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FINANCING FOR DEVELOPMENT:
A trade policy that supports independent industrial development in the global South

Introduction

From its inception, “trade as an engine for development” has been a pillar of the Financing for Development (FfD) process in its critical role of expanding fiscal space and mobilizing financing for meeting the development needs of the global South. The global South is in urgent need of an effective trade and industrial policy to advance socio-economic transformation and untrap itself from the current global division of labour.

The term “industrial policy” refers to a wide variety of governmental interventions and policies aimed at maintaining sovereignty in the economy by targeting specific industries, firms, or economic activities. Industrial policies may be driven by different public objectives, but they are overall aimed at strengthening economic development and structural transformation by promoting increases in productive capacity, expanding employment opportunities, promoting international competitiveness, and facilitating import substitution with local products.[1]

Developing countries have long highlighted the need for a comprehensive industrial policy as an indispensable policy tool for sustainable development. The COVID-19 pandemic and other compounding crises (climate change, debt) reaffirmed this need by exposing the fragility of the economies in the global South - a result of the neoliberal policies they have been implementing that led to pre-mature deindustrialization and commodity export dependency. However, the global trade regime, facilitated by the World Trade Organization (WTO), and bilateral and regional agreements, undermine the ability of the global South to pursue these industrial policies. The poly crises have underscored the urgent need to overhaul the current trade, investment, and financial regimes by putting the rights of people including women, Indigenous and rural communities, workers, and other vulnerable constituencies, at the center of the international financial architecture.

This brief examines the understanding of trade and industrial policy and the challenges to independent industrial development in the global South. The brief then discusses the trade architecture and the United Nations (UN), with an emphasis on the need to enhance the role of the UN within global economic governance, including trade governance. In addition, the brief highlights the key industrial policy issues for the FfD process, before concluding with recommendations on key elements of a supportive trade policy for industrialization.

[1] Jörg Mayer, “Policy Space: What, for What, and Where?,” Development Policy Review 27, no. 4 (July 2009): 373–95; Rosanna Jackson, “The Purpose of Policy Space for Developing and Developed Countries in a Changing Global Economic System,” Research in Globalization 3, no. 100039 (2021), https://api.repository.cam.ac.uk/server/api/core/bitstreams/c77dc2cd-6452-440a-82e1-89e1ca774cc0/content.

The recent history of trade and industrial policy

Trade liberalization and lack of active government intervention in the process of industrialization have been strongly shaping development theory and practice for the past five decades.[2] What became known as the Washington Consensus, a package of neoliberal policy reforms prescribed by the World Bank (WB) and the International Monetary Fund (IMF) to the global South, was based on the assumption that trade liberalization would drive export-oriented activities, thus leading to industrialization, economic growth, and development.[3] However, reality tells a different story. The shift to free market fundamentalism actually led to commodity dependence and trapped global South countries in a cycle of natural resource extractive and the short-term gains of low-value-added activities, instead of the promise of industrial development.[4]

Yet, these liberalization and market deregulation reforms promoted by IMF and the World Bank became even more entrenched in the early 2000s by the WTO, and industrial policy – or the active state interventions in support of industrial development – became stigmatized. Together, these three Bretton Woods institutions have swayed global trade rules in favor of large, industrialized countries and large multinational corporations at the expense of human rights and the sustainable industrial development of the global South.

More recently, the re-surfacing of trading bloc geopolitics, the demands of climate action, and the rebuilding of supply chains in response to the COVID-19 crisis have seen advanced economies explicitly practicing industrial policies. What has been one of the most contested issues in economics, reflecting ideological debates, is now regaining the central stage in international development policy dialogues. The current political and economic context has therefore not only reopened the debate on trade and industrial policy and the role of the developmental state, but also placed a new generation of sustainable industrial policies as a cornerstone for the achievement of the SDGs.[5]

[2] John Williamson, “What Should the World Bank Think about the Washington Consensus?,” The World Bank Research Observer 15, no. 2 (2000): 251–64.

[3] S. Mehdi Shafaeddin, Towards an Alternative Perspective on Trade and Industrial Policies (Penang: Third World Network, 2006), https://www.twn.my/title2/t&d/tnd30.pdf.

[4] Alberto Acosta, “Extractivism and Neoextractivism: Two Sides of the Same Curse,” Beyond Development: Alternative Visions from Latin America 1 (2013): 61–86.

[5] UN, “2023 Financing for Sustainable Development Report: Financing Sustainable Transformations,” Inter-Agency Task Force on Financing for Development (New York: United Nations, 2023), https://desapublications.un.org/publications/financing-sustainable-development-report-2023.

Main challenges to an independent industrial development in the global South

The global rule-making on international trade at the WTO or through bilateral and regional agreements has severely constrained developing countries' policy space to pursue an effective industrial policy to realize both their economic and broad-based development needs.[6] Trade and investment regimes long supported by International Financial Institutions (IFIs) and their Structural Adjustment Policies of privatization, liberalization, and deregulations,[7] have played a major role in undermining productive capacity and structural transformation in the global South. These regimes have constrained critical policy space and straitjacketed growth paths into a model of commodity dependence, cutting off paths toward producing and exporting high-value products. These also justify the relative lack of balance between larger-than-normal levels of integration in global markets (on unfair terms) and lower-than-expected attention to the strengthening of the local economy. Developing countries have been scrambling to get integrated into global value chains but are tied into the lower end of a system, aggravated through an unbalanced IPR regime, that exploits both resources and workers for the benefit of the global North.[8]

There are specific elements of the current trade paradigm that block developing countries from pursuing a progressive industrial policy: the insistence on lowering tariffs and premature liberalization of markets, the attack on industrial subsidies,[9] the raising of standards in intellectual property rights that have blocked technology transfer,[10] the forced liberalization of government procurement markets,[11] the push to open up domestic reserves of minerals, raw material, and natural resources to foreign companies.[12] These measures have all tied the hands of developing country governments from supporting domestic industries with finance, technology, and access to markets, and exposed national manufacturers - even

[6] Rachel Denae Thrasher, "Constraining Development," in The Shrinking of Policy Space in the International Trade Regime (Anthem Press, 2021), https://www.jstor.org/stable/j.ctv1qmpd18.

[7] Narcís Serra, Shari Spiegel, and Joseph E. Stiglitz, "Introduction: From the Washington Consensus towards a New Global Governance," in The Washington Consensus Reconsidered: Towards a New Global Governance (Oxford: Oxford University, 2008), 3–13, http://digamo.free.fr/serra8.pdf#page=10.

[8] UNCTAD, "Trade and Development Report 2018: Power, Platforms and the Free Trade Delusion," UNCTAD/TDR/2018 (United Nations Conference on Trade and Development, 2018), https://unctad.org/system/files/official-document/tdr2018_en.pdf.

[9] Thrasher, "Constraining Development."

[10] Abhijit Das and Zaki Hussain, "Global Value Chains: Asymmetries, Realities and Risks," Centre for WTO Studies Working Paper No 36 (2017), http://wtocentre.iift.ac.in/workingpaper/woriking%20paper%2036.pdf.

[11] Alen Mulabdic and Lorenzo Rotunno, "Trade Barriers in Government Procurement," European Economic Review 148 (September 1, 2022): 104204.

[12] Oxfam, "Africa: Rising for the Few" (Oxfam International GB, 2015), https://oxfamilibrary.openrepository.com/bitstream/handle/10546/556037/mb-africa-rising-world-economic-forum-020615-en.pdf?sequence=4; For a discussion on some of these concerns and the need for policy space, see UNCTAD, "Trade and Development Report 2014: Global Governance and Policy Space for Development," UNCTAD/TDR/2014 (United Nations Conference on Trade and Development, 2018), https://unctad.org/system/files/official-document/tdr2014_en.pdf.

Micro-Small-Medium Enterprises (MSMEs) - to unfair foreign competition from developed country products that have received decades of support in terms of all the above factors. Even the unilateral preferential agreements, for example, the "Everything But Arms" (EBA) by the EU, extended to many African countries, have locked several countries into exporting raw materials due to high tariffs imposed by the EU on processed products. While stringent international standards have also been used as a political tool to shrink the space for industrial development across the global South.[13]

In addition, there is currently a massive effort by developed countries to bring in rules relating to the digital economy and e-commerce through the trade fora.[14] But implementing the proposed e-commerce rules would further dilute control of developing countries over national digital policymaking and over data, which is a key resource necessary for their future economic and industrial development.

Recent efforts to push environmental and sustainability issues into trade agreements rather than addressing these topics at their relevant normative spaces presents a challenge to independent industrial development in the global South. Although there is a global consensus on the need to address environmental problems and promote sustainable development, developing countries led by India have been vocal in calling upon these issues to be discussed at specialized forums such as the United Nations Framework Convention on Climate Change (UNFCCC) rather than bringing these issues under the WTO.[15] This is because placing binding obligations in trade agreements creates a paradoxical situation. On one hand, the obligations may promote sustainability at the global level but on another, it undermines industrial development in the global south since it ignores the Common but Differentiated Responsibility (CBDR) principle that should be central to any climate action efforts under the UNFCCC. Developed countries have a bigger responsibility to address climate change due to both historical and current carbon dioxide emissions rates.[16] The global South, apart from a few countries, such as China, has had minimal contribution to emissions. This means a just and equitable climate change response should not give them more obligations, as pushed by developed countries in trade agreements. The North's forced imposition of sustainability standards imposed through such initiatives can instead cut developing countries out of industrial development pathways.

[13] Hannah Timmis, "The Impact of Standards on Developing Country Exports" (Brighton, UK: Institute of Development Studies, 2017), https://assets.publishing.service.gov.uk/media/5a61cd8bed915d0afa3b5a3a/243_The_Impact_of_Standards_on_Developing_Country_Exports.pdf.

[14] WTO, "Joint Initiative on E-Commerce," accessed March 10, 2024, https://www.wto.org/english/tratop_e/ecom_e/joint_statement_e.htm.

[15] Abhijit Das, Unpacking WTO's involvement in environment negotiation, interview by Kundan Pandey, November 28, 2023, https://india.mongabay.com/2023/11/unpacking-wtos-involvement-in-trade-and-environment-negotiation-at-cop28/.

[16] "Smallest Footprints, Largest Impacts: Least Developed Countries Need a Just Sustainable Transition," United Nations Conference on Trade and Development, October 1, 2021, https://unctad.org/topic/least-developed-countries/chart-october-2021.

The international trade architecture and the United Nations

The global trade architecture centers around the WTO, which makes trade rules in multiple areas. In addition, bilateral and regional trade and investment agreements (referred to as Free Trade Agreements or FTAs in generic terms) often go beyond the scope of the WTO agreements both in the depth of existing trade commitments as well as the coverage of newer issues. There are also international investment agreements (IIAs), including investment segments of FTAs and bilateral investment treaties (BITs) that provide rules on investor protection and market access for foreign direct investment. All these agreements are legally binding in nature.

In comparison, the United Nations' work on trade seems much less influential, given its non-binding nature. However, the role of the UN in ensuring a fair, just, and development-oriented trade policy that enables the global South to catch up on its development objectives remains critical. For instance, the work of the United Nations Conference on Trade and Development (UNCTAD) was designed to provide technical expertise, contribute towards building the capacity of developing countries to meaningfully benefit from international trade, and support the implementation of financing for development. The role of UNCTAD is especially important because it supports developing countries with the required technical expertise to design and implement development-oriented trade and industrial policies, which are crucial for structural transformation. Despite challenges related to the non-binding nature of its work, UNCTAD remains essential for the global South and should be promoted rather than sidelined by the more influential trade and investment-related agreements.

The FfD process is another important space where policy convergence on trade can be advanced as a way to rebalance and democratize the currently skewed global trade governance. However, despite being recognized as one of the official FfD thematic pillars, trade has been a weak link in this arena. For example, even though during the COVID-19 pandemic more than a hundred developing countries and LDCs demanded a TRIPS Waiver at the WTO as part of the fight for equitable access to vaccines, the FfD Review Forums in 2021 or 2022 failed to reflect such important issues in their outcomes. The FfD process also needs to engage more on the issue of fair trade rules for advancing food sovereignty as well as on revising existing inequitable and development-unfriendly Investor-State Dispute Settlement Mechanisms.

Though the WTO and the other trade agreements are the rule-making spaces, the FfD process, with a strong mandate from the UN, should play a major role in agreeing on principles on key issues to shape the nature of actual negotiations in the many areas of trade relations. For trade to become a genuine engine of development, the FfD process should be the venue for articulating just principles, standards, and objectives over international trade relations based on historical lessons. These principles can then be utilized by developing country negotiators in their trade policies and negotiations in other fora. It is in the interest of developing countries to provide a clear and well-articulated positioning on trade issues at the FfD that will help them support an enabling industrial policy.

Key industrial policy issues for the FfD Process

The severe and enforceable restrictions against industrial policies inserted into the global trading system have become a key obstacle to development, inconsistent with the FfD process' characterization that trade is the engine of economic development.[17] Obligations in the WTO and FTAs have prohibited multiple policies that had been applied by the now-industrialized countries in the course of their economic development.[18]

Historically applied policies that are increasingly restricted now include "performance requirements" (such as domestic content) on foreign investors, export taxes and controls, regulations on capital flows, and access to international technology. These involve a wide variety of policies that concern the trade area of the FfD process, but also other interconnected domains, such as foreign direct investment and systemic issues. Many of these restrictions are permanently in force, such as investor protections in FTAs. Unfortunately, reforming these agreements one-by-one could be a challenging and tedious process. Unless a new global binding consensus is found, the implementation of these agreements would continue to undermine developing country industrial policy processes.

Two new threats require the attention of the FfD process: (1) processes to reform the WTO, including proposals to introduce additional investor protections and bans on export controls, and (2) the re-emergence of explicit industrial policy in developed countries. Both of these trends are strongly but not solely driven by climate action objectives on the part of advanced economies.

The WTO reform process places developing countries in a more disadvantaged position if the principles of inclusivity, transparency and development are not enshrined in it.[19] Development is an important issue that needs

[17] UN, "Monterrey Consensus of the International Conference on Financing for Development," The Final Text of Agreements and Commitments Adopted at the International Conference on Financing for Development Monterrey, Mexico, 18-22 March 2002 (United Nations, 2003), https://www.un.org/en/development/desa/population/migration/generalassembly/docs/globalcompact/A_CONF.198_11.pdf.

[18] Ha-Joon Chang, "Policy Space in Historical Perspective with Special Reference to Trade and Industrial Policies," Economic and Political Weekly, 2006, 627–33.

[19] General Council, "A Development Perspective on Institutional Reforms of the World Trade Organization," WT/GC/W/895 (World Trade Organization, July 13, 2023).

to be promoted in the global South even as developed countries come up with new trade policies such as the carbon border adjustment tax by the European Union (EU) that is expected to shape the new thinking on reforming the WTO to address emerging challenges.[20] The carbon border adjustment measures threaten market access to developed countries.[21] The proposals to reform the WTO represent an increase in enforceable obligations on the part of global South countries, whose resources to undertake industrial development are already constrained by their domestic resource mobilization capacity and their need to secure export earnings.[22]

The re-emergence of industrial policies in developed economies introduces new threats to efforts to diversify developing country economies and their exports. For example, the ongoing transition to electrical vehicles could provide export opportunities to developing countries that have the required inputs to increase their domestic processing.[23] However, reinforced restrictions on export taxes and controls will obstruct these export possibilities.

As an integrated process that explicitly seeks to remove barriers to development, the FfD process should be a venue to identify, characterize, and propose ways forward to provide the space for shared industrial development in all countries.

[20] "Carbon Border Adjustment Mechanism - European Commission," European Commission, accessed April 17, 2024, https://taxation-customs.ec.europa.eu/carbon-border-adjustment-mechanism_en.

[21] Peter Lunenborg and Vahini Naidu, "How the EU's Carbon Border Adjustment Mechanism Discriminates against Foreign Producers," Policy Brief (Geneva: South Centre, February 5, 2024), https://www.southcentre.int/wp-content/uploads/2024/02/PB124_How-the-EUs-Carbon-Border-Adjustment-Mechanism-discriminates-against-foreign-producers_EN.pdf.

[22] UNCTAD, "Crisis-Resilient Development Finance: The Least Developed Countries Report 2023," UNCTAD/LDC/2023 and Corr.1 and Corr. 2 (United Nations Conference on Trade and Development, 2023).

[23] Benjamin Jones, Viet Nguyen-Tien, and Robert J. R. Elliott, "The Electric Vehicle Revolution: Critical Material Supply Chains, Trade and Development," The World Economy 46, no. 1 (January 2023): 2–26, https://doi.org/10.1111/twec.13345.

Conclusion and recommendations

This brief provides an overview of the structural barriers of the current global trade regime that hinder the independent industrial development of the global South. It discusses the asymmetrical power dynamics between developed and developing countries, perpetuated by global rule-making on international trade at the WTO or through bilateral and regional agreements. It highlights the need for an overhaul of the current international trade regime, for fair and equitable trade agreements, and more importantly, for the role of the UN and the FfD process in providing a more democratic and transparent space for trade policy debates and principles-setting. The global South must avoid false solutions and argue against trade provisions that support developed country interests but may be inimical to theirs. It will be important for developing countries to agree on a collective understanding of such trade issues and strongly articulate their own positive agenda, especially in the context of FfD.

For the FfD to achieve its intended outcomes, there is a need for several actionable policy trade policy frameworks that support independent industrial development in the global South and expand its policy and fiscal space. The FfD process needs to recognize the new reality and, in its agreements, re-affirm and re-articulate the policy tools that developing countries need to develop their industrial sector in a just and equitable manner. In addition, the FfD should be the venue to arrive at principles and processes that reconcile the conflict between what developing countries need and the trade regimes that developed countries try to impose and enforce. The following recommendations need to be considered for facilitating the role of trade policy in harnessing industrialization in the global South.

a. **Tariff liberalization:** The historical default position of developed countries is to lower/eliminate import and export tariffs across the board which severely constricts the policy space of developing countries. Successful industrial development relied heavily on selectively restricting certain imports and favoring - even subsidizing – others, as required by industrial planning. ***The FfD process should recognize the need for flexibility for developing countries regarding tariff liberalization based on their development pathways.***

b. **Export Restrictions:** There is increasing pressure on developing countries to eliminate flexibilities and waivers presently available under the GATT and WTO for export restrictions, a pressure already exerted through the FTAs. These pressures emanate from advanced economies' need to ensure unimpeded access to industrial raw materials and minerals for developed countries, as in the colonial era. It is also important to remember the US and the EU had themselves used export restrictions during the Covid-19 pandemic to ensure domestic supply of raw material (for vaccines) and vaccines respectively but they are keen to impose restrictions on developing countries' ability to use such measures. *The FfD process should ensure policy flexibilities available under the WTO and GATT are not infringed on so that developing countries can support the needs of domestic industries and populations while not generally restricting global supplies.*

c. **Subsidies:** Developed countries have used and continue to use massive subsidies for both agricultural and industrial production and industrialization. However, the WTO postulates strict restrictions on the use of subsidies – even though advanced economies have managed to make use of additional flexibilities and continue to provide agricultural support to the disadvantage of developing countries. Increasingly there is pressure on developing countries not to subsidize their industrial production, but subsidies remain critically important as a policy tool to support specific sectors, support MSMEs, expand production, and market infrastructure. This is needed not only during a crisis such as the COVID-19 pandemic but also on a long-term basis for structural transformation and stabilizing production. UNCTAD has recommended the use of industrial subsidies for developing countries in their Trade and Development Report[24] and *the FfD process must ensure policy space to use necessary subsidies by developing countries for industrial development.*

d. **Standards:** Setting standards for products that are being traded is the natural economic right of any country. However, in the trade arena, instead of tariffs, standards or technical barriers (such as complicated and expensive certification and labeling requirements) have been used by developed countries to protect their own markets and prevent developing countries from accessing export markets. Such use of Non-tariff Measures (NTMs) has remained largely unaddressed in trade policy spaces.[25] *Unless the politics of standard-setting is addressed, perhaps in the UN, developing countries will never be able to develop their exports and provide a boost to domestic manufacturing even in sectors where they are more competitive.*

e. **Local content requirements:** WTO rules barring local content requirements have prevented developing countries from ensuring gains of industrialization go back into their economy and society and support local producers, especially MSMEs, and workers. Local content requirements also create a multiplier effect within the economy by boosting local demand and supplies. Such strictures have created massive barriers to developing local energy projects and promoting local technologies. *The FfD should initiate an effort to identify agreed principles over disciplines over local content requirements beyond the blanket approach at present.*

f. **Intellectual property rights and technology transfer:** The TRIPS

[24] Rob Davies et al., "Reforming the International Trading System for Recovery, Resilience and Inclusive Development," UNCTAD Research Paper, UNCTAD/SER.RP/2021/8 (United Nations, 2021), https://unctad.org/system/files/official-document/ser-rp-2021d8_en.pdf.

[25] UN, "Non-Tariff Measures and Sustainable Development Goals: Direct and Indirect Linkages," Policy Brief (United Nations, September 2015), https://unctad.org/system/files/official-document/presspb2015d9_en.pdf.

Agreement at the WTO imposes strong IP standards across Members and ensures monopoly rights for technology innovators, which are largely MNCs based in developed countries. This has constrained access to critical products such as health products, and also important industrial products. The COVID-19 pandemic revealed the extent of the constraints imposed by the rules of the TRIPS Agreement which allowed patent rights on critical vaccines, medicines, and diagnostics and limited access to such products and services across the global South. Even the use of TRIPS flexibilities has been consistently challenged through massive pressures from the US and EU. Developing countries need access to technology, especially in critical products, which is blocked by such IPR standards set by TRIPS and now hardened in several North-South FTAs led by developed countries such as the US, EU, Switzerland, Canada, and others. Rather than stricter IPR standards as promoted by the developed countries, what developing countries need is a waiver from such commitments (as evident in the battle for the TRIPS Waiver at the WTO) which will remove blocks posed through patents, copyrights, trade secrets, and so on and will rather facilitate technology transfer to local industries, including MSMEs, in the global South, which already can make use of such technologies. *The FfD process recognizes access to technology as a critical development dimension. The process must fulfill its promise so that developing countries get access to technology for their industrial development. This will in turn not only galvanize production but will foster the adaptation and growth of local technologies.*

g. **Digital economic policy and e-commerce (including digital taxation):** The issue of the digital economy is key for developing countries as they attempt to put in place the necessary digital economy policies that will allow them to benefit from the fourth industrial revolution and ensure the most beneficial and effective use of their data and digital technology. International rules promoted by developed countries in trade agreements at the WTO and FTAs, designed by global digital corporations, seek to ensure the dilution of national control over digital data (through provisions such as free flow of data) along with the ability of governments to regulate their activities. This will constrain developing countries' benefits from the fourth industrial revolution by the effective use of their data and digital technology. There have also been significant efforts to ensure developing countries cannot impose any tax on the activities of digital corporations either at the border (e.g., by pushing for a permanent moratorium on tariffs on electronic transmissions) or through national digital taxation policies (e.g., by challenging domestic taxes on platforms such as Amazon). Such taxes are not only policy tools to regulate such activities but, like tariff revenue, are important potential financial resources. Such commitments, being pushed in the name of the trade, will restrict domestic policy space to design nationally beneficial digital industrialization policies, data protection policies, and policies to create community or citizen rights over data. ***The FfD process should ensure full policy space for developing countries with regard to their digital policies and address the digital divide.***

h. **Government Procurement (GP):** Developing country governments use the government procurement market, which averages 12-20% of GDP, to support domestic industries including MSMEs and rural enterprises. It may also ensure preferential access to such government markets to address inequalities faced by vulnerable constituencies such as women and other communities discriminated against due to their economic conditions, race, or cultural traditions. This is therefore used as an industrial policy tool but one that caters to development, social inclusion, and the principle of "leaving no one behind." However, there is tremendous pressure on developing countries to sign on to the Government Procurement Agreement (GPA) at the WTO or to grant market access commitments under FTAs. This can virtually eliminate all preferential treatment for local industries and MSMEs including by eliminating local content requirements. Developing countries need to retain and increase their policy space to use the GP market as a key component of industrial policy and not allow this market to be taken over either directly or indirectly (for example by taking on standard-related commitments) by foreign corporations based in developed countries. ***The FfD process should recognize the important developmental functions of the government procurement market across developing countries and ensure the trade policy space to ensure that function.***

i. **Environment and sustainability:** The linkage between trade and environment or sustainability has gained a lot of attention in the recent period both in the WTO and in certain FTAs, aiming apparently to address issues related to the latter with the help of trade policy. While such objectives are relevant today and seem to respond to longstanding critiques of trade policy on sustainability grounds, the current approach comes also with major challenges. First, it runs the risk of becoming a tool used by developed countries to set environmental standards and conditionalities in a way that again ensures their domination over industrial products and services to the disadvantage of developing countries. For instance, the insistence on the so-called environmental goods and services bars developing countries from promoting such products and services as a means of building their industrial capabilities. In effect, developing countries will become forever import-dependent and will not be able to create incomes and livelihoods from the development of these sectors. Second, certain provisions proposed by developed countries may not be either environmentally friendly or socially just; for example, when such provisions bar developing countries from pursuing national renewable energy projects or supporting small producers. Third, actual solutions will require addressing issues such as the investor-state-dispute-settlement (ISDS) provisions under international investment agreements that have led to massive resource grabs and environmental degradation through exacerbation of extractives; or removing impediments to the transfer of environmentally sound technology to developing countries from the global North by addressing IPR barriers. However, there is no effort to address such issues under the trade and environment, or trade and sustainability initiatives. Lastly, there is a clear need to reflect on whether it makes sense for developing countries to engage on these issues in the trade spaces, as there are alternatives designated for negotiating environment and sustainability-related issues such as the UNFCCC and the CBD. These have clear mandates and agreed underlying principles such as Common but Differentiated Responsibility (CBDR) which are critical to uphold but may not underpin negotiations on trade issues especially given the massive challenge to uphold SDT in these discussions. ***In that regard, the FfD must be careful in first determining whether trade and environmental issues should be discussed under its mandate at all or not.***

j. Finally, the protection of policy space and SDT are two critical cross-cutting principles of a trade policy that can support industrial development in the global South and both have been under threat from the current trade paradigm.[26] ***In any trade discussions at the FfD, these two principles must be kept at the forefront as recognized by SDG 17.14 and 10.a respectively. There is also a clear need to rethink neoliberal policies in all trade and trade-related fora to reinstate the critical industrial tools.***

In conclusion, the Financing for Development process, both in terms of the upcoming 4th Financing for Development Conference in 2025 and the resulting FfD Follow-up process, provide a democratic and developmental normative space where all these systemic policy reforms can be agreed and a new set of fair and just trade rules established. When necessary, the UN General Assembly, with its unlimited jurisdiction, can initiate negotiations for global binding agreements. The upcoming Quadrennial Conference of the United Nations Conference on Trade and Development (UNCTAD) also provides an opportunity to strengthen its normative mandate to continue advancing the trade and development agenda.

[26] Davies et al., "Reforming the International Trading System for Recovery, Resilience and Inclusive Development."

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