Ten "Quick Wins" for Re-globalization and Resilience in trade

TRADE EXPERETTES

TEN "QUICK WINS" FOR Re-globalization and Resilience in trade

This report outlines ten deliverables that can be implemented to advance re-globalization and resilience in trade. It includes actions that countries can take on their own, as well as areas that could benefit from international cooperation.

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Ten “Quick Wins” for Re-globalization and Resilience in Trade

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Create a stable and predictable trade environment to promote sustainable and resilient supply chains

QUICK WIN NO. 2
Support developing countries to create an inclusive and sustainable global economy that achieves net-zero emissions

QUICK WIN NO. 3
Empower all workers to ensure a fair, equitable and sustainable trade policy

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Foreword

The year 2024 marks a global election cycle with over 80 countries, representing more than half of the world's population casting their votes. In these uncertain times, the world finds itself confronted by a state of "polycrisis"—a complex web of interconnected global challenges that transcends borders. Geopolitics and international trade have a critical role to play in driving solutions to these crises.

As many countries continue to navigate the aftermath of the COVID-19 pandemic, the world contends with other pressing issues such as the increasing urgency of tackling climate change and addressing the fragmentation of traditional geopolitical alliances. As nations confront various stressors, including ongoing conflicts in several regions around the world, these interconnected issues have heightened uncertainties and undermined the previously robust support for open trade.

Consequently, countries are increasingly looking inwards, focusing on reshoring, "friendshoring," and forming strategic alliances. Amid these shifts, there has been a noticeable backlash against globalization and free market economics, accompanied by a global rise in support for interventionism, a trend showcased by the growing embrace of industrial policy. In this evolving context, trade has emerged as both a strategic instrument and a point of tension, as demonstrated by the simmering trade war between the United States and China, and fragmentation spurred by competition among geopolitical blocs.

These geopolitical maneuvers are reshaping global trade patterns, leading to trade diversion and the formation of new economic relationships. Although the World Trade Organization (WTO) also faces its own crises, it remains a vital platform for promoting international cooperation. For example, to facilitate pathways to cooperation and mitigate economic security risks, the WTO can provide a forum for members to design a mechanism to address economic security concerns while supporting multilateral governance, as one of the report's authors suggests. At the same time, the focus on securing supply chains and fostering domestic capabilities, particularly in clean technology and critical raw materials (CRMs), underscores the integration of trade and technological advancement. However, alongside a clean tech boom, a wave of protectionism and industrial policy has blossomed in these key industries. The result is a global critical minerals supply chain that discourages responsible actors, presenting security and labor rights concerns.

Ultimately, the promise of a sustainable and interconnected future hinges on international cooperation. The WTO's current rules on technical barriers to trade can serve as a guide for the development of enforceable mining standards to help mitigate the risks of expanded mining activities while refraining from raising significant trade barriers. Additionally, the organization can take concrete steps to ensure the clean technology boom also leads to clean technology transfer by prioritizing linkages between the trade and climate regimes and their respective technology transfer initiatives. The WTO could also revitalize discussions on reducing barriers to trade for environmental goods (and services), elevating them to top priority.

Across all of these issues, the implications of trade policies for developing countries, particularly workers, remain a critical concern. These countries often face significant challenges in accessing the full benefits of global trade, and are increasingly impacted by unilateral trade measures and trade-related policies. The quest for inclusivity and fairness in trade is crucial for addressing global issues such as climate change, as developing countries often lack the financial resources, infrastructure and technology, and institutional capacity to meet climate targets. Such economic disparity risks the exclusion of developing countries from the benefits of global climate initiatives. Alongside this, re-globalization can leverage trade measures to improve the representation of workers and other groups previously excluded from the design, implementation, and enforcement of trade policies. Addressing gaps in an inclusive trade agenda is essential to ensuring the benefits of trade are more equally distributed across developing countries and vulnerable stakeholders, including women.

Several opportunities exist to meet this challenge, many of which are highlighted in this report. For example, the rise of digital trade presents important new opportunities to reduce financial inequities and enhance trade integration. The adoption of digital payments systems can serve as a driver for more inclusive growth. Importantly, digital payments are critical for providing banking services to women and minority groups in remote or underserved areas. Digital wallets and mobile payment solutions have increased basic transactional accounts across Africa, Latin America, and the Asia Pacific, enabling money transfers and remittances. However, continued innovation in new technologies and services to ensure people everywhere realize their full economic potential depends on open digital ecosystems and free cross-border data flows.

As the world navigates these complexities, it is vital to view trade policy with both optimism and realism. The competing policy goals and the multifaceted nature of current global challenges necessitate a balanced perspective on the role of trade in addressing these issues. The annual TradeExperettes 'Quick Wins' report, developed with contributions from experts across academia, think tanks, international organizations, and the private sector, provides valuable insights and practical recommendations for policymakers. This year's report, Ten "Quick Wins" for Re-globalization and Resilience in Trade, reflects a concerted effort to tackle contemporary trade issues with a nuanced and informed approach.

During her intervention at the 2024 World Economic Forum Annual Meeting, WTO Director-General Ngozi Okonjo-Iweala said, 'We need to think of globalization not in the way it was done before, but differently. And we need to make sure that those who did not benefit during the first round benefit this time.' This is the time for members, and more broadly speaking, the trade policy community, to rethink globalization and resilience to meet today's challenges and secure a more sustainable future for years to come.

Project Coordinators,

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Brussels, London

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Quick Win No. I: Create a stable and predictable trade environment to promote sustainable and resilient supply chains | Sylvia Chen & Gabriella Beaumont-Smith

In the past three decades, the world has enjoyed numerous benefits of trade liberalization. For example, in the first 25 years since the establishment of the WTO average tariffs dropped from 10.5% to 6.4%, and the value of global trade nearly quadrupled. The emergence of a global supply chain seamlessly weaved goods and services from various corners of the world into products ready for consumers' hands. However, disruptions in recent years, such as the COVID-19 pandemic, climate-change-related natural disasters, and geopolitical events, have exposed significant risks in the global supply chain model. These disruptions have propelled businesses to diversify their supply chains in order to mitigate disruption risks. This means increasing sourcing opportunities from a diverse geographical footprint.

However, in attempts to enhance supply chain security, some policymakers have retreated from an open, multilateral solution and opted for market fragmentation strategies, such as decoupling, reshoring, and friendshoring. Some governments have also adopted restrictive measures, such as tariffs, subsidies, export controls, and other regulatory barriers. These policy-driven geo-economic fragmentation efforts have significant macroeconomic costs. The IMF has warned that they could cost global output by up to 7% of global GDP. Moreover, market fragmentation creates multiple silos of trade rules for business operators to observe and, in turn, increases logistics, operations, and compliance costs. These costs are particularly problematic for small and medium enterprises (SMEs) who are not equipped with ample capital to undertake compliance obligations. Ultimately, this might push some SMEs out of the market, and reduce the opportunities to diversify global supply chains.

Further, without a predictable environment that fosters legal certainty and regulatory clarity, businesses cannot effectively assess their risks and opportunities. To better enhance supply chain resilience while promoting diversity and inclusion, collaboration in multilateral fora is crucial. Here, the WTO has a significant role to play. Members should negotiate and adopt measures which create a stable trade environment with more and better sourcing options and greater economic opportunities within the global value chain. For example, the Trade Facilitation Agreement seeks to lower business costs and mitigate cumbersome regulatory overheads by simplifying, modernizing, and harmonizing the export and import process. It is estimated that once fully implemented, the agreement could reduce trade costs by an average of 14.3% with the biggest gains realized by the poorest countries. The WTO can also facilitate multilateral efforts to maintain trade openness and diversify supply chains, including through the sharing of practical experiences on how to approach supply chain resilience.

The multilateral trading system remains the most effective approach to facilitate the diversification of supply chains, which not only can reduce costs but help businesses to adjust to shocks thereby promoting supply chain resilience.

Quick Win No. 2: Support developing countries to create an inclusive and sustainable global economy that achieves net-zero emissions | Jan-Yves Remy

Trade policy can significantly leverage re-globalization to achieve a net-zero world, but it is crucial to ensure these measures include developing countries, particularly the most vulnerable and marginalized. Climate science advocates for enhanced efforts to reduce greenhouse gas (GHG) emissions and move towards a sustainable energy future, as underscored by the 2023 Intergovernmental Panel on Climate Change (IPCC) Synthesis Report. Agreements like the 2015 Paris Agreement and the 2021 Glasgow Climate Pact have set ambitious targets for net-zero carbon dioxide emissions by mid-century. However, developing countries often lack the financial resources, technological advancements, and institutional capacity to meet these targets. This risks their exclusion from the benefits of global climate initiatives such as carbon markets and clean energy transitions.

The Paris Agreement promotes voluntary cooperation among countries in implementing their Nationally Determined Contributions (NDCs), facilitating higher mitigation ambitions and sustainable development. Developing sovereign carbon markets where countries can trade carbon credits generated by the removal of GHG emissions from the atmosphere is one way many developing countries aim to meet their NDC targets. However, they face several challenges in accessing global GHG emissions markets. Improving the quality and integrity of carbon or other GHG credits can stimulate investment and innovation in the Global South. Transparency in measurement, reporting and verification (MRV) processes plays a crucial role to this end.

Enhanced collaboration between the WTO and the United Nations Framework Convention on Climate Change (UNFCCC) is essential to define the WTO's role in supporting trade in GHG credits. The WTO, including through the Trade and Sustainability Structured Discussions (TESSD), can assist developing countries by promoting transparency in trade-related climate measures and encouraging standardized metrics and MRV systems. The WTO also needs to address the perception that current trade practices increase GHG emissions and hinder global efforts to achieve net-zero emissions. Ensuring that trade policies support the NDCs of its members involves creating strategies that enable developed economies to fulfill their commitments to support developing and least developed members through joint and collaborative action between organizations like the WTO, United Nations Trade and Development (UNCTAD), and the International Trade Centre (ITC). Key strategies include reducing tariffs and other trade barriers on environmental goods and services and promoting the rapid dissemination of clean energy technologies and infrastructure. Additionally, transforming the ITC into a Sustainable Trade Centre could help these nations capitalize on their green competitive trade advantages that can also lead to climate reductions. Moreover, members must move towards recognizing certain states as climate vulnerable, to facilitate targeted support and resources to those most at risk from climate change impacts. The specific needs of small island developing states (SIDS) regarding environmental vulnerability should be recognized. While least developed countries (LDCs) receive special attention at the WTO, SIDS have not been formally recognized as a group deserving of special and differential treatment. This contrasts with the UNFCCC and the Paris Agreement, where their vulnerability is acknowledged. Integrating climate vulnerability indices into ongoing WTO negotiations is crucial.

Achieving net-zero emissions requires a concerted international effort. Supporting developing economies should be part and parcel of those efforts, and must begin with a recognition of their special needs.

Quick Win No. 3: Empower all workers to ensure a fair, equitable and sustainable trade policy | Desirée LeClercq

Workers are the backbone of international trade. They provide global services, the labor for tradable goods, and the means to ship exports and imports. Despite their unique importance to trade, not all workers are treated equally, and many groups are excluded from the design, implementation, and enforcement of trade policies. Countries should offer a seat at the trade policy table not only to advantaged trade union representatives but also to vulnerable workers who lack union representation.

Countries and multilateral institutions must step up their efforts to protect workers rendered vulnerable in global supply chains. Studies suggest that trade liberalization has increased informality along the global supply chains in many countries, leaving billions of workers to operate outside the formal employment sector. Notably, these workers are rarely, if ever, unionized. Laws that permit employers to fire workers for various reasons based on management's prerogative, worsen workers' working conditions by rendering it easier for employers to fire union organizers. The inadequate or lack of enforcement of national laws prohibiting discrimination against union organizers further compounds this issue.

The WTO has yet to reconcile its sustainability agenda with the gap in protections for non-union workers. Negotiations aiming to mainstream labor rights in trade agreements have been on the WTO agenda since the organization's inception. In 1996, however, WTO members decided to restrain the organization's mandate in the area of labor rights and defer the issue of labor standards to the International Labour Organization (ILO), leaving multilateral trade and labor governance bifurcated. That decision permits WTO members to determine whether and how to regulate labor rights in trade in light of their trade priorities, domestic laws, and regional trade agreements, leaving non-union workers in the trade sector without uniform protections.

Members such as the United States, the European Union, Chile, the United Kingdom, and Canada embrace trade policies that purport to level the playing field in trade by including binding and enforceable commitments to labor rights in their trade agreements to protect all trade sector workers. Some members have established Domestic Advisory Groups (DAGs), Labor Advisory Committees (LAC), or bilateral trade councils, which offer key domestic organizations, including unions, a platform to engage on trade policy. Those policies presuppose that all workers whose labor is critical to trade are represented by unions. The inclusion of unionized workers marks progress in trade policy. Nevertheless, the aperture for workers' voices only extends to an elite category of global workers, represented by unions, who benefit from solidarity and its attendant rights and privileges.

To address the gaps in an inclusive trade agenda, WTO members should take three immediate steps. First, a formal working group on trade and labor comprised of ILO and WTO officials should be constituted to assist members in aligning their trade and international labor rights commitments, with publicized meetings and deliberations. Second, new trade agreements should establish joint committees of workers, regardless of their union status, and employers in trade sectors. Third, the trade advisory committees of members should offer union and non-union workers the opportunity to deliberate over proposed trade agendas and meaningfully contribute to the negotiation, implementation, and enforcement of trade agreements. The inclusion of all workers' voices, including those who lack union representation, will help to ensure a fair, equitable, and sustainable trade policy that protects all workers who contribute to trade.

Quick Win No. 4: Enhance critical minerals supply chain diversity through trade, transparency and global standards | Abigail Hunter

The world is on the cusp of a transformative shift as the growth of clean energy and digital technologies propel humanity toward a minerals-based economy. This transformation holds the promise of a more sustainable and interconnected future, but it will also be highly material intensive. Meeting the burgeoning demand for these materials will necessitate an unprecedented expansion of mining activities. Experts estimate that the demand for lithium-ion batteries alone could require more than 300 new mines by 2035. Emerging green technologies will further accelerate demand for critical minerals needed for the generation and transmission of more renewable energy.

The global critical mineral supply chain is an opaque labyrinth that obscures the origins, true costs, and labor practices involved in the journey of raw materials. After being pulled from the earth, minerals change hands and cross borders dozens of times as they are transformed into the chemicals and metals eventually incorporated into finished products. This opacity, combined with market incentives to reduce costs, has opened the door to unscrupulous actors willing to do anything in the pursuit of cheap production, while hindering the ability of responsible players to compete.

Amid growing geopolitical rivalries, supply chain concentration, and the substantial economic opportunities of the emerging energy system, myriad stakeholders have taken notice of this global race to the bottom, resulting in a wave of protectionist trade policies. U.S. tariffs, for example, aim to protect domestic industry against unfair competition, but fail to address the fundamental competitive disadvantage a race to the bottom creates. Resource-rich countries employ other strategies, like export bans, to capture more value-added supply chain steps within their borders. These measures can disincentivize responsible actors along the value chain, from miners and refiners to manufacturers and end-users, and may prove ineffective at safeguarding mineral-producing countries from exploitation.

Unilateral actions have limited influence in diversifying critical mineral supply chains. As long as countries exploit the opacity in supply chains, flooding the market with cheaper minerals produced without regard for the environment or working conditions, these dynamics will persist and responsibly produced, higher-cost goods will not be able to compete.

Trade policies that shift the focus from ad hoc voluntary standards to enforceable statutory requirements can limit the flow of irresponsibly produced goods and encourage responsible mineral production. Through international cooperation, guided by the WTO Agreement on Technical Barriers to Trade and enforceable responsible mining standards, consumer countries can influence markets' behavior without erecting significant trade barriers. Such shared commitments can address the challenges posed by critical mineral supply chains and foster a sustainable energy transition.

Quick Win No. 5: Promote an inclusive approach to governing cross-border data flows and artificial intelligence | María Vásquez Callo-Müller and Kholofelo Kugler

Cross-border data flows are crucial for trade and digital economy innovation. The rapid advancement and adoption of artificial intelligence (AI) further highlights the need to ensure that data flows freely, safely, and securely across borders. However, diverse and sometimes irreconcilable policy interests of WTO members have fueled the lack of agreement on vital issues, such as data governance, and slimmed down the negotiation agenda within the WTO's Joint Statement Initiative on Electronic Commerce (E-Commerce JSI). These developments reflect ongoing concerns about shrinking policy space, privacy, national security, and data sovereignty, which can lead to regulatory fragmentation and restrictions on data flows. While AI is not currently included in the E-Commerce JSI, rapid developments in AI governance outside the WTO indicate the potential for further fragmentation. We propose a pragmatic approach focused on inclusivity through regulatory interoperability and technical harmonization, where certification frameworks and technical standards play a key role.

Regulatory interoperability iinvolves establishing common basic requirements to allow various systems or regimes to work together while respecting policy divergence. This approach ensures inclusivity while preventing extreme fragmentation of regulatory systems. Ongoing efforts in trade agreements and other fora promote interoperability and trustworthy and other fora promote interoperability and trustworthy cross-border data flows. They acknowledge that regulatory frameworks for personal data protection vary across jurisdictions, reflecting not just legal considerations, but also cultural values, social needs, and economic considerations.

Different models could inspire frameworks for regulatory interoperability, including certifications. Certification frameworks for cross-border data flows are an emerging policy solution. For example, several WTO members participate in the Global Cross-Border Privacy Rules (CBPR) System, which was launched in 2022. The Global CBPR System relies on common privacy principles among different economies' domestic data privacy frameworks without preventing them from adopting higher levels of protection at the domestic level. Its success could go a long way in facilitating the management of cross-border data flows.

Another approach towards promoting inclusivity is through harmonization of technical specifications and procedures based on international AI technical standards. The International Organization for Standardization and the International Electrotechnical Commission (ISO/IEC) are developing technical standards to ensure the transparency, accountability, and bias mitigation of AI systems. WTO members could use these standards as a basis for their domestic AI technical regulations, standards and conformity assessment procedures (CAPs). The adoption of these standards could also be included in the E-Commerce JSI. Beyond these negotiations, WTO members could convene dedicated sessions on AI technical regulations, standards and CAPs in the relevant WTO bodies, including the TBT Committee and the Council for the General Agreement on Trade in Services.

Technical harmonization and regulatory interoperability facilitate the inclusive governance of cross-border data flows and AI, fostering trust and legitimacy while ensuring that the diverse interests of WTO members are part and parcel of the digital trade regulation at the WTO.

Quick Win No. 6: Reform the WTO dispute settlement mechanism to support a rules-based multilateral trading system | Iryna Polovets

The WTO dispute settlement system is vital for enforcing WTO rules and providing security and predictability to the multilateral trading system. While the system has been by and large effective over the past 30 years, its practical application over time has made clear that some aspects need improvement or clarification. Accumulated dissatisfaction of some WTO members over certain features of the system, especially related to appellate review, led to a deadlock in the appointment of Appellate Body members to replace those whose terms of office had expired. This situation came to a head in December 2019, when the Appellate Body became non-functional due to a lack of quorum.

As a result, the right to obtain appellate review of legal findings by WTO panels and the automatic adoption of dispute settlement reports—two essential characteristics of the current WTO dispute settlement system—have effectively been lost. Because the right to appeal exists in the WTO rulebook but cannot be operationalized, final resolution of a dispute cannot be achieved if a party seeks an appeal. Currently, in the 31 disputes pending before the dysfunctional Appellate Body, WTO members are unable to obtain a final determination on the WTO-consistency of challenged measures, undermining a central feature of the current WTO legal architecture.

Against this background, dispute settlement reform is a priority for WTO members. In June 2022 at their 12th Ministerial Conference (MC12), WTO Ministers agreed "to conduct discussions with the view to having a fully and well-functioning dispute settlement system accessible to all members by 2024." Informal interest-based technical discussions convened in February 2023 resulted in a consolidated text on dispute settlement reform, which contains suggestions for improving the system but does not address the issue of appeal/review. Several WTO members have critiqued this text in their own papers. At the 13th Ministerial Conference (MC13), Ministers acknowledged progress and directed officials to accelerate discussions to achieve the MC12 target by the end of 2024.

Since MC13, WTO members have taken significant steps toward the goals set at MC12 and reaffirmed at MC13. Key developments include formalizing the dispute settlement reform process and appointing a facilitator, steps which have set members on the right path to meet the 2024 deadline. The facilitator is working with a group of six co-convenors, nominated by WTO members at the expert level, to address outstanding issues, including on the topics of appeal/review and accessibility.

The collective efforts of WTO members, as demonstrated in recent Ministerial Conferences and ongoing discussions, reflect a strong commitment to reforming the dispute settlement system. The strong political signal sent by Ministers at MC13 indicates that members are expected to finalize the reform discussions by the end of the year. Given the foundational role played by dispute settlement in the WTO, achieving such reform would be a significant win for the international trading system.

Quick Win No. 7: Design an economic security safeguards mechanism to reform the WTO security exception | Mona Paulsen

Responding to the perception that aspects of international trade create economic security risks, some WTO members have implemented unilateral, trade-inhibiting measures that lack clear endpoints. Members may justify violations of trade rules by invoking the WTO security exceptions, provided all requirements are met. However, security exceptions are not a long-term solution for persistent, unpredictable challenges and may even preclude multilateral approaches to anticipate and mitigate economic security risks. It is time to view security as more than an exception to WTO rules and principles. Members should build a new mechanism for economic security issues using the WTO's safeguards procedures as a model.

A new Economic Security Safeguards (ESS) mechanism could create breathing space for protecting domestic industries that are strategic to economic security objectives while setting limits on the duration and the extent of remedy. When designing such a mechanism, members should decide how to characterize economic security safeguards and deliberate on a framework for evaluating risks. Members may agree that traditional wartime interests do not characterize economic security or that the assessment of economic security should strictly control how a product could indirectly contribute to a member's defense capabilities.

While existing WTO safeguard rules require a demonstration of injury to industries caused by increased imports, the ESS could instead target industry risks associated with economic security. ESS implementation would thus depend upon improved information sharing concerning economic security risks rather than strict causation analysis. Practically speaking, knowledge of risk may be hard-to-observe for applying the ESS, as supporting evidence establishing chains of cause and effect may be difficult to show.

To resolve this tension, members could coordinate their strategic foresight practices that examine future government planning and contingencies and weigh their implications. As part of this, members could diagnose the short-term and long-term risks for economic security. They would need to agree on an approach that assesses how imports create supply dependencies and related risks in relation to domestic manufacturing capacity and consumption. Finally, the WTO could work with the Organisation for Economic Co-Operation and Development's (OECD) risk likelihood and impact framework to design an ESS impact assessment based on different risk levels. Domestic authorities would rely on this risk assessment to evaluate the relevant factors for the right to impose trade restrictions. For example, to reduce uncertainty or early mitigation of risks, members could prioritize source diversification and set a high standard for imposing limited trade restrictions. In contrast, for vital products at high risk of severe impacts, members could set a deferential standard for evaluating the situation of the domestic industry. On this basis, there may be scope for members to choose between ESS that apply universally to all imports or moderate risk exposure from specific sources. Members could carefully circumscribe ESS usage by conditioning the duration of ESS implementation with a corrective action plan.

WTO security exceptions for extraordinary circumstances may still be required. However, to address ongoing concerns with economic interdependence, the ESS could allow members to advance economic security goals as part of, and not exceptional to, members' long-term commitments to work together.

Quick Win No. 8: Facilitate the participation of developing and least developed economies in global investment flows | Sofia Boza

Redirecting investment flows to developing and least-developed economies is one of the key challenges to overcome when thinking about a new paradigm for globalization and building resilience in trade. The Joint Initiative on Investment Facilitation for Development, launched by some WTO members in December 2017, aimed to address trade barriers that impede and restrict investment processes between countries. Although the conclusion of the negotiations on the Investment Facilitation for Development (IFD) Agreement was announced in February 2024, the Agreement was not incorporated into Annex 4 of the Marrakesh Agreement during the 13th WTO Ministerial Conference (MC13). Establishing these rules at the multilateral level is crucial to creating a cohesive and inclusive global investment environment, which will enhance the participation of developing and least-developed WTO members in global investment.

The disciplines contained in the IFD Agreement aim to create a regulatory environment that fosters foreign direct investment (FDI) flows to developing and least developed economies, promoting job creation, economic growth, integration into regional and global value chains, and ultimately helping them to achieve sustainable development goals. Indeed, the IFD Agreement includes a number of commitments that are related to crucial factors influencing international investors' decisions: enhancing transparency and predictability of investment measures; streamlining administrative procedures; fostering partnerships with investors; leveraging FDI benefits for local economies through foreign investors-supplier relationships; and promoting sustainable investment. These commitments are bolstered by technical-assistance and capacity-building provisions to support the effective implementation of the agreement by least developed and developing members. Moreover, assistance with the Investment Facilitation Needs Assessment—a self-assessment for these members to identify their needs and priorities regarding each of the substantial provisions of the IFD Agreement—is also foreseen. As of August 2024, 126 WTO members, including more than 90 developing economies supported the final text of the IFD Agreement.

The Agreement Establishing the WTO requires the consensus of all 166 WTO members to incorporate the IFD Agreement into the WTO's legal architecture as a plurilateral agreement. A request with this aim was presented during MC13, and later to the General Council in March 2024. The Agreement is open for signature to all WTO members, and once consensus is reached on its incorporation, it will enter into force with the ratification of 75 members.

The IFD Agreement will neither reduce the existing rights and obligations of the parties under the WTO Agreement nor introduce new rights or obligations for members who have not ratified it. Delaying its incorporation and implementation would mean missing a critical opportunity for developing and least-developed WTO members to adapt to the fast-changing global investment environment and to increase resilience for future trade challenges. It is then desirable that WTO members unite in support of adding the IFDA to Annex 4 of the WTO Agreement through a consensus-based multilateral decision.

Quick Win No. 9: Support the green energy transition through technology transfer | Emilie Kerstens & Elizabeth Whitsitt

Across the globe, governments are increasingly confronting the urgent challenge of combating climate change. The green transition is essential to tackle this challenge and necessitates wide scale innovation and dissemination of advanced clean technologies. While the clean tech boom is underway, many developing countries are struggling to keep pace. The WTO is uniquely positioned to facilitate technology transfer by leveraging its existing frameworks and enhancing international cooperation with existing initiatives, such as those of the UNFCCC.

The development of green technology required to abate climate change is a costly and risky venture. Once a technology is operationally viable, it requires deployment on a global scale to effectively address climate change. In its 2023 World Energy Outlook the International Energy Agency (IEA) highlights that investment in clean energy has increased 40% since 2020. However, research, accelerated development, and dissemination of clean technologies across developed and developing economies require additional incentives to support private sector investment in these areas. Initiatives like the WTO IFD Agreement could foster transparent, efficient, and predictable regulatory environments to encourage more foreign direct investment in clean technology in developing countries.

Additionally, reducing trade barriers on green technologies, such as solar panels, wind turbines, and hydropower equipment, will allow these technologies to be more widely accessible. While negotiations for an Environmental Goods Agreement (EGA) were suspended in 2016, recent initiatives such as the Agreement on Climate Change, Trade and Sustainability (ACCTS) and the on-going dialogue under TESSD may reinvigorate those discussions. The ACCTS may even provide a model for WTO members moving forward. Efforts to reduce barriers to trade in environmental goods should be supported by packages of financial and technical assistance, linked to broader technology transfer initiatives.

Intellectual property (IP) rights also play a crucial role in fostering innovation and the dissemination of clean technologies. The WTO Working Group on Trade and Transfer of Technology was created in 2001, but to date has lacked direction and tangible action. In 2023, developing countries, including the African Group and India, introduced new proposals to organize discussions and focus on environmental technologies. However, members have not yet reached consensus on how to reinvigorate these discussions and increase flows of technology to developing countries. Given the widening technological gap, developing countries should continue pushing for technology transfer to be a priority within the WTO. Key areas of focus should include enhancing transparency in IP disclosure, harmonization of IP regulatory regimes, and enforcement rights and procedures among members, as well as technical assistance and capacity building.

Furthermore, the WTO should align these initiatives with its other institutional efforts, such as the Aid for Trade program, and connect them with existing initiatives under the climate change regime, like the UNFCCC's Technology Transfer Mechanism. In this way, the initiatives and frameworks of the WTO combined with international cooperative efforts can be harnessed to increase clean technology transfer, support the green energy transition, and assist in meeting the climate change challenge.

Quick Win No. 10: Finance re-globalization and resilience through the adoption of digital payments

| Marta Prado

For decades, development finance has played a critical role in supporting financial resilience in developing countries. However, even countries that are striving to increase their economic strength remain vulnerable to external macroeconomic shocks and geopolitical uncertainties. One way development finance can help shield developing economies from shocks and drive inclusive growth is by championing the adoption of digital payments—including open and competitive payments markets and public-private partnerships.

Digital payments are a key driver of economic development and inclusive growth. Great progress has been made this past decade to promote financial inclusion and digital payments. According to the latest World Bank Global Findex in 2021, 71% of adults in developing countries have a formal financial account, compared with 42% in 2011, and 57% make or receive digital payments, compared with 35% in 2014. Mobile payment solutions have transformed financial access across Africa, Latin America, and the Asia-Pacific, empowering millions of individuals to engage in economic activities. Digital wallets and other innovative payment solutions have enabled money transfers and remittances to support communities during crises like Covid-19. In addition, superapps, such as Ukraine's DIIA, offer digital IDs, access to government services, and facilitate payments. Other superapps have enabled millions of consumers and merchants to connect, buy and sell goods and services, and transact efficiently.

Digital payments are a critical on-ramp to accessing increasingly digitized public and private services. However, 1.4 billion individuals remain "unbanked," many of them women and minority groups in remote or under-served areas. Access to basic transactional accounts is only the first step to prosperity to prosperity in the digital era; people and businesses that are banked need accessible and transparent cross-border payment solutions to benefit from remittances and global e-commerce. Open and competitive payments systems are key to accelerating developing countries' path to a broad-based use of digital and cross-border payments. Open ecosystems encourage innovation, promote positive customer experiences, and drive efficiency; when providers compete for customers, they are incentivized to develop new technologies and services that ultimately improve the consumer experience.

Development finance institutions play a critical role in promoting regulatory frameworks that encourage competition and level playing fields for participants in the payments system in developing countries. They can also enhance cybersecurity and consumer trust in the digital economy through policy frameworks and technology solutions that protect consumers' data, money, and identity. When investing in initiatives that promote payment solutions in developing nations, development organizations can ensure that new initiatives are globally interoperable, well-governed, sustainable, and aligned with broader economic goals.

Furthermore, development organizations can partner with private sector providers to promote the use and acceptance of secure, transparent, and reliable digital payments and global cross-border payment capabilities. Public and private sectors can also promote regulatory frameworks that enable practical initiatives for digital literacy, the access of low-income populations to technology, and small businesses' access to globally ubiquitous payment networks. Millions of people and businesses in developing countries have yet to join the global digital economy. This is a huge unrealized opportunity for economic growth, trade, and resilience—and one that can be unlocked through open and competitive payments systems.

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