO members wide berth to take measures conserving the environment.

Biden's USTR choice Tai is an experienced WTO litigator. Instead of reform, one can expect a renewed emphasis on bringing trade spats into the WTO dispute settlement process, including with China, and using unilateral trade remedies with an existing statutory basis as a major tool in dealing with China's economic practices. The United States will end up defending its use of trade remedies at the WTO when challenged by China. In the current climate, where using classic remedies seems to stabilize or limit trade conflicts, WTO panels or a renewed AB may well evolve a more hands-off approach that gives some deference to domestic agencies applying these often unclear, open-ended, and ill-defined rules. A reason for the Biden Administration to invest in a revived AB is the advantage of a standing judicial body committed to such an approach.

³This refers to a 1998 WTO ruling on a U.S. trade ban designed to protect endangered sea turtles. See https://www.wto.org/english/Tratop_e/envir_e/edis08_e.htm



“No common front between Europe and the Biden Administration on Chinese economic practices is likely to be forthcoming.”

Relations With the European Union

The European Commission threw an immediate curveball into any plan for a US-EU partnership on global economic matters by concluding an agreement on investment⁴ with Beijing before the Biden Administration had a chance to propose a trans-Atlantic agenda on China. Sullivan responded on Twitter, politely but meaningfully: “The Biden-Harris administration would welcome early consultations with our European partners on our common concerns about China’s economic practices.”

Brussels pushed ahead with the deal anyhow, following Beijing’s pace, and egged on by Germany and its auto industry. The accord, parts of which have only recently been published (and which still must be approved by the European Parliament), may not as a legal document compromise any American interests. But it invites Europe’s firms to depend more on China, which will make European pushback against China on human rights and security matters more costly and politically difficult.

In any event, no common front between Europe and the Biden Administration on Chinese economic practices is likely to be forthcoming. That will lead to less questioning or dilution of hawkish U.S. responses to China. Nor is it likely that Biden will revive negotiations on an EU–US comprehensive trade deal, if only by virtue of the administration’s fundamental position of not moving forward with those kinds of agreements until its main domestic economic policies are up and running.

Some of the issues that the Biden Administration will have to address with Europe concern mixed and/or member state competences, such as the regulation of data and Internet platforms like Facebook and Google. The same goes for digital taxes, where the Organisation for Economic Co-operation and Development is the likely forum for collaboration. Instead of large deals with Brussels, one should rather expect professional and persistent bilateral economic diplomacy, issue by issue.

Tackling Sanctions on Iran and Cuba

The Trump Administration “has been more enthusiastic than any other in history” in its use of sanctions, the *Economist* wrote in 2019.⁵ The magazine was referring here to financial sanctions, but the same is probably true for those that target trade and investment. The purported reasons range from human rights to corruption to national security.

⁴ For details, see https://ec.europa.eu/commission/presscorner/detail/en/ip_20_2541

⁵ See Donald Trump uses sanctions more keenly than any of his predecessors. (2019, Nov. 24). *The Economist*. <https://www.economist.com/united-states/2019/11/24/donald-trump-uses-sanctions-more-keenly-than-any-of-his-predecessors>

Sanctions can scare off financial institutions or businesses that don't even have direct relationships with the targeted entities because indirect or hidden links could ensnare them in a net of liability. While some Trump sanctions might correspond to Biden Administration concerns, at least on the human rights front (those related to China's treatment of the Uyghurs, for instance), in many cases appeals for sanctions to be lifted come not only from businesses, but also from activists concerned that the real victims may well be ordinary people in the countries sanctioned. U.S. sanctions on Iran have often been considered a humanitarian disaster.

Bloomberg has reported that Wally Adeyemo, Biden's pick for deputy secretary of Treasury, intends to conduct a full review of the department's sanctions activities. In the case of Iran, Sullivan and indeed the president himself have signalled the administration will remove sanctions on Iran if Tehran reverses the steps in its nuclear program that have broken out of the nuclear deal's constraints. Of course, many U.S. sanctions are not related to the nuclear program, and the administration has offered to engage Iran in broader security talks, including regional security, that might lead to further opening of economic relations between the two countries (as well as a welcome reduction of tensions).

Cuba is another case where, on sanctions, the Biden Administration will likely move in the opposite direction from Trump. Obama tried to make an opening toward normalizing relations with Cuba but was limited by statutory constraints. Now that the Democrats control both houses of the legislature, those constraints could be lifted. Progressives in the administration will favour an opening to Cuba, as even do younger generations of Cuban-Americans. Since older Cuban exiles are apt to remain Republican voters no matter what, there is little political downside in an overture to Cuba.

Investor–State Dispute Settlement

A key battleground on globalization in recent years has been investor–state dispute settlement (ISDS), at least in its current form of ad hoc decisions by arbitrators rooted in the corporate legal world. The Trump Administration—led here by Lighthizer—adopted much of the critique promoted by anti-ISDS activists, progressive politicians like Warren, economist skeptics like Joe Stiglitz, and an increasing number of governments that have been harassed and sometimes fleeced by ISDS claims. (Obama, in the context of defending the United States being part of Trans-Pacific Partnership, had nothing but good words to say about ISDS).

Apart from grandfathered or “legacy” claims, ISDS in the United States–Canada–Mexico Agreement was scaled back to disputes between the United States and Mexico where a contract exists and

“Biden, sharply breaking with Obama, has rejected ISDS in no uncertain terms.”

limited to certain sectors such as natural resources. It was further hemmed in through an exhaustion of domestic remedies clause and limits on the grounds of a claim (no claims for regulatory takings).

Biden, sharply breaking with Obama, has rejected ISDS in no uncertain terms: “I don’t believe that corporations should get special tribunals that are not available to other organizations,” Biden wrote. “I oppose the ability of private corporations to attack labour, health, and environmental policies through the investor–state dispute settlement process, and I oppose the inclusion of such provisions in future trade agreements.”

His reference to “special tribunals that are not available to other organizations” apparently leaves open a window to support any option on the table at the United Nations Commission on International Trade Law’s⁶ ISDS reform negotiations under Working Group III that would contemplate an investment court where stakeholder besides investors have standing (something the European Commission has indicated it is now okay with). At the same time, the reference to *future* trade agreements suggests the administration is not up for doing anything so radical as denouncing existing U.S. international investment agreements with ISDS.

Still, as these come up for renewal and renegotiation, and as the State Department eventually gets around to drafting a new U.S. model bilateral investment treaty, Biden’s position will lead to a significant change of course going forward.

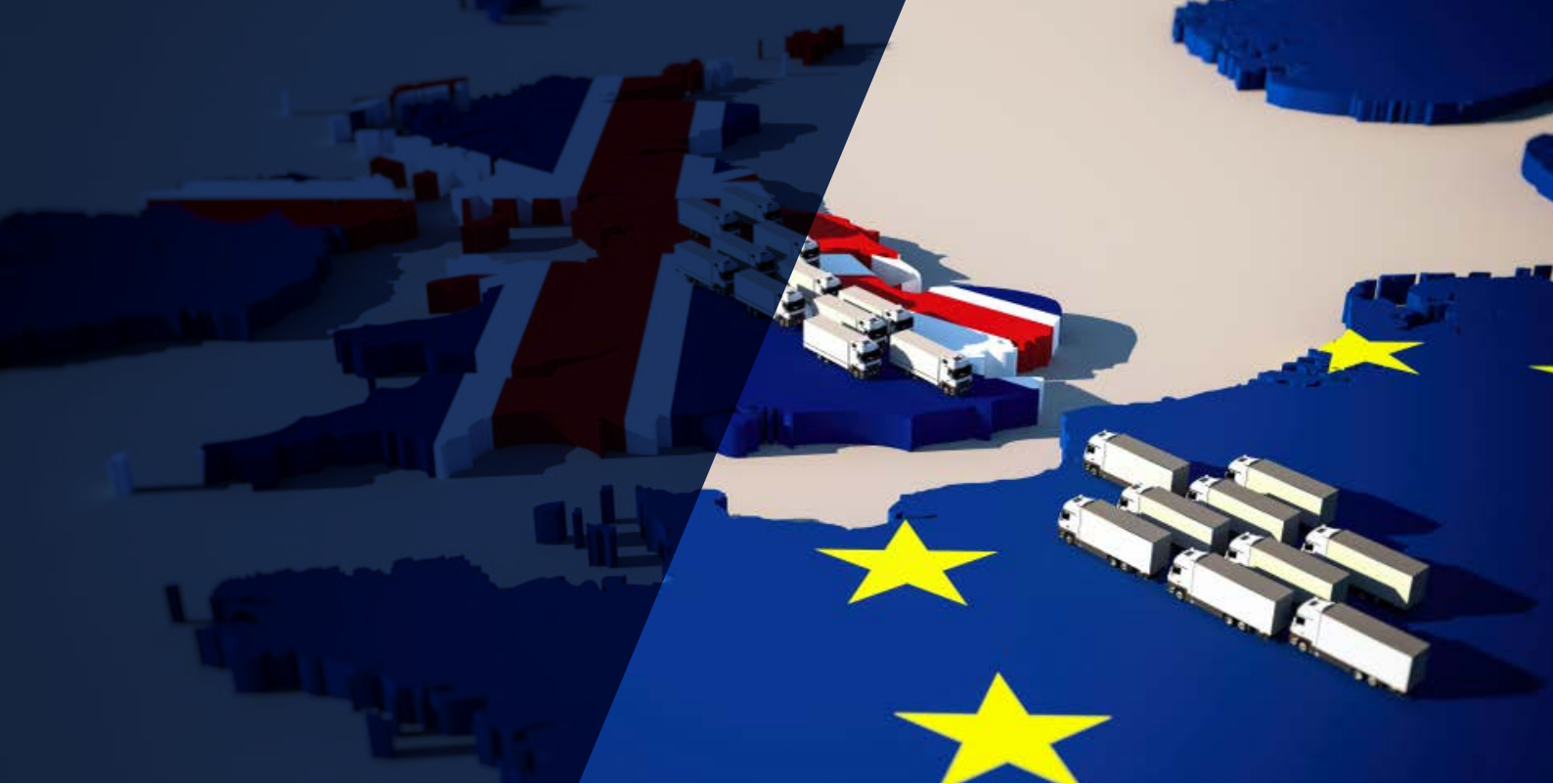
Juggling Four Crises

Biden has said he sees himself as confronting four crises: the pandemic, the related economic and work crisis, climate change, and the crisis of race relations in America. Battered as much perhaps by Trump’s tweets as his tariffs, much of the “trade world” believes the trading system is in an acute crisis.

But from the perspective of Biden’s four crises, things look rather different.

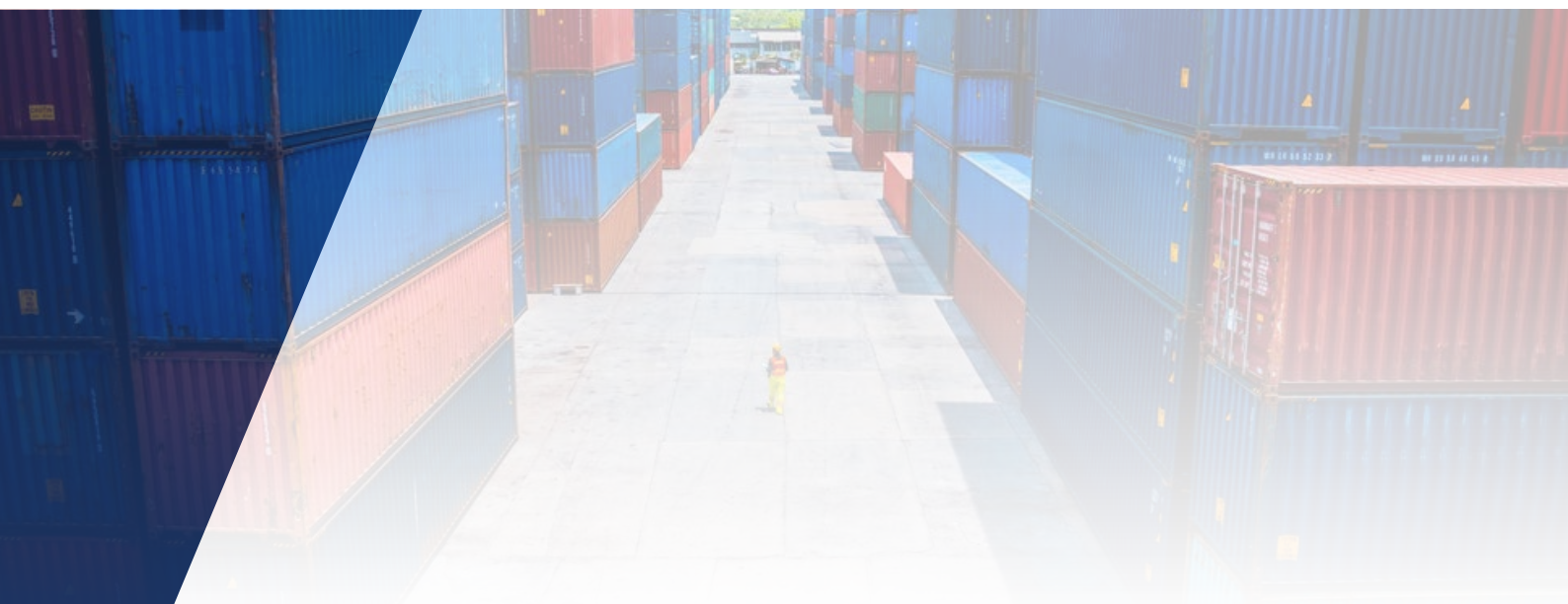
Last autumn, the WTO predicted that world trade would bounce back significantly in 2021—faster, indeed, than GDP. That supports the view that “fixing” the trading system is less urgent than domestic economic salvage. In a way, that is good news, because any major steps on reforming the trading order would entail a significant rapprochement with Beijing. The Uyghurs and Hong Kong are just two reasons why that is not on the horizon.

⁶ A subsidiary body of the United Nations General Assembly responsible for helping to facilitate international trade and investment.



WHAT DOES THE BRITISH-EU TRADE DEAL MEAN FOR LEAST DEVELOPED COUNTRIES?

By Michael Gasiorek



Michael Gasiorek is a professor of economics at the University of Sussex as well as the director of the UK Trade Policy Observatory.



The Trade and Cooperation Agreement (TCA)¹ between the United Kingdom and the European Union (EU) was signed at the 11th hour at the end of December in 2020 and came into force on January 1. This accord, which will govern British–EU trade relations for the foreseeable future, is a free trade deal like no other—rather than liberalizing trade, it increases trade barriers between the two sides.

What implications might this have for least developed countries (LDCs) and their trade in goods with Britain and the EU?

In considering this question, it is worth bearing in mind two other relevant aspects. First, Britain can now set its own tariffs on third countries (the UK Global Tariff)—and has chosen to reduce tariffs relative to the EU’s Common External Tariff. Second, and as part of that sovereignty over tariffs, Britain has chosen to replicate almost exactly the EU’s Generalised Scheme of Preferences toward LDCs. In doing so, it has three country groupings: the LDCs, the General Framework countries (low- and lower-middle income), and the Enhanced Framework countries (low- and lower-middle income + economically vulnerable).

Regarding the agreement itself, it is important first to be clear about three of its key elements:

- Unusually for a free trade agreement, the TCA eliminates all tariffs between Britain and the EU, providing that (1) firms can prove they meet the underlying rules of origin and hence are eligible for preferential access and (2) no tariffs are being levied for other reasons, such as antidumping or countervailing duties.
- The rules of origin in the TCA differ substantially from those in previous accords, such as the Pan-Euro Med rules that the EU has agreed with around 20 other neighbouring countries. A consequence of this is that while British (EU) firms can use EU (British) inputs and these can also be counted as originating when exporting to each other, there is no scope for using third-country inputs (this is commonly referred to as diagonal cumulation).
- There is very little by way of “mutual recognition of conformity assessment” for goods. In essence, this means British producers will have not only to produce to EU standards (as before) but also provide EU-overseen paperwork to prove this conformity.

All this implies several consequences for LDCs.

¹ See [https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:22020A1231\(01\)&from=EN](https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:22020A1231(01)&from=EN) for the text of the agreement as published in the *Official Journal of the European Union*.

“The costs of bilateral trade between Britain and the EU are rising. This will make European firms less competitive in the British market and British firms less competitive in the European market. But LDCs may become more competitive in both markets.”



LDCs May Be Better Able to Compete

First, the costs of bilateral trade between Britain and the EU will rise. This will make European firms less competitive in the British market and British firms less competitive in the European market. But LDCs may become more competitive in both markets.

In the lexicon of trade economists, this can be seen as the reversal of trade diversion, sometimes referred to as trade reorientation. This will depend on the extent to which LDCs compete with Britain and the EU in the European and British markets. There may only be a small range of products where this is the case.

At the same time, the United Kingdom has chosen to reduce its tariffs on imports from third countries. For more than 2,000 tariff lines for which the EU simple average Common External Tariff is 3.6%, Britain has reduced its tariff to zero. Under the UK Global Tariff,² around 70% of British imports from third countries are now duty free compared with about 52% under the EU's scheme.

For LDCs, this means the “preference margin” in the British market will have gone down relative to third countries and effectively gone up with regard to the EU. So the net effect is hard to determine, and will be country and product specific.

Britain Is Not a Key Market for Most LDCs

However, the relative importance of the British market for countries that are less developed must be considered. The United Kingdom accounted for under 10% of the exports for each of the 15 General Framework countries in 2016,³ and under 5% in eight of those countries. Among the eight Enhanced Framework countries, Britain accounted for more than 10% of the exports of just two countries—Kyrgyzstan and Mongolia—in 2017, while buying almost 10% of Sri Lankan exports and 8% of Pakistani exports. It accounted for far less than 5% of the other four countries' exports. Finally, for the 47 countries in the Least Developed Countries Framework, the United Kingdom accounts for more than 10% of the exports of just one country—Bangladesh—and more than 5% of only two (Cambodia and Rwanda).

The message from this is that Britain is generally a vital market for just a handful of LDCs. The impact of the TCA “on average” is therefore unlikely to be significant.

² For details about the UK Global Tariff, see <https://www.gov.uk/guidance/tariffs-on-goods-imported-into-the-uk>

³ The latest year for which a more complete set of data was available. Source: UN Comtrade.

“While Britain is largely not a major destination for most LDCs, it could be just for specific products or sectors.”

However, while Britain is largely not a major destination for most LDCs, it could be just for specific products or sectors.

For example, in 2015 (which is the latest year for which the data is available), more than 42% of Bangladeshi exports of vehicles (including parts) were exported to the United Kingdom, along with 36% of its aluminum shipments and nearly 20% of its fish exports. Similarly, more than 26% of Nepal’s exports of knitted/crocheted apparel and clothing go to Britain, as well as 76% of tool, implements, and cutlery exports. And over 2016–2019 between 25% to 46% of Mongolia’s exports of made-up textile articles (such as blankets, bed linen, curtains, sacks and bags) were bought by the United Kingdom, along with almost 100% of its exports of precious/semi-precious stones.

Britain has lowered or removed its external tariffs for some of these products. For example, the British tariff on vehicles and vehicle parts is now zero, whereas previously it ranged from around 3% to 10% depending on the tariff line. And for manufactured textile articles, where Britain was previously levying the EU’s Common External Tariff, which ranged from 8% to 12% depending on the product, the tariffs are also now zero. This means that Bangladesh or Mongolia, for instance, may face more competition in the British market. For others, the increase in costs for EU exporters from Britain’s exit from the bloc may help boost LDC exports and similarly with regard to their exports to the EU.

Rules of Origin Become More Important

Rules of origin are also likely to matter—and again, for certain products, companies, and countries—in two ways.

To get preferential access to the EU market, British firms must prove that the goods being exported “originate” in the United Kingdom. There will now be circumstances where Britain does not meet the rules of origin requirement, in particular because of the high share of imports of intermediate inputs from third countries, including LDCs.

The sectors where origin depends most on the share of domestic value added are automotive, advanced manufacturing and machinery, manufacturing and electronics, and materials. In many cases, however, the rule is either the value-added rule⁴ or a change of tariff classification rule (so, for example, imported steel that is then used to produce an item with a different tariff heading can count for originating purposes). These rules are complex, and the impacts will depend on the supply chains of each industry—if not each firm.

⁴This rule specifies a minimum amount of domestic value added that must be embodied (included) in the product for it to be deemed “originating.”

“For many LDCs, the Brexit trade deal will probably not have a major impact—simply because Britain is not an important destination market for most of them.”

Secondly, many goods (e.g., in the textile sector) are exported to Britain simply for re-export to the EU. It is extremely unlikely that the rules of origin will be satisfied in these cases, as there will be “insufficient processing” in the United Kingdom. That means tariffs would need to be paid on export to the EU. This is more likely to have a short-term negative impact, but in the longer term, exporters will probably shift their exports away from British-based distributors.

Over time, both the TCA and the UK Global Tariff will reshape the pattern of countries’ trade and investment with the United Kingdom. Leaving the EU has made Britain a less attractive destination for investment and exports destined for the bloc. Lowering the UK Global Tariff increases market access to all (but the EU) in the British market. This will play out over time in complicated ways.

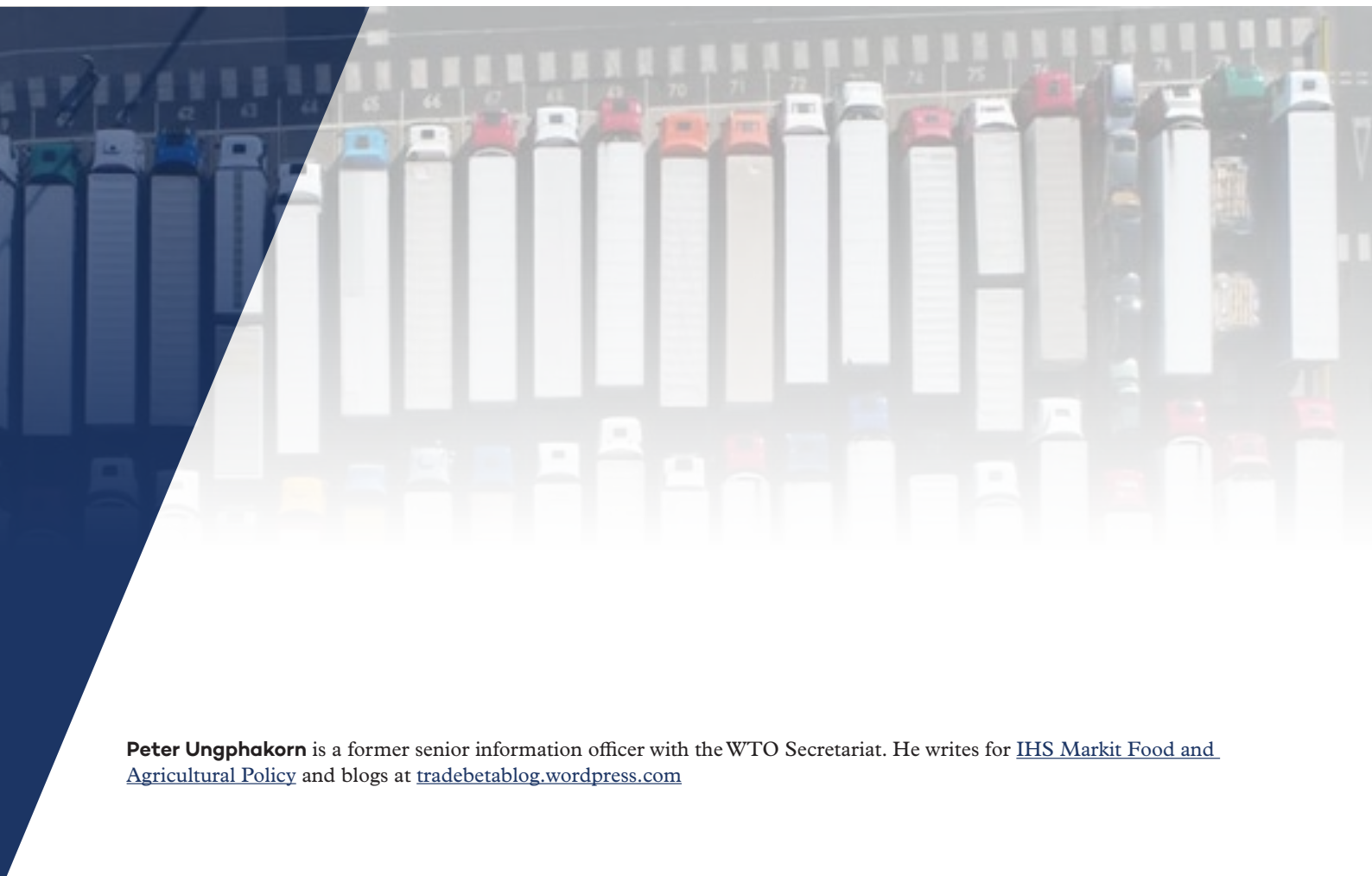
For many LDCs, the Brexit trade deal will probably not have a major impact, simply because Britain is not an important destination market for most of them. However, for those countries with robust trade ties with the United Kingdom and those product–country combinations for which Britain is a significant destination, the TCA and the changes in the global tariff may well affect their competitiveness—and thus their trade—with Britain, and possibly also their exports to the EU.

While some LDCs may benefit as European companies become less competitive in Britain, this may eventually be offset by the negative effects of a lower British external tariff.



UK TRADE POST-BREXIT: AFTER THE TEETHING, THE TROUBLE

By Peter Ungphakorn



Peter Ungphakorn is a former senior information officer with the WTO Secretariat. He writes for [IHS Markit Food and Agricultural Policy](#) and blogs at tradebetablog.wordpress.com



Three months into the UK-EU trade agreement, evidence from key players and statistics show that border processing and other non-tariff barriers are clearly a drag on trade since Britain left the European Union's single market – even during a transitional lenient period.

Because the agreement is for duty-free trade in all products, non-tariff barriers are now one of the—if not *the*—most critical issues in Britain's goods trade with the European Union.

It's a trade worth well over GBP 400 billion (USD 556 billion, EUR 467 billion) annually (pre-COVID-19) and about half of Britain's global trade in goods. If services are included, the figure exceeds GBP 660 billion, half of it with the European Union.

One of the problems that has affected Britain's exit from the European Union since before the 2016 Brexit referendum is that politicians' assurances do not always match up with reality, including on trade. Even bananas from Ghana have been caught up in the confusion.

Given those assurances, it's little wonder that within barely a fortnight, businesses and consumers reacted with dismay when they saw perishable British salmon, oysters, and langoustines languishing unsold amid tumbling prices and suspended orders, and [bare supermarket shelves](#) in Northern Ireland.

The cause? New border checks and regulations—known otherwise as non-tariff barriers. Trade experts had warned about them for years. By now, many non-specialists had also learned what they were.

[UK Prime Minister Boris Johnson's speech](#) also compared the deal's merits with a hypothetical “no deal.” But what the British economy faces is not an improvement over no deal with the European Union. It must adjust to trade friction and costs that did not exist before, caused by leaving the world's largest free trade area, the EU single market and customs union. The [result was](#) a shallow and narrow deal.

British companies and exporters can now do less business with Europe, not more, because of new non-tariff barriers and a failure to include most service industries in the deal. The long-run hit to the British economy from Brexit will be around 4% of GDP, according to the [Office of Budget Responsibility](#). That means jobs will be lost.



Quiet Before the Storm

After a deceptively quiet New Year fortnight, the signs started to appear. Non-tariff barriers became a reality with a tangible price tag. Some pro-Brexit politicians had claimed on Twitter that the feared disruption had not happened. Their tweets were deleted within days.

After the empty supermarket shelves came truck drivers in long lines to get their documents cleared before they could cross the Channel to mainland Europe. Normally, 10,000 trucks a day cross through just one port, Dover. That's almost 4 million a year. They are crucial for everything, from food and drink to car components. Haulage costs mounted.

Next, a [furious fishing industry](#) saw prices collapse as animal health and food safety regulations held up exports to the European Union. The [Scottish industry said](#) it was losing GBP 1 million a day. The sector was already lukewarm to the deal on fishing zones and quotas. Much of the British catch is exported to the European Union because domestic consumers tend to dislike the types of seafood coming from British waters. Previously traded freely within the EU's internal market, those perishable exports now face EU checks and delays because Britain has left. Their European customers held back.

Some British companies discovered their [EU suppliers could no longer deliver](#) because of the uncertainty and mounting costs of paperwork and tax clearance. A new story broke each new day of a company setting up in the European Union: a British cheesemaker in France, a logistic company in the Netherlands. Some jobs are moving out of Britain.

Even tariffs are a problem. The Christmas Eve agreement was tariff-free. But that only applies to goods deemed “made in the UK” or “made in the EU”—the dreaded “rules of origin.” Goods already charged tariffs when imported into the European Union faced another set of tariffs when imported into Britain because they were not “made in the EU” and therefore did not qualify.

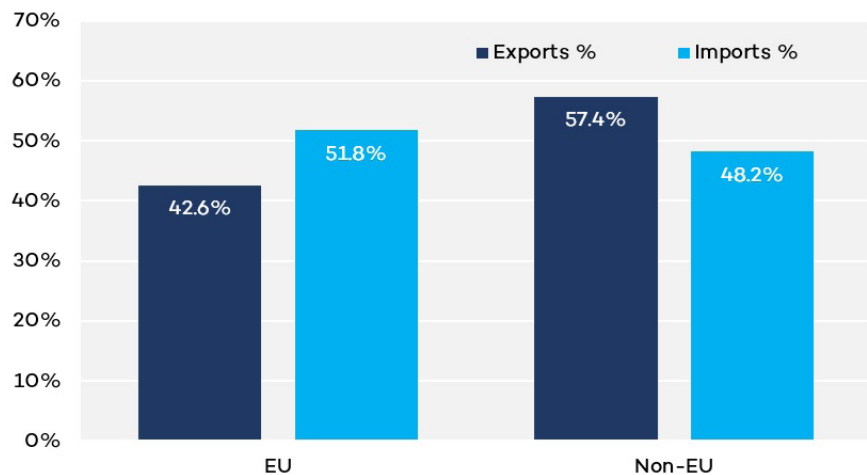
Northern Irish manufacturers also faced [25% “safeguard” tariffs on steel imports](#) from the European Union because of a trade policy quirk affected by Brexit.

[Northern Ireland](#) has further complications. To avoid a border with the Republic—a political necessity—the British north comes under some EU regulations on customs and other controls such as food safety and animal or plant health. This means a customs and regulatory border has been moved into the Irish Sea between Northern Ireland and the rest of the United Kingdom. The new checks on food crossing over from Britain caused those empty supermarket shelves.

“British trade agreements with non-EU countries cannot make up for the new obstacles to trade with the bloc.”

And so the five-year crash course on trade for non-specialists continues as rules of origin, customs clearance procedures, trusted traders, mutual recognition, and sanitary and phytosanitary measures (health checks on food, animals, and plants)—all non-tariff barriers—join safeguards, trade remedies, and level playing field in Brexit’s growing mountain of trade jargon.

About half of UK trade is with the EU Goods and services trade 2019



Source: House of Commons Briefing Paper No 7851, citing Office for National Statistics

After the Teething

Much of this can be put down to teething troubles. The wrinkles will be ironed out. Logistics and supply chains will operate more smoothly. Paperwork will be prepared with fewer errors. Computer systems will work better. Efforts are even being made to sort out the tariff problems.

But some effects will last longer, meaning extra costs in the longer term. Business organizations are already [calling on the British government to restart talks](#) with the European Union to reduce some of the new trade barriers.

The new costs will squeeze trade volume. [Recent economic analysis](#) suggests British trade with the European Union could be knocked back by 30% or more over 10 years. How accurate that is remains to be seen. Studies show that British trade agreements with non-EU countries cannot make up for the new obstacles to trade with the bloc.

Even reduced congestion at the ports may not be a healthy sign. It's good news if it's because the glitches are solved, but bad news if it's caused by falling trade. Worse, new direct ferry services between EU member Ireland and mainland Europe offer a clearance-free alternative route. Up to now, the trucks have used the island of Great

Britain as a land bridge between the two. The United Kingdom could lose their custom because of new border processing as they cross from the European Union to Britain and back again.

The new trade agreement is similar to many deals the European Union has struck with other countries. It contains some modern features such as provisions on fair competition (the “level playing field”) but excludes some others. This is partly because of the extremely tight deadline Britain set for the talks, partly because it was wary of anything that suggested following EU standards or giving a role to the EU’s court of justice.

It is unique among EU pacts by having duty-free trade across the board, but then this simply continued the existing situation—and it still means new customs clearance.

Other areas essentially raise trade barriers where none existed before, making UK–EU trade more difficult (see box). Some experts believe Britain and the European Union will be in continuous negotiation to lower these barriers.

One particular controversy may soon force new talks. Nicola Benedetti, Roger Daltrey, Liam Gallagher, Elton John, and Simon Rattle are among top British musicians—including some who were pro-Brexit—[dismayed to find](#) that touring the European Union had become much more restricted. The stars gave the issue a high profile, so the two sides might resume talks sooner than they had expected. Tweaking the modest provisions on services could be a solution.

Services as a whole have received less attention even though they account for at least a third of UK–EU trade. At the end of the transition, GBP 6 billion of share trading [shifted overnight out of London](#) and into EU capitals. Some issues, such as the European Union recognizing British financial services regulations, are within the unilateral power of the bloc and have not yet been granted. British banks and other financial institutions have already set up operations in the European Union to avoid problems.

One opportunity that Brexit has created is the freedom to reduce agricultural subsidies that distort trade by directly affecting prices and output. The British government has announced plans to shift away from the old EU Common Agricultural Policy and toward more ecologically sustainable programs such as “environmental land management.” This might be a rare merit badge the United Kingdom can take to the World Trade Organization.





“This could be a serious setback for Ghana, which normally exports USD 40 million of fruits and nuts to Britain every year.”

Ghanaian Bananas and the Rest of the World

Shortly after the New Year, another, lower-profile, problem emerged. A shipment of Fairtrade bananas from Ghana unexpectedly faced tariffs. Previously duty-free, the bananas arrived at Portsmouth and [were charged](#) GBP 95 per tonne—GBP 17,500 in total. According to the British government website, they were supposed to be still duty-free. Not on the dockside.

Why? Because [negotiations with Ghana](#) were still continuing after the Brexit transition ended. Banana imports from Ghana had been duty-free under an accord with Brussels. From January 2021, that deal no longer applied to Britain.

Although London and Accra said they had an agreement in principle, it was still incomplete [and some questioned](#) whether a quick solution was possible. So tariffs kicked in. As long as it stays unresolved, this could be a serious setback for Ghana, which normally exports USD 40 million of fruits and nuts to Britain every year.

Ghana was an exception. By the end of 2020, Britain had “rolled over” into its own new deals 30 pacts with 60 countries that had free trade agreements with the European Union.

These new accords did not provide total continuity, but they ensured that trade continued as before, as much as possible—unlike the Ghanaian bananas, which face a disadvantage because of competitors’ rolled-over deals.

Those continuity agreements were a lot of work simply to minimize disruption and costs.

Pro-Brexit campaigners said leaving the European Union would allow Britain to negotiate its own free trade agreements. It has started talking to countries such as Australia (and so has the European Union).

But question marks remain over what kind of deal Britain can strike, if any, with bigger trading partners such as China, India, the United States, and the Pacific region—and for creating genuine new agreements out of the continuity pacts it already has with Canada, Iceland, Japan, Norway, South Korea, and Switzerland, among others.

In any case, there’s little chance they will compensate for the loss of trade with the European Union.

“Global Britain” also has ambitions to play a leading role in the World Trade Organization. But with its negotiating hands pretty full, and the COVID-19 pandemic to contend with, the United Kingdom might have a busy agenda to manage.



AS RCEP COUNTRIES PURSUE RATIFICATION, ASEAN MEMBERS SEEK FURTHER ECONOMIC INTEGRATION

By Sofia Baliño

Sofia Baliño is the Communications and Editorial Manager for IISD's Economic Law and Policy program.

“Much of the public focus on RCEP’s potential impact, both in systemic and commercial terms, has been on the role of China.”



"Another integral question ... is what this new deal means for ASEAN’s efforts to reduce internal trade barriers and improve economic and social cooperation within its current grouping, while accounting for the varying development needs and priorities of its member states.”

Leaders from 15 countries gathered virtually in November 2020 to sign the Regional Comprehensive Economic Partnership (RCEP), a trade and investment accord that had been under negotiation for eight years. While the agreement is not yet in force, proponents say it marks a significant political and technical milestone for continued economic integration in the Asia-Pacific region—especially as these countries also grapple with COVID-19.

Negotiations for RCEP kicked off in late 2012 when the 10 members of the Association of Southeast Asian Nations (ASEAN) and their six free trade agreement partners endorsed a set of “[guiding principles and objectives](#)” that would set the deal’s overarching contours. Those six partners are Australia, China, India, Japan, New Zealand, and South Korea, though India [left the negotiations](#) in late 2019.

Much of the public focus on RCEP’s potential impact, both in systemic and commercial terms, has been on the role of China. The pact is often assessed alongside the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, both as an alternative model for regional integration and as a political counterbalance, given the high-profile presence of China in RCEP and the former role of the United States in the earlier Trans-Pacific Partnership negotiations, before Washington exited the accord in the early days of the Trump Administration.

This dynamic is significant. However, another integral question as RCEP countries proceed to the ratification stage is what this new deal means for ASEAN’s efforts to reduce internal trade barriers and improve economic and social cooperation within its current grouping, while accounting for the varying development needs and priorities of its member states. RCEP is underpinned by ASEAN, and many of that coalition’s members are also developing their own trade agreements with other partners, even as the group works to build a stronger economic cooperation system internally.

ASEAN Blueprint 2025

The [Association of Southeast Asian Nations](#) dates back to 1967 and initially included Indonesia, Malaysia, the Philippines, Singapore, and Thailand, which sought to establish a mechanism for developing greater cooperation in the region on a host of policy areas, including economic policy. More countries signed on over the years, with the [final addition](#) being Cambodia in 1999.

Meanwhile, the grouping has clinched several agreements, both non-binding and binding, to foster deeper internal ties across various fronts. Some of these have, in turn, been modified or replaced over time.



“RCEP ... could serve as a basis for bolstering the ATIGA, such as by slashing internal tariffs further, improving notifications, and otherwise ‘enhanc[ing]’ provisions to entrench ASEAN centrality.”

On the trade side, this has taken the form of binding accords largely aimed at liberalizing or otherwise facilitating trade in goods and services, as well as investment. These include the [ASEAN Trade in Goods Agreement](#) (ATIGA), as well as the [ASEAN Framework Agreement on Services](#) and its forthcoming successor, the [ASEAN Trade in Services Agreement](#). The 10-country coalition has also negotiated the [ASEAN Comprehensive Agreement on Investment](#), the [ASEAN Agreement on the Movement of Natural Persons](#), and various [mutual recognition agreements](#) that cover different services sectors.

The overarching approach has involved progressively deeper integration, which some experts have termed as a style of “open regionalism” that bears some significant differences from other regional trading arrangements. “ASEAN has never been, and probably will never be, an EU-type organization, nor even a NAFTA-type economic bloc,” Hal Hill and Jayant Menon said in an Asian Development Bank [working paper](#), written in the lead-up to the ASEAN [Economic Community](#)’s establishment in 2015.

That Economic Community was followed by the launch of a “[Blueprint 2025](#)” that confirms the trend toward greater integration and the hope of improving regional value chains so they could have a stronger role in global ones. Among the objectives of this blueprint is “facilitat[ing] the seamless movement of goods, services, investment, capital, and skilled labour within ASEAN in order to enhance ASEAN’s trade and production networks, as well as to establish a more unified market for its firms and consumers.”

That same blueprint says that RCEP, once concluded, could serve as a basis for bolstering the ATIGA, such as by slashing internal tariffs further, improving notifications, and otherwise “enhanc[ing]” provisions to entrench ASEAN centrality.” Looking further afield, the section on a “Global ASEAN” refers to both RCEP and a separate free trade agreement with Hong Kong as “strengthening ASEAN’s position as an open and inclusive economic region and lay[ing] the foundation for ASEAN to retain its centrality in global and regional engagements, where possible.”

The blueprint sets out objectives for deeper integration across a range of areas, including intellectual property rights, competition policy, and electronic commerce. In some cases, such as e-commerce, the region is aiming for an ASEAN agreement that would “facilitate cross-border e-commerce transactions” and could cover topics such as data protection, consumer rights, electronic signature and authorization, and dealing with online disputes. In others, the approach is focused more on cooperation and convergence of national systems, such as on intellectual property rights. How these efforts interact with RCEP will be important to watch in the months and years to come.

Plans for Future Evolution

RCEP leaders, for their part, have highlighted that their accord brings together an unusual mix of countries, specifically regarding their varied levels of economic development. ASEAN itself has some of the world's most advanced economies, such as Singapore, along with least developed countries like Cambodia, Laos, and Myanmar. China and Japan, for their part, count among the world's largest traders, while Australia, New Zealand, and South Korea are all highly developed economies.

The legal text therefore sets out as RCEP's stated objective the establishment of a "modern, comprehensive, high-quality, and mutually beneficial economic partnership framework" for trade and investment among the parties, slashing barriers over time while "taking into account" the varying economic development levels among the countries involved. The agreement also foresees the possibility of evolving further, similar to the ASEAN framework that underpins it.

A "general review" will be scheduled at least every five years from RCEP's entry into force so that parties can see where amendments might be needed to reflect international developments and the group's own ambitions for further liberalization. They would also review whatever issues have emerged under the RCEP Joint Committee and the subsidiary committees, the latter of which cover goods, services and investment, sustainable growth, and the business environment.

While the names of the first two subsidiary committees are self-explanatory, the last two cover, respectively, "small and medium enterprises, economic and technical cooperation, and emerging issues" and "intellectual property, electronic commerce, competition, and government procurement." All committees will meet at least annually.

Building Future Relationships

The prospect of this new ASEAN+ trading arrangement has drawn congratulatory statements from trading partners such as the European Union, along with questions from some trade watchers about how the deal stacks up against other recent mega-regional agreements.

Upon the deal's signature, EU High Representative Josep Borrell said the final RCEP will have major intra-regional benefits, including through harmonized rules of origin and its intellectual property rights provisions, while also cementing the "strategic importance" of the Asia-Pacific region for other partners. Borrell noted that while Brussels welcomes the accord, the EU is concerned about

“RCEP could lead to an increase of USD 186 billion annually in global national incomes and help the region draw in trade amid the ongoing disruptions from the U.S.-China trade war.”

the absence of provisions dedicated to environmental and labour issues, which are common features of the bloc’s own trade deals with partners.

“While we in the EU are still studying its 20 chapters, 510 pages and annexes, its apparent achievements are clearer in the scale than in the depth of its coverage: 30% of the global population and GDP, 28% of global trade, and including five members of the G20,” he added.

The EU has [trade agreements](#) in place with two ASEAN member states—Singapore and Vietnam. Talks are ongoing with Indonesia, with the latest round held in June 2020, while discussions with the Philippines and Thailand have not advanced in several years. The EU–Malaysia trade negotiations were put on hold in 2012, two years after being launched.

All of these processes are based on negotiating directives that the EU adopted in 2007 for the long-mooted region-to-region agreement with ASEAN as a whole. The two sides [changed tack](#) in 2009 and began aiming for deals with individual ASEAN countries instead, which would serve as building blocks for the larger arrangement.

As these negotiations move ahead and others emerge, understanding how these varying models of economic integration work and how they account for the different development levels of the countries involved will be essential for trade watchers. The damage wrought by COVID-19 is another wild card, as is the impact of geopolitical dynamics.

The pandemic has damaged economies across the Asia-Pacific region, even though some of these countries have drawn praise for containing the virus and preventing its internal spread. A [report](#) from the ASEAN Secretariat in August projected that the economic fallout from the crisis could “reverse the region’s progress in poverty reduction and food security.” The report predicted that more people in cities would be forced into poverty, while COVID-19 would exacerbate existing conditions for both rural and urban poor. The “gig economy,” migrant workers, and the informal sector are slated to bear much of the impact, while decreases in remittances, tourism, and trade are widely expected and feared.

A working paper written by Peter Petri and Michael Plummer and published by the Peterson Institute for International Economics suggests that RCEP could lead to an increase of USD 186 billion annually in global national incomes and help the region draw in trade amid the ongoing disruptions from the U.S.–China trade war. However, they also note that the wide-ranging impacts of COVID-19 could mute some of the effects of these gains.



WTO MEMBERS DIVIDED OVER RESTRICTIONS ON HUMANITARIAN FOOD AID

By Jonathan Hepburn



Jonathan Hepburn is a senior policy advisor with IISD's Economic Law and Policy program, focusing on agriculture, trade, and food security.

“An agreement to exempt WFP food aid purchases from export restrictions will make it easier and faster for the agency to save lives in emergencies.”



“The humanitarian consequences of the COVID-19 crisis ... have clearly re-energized the discussions in this domain.”

A cross-regional group of 80 World Trade Organization (WTO) members has issued a [joint statement](#) committing signatories not to impose export prohibitions or restrictions on food bought for humanitarian purposes by the United Nations World Food Programme (WFP). The January 21 declaration follows the WTO General Council’s failure to make a decision on the issue in December, with a few members expressing reservations about the move.

The statement, initiated by Singapore, recognizes the “critical humanitarian support” provided by the WFP, which it says has become more urgent due to the COVID-19 pandemic and other crises.

Proponents have argued that an agreement to exempt WFP food aid purchases from export restrictions would make it easier and faster for the agency to save lives in emergencies. It would also represent a small step toward the achievement of SDG 2, which commits world leaders to end hunger and malnutrition by 2030.

WFP food procurement is insignificant in commercial terms, accounting for less than 1% of globally traded amounts. However, the initiative could be critical in supporting the agency’s humanitarian work, supporters say. Arif Husain, the WFP’s chief economist, explained at an informal WTO [meeting](#) in November how the current market and policy environment had created new challenges for food aid procurement.

The initiative follows an April 2020 declaration by G20 agriculture ministers, who reaffirmed they would not impose export restrictions or extraordinary taxes on WFP food aid purchases. This echoed a statement they first made in 2011, in the wake of sharp food price spikes.

Countries that receive WFP food aid are among those co-sponsoring the recent statement. They include Angola, Bangladesh, Chad, Colombia, Ecuador, El Salvador, Gambia, Laos, Mali, Myanmar, and Peru. In total, co-sponsors include five African and 10 Asian WTO members; three from the Caribbean and four from the Pacific; 13 from the Americas; seven from the Middle East; alongside the European Union (plus its 27 members) and 10 other European countries. Other large economies, including Australia, Canada, China, Japan, and the United States, also back the initiative.

“The humanitarian consequences of the COVID-19 crisis, as well as the fact that WFP was granted the Nobel Peace Prize, have clearly re-energized the discussions in this domain,” Costa Rican ambassador Gloria Abraham Peralta, chairwoman of the WTO agriculture negotiations, wrote in her December 17 [report](#) to the General Council.



“WTO members that had not yet formally signalled their support for the statement should not be assumed to oppose the measure.”

Addressing Outstanding Concerns

Negotiations took place last December in a bid to accommodate concerns raised by a few low-income countries that feared the proposed draft decision could prevent them from addressing domestic food security needs.

One suggested formulation would have added the caveat “if the purchase does not compromise national food security” to the operative language in the decision. It would have also added a preambular paragraph noting that the WFP’s procurement decisions reflect the agency’s “do no harm” principle in countries supplying food while also promoting local and regional food procurement.

However, trade sources said that efforts to find a consensus formulation before the end of the General Council session were unsuccessful. Large developing economies India and Pakistan reportedly expressed reservations about the draft decision in its original form, along with Tanzania from the least developed countries group. These three governments are reportedly concerned that the proposed commitment would limit their freedom to restrict or ban exports when they wish to do so. They also want to see progress on other trade issues that they consider as priorities, such as public stockholding and domestic support.

Negotiators Link Unresolved Issues

In addition to the fears raised about the possible food security implications for supplying countries, some members indicated that other outstanding issues on the WTO agenda should receive priority attention. These include talks on trade-distorting farm subsidies and how best to resolve the concerns of some developing countries about how current WTO rules affect their ability to buy food at subsidized prices when operating public stockholding programs.

One African trade negotiator told IISD that WTO members who had not yet formally signalled their support for the statement should not be assumed to oppose the measure, noting that many African missions were still awaiting instructions from their capitals.

Proponents signalled that they would continue to pursue talks on a possible General Council decision on export restrictions and WFP food aid in the run-up to the WTO’s next ministerial conference—which was postponed from June 2020 as a result of the pandemic and is now set for the week of November 29, 2021. At the same time, they would continue to explore whether other WTO members would be willing to co-sponsor the draft statement, which remains open to new signatures.

Proponents presented the joint statement at the latest informal meeting of the WTO agriculture negotiating body held on February 5.



NEWSROOM

Okonjo-Iweala Takes Helm of the WTO

It's finally official: The World Trade Organization (WTO) has its first female—and first African—chief as of March 1.

The General Council appointed Nigeria's Ngozi Okonjo-Iweala as director-general on February 15 after months of uncertainty about who would lead the Geneva-based trade body. Her first term runs through August 31, 2025.

Okonjo-Iweala told journalists¹ that her top priorities would include working with other international organizations to create lasting rules for responding to pandemics and making progress on talks about electronic commerce and crafting disciplines for harmful fisheries subsidies—which she believes could be wrapped up in time for the WTO's ministerial conference (MC12) later this year. The former is a process underway among a group of WTO members, while the latter is a multilateral process that was launched in 2001 as part of the Doha Round.

She described her appointment as “exciting and daunting at the same time, because I take the reins of the WTO at a time of great uncertainty and challenge,” referring to the economic and health consequences of the COVID-19 pandemic.

“Deep, wide-ranging reforms are needed,” she said. “It cannot be business as usual at the WTO. We need to look at the priorities ... so much needs to be done.”

¹ See <https://youtu.be/JhGp87Oa8VU> for Okonjo-Iweala's press briefing.

“First and foremost, we need to focus on the issue of COVID-19 and what the WTO can do to contribute to solutions,” Okonjo-Iweala said, adding that she hopes to work with institutions such as the World Health Organization that are trying to accelerate supplies and vaccines to poor countries. She also intends to look at export restrictions and rules that hinder shipments of pandemic-related materials and “encourage finding a third way in which vaccines can be manufactured in more countries while not discouraging innovation.”

Okonjo-Iweala, who was previously the board chair of Gavi, the Vaccine Alliance, takes charge at a time when WTO members are actively debating different policy approaches to the COVID-19 crisis. Various members are backing a joint India–South Africa proposal that would involve a waiver for some of the WTO’s intellectual property rules, on the grounds that this could help ensure vaccine access and scale up production, especially in developing countries. A number of developed country members have advocated a different approach, with some proposing a trade and public health initiative that would focus more on goods-related issues for medicines and medical products.

She pointed to a “lack of trust among members, which has built up over time” and is not limited to tensions involving the United States, China, and the European Union. She acknowledged the need to reform the Dispute Settlement Body by working with all members and teasing out their concerns and desires—most of which involve the Appellate Body—and then putting together a work program.

E-commerce Rules in Focus

Another priority is modernizing WTO rules and looking at the digital economy.

“E-commerce is key, and the WTO doesn’t have rules, so we need to figure out how to complete rules on this topic,” Okonjo-Iweala said. Electronic commerce will also help ensure that groups that have been marginalized, such as women and microenterprises, are brought into the mainstream, she added.

The negotiations on electronic commerce rules involve a subset of the membership and have sparked debate over what they can mean substantively, including for issues such as the digital divide, along with the fact that they lack a multilaterally agreed mandate.

The WTO will need to examine traditional issues ranging from special and differential treatment and strengthening the secretariat to agriculture and procedures—such as appointing future directors-general—“down the line.” It’s important to ensure that consensus “does not stand in the way of innovation at the organization,” said the new WTO chief, adding that she is also keen to tackle industrial subsidies. This topic has been a focus of discussions among some groups of members that are concerned about Chinese government support for domestic industries.

Okonjo-Iweala’s first action when she arrives in Geneva will be to meet with WTO ambassadors and identify the sticking points in the fisheries negotiations. She will also explore what stands in the way of reaching an agreement—which she says is close—on lifting export restrictions on food bought by the United Nations World Food Programme for humanitarian purposes.² She’ll then focus on the WTO’s MC12, for which she fully expects to have deliverables, and is now scheduled to take place the week of November 29, 2021, in Geneva, Switzerland..

² See Jonathan Hepburn’s article on this topic in this issue of IISD’s *Trade and Sustainability Review*.

If leading the WTO isn't challenging enough, Okonjo-Iweala says she feels an extra burden as the first woman and first African to steer the organization.

"One really has to perform. If I want to make Africa and women proud, I have to produce results," she said. "And that's where my mind is now: how do we work with members to really get results."

WTO Fisheries Subsidies Negotiators Regroup, Eye 2021 Outcome

Trade negotiators working to craft a deal disciplining harmful fisheries subsidies held their second cluster of meetings in mid-February, looking to get closer to convergence on several topics after missing an earlier target of wrapping up an agreement by December 2020.

Under Sustainable Development Goal [Target 14.6](#), World Trade Organization (WTO) negotiators were meant to clinch a deal by the end of 2020 to curb subsidies that contribute to overfishing, overcapacity, and overfished stocks. At the same time, governments were to have also eliminated subsidies to illegal, unreported, and unregulated fishing outright. While this target is non-binding, a separate [WTO decision](#) from the Buenos Aires Ministerial Conference in December 2017 had set the target of the next ministerial session, at the time foreseen for 2019, for adopting a final accord.

When heads of delegation met in late January, Geneva trade sources noted that many ambassadors insisted that the talks must be wrapped up this year. More negotiating clusters and intersessional talks are already in the works. While the date of the WTO's Twelfth Ministerial Conference (MC12) has now been pushed to the week of November 29, 2021, due to COVID-19, negotiators are reportedly looking at other opportunities for ministerial involvement to get the deal over the line.

Among the issues that were raised in the first cluster of meetings in January were whether and how to establish an exception for "artisanal fishing" so that such fishing will not face certain subsidy curbs, versus having carve-outs for fishing within a developing country or least developed country's territorial waters; how to determine whether fish stocks are kept at "biologically sustainable levels," in which case subsidies that increase fishing capacity may continue to be allowed; and whether to allow so-called [non-violation complaints](#), where WTO members can bring disputes if they feel that the spirit of the fisheries subsidy agreement is violated, if not the letter.

These types of complaints are allowed under the WTO's General Agreement on Tariffs and Trade and General Agreement on Trade in Services, while a moratorium on such complaints under the agreement on Trade-Related Aspects of Intellectual Property Rights has been renewed regularly over the years.

WTO Farm Trade Talks Continue on Topic-by-Topic Basis, Weigh Path Ahead for 2021

Agriculture negotiators working on reforms to the World Trade Organization’s farm trade rules reconvened in early February, examining [the results](#) of the seven facilitator-led processes that have been underway in recent months.

These seven processes are divided by topic, covering domestic support, market access, export competition, export restrictions, public stockholding for food security purposes, cotton, and the special safeguard mechanism. The overall agriculture talks experienced a setback in December when members were unable to reach consensus on a decision that would exempt humanitarian food aid from export restrictions.³

The facilitator reports to date show limited progress in the talks, often showing that long-standing “red lines” between delegations remain firm, with a few exceptions. Among the areas that have not seen any tangible movement are cotton, the special safeguard mechanism, and a “permanent solution” that would replace the [interim agreement](#) from 2013 that precludes WTO members from bringing trade disputes against developing countries’ public stockholding programs for food security.

Talks on market access are focused primarily on transparency related to applied tariff changes, with other topics within that pillar proving thornier to address. Discussions on trade-distorting domestic support have seen new proposals but little change in negotiating positions.

Ambassador Gloria Abraham Peralta of Costa Rica, who chairs the farm trade talks, has called on members to consider what it would take to transition to “a more comprehensive integrated high-level negotiating phase,” where delegations start weighing the trade-offs between different topics and what might form a ministerial conference outcome.

Africa Starts Trading Under AfCFTA

After months of delays caused by the coronavirus pandemic, African countries officially began trading under a new continent-wide free trade area on January 1. But the launch of the African Continental Free Trade Area (AfCFTA) is primarily a first step, as the accord won’t be fully implemented for years—and negotiations are still underway for many of its components.

AfCFTA connects 1.3 billion people across 55 countries in a USD 3.4 trillion economic bloc that will be the biggest free trade area since the World Trade Organization was established in 1995. It creates a single continental market for goods and services, with the aim of increasing intra-African trade by slashing tariffs by around 90% and harmonizing trading rules at a regional and continental level. Supporters say it will encourage trade among African neighbours while allowing the continent to develop its own value chains further.

The Council on Foreign Relations [predicts](#) the agreement could boost intra-African trade by 52.3% by 2022. The World Bank [says](#) it could help lift nearly 100 million Africans out of poverty by 2035, boost regional income by 7% or USD 450 billion, and accelerate wage growth for women.

³ For more on the humanitarian food aid discussions, see Jonathan Hepburn’s article in this edition.

Still, the Bank notes that “achieving its full potential will depend on putting in place significant policy reforms and trade facilitation measures.”

Among the challenges facing the bloc are ubiquitous red tape and poor infrastructure, as well as the entrenched protection of some members.

Every African country has signed the AfCFTA framework agreement except Eritrea – which shunned it in favour of existing regional economic deals. So far, 35 have already ratified it.

“This Is a Multi-Decade Process”

But W. Gyude Moore, a former Liberian public works minister who is now a senior fellow at the Center for Global Development, says the real work is only beginning now.

“I would be surprised if they can have everything set up within 24 months,” he [told Reuters](#). “For long-term success, we’ll need to look at how long it took Europe. This is a multi-decade process.”

Indeed, while [Phase I](#) is now live, member countries are still negotiating on schedules and trying to wrap up talks on rules of origin—and applying preferences to tariff lines where they have already sorted out these rules. Discussions for Phase II, which involve protocols on investment, intellectual property, and competition, as well as Phase III (e-commerce) are still yet to come.

COVID-19 has given the process added impetus, says Wamkele Mene, secretary general of the AfCFTA secretariat. The pandemic underscores that Africa is “overly reliant on the export of primary commodities, overly reliant on global supply chains,” he said during the launch.

Some see the trade agreement as an opportunity to mitigate the effects of the crisis by permitting the free movement of pharmaceuticals and personal protective equipment (PPE) as well as the free exchange of technical expertise. The continent’s drug industry is one of the fastest-growing in the world, led by South Africa, Nigeria, and Ghana, as well as several countries in Eastern and North Africa. Yet about 70% of the medicines consumed in Africa are imported at an annual cost of USD 14.5 billion, according to the United Nations Economic Commission for Africa.

“Through AfCFTA, Africa has a great opportunity to boost intra-regional trade of pharmaceuticals and PPE,” [wrote](#) Chido Pamela Mafongoya of the Mushoriwa Pasi law firm in Zimbabwe. “AfCFTA can therefore facilitate the creation of an environment conducive to establishing regional value chains in pharmaceuticals, which can be leveraged as a springboard for up-and-coming African multinationals.”

U.S. Duties Climb as Trade Preference Program Lapses

Importers in the United States have seen duties on thousands of goods rise because lawmakers failed to reauthorize or craft new versions of the Miscellaneous Tariff Bill (MTB) or the Generalized System of Preferences (GSP) program. The two measures, which offer zero or reduced-duty treatment for imports from certain countries, expired on December 31, with no clear timeline for their revival.

The [GSP](#), the largest and oldest U.S. trade preference program, promotes economic development by scrapping duties on more than 5,000 products imported from 119 developing countries and territories. Most textiles and apparel are excluded from the program, which helps U.S. manufacturing by cutting costs of imported inputs, machinery, and equipment and lowers the costs of many consumer goods.

Most sub-Saharan African countries are beneficiaries of the GSP and the African Growth and Opportunity Act (AGOA), which offers duty-free access to the U.S. market for more than 1,800 products. AGOA is set to expire in 2025.

Countries are deemed eligible for the GSP on the basis of certain mandatory eligibility criteria, including not having nationalized or expropriated the property of U.S. citizens, infringed on U.S. citizens' intellectual property rights, or repudiated or nullified contracts with U.S. citizens. They must also have taken steps to grant internationally accepted worker rights and implemented commitments to eliminate the worst forms of child labour, among other things.

The MTB temporarily reduces or eliminates duties on U.S. imports of inputs for domestic manufacturing and specific finished products that aren't made in the United States. Most of the items covered by this bill are chemicals, but textiles, apparel, and footwear are also included.

It's not the first time the GSP has expired. The program has been reauthorized 14 times since it was originally set to lapse in 1985, but only four of those reauthorizations occurred before the expiration.

Congress, which has been focusing on economic stimulus negotiations, will probably renew the program with retroactive effect—as has been done several times in the past. In the meantime, foreign goods that enter the United States are subject to most-favoured nation duty rates.

Another reason for the renewal delay is that some stakeholders want to change the program—including linking eligibility criteria to include environmental and human rights conditions, adding or removing beneficiary countries, and modifying the list of covered goods. For instance, Richard Neal, chairman of the House of Representatives' Ways and Means Committee, has called for the GSP to be updated.

Some pundits have argued that rather than revamping the program, [it should be retired](#).

The GSP last expired at the end of 2017 before being reauthorized in April 2018 and renewed retroactively so importers are refunded (without interest) for the duties they paid during the lapse.



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