

Sustainable Trade and Value Chain Development:

A Strategic Analysis for Inclusive Growth in Developing Economies

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Executive Summary

This comprehensive study examines the current landscape of sustainable trade and value chain development, with a particular focus on developing economies and the role of international organizations in fostering inclusive growth. Drawing on the latest data from authoritative sources including the United Nations Conference on Trade and Development (UNCTAD), the World Trade Organization (WTO), and the International Trade Centre (ITC), this analysis provides evidence-based insights into the challenges and opportunities in global trade systems.

The research reveals significant disparities in trade performance between developed and developing economies, with the latter experiencing steeper declines in merchandise exports (-6.2% compared to -2.8% for developed economies) while simultaneously showing stronger economic growth potential (4.1% GDP growth versus 1.7% in developed economies). These contrasting trends highlight both the vulnerabilities and resilience of developing economies in the global trading system.

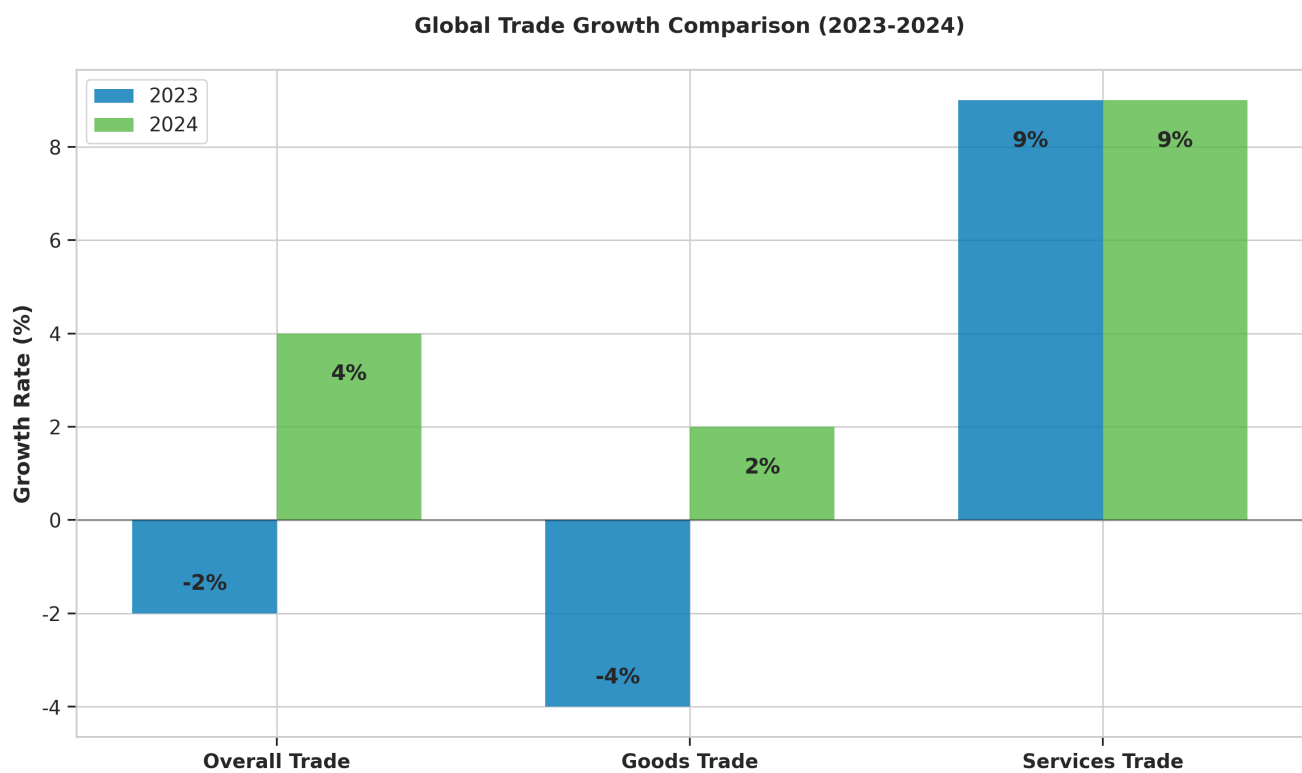
This study identifies key intervention areas for sustainable and inclusive value chain development, including strengthening South-South trade cooperation, enhancing technical assistance frameworks, and implementing targeted strategies to address the specific challenges faced by Least Developed Countries (LDCs). The findings and recommendations presented here are directly relevant to international organizations working to promote sustainable trade practices and inclusive economic development.

1. Introduction: The Evolving Landscape of Global Trade

The global trade environment has undergone significant transformations in recent years, shaped by economic uncertainties, geopolitical tensions, and the lingering effects of multiple global crises. Understanding these dynamics is essential for developing effective strategies to promote sustainable and inclusive trade practices, particularly for developing economies that face unique challenges in the global marketplace.

1.1 Current State of Global Trade

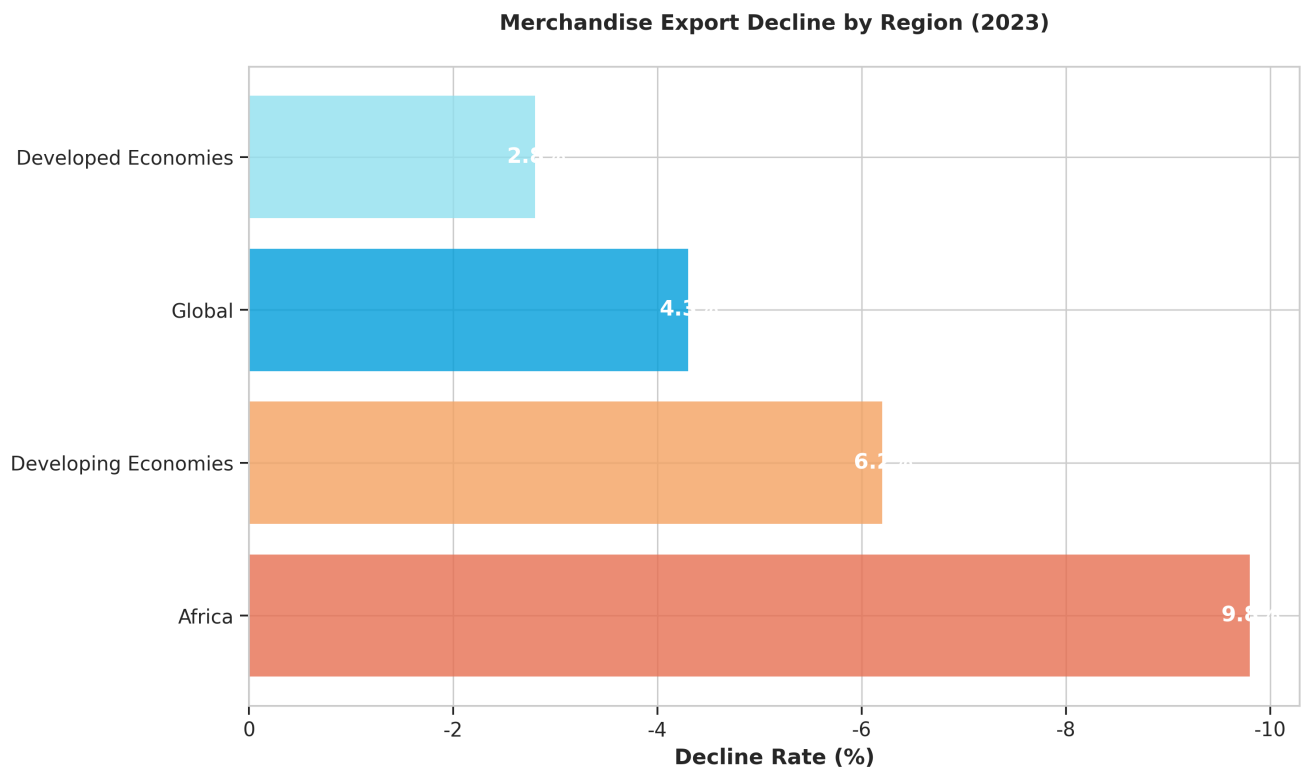
The latest data from the World Trade Organization (WTO) indicates that world trade in goods and commercial services expanded by 4% to US\$ 31.5 trillion in 2024, following a 2% decline in 2023. This recovery demonstrates the resilience of global trade systems, but a closer examination reveals significant disparities in performance across different sectors and regions.



As illustrated in Figure 1, while services trade maintained strong growth at 9% in both 2023 and 2024, goods trade experienced a dramatic shift from a 4% decline in 2023 to 2% growth in 2024. This sectoral divergence has important implications for developing economies, many of which remain heavily dependent on merchandise exports for foreign exchange earnings and economic stability.

The UNCTAD Handbook of Statistics 2024 provides further insights into regional disparities, revealing that developing economies experienced a sharper decline in merchandise exports (-6.2%) compared to developed economies (-2.8%) in 2023. African

economies were particularly affected, with merchandise exports falling by 9.8%, the steepest drop among all regions.



These disparities highlight the need for targeted interventions to strengthen the resilience of developing economies in global trade systems, particularly through sustainable value chain development and enhanced technical assistance frameworks.

1.2 The Importance of Sustainable and Inclusive Trade

In today's uncertain economic landscape, sustainable and inclusive trade practices have become increasingly important for building resilient economies and addressing global challenges. The UNCTAD Handbook of Statistics 2024 emphasizes that "reliable statistical information becomes even more indispensable for effective policy responses and decisions, aiding countries to recover from different crises and build a more just, inclusive, and sustainable economy."

Sustainable trade encompasses not only environmental considerations but also social and economic dimensions, including fair labor practices, equitable distribution of benefits, and long-term economic viability. Inclusive trade ensures that the benefits of global commerce extend to all segments of society, including marginalized groups, small and medium-sized enterprises (SMEs), and developing economies.

The International Trade Centre's "State of Sustainable Markets 2024" report highlights growing consumer and industry demand for sustainably produced goods, tracking 13 major sustainability standards for agricultural products including bananas, cocoa, coffee, cotton, oil palm, soybeans, sugarcane, tea, and forestry products. This trend

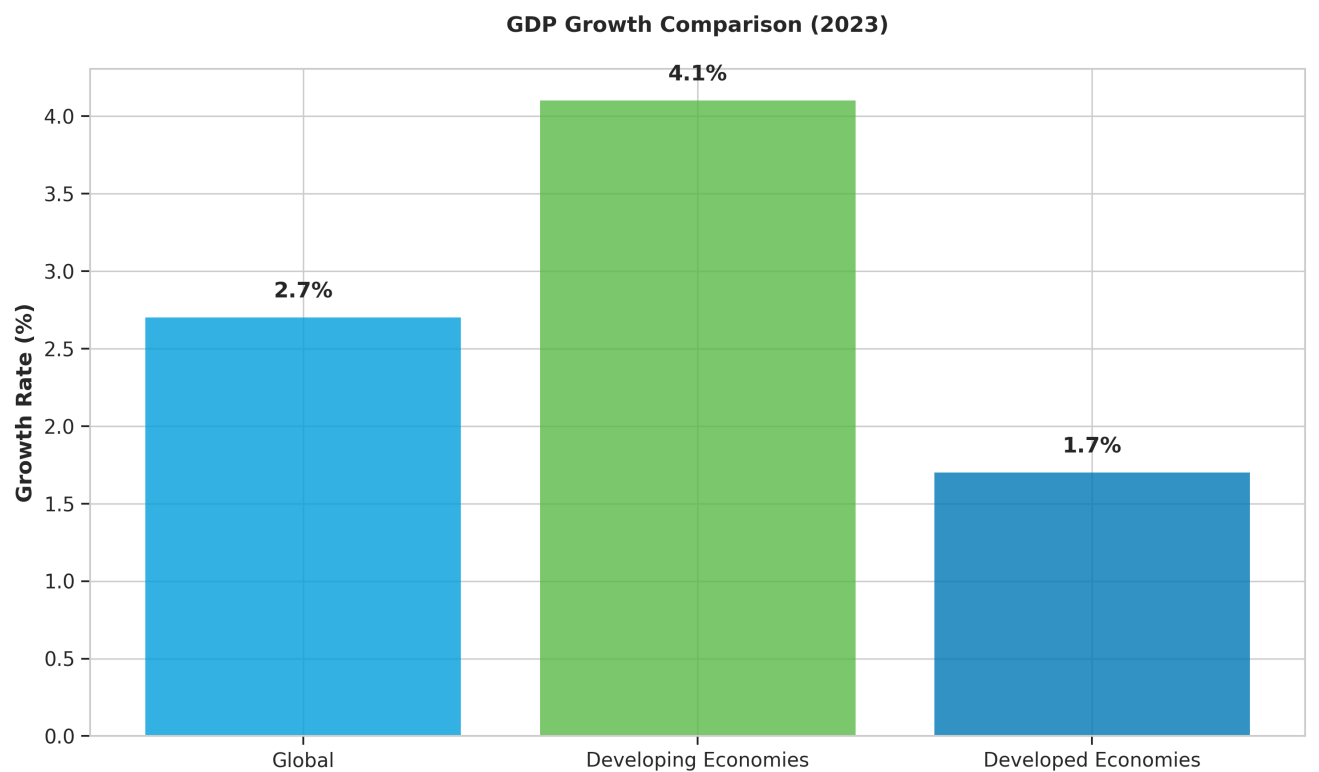
represents both a challenge and an opportunity for developing economies seeking to integrate into global value chains.

2. Developing Economies in the Global Trading System: Challenges and Opportunities

Developing economies face a complex set of challenges in the global trading system, from structural vulnerabilities to limited access to finance and technology. However, they also possess significant opportunities for growth and development through strategic engagement with global markets.

2.1 Economic Growth and Trade Performance

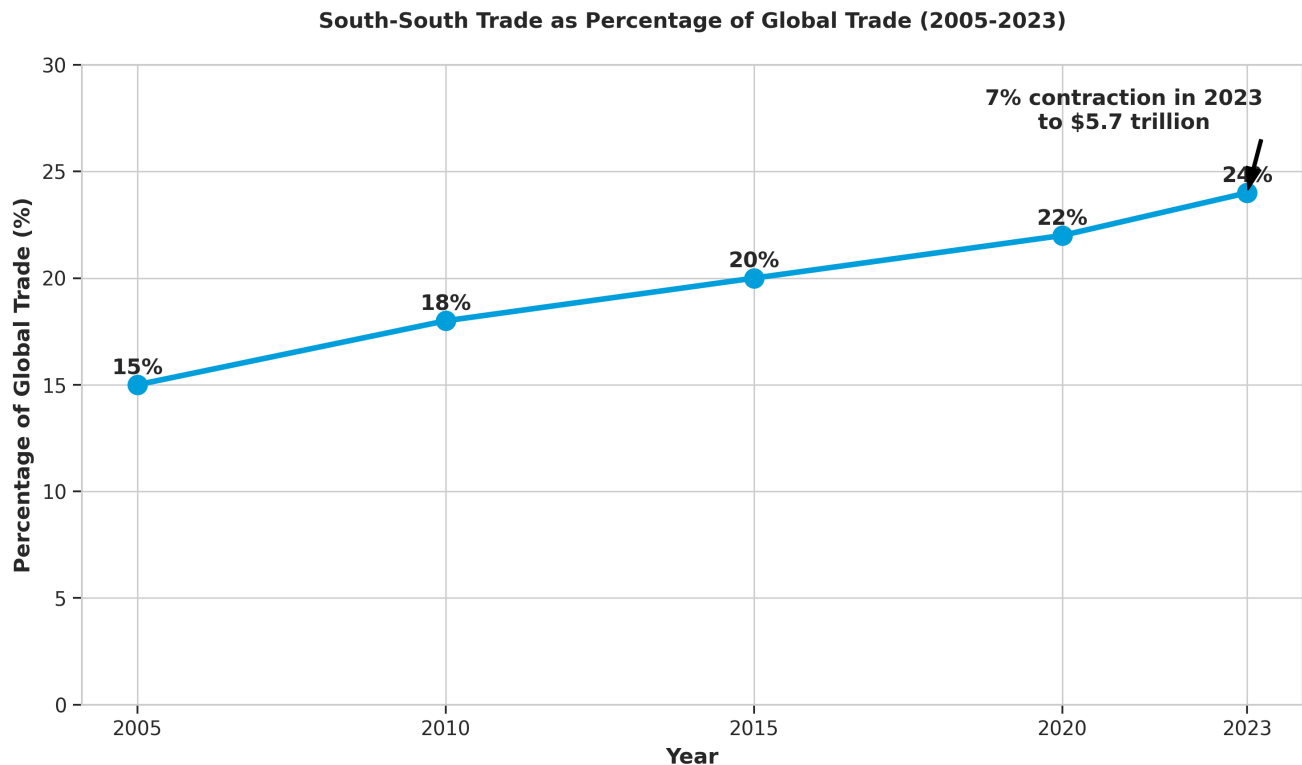
Despite facing challenges in merchandise trade, developing economies have demonstrated remarkable resilience in terms of overall economic growth. According to UNCTAD data, developing economies grew at 4.1% in 2023, significantly outpacing the 1.7% growth rate of developed economies and the global average of 2.7%.



This growth differential suggests that developing economies have significant potential for economic expansion, provided they can overcome structural constraints and effectively leverage their comparative advantages in global markets. However, large disparities in GDP per capita persist, with most developed economies exceeding \$30,000 per capita, while many African economies remain below \$1,000.

2.2 South-South Trade Dynamics

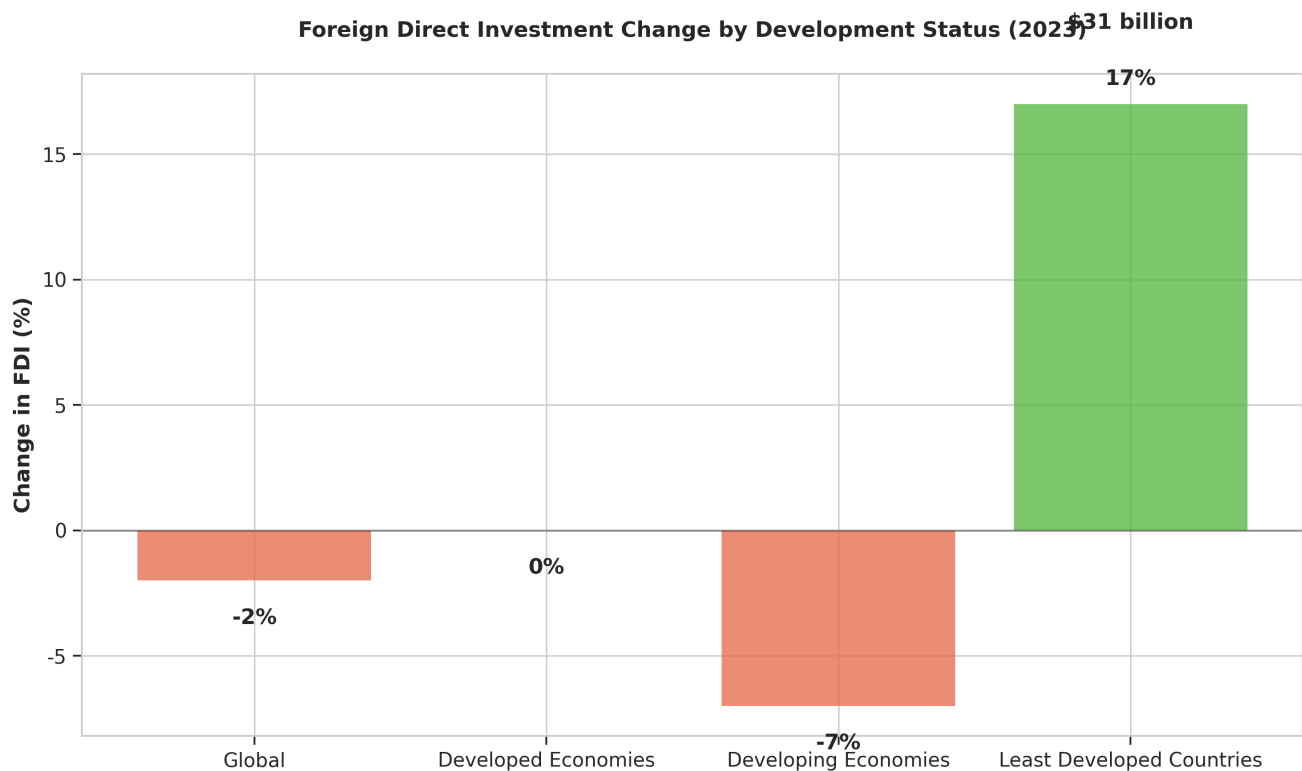
South-South trade—commerce between developing economies—has become an increasingly important component of the global trading system. Despite a 7% contraction to \$5.7 trillion in 2023, South-South trade still accounted for 24% of global trade, up from 15% in 2005.



This long-term growth in South-South trade represents a significant opportunity for developing economies to reduce dependence on traditional export markets and build more resilient trading relationships. Regional trade agreements and cooperation frameworks can further enhance these relationships, creating new opportunities for value chain integration and economic diversification.

2.3 Foreign Direct Investment Trends

Foreign Direct Investment (FDI) plays a crucial role in economic development, providing not only capital but also technology transfer, management expertise, and access to global markets. According to UNCTAD data, global FDI fell by 2% to \$1.33 trillion in 2023, with developing economies experiencing a sharper 7% decline.



Notably, Least Developed Countries (LDCs) defied this trend, with FDI growing by 17% to \$31 billion. This positive development suggests that targeted policies and investment promotion strategies can effectively attract foreign investment even in challenging global conditions.

3. Sustainable Value Chain Development: Frameworks and Best Practices

Sustainable value chain development represents a comprehensive approach to enhancing the competitiveness, inclusivity, and environmental sustainability of production and trade systems. This section examines key frameworks and best practices for promoting sustainable value chains in developing economies.

3.1 Defining Sustainable Value Chains

A sustainable value chain encompasses the full range of activities required to bring a product or service from conception to final consumption, with a focus on creating economic, social, and environmental value at each stage. According to the International Trade Centre, sustainable value chains are characterized by:

1. Economic viability across all stages of the value chain
2. Equitable distribution of benefits among participants
3. Minimized negative environmental impacts
4. Resilience to external shocks and market fluctuations

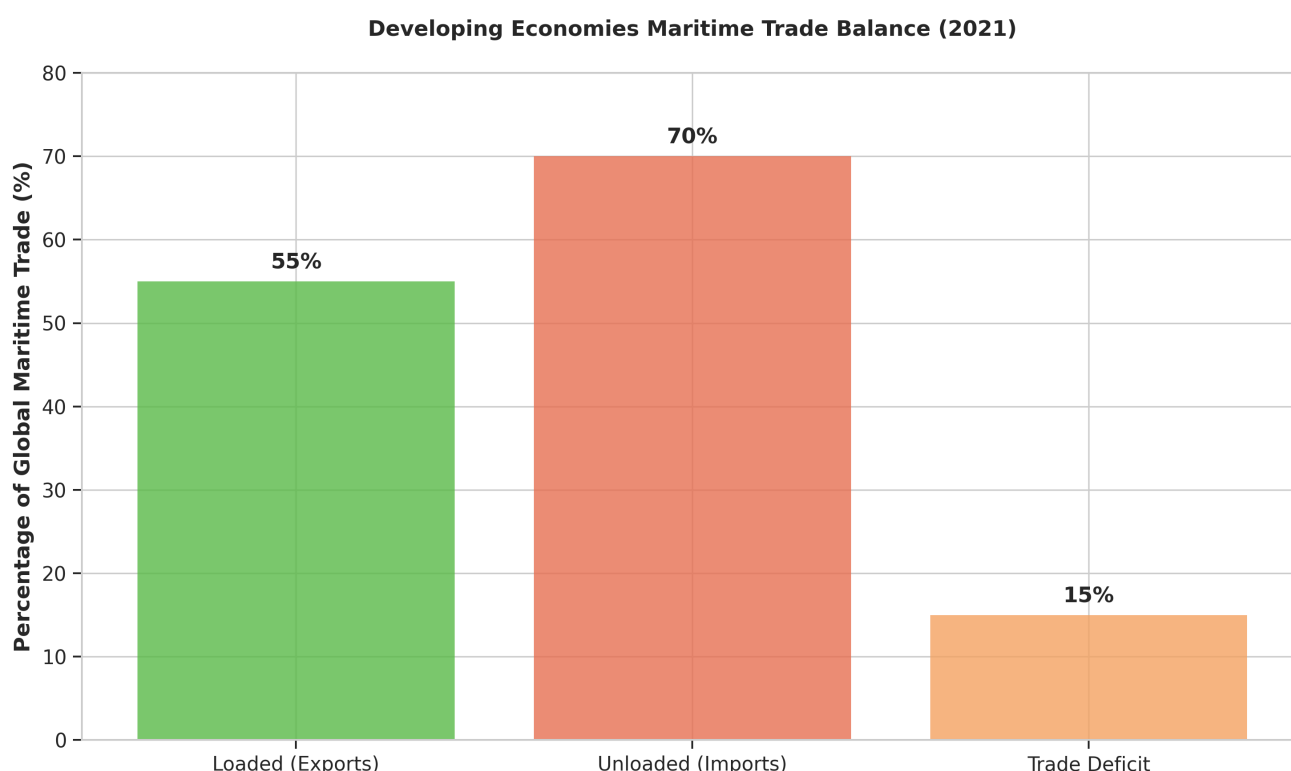
5. Compliance with international standards and regulations

The development of sustainable value chains requires a coordinated approach involving multiple stakeholders, including producers, processors, traders, policymakers, and consumers. International organizations play a crucial role in facilitating this coordination and providing technical assistance to address specific challenges.

3.2 Value Chain Integration in Developing Economies

Developing economies face unique challenges in integrating into global value chains, including limited productive capacity, inadequate infrastructure, and difficulties meeting international standards. However, successful integration can provide significant benefits, including access to new markets, technology transfer, and opportunities for economic diversification.

The maritime transport sector provides a clear illustration of both the challenges and opportunities in value chain integration. According to UNCTAD data, developing economies drove global maritime trade volumes, loading 55% and unloading 70% of seaborne goods in 2021. Developing Asia, in particular, has established itself as a supply chain hub, loading 42% and unloading 64% of global maritime cargo.



However, the Global South's maritime trade deficit reached 648 million tons in 2021, as developing economies discharged more cargo than they loaded. This imbalance reflects the continued dependence of many developing economies on imports of manufactured goods and exports of raw materials—a pattern that sustainable value chain development seeks to address.

3.3 Certification and Standards in Sustainable Markets

The International Trade Centre's "State of Sustainable Markets 2024" report highlights the growing importance of certification and standards in global trade. The report tracks 13 major sustainability standards for agricultural products, finding that growth in certified production continued after an unusual dip in 2020.

Certification schemes provide a mechanism for verifying compliance with sustainability standards, enabling producers to access premium markets and consumers to make informed choices. For developing economies, participation in these schemes can provide access to higher-value market segments, though the costs of certification and compliance can be prohibitive for small-scale producers.

Technical assistance programs can help address these challenges by providing training, financial support, and institutional capacity building to enable producers in developing economies to meet certification requirements and access sustainable markets.

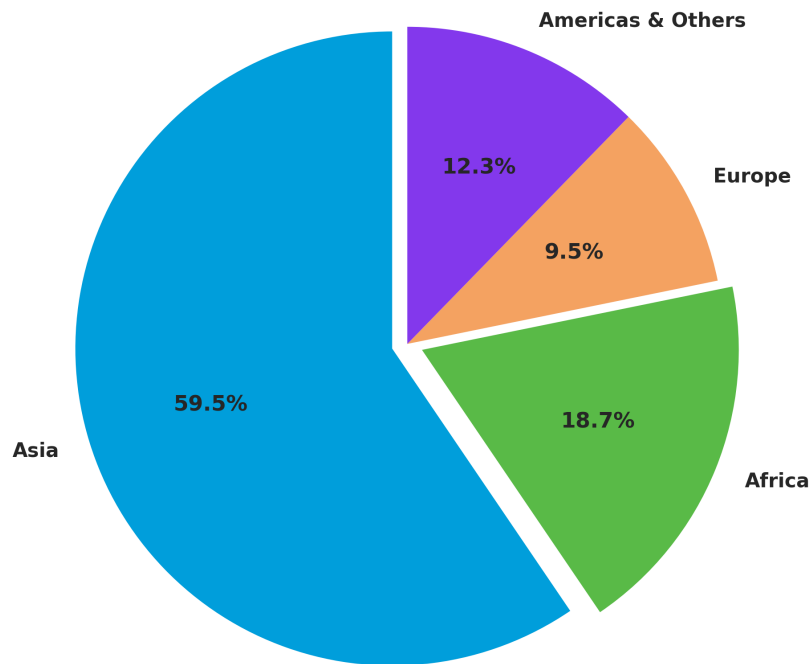
4. Demographic and Urbanization Trends: Implications for Trade and Development

Demographic and urbanization trends have profound implications for trade and development strategies, influencing patterns of production, consumption, and labor market dynamics. Understanding these trends is essential for developing effective policies to promote sustainable and inclusive economic growth.

4.1 Global Population Distribution and Growth

According to UNCTAD data, five out of six people (83%) lived in a developing economy in 2023, a share expected to reach 86% by 2050. This demographic reality underscores the importance of addressing the specific needs and challenges of developing economies in global trade and development frameworks.

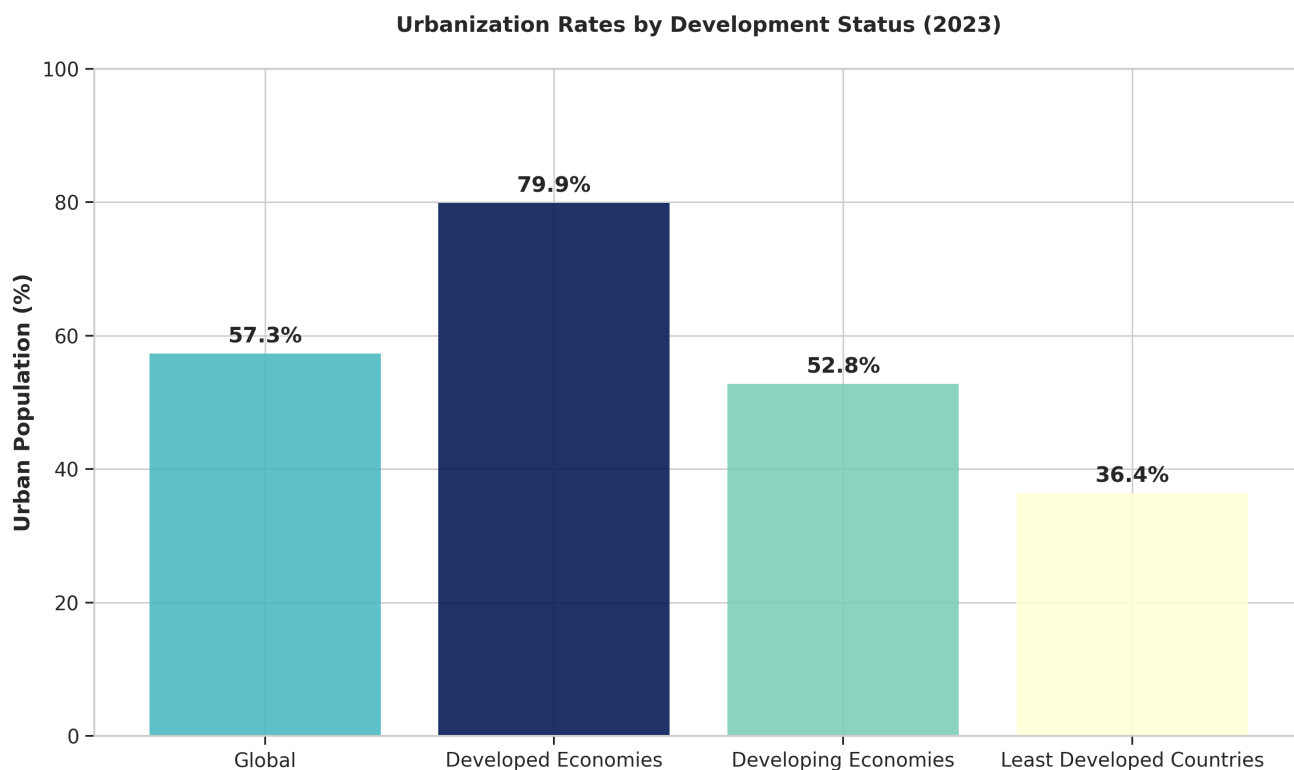
Global Population Distribution by Region (2023)



Africa led global population growth at 2.3% in 2023, increasing its share of the global population to 18.7%. Asia remained the most populous region, accounting for 59.5% of the global population, while Europe's share declined to 9.5%. These regional differences in population growth and distribution have important implications for trade patterns, labor markets, and development strategies.

4.2 Urbanization and Its Impact on Trade

Urbanization has accelerated worldwide, with 57.3% of people living in cities in 2023. However, significant disparities exist between developed and developing economies, with urbanization rates generally higher in developed economies (79.9%) than in developing ones (52.8%). In Least Developed Countries, only 36.4% of people live in urban areas.



Urbanization creates both challenges and opportunities for trade and development. Urban centers serve as hubs for commerce, innovation, and cultural exchange, providing opportunities for value addition and economic diversification. However, rapid urbanization can also strain infrastructure, exacerbate inequality, and create environmental challenges if not managed effectively.

4.3 Dependency Ratios and Economic Implications

Globally, for every 100 working-age people, there were 54 dependents in 2023. Africa had the highest child dependency ratio (69%), while high-income economies had the lowest (45%), driven by rising old-age dependency.

These demographic patterns have significant implications for economic development and trade strategies. Economies with high youth dependency ratios face challenges in providing education, healthcare, and employment opportunities for growing young populations. However, they also stand to benefit from a "demographic dividend" as these young people enter the workforce, provided appropriate investments in human capital and job creation are made.

Conversely, economies with aging populations face challenges related to labor force contraction, healthcare costs, and pension systems. These demographic realities must be considered in the design of trade and development policies, with strategies tailored to the specific demographic profiles of different regions and countries.

5. Technical Assistance for Sustainable Trade: Frameworks and Impact

Technical assistance plays a crucial role in enabling developing economies to participate effectively in global trade and develop sustainable value chains. This section examines key frameworks for technical assistance and assesses their impact on trade capacity and economic development.

5.1 Current Technical Assistance Frameworks

International organizations including the World Trade Organization (WTO), the United Nations Conference on Trade and Development (UNCTAD), and the International Trade Centre (ITC) provide a range of technical assistance programs aimed at building trade capacity in developing economies. These programs address various aspects of trade development, including:

1. Trade policy and regulatory frameworks
2. Trade facilitation and customs modernization
3. Quality infrastructure and standards compliance
4. Export promotion and market access
5. Value chain development and upgrading
6. E-commerce and digital trade
7. Trade finance and investment promotion

The effectiveness of these programs depends on their alignment with national development priorities, coordination among different providers, and adaptation to the specific needs and constraints of recipient countries.

5.2 Measuring the Impact of Technical Assistance

Assessing the impact of technical assistance programs is essential for ensuring their effectiveness and continuous improvement. Key indicators for measuring impact include:

1. **Trade volume and diversification:** Changes in export volumes, product diversification, and market diversification following technical assistance interventions.
2. **Value addition:** Increases in the value added to products and services within recipient countries, reflecting enhanced productive capacity and integration into higher value segments of global value chains.

3. **Institutional capacity:** Strengthening of trade-related institutions, including customs authorities, standards bodies, and export promotion agencies.
4. **Private sector development:** Growth in the number and competitiveness of exporting firms, particularly SMEs, in recipient countries.
5. **Socioeconomic indicators:** Improvements in employment, income levels, and poverty reduction in sectors and regions targeted by technical assistance programs.

Evidence suggests that well-designed technical assistance programs can have significant positive impacts on trade capacity and economic development. However, challenges remain in ensuring sustainability, scaling successful interventions, and addressing the specific needs of the most vulnerable economies.

5.3 Innovative Approaches to Technical Assistance

Emerging approaches to technical assistance emphasize local ownership, results-based management, and integration with broader development strategies. These approaches include:

1. **Demand-driven programming:** Ensuring that technical assistance responds to the specific needs and priorities identified by recipient countries, rather than being driven by donor preferences.
2. **Integrated value chain approaches:** Addressing constraints and opportunities throughout the value chain, rather than focusing on isolated interventions.
3. **Digital solutions:** Leveraging digital technologies to enhance the reach, efficiency, and effectiveness of technical assistance programs.
4. **South-South cooperation:** Promoting knowledge exchange and capacity building among developing economies, building on shared experiences and challenges.
5. **Public-private partnerships:** Engaging the private sector in the design and implementation of technical assistance programs to ensure relevance and sustainability.

These innovative approaches hold promise for enhancing the impact of technical assistance on sustainable trade and value chain development in developing economies.

6. Case Studies: Successful Sustainable Value Chain Interventions

Examining successful interventions in sustainable value chain development provides valuable insights into effective strategies and approaches. This section presents case studies from different regions and sectors, highlighting key success factors and lessons learned.

6.1 Agricultural Value Chains in Africa

Agricultural value chains in Africa have been the focus of numerous development interventions, given their importance for rural livelihoods, food security, and export earnings. Successful interventions have typically addressed multiple constraints simultaneously, including:

1. **Production techniques and inputs:** Introducing improved varieties, sustainable farming practices, and appropriate technologies to enhance productivity and quality.
2. **Post-harvest handling and processing:** Reducing losses and adding value through improved storage, processing, and packaging facilities.
3. **Market linkages:** Connecting producers to domestic and international markets through aggregation, certification, and direct relationships with buyers.
4. **Enabling environment:** Addressing policy, regulatory, and infrastructure constraints that affect value chain performance.

For example, interventions in cocoa value chains in West Africa have focused on improving productivity, quality, and sustainability through farmer training, certification programs, and direct sourcing relationships. These efforts have helped producers access premium markets for certified cocoa while addressing social and environmental challenges in the sector.

6.2 Textile and Apparel Value Chains in Asia

Textile and apparel value chains in Asia have undergone significant transformations in recent decades, with countries moving from basic assembly operations to more integrated and higher-value activities. Successful interventions have focused on:

1. **Skills development:** Building the technical and managerial capabilities needed for higher-value production and compliance with international standards.

2. **Technology upgrading:** Introducing modern equipment and production techniques to enhance efficiency, quality, and flexibility.
3. **Compliance systems:** Developing robust systems for ensuring compliance with labor, environmental, and quality standards required by international buyers.
4. **Design and product development:** Building capabilities for original design and product development, rather than relying solely on buyer specifications.

Countries like Bangladesh, Vietnam, and Cambodia have successfully expanded their participation in global textile and apparel value chains, creating millions of jobs and generating significant export earnings. However, challenges remain in ensuring decent working conditions, environmental sustainability, and continued upgrading to higher-value activities.

6.3 Digital Services Value Chains

Digital services represent a growing opportunity for developing economies to participate in global value chains, offering potential for job creation, knowledge transfer, and economic diversification. Successful interventions in this sector have focused on:

1. **Digital infrastructure:** Ensuring reliable and affordable internet connectivity and digital infrastructure.
2. **Skills development:** Building technical, language, and soft skills required for participation in digital services value chains.
3. **Business environment:** Creating an enabling regulatory environment for digital businesses, including appropriate intellectual property protection, data governance, and e-commerce frameworks.
4. **Market access:** Facilitating connections between local service providers and international clients through digital platforms, business networking, and targeted promotion.

Countries like India, the Philippines, and Kenya have developed significant digital services sectors, providing services ranging from business process outsourcing to software development and creative services. These sectors have created high-quality employment opportunities and contributed to economic diversification.

7. Recommendations for Enhancing Sustainable Trade and Value Chain Development

Based on the analysis presented in this study, the following recommendations are proposed for enhancing sustainable trade and value chain development in developing economies:

7.1 Policy Recommendations

1. **Integrate trade and sustainable development strategies:** Ensure coherence between trade policies and broader sustainable development objectives, including poverty reduction, environmental sustainability, and social inclusion.
2. **Strengthen regional integration:** Promote regional trade agreements and cooperation frameworks that facilitate value chain integration and reduce dependence on distant markets.
3. **Develop targeted strategies for LDCs:** Address the specific challenges faced by Least Developed Countries through preferential market access, enhanced technical assistance, and support for productive capacity development.
4. **Promote policy coherence:** Ensure alignment between trade, investment, industrial, and other economic policies to create a conducive environment for sustainable value chain development.
5. **Enhance data collection and analysis:** Strengthen statistical systems to provide timely and reliable data for evidence-based policymaking in the area of sustainable trade and value chain development.

7.2 Technical Assistance Recommendations

1. **Adopt integrated value chain approaches:** Design technical assistance programs that address constraints and opportunities throughout the value chain, rather than focusing on isolated interventions.
2. **Strengthen local ownership:** Ensure that technical assistance responds to the specific needs and priorities identified by recipient countries and involves local stakeholders in design and implementation.
3. **Leverage digital technologies:** Use digital platforms and tools to enhance the reach, efficiency, and effectiveness of technical assistance programs.

4. **Promote knowledge sharing:** Facilitate South-South cooperation and knowledge exchange among developing economies facing similar challenges.
5. **Strengthen monitoring and evaluation:** Develop robust frameworks for assessing the impact of technical assistance on sustainable trade and value chain development.

7.3 Private Sector Engagement

1. **Facilitate public-private dialogue:** Create platforms for structured dialogue between public and private stakeholders on trade and value chain development issues.
2. **Support SME integration:** Develop targeted programs to help small and medium-sized enterprises overcome barriers to participation in global value chains.
3. **Promote responsible business practices:** Encourage adoption of internationally recognized standards for environmental, social, and governance performance.
4. **Facilitate access to finance:** Develop innovative financing mechanisms to support sustainable value chain development, particularly for SMEs and producers in developing economies.
5. **Build business linkages:** Facilitate connections between firms in developing economies and potential partners, buyers, and investors in global markets.

8. Conclusion: Towards a More Inclusive and Sustainable Trading System

The analysis presented in this study highlights both the challenges and opportunities facing developing economies in the global trading system. While significant disparities persist in terms of trade performance, economic development, and integration into global value chains, there are also promising trends and successful interventions that point the way toward a more inclusive and sustainable future.

The recovery in global trade observed in 2024, following the contraction in 2023, demonstrates the resilience of the global trading system. However, this recovery has been uneven, with developing economies—particularly in Africa—facing continued challenges in merchandise trade. At the same time, the strong economic growth of developing economies, the expansion of South-South trade, and the positive FDI trends in Least Developed Countries provide grounds for optimism.

Building on these positive developments requires concerted action by all stakeholders—governments, international organizations, the private sector, and civil society—to address structural constraints, enhance productive capacity, and create an enabling environment for sustainable and inclusive trade. The recommendations outlined in this study provide a roadmap for such action, with a focus on policy coherence, integrated technical assistance, and effective private sector engagement.

By implementing these recommendations and building on successful experiences, stakeholders can work together to create a global trading system that not only generates economic growth but also contributes to social inclusion, environmental sustainability, and the achievement of the Sustainable Development Goals. In this way, trade can fulfill its potential as a powerful driver of sustainable development and poverty reduction in developing economies around the world.

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