

SDG 16: Peace, Justice and Strong Institutions

“Trade can help break the vicious cycles of fragility, conflict, and poverty. Trade can raise people’s incomes and build interdependence between communities and countries, contributing to shared prosperity and progress toward the Sustainable Development Goals.

WTO Director-General Ngozi Okonjo-Iweala, Launch of the “Trade for Peace Network”, March 2021

The relationship between trade and peace

SDG16 aims to “promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels”. To explain the WTO’s contribution to SDG 16, the relationship between trade, peace and the multilateral trading system should be explained.

The effects of conflict on trade

According to the World Trade Report 2023 (WTO, 2023b), the multilateral trading system is increasingly affected by rising security concerns, notably in the context of recent multiple crises and conflicts. The number and intensity of conflicts has risen sharply over the last decade and have the potential to impact trade greatly. The WTO must therefore seek to understand the relationship between trade and peace.

For example, while conflict prevents the production and smooth flow of goods and services, trade can also mitigate these effects. Thus, while exports of Ukrainian cereals, which are central to the food security of many African economies, declined by 14.9 per cent in 2022 following the outbreak of the war in Ukraine, alternative suppliers filled in the gaps for the majority of products affected by the conflict (WTO, 2023a).

The effects of trade on conflict

While conflict disrupts trade, how does trade affect conflict? The Liberal Peace Theory states that trade has a negative effect on conflict, particularly inter-state conflict. Hegre, Oneal and Russett (2010) find that bilateral trade promotes bilateral peace between

country pairs. Lee and Pyun (2016) find that the peace-promoting effects of bilateral trade are higher for contiguous economies, while the peace-promoting effects of global trade are higher for economies far apart from each other. However, Martin, Mayer and Thoenig (2008) find that trade has conflict-promoting and conflict-reducing effects, and the overall impact of trade on intrastate conflict depends on which of these effects is larger: given that conflict is destructive to trade, increased trade openness deters conflict for both rebel groups and the government because there is more to lose, but increased trade openness also acts as a substitute to internal trade by providing alternate sources of income, which serves as insurance against the costs of intrastate conflict.

The complex relationship between trade and peace requires more research to be fully understood. As the only global international organization dealing with the rules of trade between nations, the WTO must better understand the trade-peace nexus to ensure that trade can be as peace-promoting as possible. The history of the multilateral trading system is rooted in the peace-promoting effects of trade, and the WTO accession process can play a peace-promoting role and help to achieve SDG 16.

The history of the multilateral trading system

In the wake of the devastation of the First World War, US President Woodrow Wilson called for “the removal, so far as possible, of all economic barriers and the establishment of an equality of trade conditions among all the nations consenting to the peace and associating themselves for its maintenance.” While the League of Nations that Wilson envisioned failed to materialize, US President Franklin D. Roosevelt and UK Prime Minister Winston Churchill jointly revived its spirit through the Atlantic

Charter in 1941. This set the foundation for the creation of the multilateral trading system, starting with the 1947 Havana Charter for an International Trade Organization.

The Havana Charter begins: “Recognizing the determination of the United Nations to create conditions of stability and well-being which are necessary for peaceful and friendly relations among nations”, before outlining objectives for an International Trade Organization. While this organization failed to materialize, 23 contracting parties negotiated the General Agreement on Tariffs and Trade (GATT), the precursor to the WTO, in 1947. A number of extensive negotiating rounds throughout the second half of the 20th century culminated in the signature of the Marrakesh Agreement Establishing the World Trade Organization 30 years ago. Since then, the WTO has grown to 164 members, with 36 governments having successfully completed the accession process pursuant to Article XII of the Marrakesh Agreement as of June 2024.²⁹

Contribution of WTO accessions to SDG 16

Accession to the WTO is a comprehensive process that involves negotiations, legal and institutional reforms, and adjustments to an acceding member's economic and trade policies to align with standards and rules set by the WTO. While WTO accession is seen as an endeavour for economic development, the accession process can play a role in building institutions and promoting good governance, transparency and the rule of law.

Peace and security are one of the factors that can motivate the decision to apply for WTO membership. For example, during Timor-Leste's first working party meeting, Eng. Joaquim Amaral, Chief Negotiator and Coordinating Minister of Economic Affairs of the Republic of Timor-Leste, affirmed that “Timor-Leste prioritizes WTO membership, as it would help to leverage the ongoing improvements in its infrastructure, human capital, and administrative capacity, to accelerate growth and economic diversification.” Timor-Leste applied for WTO accession in 2015. During MC13, trade ministers of WTO members formally approved Timor-Leste's WTO membership terms.

Similarly, during the second ministerial meeting of the g7+ WTO Accessions Group, Hon. Mawine G. Diggs, Minister of Commerce and Industry of Liberia, explained that “[having] emerged after years of civil wars and the strike

of Ebola, Liberia had to unite as one nation seeking for peace and sustainable development. We opened up and sought speedy integration into the global economy, using it as an instrument for much needed domestic reforms, better governance and transformation as part of our nation-building strategy and Vision 2030.” Liberia applied for WTO accession in 2007 and became the WTO's 163rd member in 2016.

Some acceding governments thus seek to use WTO accession for domestic reforms and stability, but accession to the WTO is a lengthy and complex reform process: from application to WTO membership, the average length of the process for accessions completed pursuant to Article XII is 10 years and four months, while the average for ongoing accessions is 20 years and six months. To accede to the WTO, the acceding government must engage with WTO members to ensure its trade regime conforms with WTO standards and rules. To guide the accession process, a working party is established, composed of interested WTO members. Following rigorous negotiations, the WTO accession process culminates in WTO membership, contributing to SDG target 16.8, concerning strengthening participation in global governance. The results of the negotiations undertaken throughout the accession process take the shape of different commitments by the acceding government to align its trade regime with WTO requirements.

Technical assistance and capacity building

Acceding governments often face capacity and resource constraints to efficiently carry out accession negotiations. Technical assistance is provided to acceding governments by the WTO Secretariat on specific areas of interest in the WTO Agreements, such as sanitary and phytosanitary (SPS) measures, trade-related aspects of intellectual property rights (TRIPS), or services, among others.

Some projects focus specifically on developing the acceding government's capacity to negotiate accession, such as the “Facilitating the process of Uzbekistan's accession to the WTO” project, funded by the EU and implemented by the ITC. Other projects can focus on the development of trade capacity at a regional level, while still other projects are more specific, focusing on the development of one particular sector in an economy. For example, the Enhanced Integrated Framework (EIF)'s partnership with the International Centre of Insect Physiology and Ecology (ICIPE) aims to develop Ethiopia's honey trade as part of the EIF's wider support to

Ethiopia, which also included the establishment of a high-level steering committee to bring together key line ministries, development partners and the private sector.

These different technical assistance projects facilitate the accession process by increasing the acceding government's ability to negotiate and trade, but they also help to achieve SDG 16 by strengthening acceding governments' institutional capacity and knowledge and increasing the involvement of the private sector for more inclusive decision-making.

The Trade for Peace Programme

The g7+ WTO Accessions Group was established in 2017 on the margins of the 11th WTO Ministerial Conference in Buenos Aires by eight fragile and conflict-affected states (FCS),³⁰ which sought to develop away from fragility and conflict by means of WTO accession. In 2022, during MC12, the g7+ WTO Accessions Group issued a declaration recognizing the trade-related challenges faced by FCS, reaffirming the group's role as a platform to facilitate the integration of FCS into the WTO, and calling for the establishment of a Work Programme in the WTO aiming at understanding how trade could promote and support peace in FCS. In 2024, at MC13, the Group expanded its membership to include all 20 g7+ members and reiterated its declaration.

The vision of this group inspired the creation of the Trade for Peace (T4P) Programme by the Accessions Division of the WTO Secretariat, with the aim of better understanding how WTO accession, trade policy, and trade itself could help address the challenges wrought by fragility and conflict. The goal of the Programme is to help FCS in transitioning from fragility or conflict to stability and economic well-being through four pillars: (i) political engagement and partnerships, (ii) outreach and public dialogue, (iii) research and (iv) training and capacity-building.

The first pillar aims to establish and maintaining regular contact and exchange between the WTO and the key actors and bodies within the international community. The Trade for Peace Network was launched in March 2021 to serve as a platform for regular exchange between policymakers and experts working in the trade, peace and humanitarian sectors. In addition, the initiative "Trade for Peace: Future Leaders" was launched in 2022 to address SDG target 16.2 by shedding light on the reality of youth in FCS and highlighting the crucial role that young people can and will play in the future of trade and peacebuilding.

The second pillar seeks to incorporate the views of a wide range of stakeholders on the trade-peace nexus, while raising public awareness on the interlinkages between trade and peace. Various projects and events are organized under this pillar to raise public awareness on this topic, such as Trade for Peace Week, the Trade for Peace Podcast, the Trade for Peace Newsletter and various events in different formats organized throughout the year to spur discussion on the trade-peace nexus.

The third pillar aims for a better understanding of the trade-peace nexus through research, with the aim of developing a foundational knowledge base upon which trade policy could be better informed to be more conducive to peacebuilding. Initiatives include: an inter-agency Research and Knowledge Hub; a forthcoming publication showcasing various aspects of the linkages between trade and peace; a Trade for Peace Report in partnership with the Institute for Economics & Peace (IEP); a research project on conflict and the post-conflict trade policy instruments; a research project, conducted by the Geneva Graduate Institute's TradeLab International Economic law Clinic, to analyse trade provisions in peace agreements and peace provisions in trade agreements; and a Trade for Peace consultancy project in partnership with the University of St. Gallen, Switzerland.

The fourth pillar focuses on the creation of learning opportunities on Trade for Peace issues. This is done by bringing experts from the fields of trade, peace, security and humanitarian affairs to share experiences and build a knowledge base on the trade-peace nexus. The aim is to provide trade practitioners and peacebuilders with the necessary training to use trade and economic integration as an instrument to promote inclusive and sustainable peace. To this end, two semester-long postgraduate courses were organized in partnership with the Geneva Graduate Institute in 2022 and 2023, and an executive education course is in the initial phases of development.

The WTO Trade Policy Review mechanism: building stronger institutions for development

As recognized in the 2030 Agenda for Sustainable Development, international trade is an engine for inclusive economic growth and poverty reduction, and it contributes to the promotion of sustainable development. For international trade to work in this way, transparency is essential. One way in which WTO members work towards enhancing transparency in trade is by conducting regular reviews of each

member's trade policies and practices. These reviews are known as Trade Policy Reviews (TPRs). As of end-2023, 580 TPRs had been conducted (including 33 reviews of LDCs), covering 160 WTO members.

The Trade Policy Review Mechanism (TPRM) was established in 1989, on a provisional basis, under the GATT, the WTO's predecessor. At the time, the reviews covered only policies and measures on trade in goods. With the creation of the WTO in 1995, TPRs were given a permanent role in the WTO and their scope was extended to include trade in services, trade-related intellectual property rights (TRIPS) and other policies and measures that are not necessarily covered by WTO rules but that may nonetheless have an important bearing on the international movement of goods, services, capital, and labour (e.g. competition, corporate governance, and environmental policy matters).

Each TPR is based on two written reports, one prepared by the WTO Secretariat under its own responsibility,³¹ and the other is prepared by the member under review. The frequency with which each member is reviewed depends on its share of world trade in both goods and services. The members with the four largest shares are reviewed every three years, the next 16 members every five years, and the remaining members every seven years.

The objective of the TPRM is “to contribute to improved adherence by WTO Members to the rules and disciplines” and to “achieve greater transparency in, and understanding of, prevailing trade policies and practices”.³² The goal of the TPRM is also to examine the systemic impact of members' trade policies and practices on the trading system. The TPRM is a key element in the WTO's transparency function, as TPRs seek to promote both domestic and international policy coherence, and they can help to strengthen institutions for development by enhancing the information base and effective participation of relevant stakeholders.

In terms of SDG 16, the TPRM is helpful to members in several ways: the TPRM offers an opportunity for peer review, allowing members to learn from each other's experiences and help develop good practices in certain areas. TPRs seek to analyse the

role of trade and trade-related policies in a broader macroeconomic and structural policy context, thereby contributing to a better assessment of the coherence of various measures. By helping to evaluate the effectiveness of trade policies in achieving their objectives and their overall impact on the economy, the TPRM can be a unilateral reform catalyst for better, more inclusive, and more development-friendly trade and investment policies (Daly, 2011).

TPRs also foster domestic transparency, which is key in developing effective and accountable institutions. Given the broad coverage of topics in a TPR exercise, the member under review often increases internal coordination across government ministries and departments, including at the sub-national level. Thus, TPRs can facilitate the institutionalization of interagency coordination and help ensure policy coherence across different subjects.

In addition, all TPR documents³³ are made available to the public, which facilitates the proper assessment of the costs and benefits of trade policies. The involvement in the TPR process of domestic stakeholders such as the private sector, academia, and civil society, can help enhance public understanding of trade policies, strengthen government accountability and reduce the scope for discretion, all of which helps nurture strong domestic institutions for sustainable development (Hayafuji, 2021)³⁴.

The TPRM specifically helps to reduce the informational disadvantage faced by small enterprises, especially those in developing economies, which may not always have the resources to collect relevant information by themselves about policies and practices in actual or potential export markets. In addition, certain developing and LDC members have used the TPR process as a way to assess their needs for technical assistance and capacity-building.

Finally, members can use the TPRM to voice concerns about the effects of trading partners' policies on their own trade, thus helping to avoid that trade frictions escalate into costly and lengthy formal disputes.³⁵