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Macroeconomic policy issues

International trade and development

Note by the Secretary-General

The Secretary-General has the honour to transmit to the General Assembly a report on international trade and development prepared by the secretariat of the United Nations Conference on Trade and Development.

* [A/76/150](#).



Report prepared by the secretariat of the United Nations Conference on Trade and Development on international trade and development

Summary

The coronavirus disease (COVID-19) pandemic has significantly affected both the levels and the patterns of global trade. World trade recorded a drop in value of about 9 per cent in 2020, with a decline in trade in goods of about 6 per cent and in trade in services of about 16.5 per cent. While signs of economic recovery are already visible, the process has been, and is likely to continue to be, uneven across regions.

There is a risk that low-income countries will lag in the recovery process, particularly with low vaccination rates in those countries and the slow progress in overcoming obstacles for a global “vaccine for all”, in addition to their fiscal constraints. As a result, low-income countries will find their economies less able to compete in international markets, and more so in high-value-added sectors.

As foreseen in the report on the subject of international trade and development in 2020 ([A/75/225](#)), the pandemic is reversing much of the economic and social progress already made towards the achievement of the Sustainable Development Goals. Enhancing global trade is indispensable for the recovery from this crisis, and the recovery must be both green and inclusive. However, government interventions are yet to fully pivot national economies towards this adapted path of long-term growth and sustainable development, while significant reform of the multilateral system remains much needed.

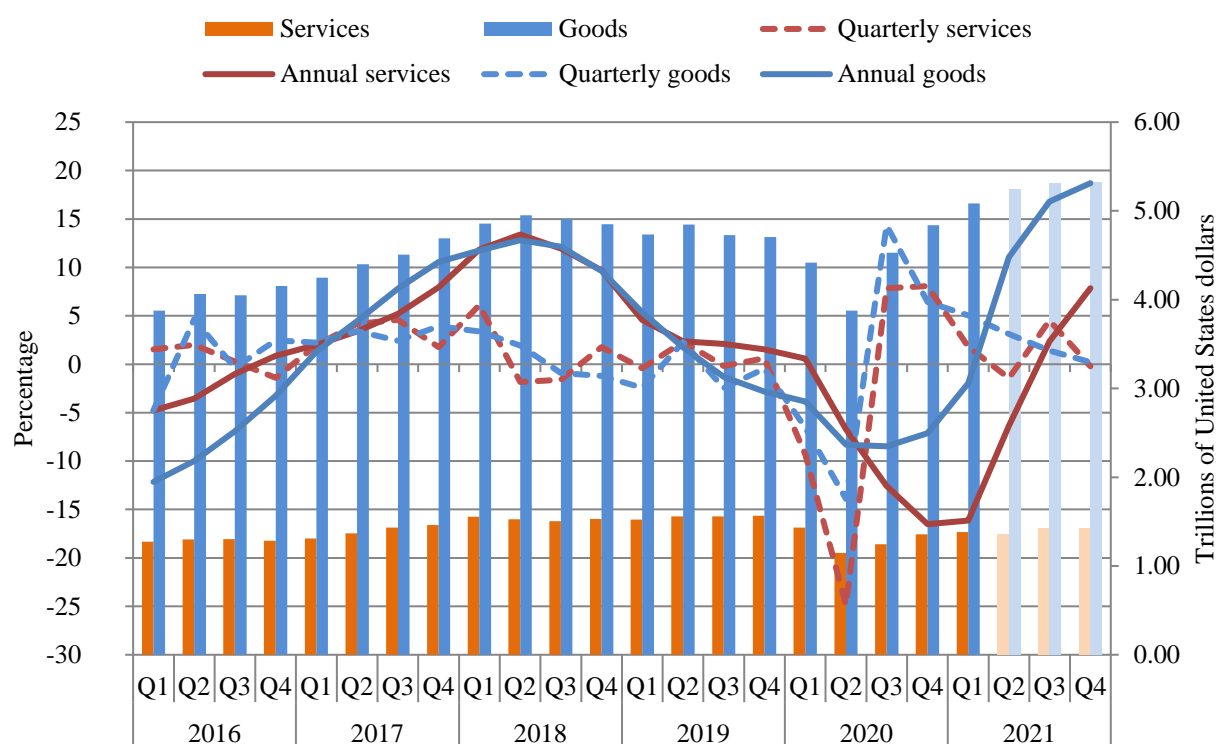
The report responds to the request made by the General Assembly in its resolution [75/203](#).

I. Trends in trade under COVID-19

A. Trade in goods and services

1. The coronavirus disease (COVID-19) pandemic has severely disrupted the global economy. World gross domestic product (GDP) contracted by about 3.3 per cent in 2020, with international trade values falling by about 9 per cent (with trade in goods and services declining by about 6 and 16 per cent, respectively). International trade recovered during the final months of 2020 and rebounded more strongly during the first quarter of 2021 (see figure I). Policy support across major economies, vaccine roll-outs and the adaptation of economic activity to mitigation restrictions are expected to improve economic conditions and contribute to trade recoveries throughout 2021.

Figure I
Trends in trade of goods and services



Source: United Nations Conference on Trade and Development (UNCTAD), "Global trade update", May 2021.

Note: Quarterly growth is the quarter over quarter growth rate of seasonally adjusted values. Annual growth refers to the last four quarters. Figures for the first quarter of 2021 are preliminary and those for the second quarter onward are a forecast.

2. During the first nine months of 2020, trade from developed and developing countries dropped by similar magnitudes, about 13 per cent relative to 2019 pre-pandemic levels. Developed countries' exports (imports) declined marginally more (less) relative to developing countries. South-South trade declined to a similar extent, by about 13 per cent.

3. The rebound has been uneven. Once East Asian economies are excluded, developing countries' trade and South-South trade showed a significant drop during the first three quarters of 2020 (see table). Across regions, East Asia is the clear

outlier, with a drop in exports of only 4 per cent relative to pre-pandemic levels. Exports from all other developing regions dropped by more than 20 per cent, with the exception of Latin America.

Trade in goods during the recession and rebound relative to pre-pandemic levels

(Percentage)

	<i>Recession (first, second and third quarters of 2020)</i>		<i>Rebound (fourth quarter of 2020 to first quarter of 2021)</i>	
	<i>Imports</i>	<i>Exports</i>	<i>Imports</i>	<i>Exports</i>
World		-13		6
Developed countries	-12	-14	5	4
Developing countries	-14	-12	8	10
Developing countries, excluding East Asia	-21	-21	—	-7
South-South		-12		9
South-South, excluding East Asia		-24		-8
Africa	-19	-22	1	-9
East Asia	-8	-4	15	23
Economies in transition	-18	-26	-6	-15
Latin America	-24	-16	-2	-3
South and West Asia	-21	-22	1	-7

Source: Calculations by the UNCTAD secretariat.

Note: Percentage changes relative to pre-pandemic averages of 2019. Growth rates in United States dollars, seasonally adjusted.

4. The trade recession has been followed by a strong rebound during the fourth quarter of 2020 and the first quarter of 2021. In that period, the value of global trade rallied to around 6 per cent higher than pre-pandemic levels. Overall, the trade of developing countries has recovered faster than that of developed countries, only because of the East Asian economies. Once those are excluded, imports of developing countries are around pre-pandemic averages, while exports remain substantially lower (by about 7 per cent). The value of exports from East Asian economies grew by about 23 per cent relative to pre-pandemic levels, but exports for all the other developing regions remain well below pre-pandemic levels. The performance of East Asian developing economies is largely the result of their early success in pandemic mitigation, allowing them to rebound quickly while capitalizing on booming global demand for COVID-19 related products (e.g. personal protective equipment and communications and home office equipment).

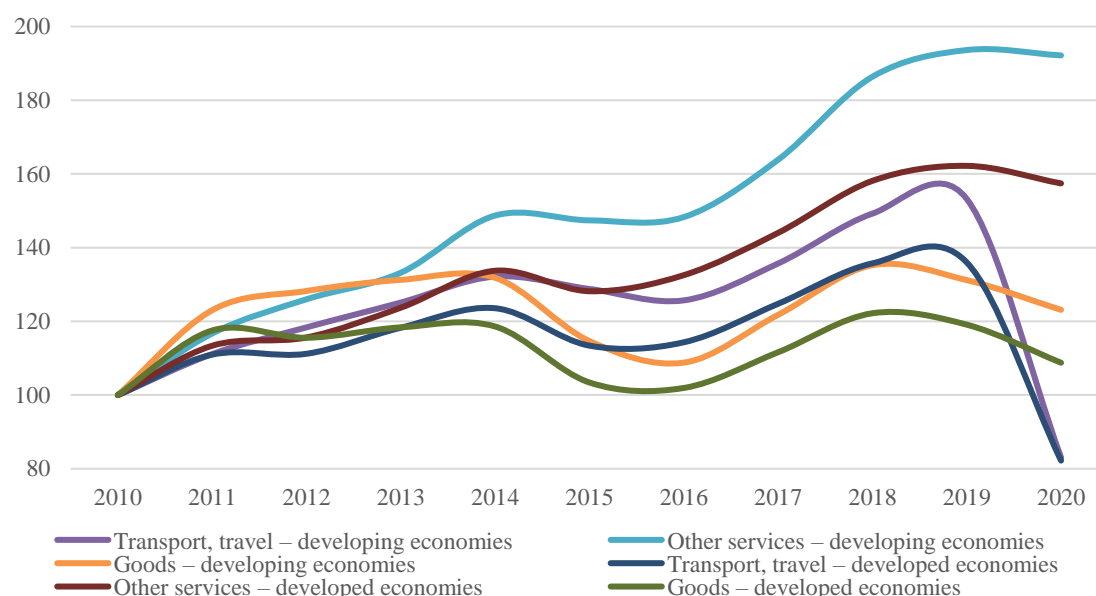
5. The economic effects of the pandemic underscored the heterogeneity in the services sector. While exports of some services suffered huge declines, exports of other services remained more resilient than goods trade (see figure II). In 2020, the most affected services categories included travel, transport and goods-related services,¹ whose exports globally dropped 63, 19 and 13 per cent, respectively. Exports of travel services plunged 70 per cent in developing economies. Conversely,

¹ Goods-related services include manufacturing services on physical inputs owned by others and maintenance and repair services (see UNCTADstat, Services (BPM6): Trade and growth by main service-category, quarterly).

exports from other services categories² decreased only 3 per cent in developed economies and less than 1 per cent in developing economies.³

Figure II
Evolution of exports, 2010–2020

(Index, 2010 = 100)



Source: UNCTADstat.

Note: The “transport and travel” category also includes goods-related services. Series for services are preliminary annual estimates based on quarterly figures.

6. Within those more resilient services, information and communications technology (ICT) services have a notable role. Before the pandemic, exports of ICT services grew more than total services exports, averaging 7 per cent annually.⁴ The pandemic supported this trend as ICT services were often used as providers of alternatives to restricted mobility. Online retail sales increased from 16 to 19 per cent of total retail sales.⁵

B. Commodities

7. In May 2020, the UNCTAD free market commodity price index for all groups began reversing its downward trend of the previous five months, reaching 131.9 points in February 2021 (see figure III). All commodity price sub-indices experienced an upward movement in that period.

² These categories include construction; financial services; intellectual property charges; telecommunications, computer and information services; and personal, cultural and recreational services.

³ See UNCTADstat.

⁴ See UNCTADstat.

⁵ UNCTAD, “Estimates of global e-commerce 2019 and preliminary assessment of COVID-19 impact on online retail 2020”, UNCTAD Technical Notes on ICT for Development, No. 18.

Figure III
UNCTAD free market commodity price index, all groups

(2015 = 100)



Source: Calculations by the UNCTAD secretariat based on data from UNCTADstat.

8. Commodity prices for maize, wheat, soybean meal, oil and palm oil, as well as some metal prices, including copper, nickel and silver, rose to their highest levels in many years. The price rally observed across all commodity groups was due to various factors, including strengthening demand as pandemic restrictions eased, adverse weather conditions that affected production of some agricultural commodities and an increase in freight charges. Moreover, as economies recover and rescue packages are implemented, there is increasing demand for a large set of commodities, particularly from countries such as China that recovered earlier than other large economies. Hence, commodity prices for minerals, such as copper and iron ore, used in the construction and infrastructure sectors have experienced strong recoveries. This rally is expected to continue if economic recovery from the pandemic stabilizes.

C. Transport and trade facilitation

9. As trade flows bounced back faster than expected in the third quarter of 2020, stronger demand matched with slower growth in the supply of freight carrying capacity, including in shipping and air transport, caused frictions across the supply chain with reduced service reliability and increased shipping costs. Meanwhile, ocean container carriers have benefited from the tight market conditions, with liner profitability expected to reach \$35 billion in 2021.⁶

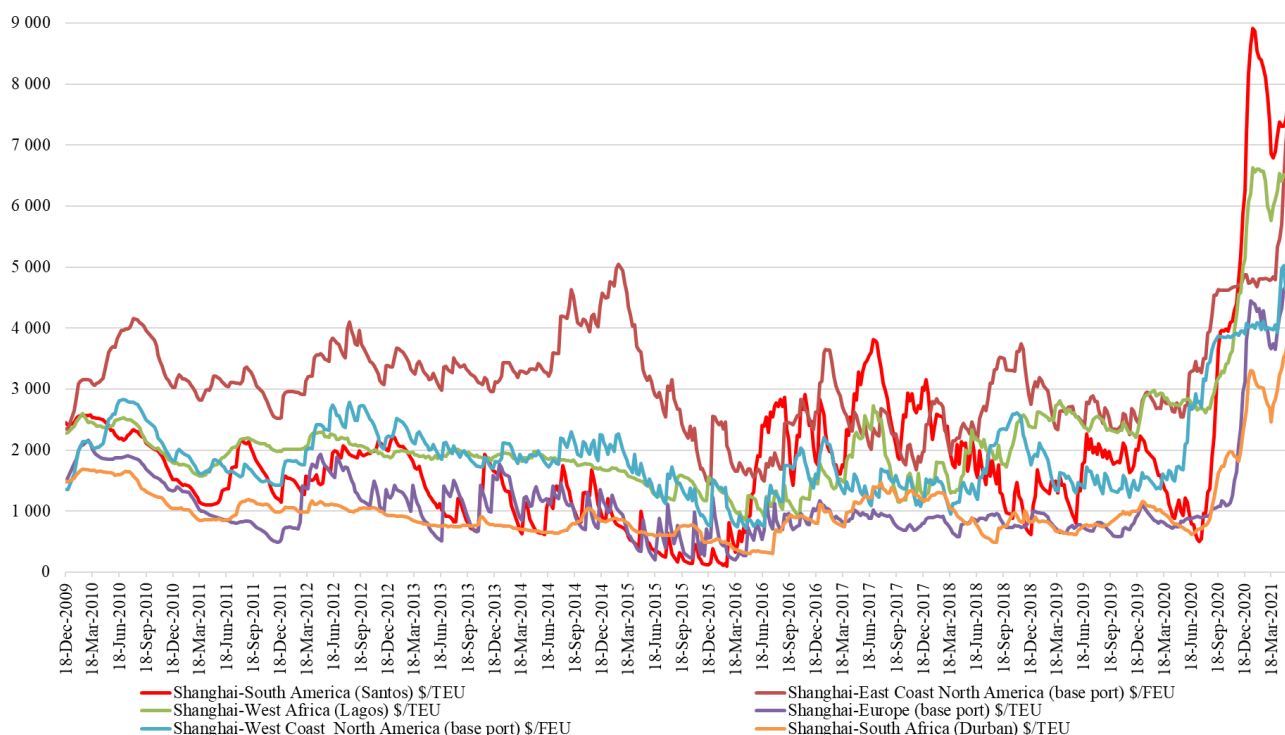
10. Demand surge in the second half of 2020 and first half of 2021 has been matched with supply chain disruptions, including shortages in ship carrying capacity and equipment, port congestion, extended waiting times and delays. Waiting container ships at congested ports and the week-long Suez Canal blockage have further exacerbated logistical challenges. Together, these factors have resulted in expected rises of 23 per cent in 2021⁷ for container freight rates (see figure IV).

⁶ Drewry Maritime Research, Container Trade Forecaster, first quarter, March 2021.

⁷ Ibid.

Figure IV
Shanghai containerized freight

(Index, weekly spot rates, 18 December 2009 to 21 May 2021, selected routes)



Source: UNCTAD, based on Clarksons Research Services data.

Abbreviations: FEU, forty-foot equivalent unit; TEU, twenty-foot equivalent unit.

11. Pandemic-induced restrictions and controls, along with labour shortages caused by illness or imposed quarantines, have undermined transport and customs services. In addition, delays, including in the transmission of bills of landings, are affecting the performance of commercial contracts and giving rise to potential legal and liability issues.

12. Meanwhile, air freight capacity, which is largely linked to passenger transport, has also been constrained as trade is often moved as “belly cargo” in commercial flights. When passenger air traffic plummeted, so did the available belly capacity to carry imports and exports by plane.

D. Global value chains

13. The pandemic has reinvigorated the debate on global value chains and trends towards a reshoring and nearshoring of production networks.⁸ Despite initial difficulties, many disruptions caused by supply and demand shocks proved temporary. Exports of medical products increased by nearly 50 per cent between the second and third quarter of 2020, electronics and machinery continued to operate and food industry global value chains revived.⁹ Overall, global value chains have enabled countries to meet the demand for essential supplies.

⁸ See UNCTAD, New UNCTAD report shows reshoring, diversification and regionalization will drive restructuring of global value chains in the coming years.

⁹ Organisation for Economic Co-operation and Development (OECD), “Global value chains:

14. Whether the potential gains from nearshoring can outweigh the well-established efficiency gains from global value chains remains a widely debated issue. While nearshored production offers the advantage of greater security of supplies it may offer less flexibility for adjustments in the face of shocks.

15. Producing and shipping raw materials and manufactured goods along global value chains is a key pillar of global economic activity and a source of livelihood for millions. It is estimated that nearshoring or localization of global value chains could decrease global real GDP by more than 5 per cent.¹⁰ Recovery from the pandemic is already uneven.¹¹ Efforts to renationalize production systems will severely affect the low- and middle-income countries, making it difficult for them to access or upgrade along the global value chain development ladder.¹² The trend of shortening supply chains is likely to remain under consideration with the aim of increasing resilience and robustness in times of crisis. Governments can support businesses to develop risk management and resilience strategies and provide incentives to supplier diversification in existing trade agreements and investment regimes.

II. Trade policy and the international trading system

A. Multilateral trading system and regional agreements

16. The COVID-19 pandemic largely caught the multilateral trading system unprepared and left it requiring urgent adjustment to better respond to the pandemic and contribute towards building back better. The crisis also hit in the midst of a systemic impasse caused by ongoing trade tensions, which began in 2017. These challenges revealed the limitations of existing trade disciplines to effectively address global health crises.¹³ Certain existing World Trade Organization (WTO) disciplines, such as on export restrictions and general exceptions, proved to be insufficient in mitigating disproportionate costs falling on vulnerable countries.

17. Tackling global supply shortages in essential goods, including medical goods and vaccine materials, caused by export restrictions emerged as a priority. In order to sustain resilient, robust and well-diversified supply chains, several WTO members proposed calling for coordinated actions to address challenges across trade and health.¹⁴ These actions include: (a) eliminating existing unnecessary export restrictions and exercising restraint in introducing new ones; (b) ensuring that any “necessary” export restrictions are targeted, transparent, proportionate and temporary; (c) giving particular consideration to the interests of the least developed countries that are import dependent; and (d) ensuring that measures do not disrupt the provision of humanitarian shipments of essential medical goods or the work of the COVID-19 Vaccine Global Access (COVAX) Facility in distributing vaccines.

18. The role played by the multilateral trading system in maintaining trade in essential goods during the pandemic should not be underestimated. The high incidence of trade facilitation measures, as well as efforts made to streamline border procedures, are a testimony to the commitment of WTO member States to keep supply

efficiency and risks in the context of COVID-19”, OECD Policy Responses to Coronavirus (COVID-19) series, 2021.

¹⁰ Ibid.

¹¹ UNCTAD, “Global trade update”, February 2021.

¹² *World Investment Report 2020: International Production Beyond the Pandemic* (United Nations publication, Sales No. E.20.II.D.23).

¹³ For example, under the General Agreement on Tariffs and Trade, article XX.

¹⁴ See WTO, “COVID-19 and beyond: trade and health”, document JOB/GC/251/Rev.1 of 22 April 2021.

chains operational. In fact, nearly 40 per cent of imposed export restrictions have been rolled back.¹⁵

19. Nevertheless, tendencies to act out of self-interest and failures of transparency created impediments to the flow of essential goods. For example, the number of notifications to the WTO secretariat concerning sanitary and phytosanitary measures and technical barriers to trade fall far short of the number compiled by the Global Trade Alert initiative database.¹⁶

20. The use of ad hoc trade measures revealed the shortcomings of existing regional trade agreements, including insufficient provisions for keeping trade channels open during medical emergencies or regarding critical medical supplies. While many countries adopted unilateral measures to eliminate unnecessary and avoidable trade barriers, regional trade agreements require “pandemic proofing” by incorporating provisions for greater transparency and information-sharing to facilitate trade in emergencies and for minimizing regulatory divergence for medical goods.¹⁷

21. Faced with persistent and critical global supply shortages of vaccines, addressing possible constraints posed by intellectual property rights has become a central agenda for multilateral trade cooperation. The use of flexibilities under the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) and the Doha Declaration on the TRIPS Agreement and Public Health, including compulsory licences, and a temporary WTO waiver from certain TRIPS obligations, are being explored at the time of writing the present report, so as to develop and fully utilize global manufacturing capacity. The proposal for a WTO waiver was originally put forward by India and South Africa¹⁸ in October 2020. On 5 May, the United States of America announced its support for the waiver, adding much-needed impetus to text-based negotiations.¹⁹ At time of writing, the proposal had been co-sponsored by 62 WTO members.

22. TRIPS waiver supporters have argued that intellectual property rights represent significant medium-term entry barriers, as they cover components, processes, clinical test data and knowledge, all subject to regulatory approval.²⁰ Furthermore, given the large public investments in COVID-19 vaccine research and consistent with Sustainable Development Goal 3, proponents advance moral and economic obligations to treat vaccines as a global public good and allow unhindered sharing of technology and knowledge.²¹

23. In parallel to a TRIPS waiver, existing TRIPS flexibilities for compulsory licensing, including for countries without manufacturing capabilities in the

¹⁵ UNCTAD, “COVID-19 and NTMs”.

¹⁶ Biswajit Dhar, “Technical regulations in the WTO: the need to improve transparency”, *Revitalising Multilateralism: Pragmatic Ideas for the New WTO Director-General*, Simon J. Evenett and Richard Baldwin, eds. (London, Centre for Economic Policy Research, 2020), pp. 275–277.

¹⁷ Economic and Social Commission for Asia and the Pacific, “Readying regional trade agreements for future crisis and pandemic”, 20 January 2021.

¹⁸ WTO, Council for Trade-Related Aspects of Intellectual Property Rights, “Waiver from certain provisions of the TRIPS Agreement for the prevention, containment and treatment of COVID-19”, document IP/C/W/669 of 2 October 2020.

¹⁹ United States, Office of the United States Trade Representative, “Statement from Ambassador Katherine Tai on the COVID-19 TRIPS waiver”, 5 May 2021.

²⁰ WTO, Council for Trade-Related Aspects of Intellectual Property Rights, “Waiver from certain provisions of the TRIPS Agreement for the prevention, containment and treatment of COVID-19: responses to questions”, document IP/C/W/672 of 15 January 2021.

²¹ See, for example, Médecins Sans Frontières, “WTO COVID-19 TRIPS waiver proposal: myths, realities and an opportunity for governments to protect access to lifesaving medical tools in a pandemic”, technical brief, 3 December 2020.

pharmaceutical sector, are being explored.²² However, obstacles remain to straightforward utilization by developing countries. Given that components and processes for producing vaccines are protected by different intellectual property rights, coordinating with different right-holders for licences on a case-by-case or product-by-product basis represents a complex and lengthy process.

24. While a TRIPS waiver would be an essential step, the immediate need is to strengthen low-income developing countries' capacity to import vaccines and distribute them efficiently for a speedy vaccination of the population. Furthermore, improving their capacity to produce vaccines locally, with mutually beneficial licensing partnerships between vaccine developers and vaccine manufacturers, should remain the mid-term objective of the international community.²³

B. Impact of COVID-19 on reform of the multilateral trading system

25. Even prior to the pandemic, reform of the multilateral trading system was a high priority, but the path was unclear. Economic and social disruptions of the pandemic have underscored this need, while reinforcing stronger dimensions related to development and the requirement for a more resilient multilateral trading system.

26. The twelfth WTO Ministerial Conference, which will take place after the fifteenth session of UNCTAD in October 2021, offers an excellent opportunity to reaffirm the value of the multilateral trading system in the global fight against the pandemic and efforts to build back better for sustainable development. This would call for realigning the norms and disciplines of the system with the 2030 Agenda for Sustainable Development and the Sustainable Development Goals. In addition to trade and health agendas, strengthening food security, ensuring sustainable use of marine resources²⁴ and addressing the digital divide appear significant for the twelfth WTO Ministerial Conference and beyond.

27. Governments may be tempted to use trade policy to recover faster from the pandemic, resorting to the use of tariffs and non-tariff trade measures and provision of subsidies and other forms of incentives to fuel the growth of domestic industries. The multilateral trading system should ensure that such policies are temporary in nature and are assessed on whether they are trade restrictive on imports from low-income countries. If so, mitigating measures should be incorporated into the policies.

28. Facilitating preferential access (e.g. easier preference utilization), relaxation of rules of origin and increasing trade facilitation assistance can help to favour trade originating from low-income countries and compensate for some competitiveness losses. Review of trade policy stances of countries towards low-income countries, both in relation to tariffs (e.g. tariff escalation, preference utilization) and non-tariff measures (e.g. international standards, rules of origin) will be critical considerations for reform.

29. In the longer term, any reform of the multilateral trading system will have to take into account mechanisms to ensure that export restrictions are targeted, transparent and temporary and do not become hurdles to ensuring health and safety.

²² WTO, Council for Trade-Related Aspects of Intellectual Property Rights, "Notification under the amended TRIPS Agreement: notification of need to import pharmaceutical products under the special compulsory licensing system", document IP/N/9/BOL/1 of 11 May 2021.

²³ WTO, General Council, "Enhancing the role of the World Trade Organization in the global effort toward the production and distribution of COVID-19 vaccines and other medical products", document WT/GC/230/Rev.2 of 12 April 2021.

²⁴ WTO, Negotiating Group on Rules, "Fisheries subsidies draft: consolidated Chair text", document TN/RL/W/276 of 11 May 2021.

Monitoring, surveillance and review of members States' trade policies will need to be made more effective.

30. The pandemic has further accentuated the shift towards electronic commerce, as people and businesses moved online to cope with various lockdown measures and travel restrictions. Online retail sales as a share of total retail sales jumped by 3 percentage points in 2020, from 16 per cent to 19 per cent.²⁵ The pandemic has also revealed the significant divides that still characterize the world in terms of country readiness to engage in and benefit from e-commerce. Development-friendly e-commerce policies, regulations and measures undertaken at both the national and international levels to build capabilities will be needed for countries to bridge technological disruptions.

31. Over 80 WTO members currently negotiate trade rules on electronic commerce under the Joint Statement Initiative on Electronic Commerce.²⁶ Many developing countries have chosen not to engage in electronic commerce negotiations under the Initiative, preferring to first build their regulatory and institutional capacities and safeguard their policy space to pursue development objectives in this fast-evolving area. The possible outcome of the negotiations will likely affect the governance of various dimensions of e-commerce, with implications for all countries. Key questions also arise as to whether and how the outcome of the negotiations may be multilateralized²⁷ and what outcome would best enable developing countries (both participants and non-participants) to harness the potential benefits of e-commerce for sustainable development. Discussions on special aid and training mechanisms, as well as cooperation in building digital infrastructure for developing and less developed countries to aid their digital transformation, should also be considered.²⁸

32. Lastly, the twelfth WTO Ministerial Conference should set a clear road map for strengthening the rules-based trading system towards revitalizing the global partnership for sustainable development and achieving a universal, rules-based, open, non-discriminatory and equitable multilateral trading system (target 17.10 of the Goals). As a matter of priority, there is a need to restore functioning, two-step dispute settlement procedures by unblocking the current impasse in the Appellate Body of WTO, which is the cornerstone of the rules-based multilateral trading system (see [A/75/225](#)).

III. How countries have responded

33. Pre-pandemic economic conditions and the capacity for mobilizing additional resources have played an important role in the ability of countries to respond to the COVID-19 crisis. While Governments are eager to pursue post-pandemic recovery plans, their implementation is limited by budgetary constraints. Of particular concern is financial instability from additional government borrowing.

34. Rising debt and servicing obligations may be hard to support for many countries. Any rise in interest rates would put pressure on both national and private borrowing with negative repercussions on investments and international trade flows, especially for developing countries with more limited resources and fiscal policy space.

²⁵ *COVID-19 and E-Commerce: A Global Review* (United Nations publication, 2021).

²⁶ *What is at Stake for Developing Countries in Trade Negotiations on E-Commerce? The Case of the Joint Statement Initiative* (United Nations publication, 2012).

²⁷ WTO, General Council, "The legal status of 'Joint Statement Initiatives' and their negotiated outcomes", document WT/GC/W/819/Rev.1 of 30 April 2021.

²⁸ UNCTAD, "Readying regional trade agreements for future crises and pandemics", 21 January 2021.

A. Trade measures to mitigate supply and demand shocks

35. As efforts to develop effective COVID-19 diagnostics, therapeutics and vaccines intensified and the administration of vaccine doses accelerated since December 2020, challenges emerged to stop “vaccine nationalism” and secure timely, equitable and affordable access to the vaccine for all globally. Global solidarity and coordinated actions to support vaccines for all became an essential step to save lives and livelihoods but also for the global economy to recover and build back better in an inclusive and sustainable way.²⁹

36. Unilateral emergency trade restrictions have been observed in many countries since early 2020. By March 2021, 88 countries are reported to have implemented export restrictions (export bans, restrictions, licensing requirements), directly affecting products including personal protective equipment, sanitizers and disinfectants, pharmaceuticals, foodstuffs and medical devices.³⁰

37. The same difficulties confront most developing countries in terms of access to COVID-19 vaccines. Production is concentrated in a few countries and the active ingredients needed at various stages of the supply chain are produced across a range of countries.³¹ With the major vaccine producers and raw material suppliers prioritizing domestic supply, these restrictions are hitting the world’s disadvantaged the hardest.

38. While the roll-out of vaccines continues at an accelerated pace, disparity in access to vaccines threatens to deepen inequalities. As at 16 May 2021, 1.5 billion doses had been administered, but 10 countries accounted for 77 per cent of that total.³² Africa represented less than 2 per cent of vaccine doses administered globally, and low-income countries accounted for 0.3 per cent. At current rates, most people in African countries will not be vaccinated before 2023.

39. While WTO rules accommodate export restrictions in emergency situations, some countries have not notified their measures, which is a necessary precondition for transparency.³³ Larger countries and vaccine manufacturers have prioritized bilateral contracts, which has adversely affected global efforts to procure the required vaccines for developing countries.

40. The COVAX Facility aims to provide access to 2 billion doses to 20 per cent of the most vulnerable populations in participating countries.³⁴ However, COVAX had only shipped 65 million doses to 124 participating countries by the end of May 2021.³⁵ This is alarming, as 80 per cent of populations in developing countries remain left out of vaccine coverage.³⁶ Promisingly, in June 2021, the Group of Seven countries committed to providing one billion vaccine doses over the next year.³⁷

41. Despite the emerging global consensus that vaccines should be treated as a global public good,³⁸ significant progress is yet to be made in the voluntary sharing

²⁹ UNCTAD, “United Nations Trade Forum 2021: towards a green and inclusive recovery”, 14 and 15 June 2021.

³⁰ UNCTAD, “COVID-19 and NTMs”.

³¹ WHO, “WHO Director-General’s opening remarks at the 148th session of the Executive Board”, 18 January 2021.

³² Our World in Data. Accessed on 17 May 2021.

³³ Dhar, “Technical regulations in the WTO”.

³⁴ Gavi Alliance, “COVAX explained”, 3 September 2020.

³⁵ Statement by United Nations Children’s Fund Executive Director, Henrietta Fore, 17 May 2021.

³⁶ Anna Rouw and others, “Global COVID-19 vaccine access: a snapshot of inequality” (Kaiser Family Foundation, 17 March 2021).

³⁷ Carbis Bay G7 summit communiqué, 13 June 2021.

³⁸ World Health Assembly resolution WHA73.1 entitled “COVID-19 response”.

of intellectual property, data and knowledge under the COVID-19 Technology Access Pool.

B. National policies that have an impact on trade

1. Transport and trade facilitation

42. Transport and trade facilitation continue to face immediate concerns raised by the pandemic but also longer-term considerations, such as potential shifts in supply chain design, globalization patterns, consumption and spending habits and, generally, a growing focus on risk assessment and vulnerability reduction. In a post-COVID-19 world, supply chains are likely to shorten and redundancy is likely to increase (e.g. maintaining excess inventory).

43. The pandemic has also underscored the role of technology and innovation as key mitigation and adaptation tools. Digitalization has accelerated in supply chains and their distribution networks, including transport and logistics. Adopting technological solutions and relevant innovations will become a requisite. The crisis has shown that first movers in terms of technological uptake (e.g. e-commerce and online platforms, blockchain solutions and information technology-enabled third-party logistics) have been able to better weather the storm.

44. These developments have made a compelling case for supporting resilience-building processes, including through investment in risk assessment and preparedness, enabling digitalization uptake, promoting the sustainability and climate action agenda, enabling free and facilitated trade, and harnessing data for informed and evidence-based policymaking in transport and trade facilitation. Dealing with cross-border sanitary threats that shock transport networks requires concerted and coordinated policy response measures.

2. Consumer protection

45. The measures related to the pandemic have accelerated the growth of e-commerce. Not only do consumers shop online more frequently, but they increasingly find entertainment online and, in addition, source health-related information online, as opposed to more traditional news channels.^{39,40} In parallel, there has been a rise in specific unfair, misleading and abusive business practices, affecting consumers and leaving the most vulnerable increasingly disadvantaged.

46. Law enforcement measures against such practices have included sanctions against price gouging and other unfair business practices; strong and vigilant market monitoring; warnings and/or recommendations issued to businesses to encourage compliance when appropriate; and new regulations, guidance and policy statements.

47. Globally, cases of price gouging for essential hygiene consumer products such as masks, hand sanitizer and basic household products have surged. In South Africa, between March and August 2020, the Competition Commission received an unprecedented number of complaints, equivalent to five years' worth under normal circumstances.⁴¹ All of the complaints were related to excessive pricing of basic food products and essential protective products.

³⁹ UNCTAD and Netcomm Suisse E-commerce Association, "COVID-19 and E-commerce: findings from a survey of online consumers in 9 countries", document UNCTAD/DTL/STICT/INF/2020/1, October 2019.

⁴⁰ Ibid.

⁴¹ Reply from the Competition Commission of South Africa to UNCTAD questionnaire.

48. In the airlines and travel sector in many countries, consumers faced problems with cancellation of arrangements and obtaining refunds. In response, some consumer protection authorities were able to intervene. Authorities in Australia, China and the United States, as well as in member States of the European Union, have publicly stated that businesses in the tourism industry should respect the right of consumers to a full refund (see [TD/B/C.1/CPLP/23](#)).

49. Unscrupulous businesses have targeted vulnerable consumers, in particular women, seeking to earn extra income or improve their standard of living during the pandemic. In this regard, the Competition and Consumer Protection Commission of Ireland ran a campaign in May 2020 using digital display advertisements on social media to alert vulnerable consumers to the potential risks of joining a pyramid scheme and the likelihood of losing money and acquiring a criminal record (*ibid.*).

3. Competition policy

50. The increasing use of online services during the pandemic has allowed digital platforms to grow larger and more powerful. The market capitalization of technology companies in the global top 100 increased by 71 per cent in the 12 months ending March 2021, led by Apple, Microsoft, Alphabet and Facebook. As of March 2021, 7 of the world's top 10 companies by market capitalization were digital platforms, 2 based in China and 5 in the United States, with Apple being the most valuable overall.⁴²

51. Many competition authorities around the world have taken legislative and regulatory initiatives to adjust their competition regimes to the particularities of digital platforms. Germany has amended its competition law, the European Commission has introduced the Digital Markets Act and a new competition tool to allow the Commission to study markets more broadly, collect evidence and conduct informal consultations with market actors, and Japan has issued guidelines and recommendations targeting unfair or anticompetitive practices by platforms (see [TD/B/C.1/CLP/57](#)).

52. Competition authorities in many developing countries and emerging economies, including Argentina, Brazil, Egypt, Indonesia, Pakistan, the Russian Federation and Turkey, have been actively dealing with anticompetitive practices and mergers and acquisitions involving digital platforms, despite these challenges (*ibid.*).

53. Competition authorities also took measures to alleviate the challenges that are directly specific to the pandemic. Considering the increased financial difficulties that firms faced during lockdown measures, the Kenyan Competition Authority focused its merger notifications based on defending failing firms and fast-tracking cases to ensure their survival.⁴³ In Brazil, in June 2020 the competition authority authorized, as an exceptional measure, collaboration between competing companies in the food and beverage industry so as to alleviate the effects of the crisis. This collaboration allowed commercial entities in this key sector, particularly small retailers, to resume their activities.⁴⁴

⁴² See PricewaterhouseCoopers, "Global top 100 companies", March 2021.

⁴³ See Kenya Competition Act, No. 12 of 2010, sect. 46 (2).

⁴⁴ Administrative Council for Economic Defense, "Cade authorizes collaboration among Ambev, BRF, Coca-Cola, Mondelez, Nestlé and Pepsico due to the new coronavirus crisis". Available at <http://en.cade.gov.br/cade-authorizes-collaboration-among-ambev-brf-coca-cola-mondelez-nestle-and-pepsico-due-to-the-new-coronavirus-crisis>.

C. How have people responded?

1. Strategies by small-scale cross-border traders⁴⁵

54. Informal cross-border trade has been a major characteristic of the African economic and social landscape, representing up to 40 per cent of regional trade. As a result of the flexibility it affords, the small start-up capital it requires, and the earning opportunities it offers in border areas where no other alternative is available, women make up the largest share of informal traders, representing 70 to 80 per cent in some countries.⁴⁶

55. With the closing of borders resulting from the global health crisis, restrictions on freedom of movement have taken a particularly heavy toll on those who earn a living by making regular trips between countries. During the first wave of the pandemic, lockdowns drew many cross-border activities to a halt.

56. Some started sourcing their products locally, others decided to rely on the services of transport companies, while others considered e-commerce as a viable alternative. Some traders decided to grow the own products, which they put on the market themselves.

57. These shifts, however, are costly. Charges from transport companies reduce the already meagre revenues of traders. Sourcing locally deprives traders of the benefits of buying products of the best quality and at the best price, including taking advantage of favourable exchange rates. Becoming farmers requires developing new skills.⁴⁷

58. To avoid having to face old or new border formalities related to COVID-19 and to keep their business afloat, many traders cross the border informally. This trade modality is increasingly risky, exposing traders, especially women, to health risks, harassment, bribes, fines and confiscation of merchandise if they are caught by border authorities. For example, immigration officers in the United Republic of Tanzania recently counted more than 200 unauthorized entry points between the United Republic of Tanzania and Zambia.

59. To address the challenges faced by micro-, small and medium-sized enterprises and informal border traders, the African Development Bank established Fashionomics Africa, a digital marketplace for micro-, small and medium-sized enterprises in the clothing industry to connect women entrepreneurs with digital marketplaces.

60. For central authorities, the task is not only to facilitate cross-border trade through, for example, simplified trade regimes, but also to notify and familiarize traders with the requirements. Authorities should simplify requirements and create attractive conditions so that small entrepreneurs want to formalize their business, for example by relaxing registration formalities or making registration possible at the border.⁴⁸

2. Tourism

61. Travel restrictions, social distancing measures and consumers' shrinking revenues available for leisure have made tourism come almost to a halt. The highly fragmented sector comprises a wide variety of operators, from large international

⁴⁵ Much of this section is based on first-hand information gathered by UNCTAD during training workshops organized at border crossings in Malawi, the United Republic of Tanzania and Zambia.

⁴⁶ *Borderline: Women in Informal Cross-Border Trade in Malawi, the United Republic of Tanzania and Zambia* (United Nations publication, 2019).

⁴⁷ See <https://digital.intracen.org/issue1-21/focus-cross-border-trade/>.

⁴⁸ Ibid.

companies to micro-, small and medium-sized local enterprises. Many such enterprises in the sector are owned or managed by women.⁴⁹ Tourism is labour intensive and closely linked to other sectors, such as the food and beverage industries. Each reduction in expenditure causes a 2.5-fold reduction in GDP owing to these indirect effects.⁵⁰

62. With the progressive easing of restrictive measures, some new features related to the demands of tourists are emerging. They include a preference for staycations or short-distance travel to neighbouring countries; avoidance of flying; favouring self-catering and private accommodation over hotels and rural areas over cities; and favouring outdoor activities. Developing countries are mostly dependent on international tourist arrivals. Coupled with a sharp imbalance of vaccination progress, it is likely that after a devastating 2020, most developing countries will see another harmful year in 2021 with potential average reductions in international tourist arrivals of between 75 and 63 per cent compared with 2019 levels, causing a loss in GDP of 3 per cent in the absence of any mitigation measures.⁵¹

63. Although the outlook for the tourism sector remains extremely uncertain, shifts in travellers' preferences may favour micro-, small and medium-sized enterprises. Agritourism, ecotourism and community tourism represent examples of tourism models oriented towards such enterprises that meet tourists' new preferences and fulfil goals such as gender equality, especially in entrepreneurship.

64. These business models can flourish if such shifts are not temporary reactions to the pandemic, but rather indicative of a new trend in tourism. They will also require targeted policies to support goals such as women's economic empowerment and rural development.⁵²

IV. Impact on the 2030 Agenda

A. Impact on the share of exports of the least developed countries

65. Target 17.11 of the Sustainable Development Goals reaffirms one of the key deliverables of the 2011 Istanbul Declaration and Programme of Action: doubling the share of least developed countries' exports in global exports by 2020.

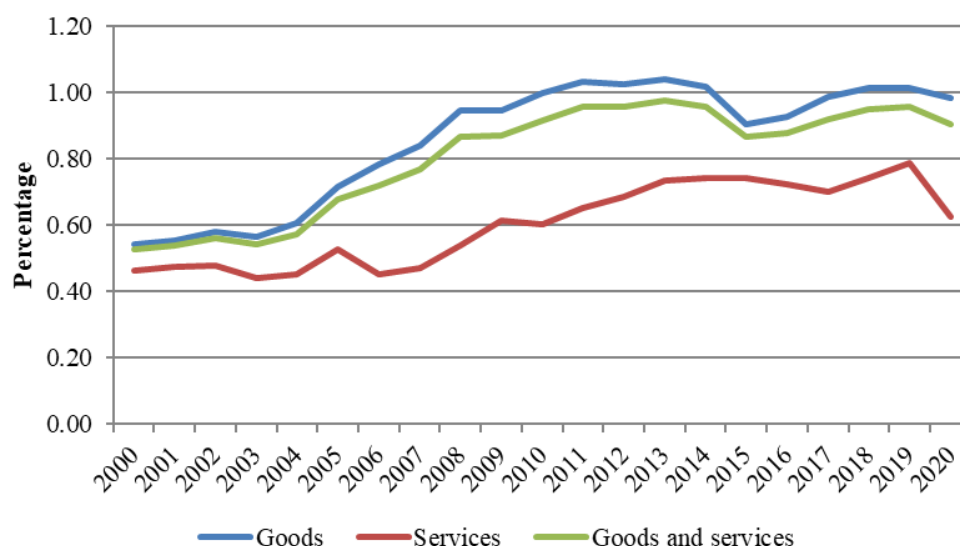
⁴⁹ World Tourism Organization (UNWTO), *Global Report on Women in Tourism*, 2nd ed. (Madrid, 2019).

⁵⁰ UNCTAD, "Covid-19 and tourism, an update: assessing the economic consequences", 2021.

⁵¹ Ibid.

⁵² *A Gender Assessment of Myanmar and of the Inle Lake Area with a Focus on the Agriculture and Tourism Sectors* (United Nations publication, 2020).

Figure V
Least developed countries' share of world exports, 2000–2020



Source: International Trade Centre, UNCTAD and WTO, SDG Trade Monitor portal.

66. Figure V shows that, since the Programme of Action for the Least Developed Countries for the Decade 2011–2020, least developed countries' share of global exports of goods and services has consistently remained far below that target. Their share of global trade has actually decreased by 0.06 percentage points from 0.96 per cent in 2011 to 0.90 in 2020. Incidentally, this is exactly the same change that occurred between 2019 and 2020, reversing a five-year trend of growth in the share of global exports of least developed countries.

67. Much of the focus of target 17.11 of the Goals has related to trade costs arising from non-tariff measures on exports being disproportionately larger for the least developed countries⁵³ and poor market access of their exports from a lack of physical connectivity to international markets.⁵⁴ While these do present significant barriers, least developed countries will be prevented from making consistent and sustainable progress as long as their exports are intrinsically linked to the volatility of commodity prices.

68. Indeed, the declining export share of least developed countries in this period can be firmly linked to the sharp decline in commodity prices between 2011 and 2015 (see figure V). Without concerted structural change, moving away from commodity dependence and upwards through value chains, least developed countries will continue to remain well below the 1.92 per cent share of world exports prescribed by target 17.11 of the Goals.

⁵³ Alessandro Nicita and Marina Murina, "Trading with conditions: the effects of sanitary and phytosanitary measures on lower income countries' agricultural exports", 2014.

⁵⁴ For example, many least developed countries are at the bottom of rankings of direct maritime connectivity measured by the average number of transshipments. See UNCTADstat, Liner shipping connectivity index.

B. Impacts on inequality

1. Differentiated impacts across income groups and sectors

69. The pandemic has had a strong and negative impact across income groups, sectors, countries and gender, exacerbating existing inequalities.

70. Developed countries have been able to inject huge funds to stimulate their economies and protect incomes. Not surprisingly, developing countries have had less capacity to do so. In 2020, high-income countries on average spent more than 10 per cent of their 2020 GDP as fiscal support to people and firms, in contrast to 2.5 per cent for low-income countries.⁵⁵

71. Public support has particularly benefited workers in formal sectors through employment retainment and job-support schemes, while it has been less beneficial for those working on their own account, in the informal sector or under loose contractual terms.

72. In the short run, immediate support has helped to sustain incomes. However, there are worrisome prospects of long-term unemployment, withdrawal from the labour force, permanent destruction of enterprises and fast-paced digitization and automation that favours skilled jobs.

73. Disparities in access to a reliable and affordable Internet connection and hardware and software equipment have had an impact on the ability to work remotely, in addition to having repercussions on access to online learning and services. This will widen pre-existing inequalities even further.

74. The human and economic cost of the pandemic continues to strain the attainment of the 2030 Agenda. The crisis has undone much of the hard-won gains made since 2015 and deepened existing inequalities across countries and populations. As the economic effect of the pandemic was transmitted through trade and magnified by global value chains, the crisis most severely affected those countries that were dependent on a few commodities and services and those dependent on imports for people's livelihood and health, including vaccines. It is estimated that 119–124 million people were pushed into extreme poverty in 2020.⁵⁶

75. Currently, inequality manifests itself vividly in the difficulties experienced by import-dependent developing countries in accessing essential medical supplies and vaccines. A series of uncoordinated, unilateral trade restrictive measures by major exporters has resulted in a wide gap in medical supplies between rich and poor countries. In the first half of 2020, each resident of high-income countries benefited, on average, from 10 dollars' worth of imports of products related to COVID-19 per month, as compared with a mere one cent's worth for low-income countries.

76. Similarly, the pandemic has highlighted that food security continues to be a major problem for many developing countries, as food supply chains were stalled and export restrictions and food stockpiling introduced, adversely affecting net-food-importing countries. The World Food Programme (WFP) estimates that at least 155 million people in 55 economies were in a food security crisis or worse in 2020, an increase of 20 million people from 2019.⁵⁷

⁵⁵ International Monetary Fund, "Fiscal monitor database of country fiscal measures in response to the COVID-19 pandemic: additional spending and forgone revenue in response to the COVID-19 pandemic", 2021.

⁵⁶ Christoph Lakner and others, "Updated estimates of the impact of Covid-19 on global poverty: looking back at 2020 and the outlook for 2021", World Bank Blogs, Data Blog, 11 January 2021.

⁵⁷ Global Network Against Food Crises and Food Security Information Network, "2021 Global report on food crisis: joint analysis for better decisions", In Brief, 5 May 2021.

77. Tourism-dependent and remittance-dependent countries were particularly hard hit as, with the imposition of travel restrictions, the movement of people came to a sudden stop. International tourist arrivals fell by 74 per cent, from almost 1.5 billion in 2019 to around 381 million in 2020.⁵⁸ Combined, this represented a loss of some \$1.3 trillion in international tourism expenditures.⁵⁹ Travel restrictions also had a deep impact on cross-border labour movement, including temporary movement.

78. With regard to remittances, the World Bank reported that remittance flows to developing countries in 2020 declined by 1.6 per cent to \$540 billion. The decline was much lower than previously predicted.⁶⁰ Creative services involving the physical presence of consumers also contracted. For instance, in 2020, the total turnover of cultural and creative industries in the European Union fell by 31 per cent, with music and the performing arts registering staggering losses of between 75 and 90 per cent.⁶¹

79. By contrast, digitalization advanced remarkably under the pandemic. Digital transformation enabled greater integration of micro-, small and medium-sized entities, women and youth, and created opportunities for knowledge-based activities, including digitizable creative services.⁶² Such evolutions, however, underscore the significant digital divides that still characterize the world in terms of country readiness to engage in and benefit from e-commerce, which could have implications for long-term development.

2. Differentiated gender impacts

80. The pandemic has also deepened gender inequalities. According to the International Labour Organization (ILO), in 2020 working hours corresponding to 255 million full-time jobs were lost.⁶³ Overall, women have been affected by employment losses to a greater extent than men because of several factors: women's economic activities are clustered in the sectors most affected by lockdown measures, particularly the services sector; women hold more casual and seasonal employment than men; and women hold jobs that are less prone to be provided remotely.

81. Even more worrisome, in 2020 more women than men left the labour market. Discouraged by their poor prospects of finding a job during or in the aftermath of the pandemic, and burdened with increased household responsibilities linked to the closure of schools⁶⁴ and the provision of basic health services at home, many women who lost jobs stopped looking for work altogether. In Chile, in August 2020 women's decline in labour-force participation was 16.6 per cent year-on-year, compared with 10 per cent for men. In Brazil, it was 15 per cent for women versus 9 per cent for men. In Turkey, it was 9 per cent for women versus 5 per cent for men.⁶⁵

82. Leaving the labour force may lead to deskilling, isolation and, ultimately, to permanent unemployment. Figure VI shows that for countries with a higher

⁵⁸ UNWTO, "2020: worst year in tourism history with 1 billion fewer international arrivals", 28 January 2021.

⁵⁹ Ibid.

⁶⁰ World Bank, "Defying predictions, remittances flows remain strong during COVID-19 crisis", press release, 12 May 2021.

⁶¹ UNCTAD, "Unlocking potential of intellectual property rights to support the creative economy", 18 May 2021.

⁶² General Assembly resolution 74/198, entitled "International Year of Creative Economy for Sustainable Development, 2021".

⁶³ ILO, "ILO Monitor: COVID-19 and the world of work".

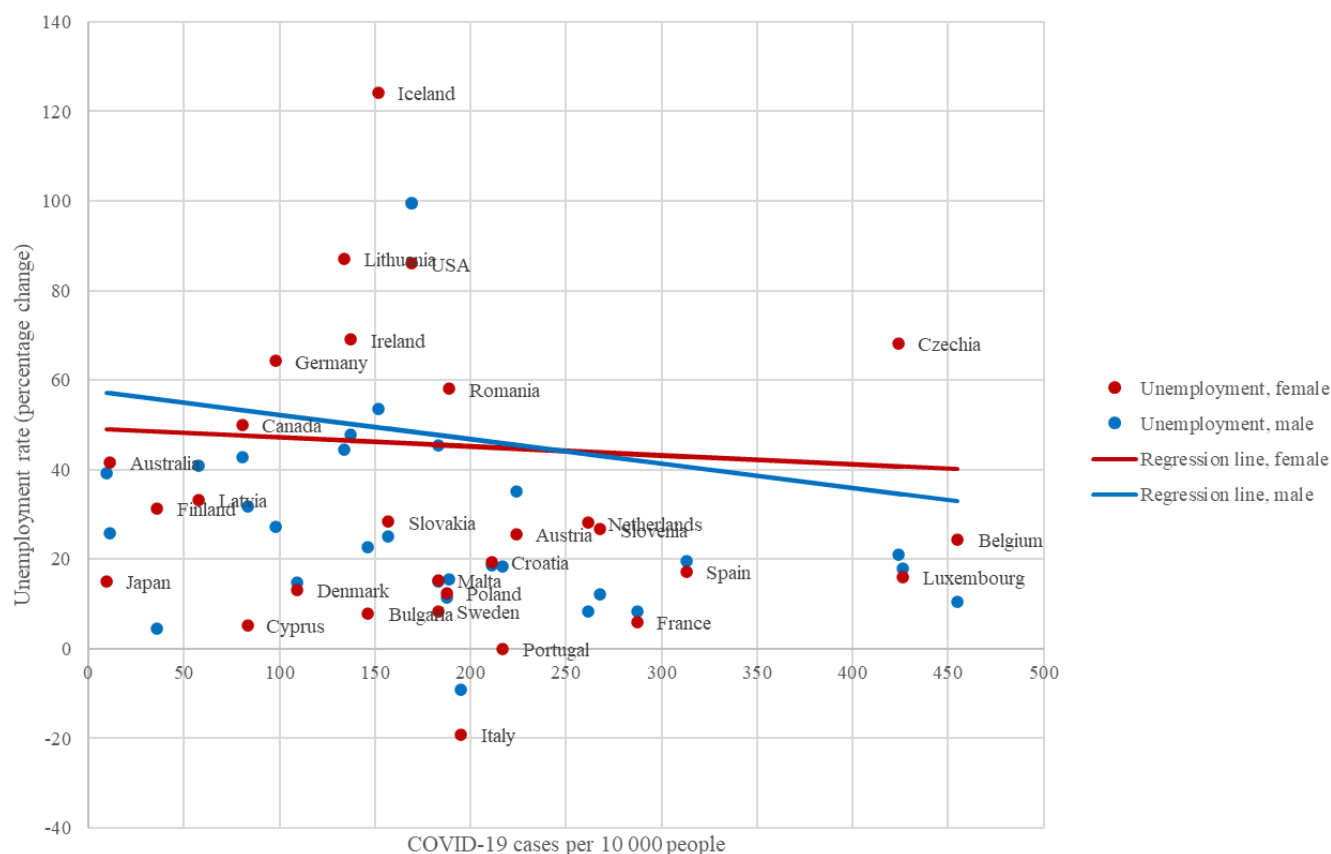
⁶⁴ United Nations Educational, Scientific and Cultural Organization, "1 billion learners are still affected by school and university closures, as educational institutions start reopening around the world", press release, 29 April 2020.

⁶⁵ UNCTAD, "Gender and unemployment: lessons from the COVID-19 pandemic", 8 April 2021.

prevalence of COVID-19, the decline in women's labour force participation is higher relative to men.

Figure VI

Female and male unemployment versus COVID-19 prevalence, November 2020



Source: UNCTAD calculations, based on Oxford COVID-19 Government Response Tracker, Blavatnik School of Government, University of Oxford; ILOSTAT; and United Nations, Department of Economic and Social Affairs, World Population Prospects.

83. Among the major positive shifts recorded during the past decades was the increase in women's participation in the labour force, which contributed to lower gender inequalities worldwide. The pandemic risks nullifying decades of progress and recovery efforts should prioritize actions to bring more women back into the workforce as a necessary step to achieve the objectives of the Sustainable Development Goals.

84. The uneven consequences of the trade downturn described in the present report serve as a reminder of the necessity to reform the multilateral trading system so as to ensure that trade works as a positive force, particularly for disadvantaged and vulnerable economies, and for the achievement of the Sustainable Development Goals. Delay would make it impossible to attain several of the Goals by 2030, in particular the goals related to poverty alleviation (Goal 1), hunger (Goal 2), gender equality and women's empowerment (Goal 5) and full and productive employment and decent work for all (Goal 8).

C. Impacts on the environmental pillar

85. A number of recent developments at the multilateral level will have a direct impact on progress towards the achievement of Sustainable Development Goals 12, 13, 14 and 15.

86. Concerning Goal 12, with the entry into force of the amendments to the Basel Convention on the Control of Transboundary Movement of Hazardous Wastes and Their Disposal concerning plastic waste in January 2021, countries should begin the national implementation phase of the amendments and advance their efforts to transition to sustainable manufacturing, including plastic substitutes and effective waste management.

87. Global prospects to strengthen climate action under Goal 13 are closely related to progress made at the upcoming twenty-sixth session of the Conference of the Parties to the United Nations Framework Convention on Climate Change. Although the pandemic was accompanied by a slowdown in global economic activity resulting in an unprecedented reduction of CO₂ emissions of 5.8 per cent,⁶⁶ this temporary decline is not a substitute for urgent climate action.

88. The effects of countries' climate change response measures and COVID-19 recovery efforts on trade deserve significant attention. For example, some industrialized countries are proposing to implement carbon border adjustment taxes on imports of carbon intensive goods. Concurrently, it is important to advance climate change adaptation in developing countries, particularly least developed countries and small island developing States, where climate change is having increasingly adverse impacts on production and trade.

89. Protecting the world's marine life and ecosystems under Goal 14 heavily depends on international cooperation. WTO members are making progress towards a fisheries subsidies agreement based on target 14.6 of the Goals. This potential agreement will focus on certain subsidies for marine wild-capture fishing, seeking to ensure harmful and unsustainable fishing activities do not benefit from public financial support. A proposed scheme would forbid subsidies that contribute to illegal unreported and unregulated fishing and concern fishing of overfished stocks, overcapacity and overfishing activities. Modalities for special and differential treatment remain controversial in the negotiations as various developing countries are also large fishing nations.

90. To protect life on land under Goal 15, the parties to the Convention on Biological Diversity are currently negotiating the post-2020 global biodiversity framework, which will define targets and pathways for the conservation and management of biodiversity for the next decade and beyond. To ensure that the future framework is effective, parties should consider the role of trade in biodiversity goods and services as a positive incentive for conservation and sustainable use and for sustaining livelihoods. Similarly, action to phase out negative economic incentives to biodiversity conservation and sustainable use, such as harmful fisheries and fuel subsidies, should be incorporated.

⁶⁶ International Energy Agency, *Global Energy Review 2021: Assessing the Effects of Economic Recoveries on Global Energy Demand and CO₂ Emissions in 2021* (Paris, 2021).

V. Conclusions: towards a green and inclusive recovery through trade

91. The recovery from the huge drop in global trade in 2020 is already under way. Nevertheless, the process has been uneven across regions, and is likely to continue as such.

92. The rebound has been largely driven by economies in East Asia, the trade flows of which already exceed their pre-pandemic levels. Most other regions continue to lag. Of high concern is that the recovery process for low-income countries will be particularly sluggish, especially given the low vaccination rates in those countries and the slow progress in overcoming obstacles for a global vaccine for all. Low-income countries will find themselves excluded from international markets for longer, making reintegration harder and, ultimately, they will be less able to compete, more so in high-value-added sectors.

93. In this regard, the early deadline of target 17.11 of the Goals (doubling the share of least developed countries' exports in global exports by 2020) has been missed. Understandably, the least developed countries' share of global exports dropped as a result of pandemic measures. However, the share in 2019 was exactly the same as in 2011, signalling a lack of tangible progress towards that target even when excluding the effects of the pandemic. Any future advancements in this area are most likely to occur as a result of diversification of least developed countries' exports and increasingly decoupling the growth of these economies from commodity prices.

94. Across the board, the pandemic is reversing much of the economic and social progress already made towards the achievement of the 2030 Agenda and the Sustainable Development Goals. In addition to pressures on food security, supplies of health products and vaccines, global value chains as a whole and women's labour participation, the pandemic has further stressed the multilateral trading system and the willingness of nations to follow a transparent, cooperative and rules-based approach.

95. Enhancing global trade is indispensable for the recovery from this crisis, and the recovery must be both green and inclusive. The COVID-19 pandemic is not the only crisis. A climate and environmental emergency threatens to compromise not only the progress already achieved but also the development prospects of future generations. However, despite the size of the packages, government interventions are yet to fully pivot national economies towards an adapted path of long-term growth and sustainable development, while significant reform of the multilateral system remains much needed.
