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(24-1591)

Page: 1/3

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FUTURE OF TRADE

COMMUNICATION FROM THE UNITED ARAB EMIRATES

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1 THE CHANGING GLOBAL TRADE CONTEXT

1.1. In the ever-evolving landscape of global business, several transformative trends are reshaping the nature of trade. The profound impact of technological disruption has revolutionized established paradigms, streamlining supply chains and fostering a more connected and digitized trade environment. Simultaneously, the growing role of emerging economies is reshaping traditional trade dynamics, introducing new opportunities and challenges for businesses on a global scale.

1.2. Sustainability has emerged as a central theme, with businesses increasingly integrating eco-friendly practices into their operations, responding to both consumer demands and a broader commitment to environmental responsibility. Furthermore, a notable shift towards inclusion is underway, as efforts to reduce trade barriers and promote fair practices aim to facilitate the participation of businesses of all sizes and locations in the global marketplace. Lastly, the rising importance of services trade, propelled by digital connectivity and cross-border collaboration, stands as a driving force in the shifting landscape of global commerce. Together, these trends collectively contribute to a dynamic and interconnected business ecosystem, shaping the trajectory of international trade and laying the foundation for its future evolution.

Trend 1: Technological Disruption in Trade

1.3. The world today stands on the brink of a technological transformation. The global landscape has been reshaped by the interplay of the COVID-19 pandemic, geopolitical shifts, and disruptions in supply chains. These challenges have underscored the critical importance and transformative potential of digital technologies in shaping the future of trade.

1.4. In this context, emerging technologies such as artificial intelligence (AI), blockchain, and the Internet of Things (IoT) are poised to revolutionize the trade ecosystem. These innovations hold the promise of streamlining and fortifying supply chains, ensuring greater resilience and efficiency. Distributed Ledger Technologies (DLT), exemplified by blockchain, provide a secure, shared database that enhances transparency and real-time validation of information across supply chain actors. The implementation of DLT facilitates accurate, pre-arrival customs declarations and manifests, thereby enabling timely cargo removal and reducing overall labor input. Moreover, IoT solutions play a crucial role in processing real-time supply chain information, offering features like 'digital seals' to monitor container conditions, enhancing port productivity, and optimizing turnaround times. Meanwhile, AI-driven advancements, including smart robotics and automated customs solutions, hold the potential to revolutionize warehousing, packaging, and customs procedures, offering substantial cost savings and efficiency gains.

1.5. As we navigate this transformative era of trade, it becomes imperative for the international community to embrace and adapt to these technologies, fostering a collaborative environment that ensures the sustainable growth and resilience of global trade. The need of the hour is proactive collaboration to shape policies and standards that facilitate greater innovation and cooperation on key technologies. Embracing a collective approach ensures a harmonized regulatory environment, fostering seamless integration of emerging technologies into global trade practices. It will also be the linchpin for establishing interoperable frameworks that encourage cross-border cooperation, enhance technological diffusion, and pave the way for the development of common standards.

Trend 2: Growing Role of Emerging Economies in Global Trade

1.6. Emerging markets have grown more interconnected with the global trade network, playing a significant role in international commerce. They have seen a rise in their contribution to global exports and have diversified their export portfolios. At the same time, these economies have become significant importers, especially in areas such as energy, minerals, and food, showing their substantial demand for products from abroad.

1.7. The rise of emerging economies in global trade can be attributed to several factors. These nations have undergone economic reforms, adopted export-oriented policies, and leveraged technological advancements to enhance their competitiveness. Additionally, the liberalization of trade policies and the proliferation of regional trade agreements have facilitated increased cross-border transactions.

1.8. As global connectivity advances further, profound changes are anticipated in trade corridors spanning Africa, Asia, and the Middle East, outpacing the global average growth rate. This momentum signifies a departure from established corridors towards dynamic high-growth routes. Projections indicate that by 2030, South Asia will emerge as the fastest-growing export region, propelled by robust trade relationships with neighboring regions.

1.9. As these economies continue to grow, their influence on global trade governance is expanding. These nations are actively participating in shaping the rules of the international trading system, challenging traditional economic power structures. Looking ahead, it is imperative to embrace a future where all emerging and developing countries actively participate in global trade, contributing to and benefiting from the interconnected global economy. Concerted efforts are needed to create opportunities, reduce barriers, and cultivate a collaborative environment that ensures the full integration of emerging economies into the fabric of the evolving global trade landscape.

Trend 3: Sustainability at the Heart of Global Trade

1.10. Sustainability has become a focal point in shaping supply chain dynamics for the future. A confluence of factors, including commitments to combat climate change, the surge in conscious consumerism, and the establishment of global governance standards for sustainability, is driving a fundamental shift towards more environmentally responsible and socially conscious global supply chains. Recognizing the interconnected nature of sustainability, these commitments are poised to influence every facet of global trade, spanning raw materials, intermediate products, the product life cycle, and the entire value chain involving business partners and suppliers.

1.11. This transformative journey towards sustainable trade is accompanied by a wave of policy innovations that are shaping the landscape. Initiatives such as green product labeling, national green freight programs, and Green Public Procurement Policies are gaining momentum, incentivizing businesses to adopt eco-friendly practices. Additionally, trade facilitation for renewable energy equipment is playing a pivotal role in advancing sustainable technologies globally. Notably, some regions and countries are taking assertive steps by implementing Environmental Tariffs and Border Carbon Adjustments, effectively directing producers towards the adoption of greener technologies and processes, thereby enhancing their market access.

1.12. Moving forward, a commitment to sustainability emerges as not only an ethical imperative but also a strategic necessity. International cooperation will be critical to implement green initiatives, promote innovation and the adoption of eco-friendly technologies to address climate concerns and adhere to global governance standards that prioritize sustainability across entire supply chains.

Trend 4: Focus on Inclusion in Global Trade

1.13. Currently, even though small and medium-sized enterprises (SMEs) account for 90% of businesses worldwide, their participation in international trade is limited. The limited participation of SMEs in international trade has a significant impact on the engagement of women and youth in the global market. As larger companies with greater resources dominate, barriers to entry for women and young entrepreneurs become more pronounced.

1.14. The global emphasis on sustainability and the swift technological advancements reshaping trade are inadvertently imposing an additional, unintended constraint. Sustainability requirements in international trade agreements, including eco-friendly production and ethical supply chain practices, demand significant investments in technology and compliance mechanisms. Larger and more resource-rich companies can easily meet these requirements, gaining a competitive advantage. Additionally, technological advancements like automation and artificial intelligence enhance efficiency but require substantial financial investments, disadvantaging smaller enterprises.

1.15. Looking ahead, by implementing policies that reduce regulatory obstacles and improve financial accessibility, a favourable environment can be established to stimulate the growth of small and medium-sized enterprises (SMEs) and their involvement in international trade. Encouraging collaborations between SMEs and larger companies can offer crucial guidance and access to new markets, thereby boosting the global competitiveness of SMEs, and consequently, also enabling the meaningful involvement of women and youth in the evolving realm of international commerce. Adopting this inclusive strategy is vital for tapping into the full capabilities of a diverse array of entrepreneurs and ensuring that the advantages of global trade are shared fairly throughout the community.

Trend 5: Services Trade - A Driving Force in the Shifting Landscape of Global Commerce

1.16. The forthcoming years are poised to witness a profound transformation in the landscape of global trade, with services trade emerging as a dominant and influential force on the international stage. This paradigm shift reflects the growing significance of the services sector, which has become one of the fastest-growing segments in the global economy, contributing to more than two-thirds of the total global economic output.

1.17. Underscoring the increasing prominence of services trade, global services exports reached an unprecedented US\$7.1 trillion in 2022, constituting nearly one-fourth of the total value of global trade and equating to 7.1% of the world's GDP. Digitalization and technological advancements have fuelled this shift, enabling the seamless cross-border flow of services. E-commerce platforms, cloud computing, and digital communication tools have democratized international trade, allowing smaller companies to participate more actively. This robust growth not only reflects the economic weight of the services sector but also emphasizes its pivotal role in shaping the interconnected nature of global trade. Moreover, the surge in digitally enabled service trade is a notable trend that is expected to gain further momentum, amplifying the role of technology in facilitating cross-border service transactions and contributing to the overall expansion of the services trade domain.

1.18. Looking forward, there is a compelling need to recognize and adapt to this transformative trend. Embracing the growth of the services sector, which contributes significantly to the global economy, demands proactive measures to foster cross-border collaborations, enhance digital infrastructure, and create regulatory frameworks that facilitate the seamless flow of services. Furthermore, there is a pressing need for robust global regulatory frameworks and addressing the digital divide to ensure that service trade is more inclusive in nature.
