

---

**EMBARGO**  
NOT FOR PUBLICATION, OR DISTRIBUTION BY NEWS AGENCIES UNTIL  
**10.30 GENEVA TIME (8.30 GMT) 20 OCTOBER 2014**

---

PRESS/728  
20 October 2014

(14-5936)

WORLD TRADE REPORT 2014

## **WTO helps developing countries adjust to major shifts in trading environment**

The WTO has played a key role in helping countries adjust to four recent trends that have considerably altered the relationship between trade and development, according to the latest edition of the WTO's flagship publication released on 20 October 2014 in Geneva.

The World Trade Report 2014 argues that the WTO has enabled developing countries to take advantage of, adapt to and mitigate risks arising from these trends. It has done so by ensuring that countries take binding commitments which increase certainty over their trade policies, by providing flexibilities that better allow developing countries to undertake such commitments, and by facilitating technical assistance to build trading capacity within those economies.

In addition, countries undertaking substantial reforms related to WTO accession were found to grow around 2.5 per cent faster for several years afterwards, the report notes.

The World Trade Report 2014 identifies these four trends as:

- the rise of the developing world;
- the expansion of global value chains;
- the higher prices of commodities; and
- the increasingly global nature of macroeconomic shocks.

"We have entered a new era in the link between trade and development," Director-General Roberto Azevêdo said in marking the launch of the report. "Driven in large part by trade, some developing economies have made remarkable progress in recent years, but much still needs to be done to close the gap for many poor economies.

"The potential of trade in supporting development has not yet been fully realized," he continued. "However, the emerging trends highlighted in this report suggest that trade will be a major force for development in the 21st century. The WTO's work is therefore more important than ever. We must continue to deepen our understanding of these issues to ensure that developing countries can reap the benefits of trade more fully in the years to come."

The report shows how trade contributed significantly to the unprecedented economic development that has taken place since 2000. Trade has allowed many developing countries to benefit from the opportunities created by emerging new markets, to integrate into the world market through global value chains at lower costs, and to reap the rewards from higher world commodity prices.

The WTO has underpinned this progress by providing certainty, thereby creating the predictable environment that allowed economic activity to flourish. In addition, it helped contain protectionism in the face of the greatest economic crisis in 70 years, thus helping to safeguard the economic gains made by developing countries in the recent past.

Director-General Roberto Azevedo says in his foreword to the report:

"In December 2013, WTO members took a series of decisions in Bali that, when implemented, will help poor countries realize their export potential and sustain the development momentum created in the past decade. In addition, trade ministers tasked WTO members to develop a post-Bali work programme on the remaining Doha Development Agenda issues by the end of 2014. In highlighting how the relationship between trade and development has changed since the start of the millennium, this Report provides food for thought for WTO members. It shows again the importance of our work in updating the WTO's rules, disciplines and flexibilities, and it illustrates some of the challenges that we will need to address if we are to ensure that all countries are able to participate fully in the global economy in the years to come, and that people all over the world are able to feel the benefits of trade in improving their lives and the prospects of their families and communities."

## **Main points of the Report**

### **Rise of the developing world**

Incomes in developing countries have been converging with those of rich countries. Since 2000, GDP per capita of developing countries has grown by 4.7 per cent, with developing country G-20 members performing particularly strongly. Meanwhile developed countries only grew by 0.9 per cent. As a result, developing countries now account for more than half of world output (in purchasing power parity terms).

Higher GDP per capita helps to achieve other societal objectives, such as reducing poverty and protecting the environment. Given that more trade is associated with faster growth, trade can make it easier to achieve these goals.

Expanding trade underpinned these gains in income. The share of developing countries in global trade rose from 33 per cent to 48 per cent since 2000.

Over the last couple of decades, developing countries as a whole have reduced MFN tariffs, enabling this trade expansion. Average reductions of MFN tariffs have been greater in G-20 developing countries.

### **Increasing participation of developing countries in global value chains**

Developing countries are increasingly involved in international production networks, including through services exports. More than half of their total exports in value-added terms are now

related to global value chains (GVCs). South-South global value chain linkages are becoming more important with the share of GVC-based trade between developing countries quadrupling over the last 25 years.

GVCs offer an opportunity to integrate in the world economy at lower costs. GVC participation can lead to productivity enhancements through technology and knowledge transfers. Countries with high greater GVC participation have experienced higher growth rates.

But gains from GVC participation are not automatic. Many developing countries join GVCs by performing low-skill tasks where value capture is low and achieving upgrading to higher value tasks can be challenging.

Countries with a favourable business environment and low tariffs participate to a greater extent in GVCs. In addition, GVCs are associated with "deep integration" agreements: more than 40 per cent of free trade agreements in force today include provisions related to competition policy, investment, standards and intellectual property rights.

Obstacles for developing countries seeking to participate in GVCs include infrastructure and customs barriers. Directing Aid for Trade resources toward these objectives should therefore remain a priority.

### Higher commodity prices

Prices for food, energy, metals and minerals roughly doubled since 2000. Although prices have eased back from these historical highs, strong demand from large developing countries provides a strong reason to believe that the high-price environment is likely to stay.

The challenges and opportunities arising from high prices differ significantly across countries. In many developing countries the agricultural sector is important in terms of employment, production and consumption. This suggests an important role for agriculture in development strategies in the developing world. But higher prices pose challenges for net importers of these goods.

Developing countries increased their market share in global agricultural exports from 27 to 36 per cent since 2000. But traditional market access barriers such as tariffs and subsidies continue to affect their exports and non-tariff measures are playing an increasingly important role.

Trade in natural resources has also grown strongly, not only in value terms but also in terms of volume. Several resource-rich countries have achieved high growth as a result, but the social and environmental impacts of natural resource extraction as well as economic diversification remain significant challenges.

### Increased synchronization in and globalization of macroeconomic shocks

Global trade value fell by over 30 per cent within only a few months in face of the global economic crisis. This 2008-09 trade collapse and quick subsequent recovery revealed the dependency of developing economies on cyclical developments originating in large developed economies. The synchronization of downswings and upswings across the world illustrated the strong interconnectedness of economies through trade and financial links, in particular the role of supply chains in the propagation of shocks, and the importance of trade finance, which had dried up.

Despite suffering the greatest economic downturn since the 1930s, the world did not see a repeat of the wholesale protectionism which marked that previous era. Explanations for this include the existence of a set of multilateral trade rules, the effectiveness of monitoring efforts by the WTO, countries' anticipation of the self-harming impacts of protectionism in light of their participation in global value chains, and the internationally coordinated macroeconomic response in light of the crisis.

#### WTO and development

The WTO has underpinned the progress made by many developing countries by allowing them to take advantage of, adapt to and mitigate risks arising from the four trends identified in this report. It has done so through binding commitments, flexibilities, technical assistance, and its institutional infrastructure.

Commitments under the WTO are important for developing countries to promote their trade and development. Countries undertaking substantial reforms in the context of WTO accession were found to grow 2.5 per cent faster for several years thereafter. At the same time, developing countries need flexibilities because their economic circumstances can hamper their ability to implement obligations.

Development is a fundamental objective of the WTO. The agreement reached in the Bali Ministerial Conference in December 2013 is a positive step in advancing this objective and offers many opportunities for developing countries. To make trade work more effectively for development, further progress on the Post-Bali Agenda would be important.

The four trends show that trade is one of the key enablers of development. Trade has played a central role in lifting millions of people out of poverty in recent years and helped to achieve many of the UN millennium development goals (MDGs). The WTO and its rules should be seen as an integral part of the enabling environment for realizing any post-2015 development agenda.

**END**