

Background Note on the Trade and Post-2015 Development Agenda

Relationship between trade and sustainable development

International trade has long been considered as an engine for economic growth. As attention has shifted to the broader context of sustainable development, in the context of advancing the UN Post-2015 development agenda, there has been increasing attention on the links between international trade and the three pillars of sustainable development, namely, economic, social and environmental.

On the economic front, international trade should, under the right circumstances, lead to a more efficient allocation of resources which, in the longer term, would serve to enhance a country's investment and growth. International trade can play an important role at the national level in mobilizing the financial resources for sustainable development. Most importantly, trade can lead to growth, which ultimately is the most effective way to raise domestic resources, particularly through increased taxation. A country's participation in international trade can also serve to generate private investment in trade-related economic activities. However, in the short term, an increase in openness to international trade could create a challenging transition period for many countries that may entail economic and social displacement for sections of the population.

The nature and the extent of labour market challenges will differ among countries. While international trade creates new jobs in sectors of comparative advantage, it also displaces jobs in non-competitive sectors. For many developing countries, particularly LDCs, trade integration may imply significant economic restructuring, most likely from agricultural to industrial and services employment. A number of emerging economies may face the double challenge of having to employ large numbers of rural workers while simultaneously moving into higher value-added activities. The adjustment process following trade opening has led to surges in unemployment in some cases. Empirical evidence, however, indicates that the long-run employment effects of trade opening are likely to be positive.

Thus, the promotion of international trade should be accompanied by labor market policies, including well-designed education and training measures. Especially for the poorest countries, capacity building and assistance from the international community towards achieving this

transition is important. In addition, the poorest countries, such as LDCs and land-locked states, may face constraints in being able to compete on an equal footing and need special assistance from the international community to overcome these disadvantages.

The relationship between trade and the environment is also complex. International trade has the potential to induce changes in the methods by which goods and services are produced, lowering the energy and pollution intensity of production, and lessening the scale effects of trade. On the other hand, it can have adverse environmental effects such as through carbon emissions from trade-related transport, which is projected to increase sharply during the next few decades. Overall, ensuring the beneficial environmental effects of trade will depend on having an effective combination of a rule-based trade regime, sound environmental policies and other institutional factors. Among other things, this will depend on improved multilateral cooperation within both the WTO and the international environmental governance regime, as well as between them.

Status on international developments pertinent to trade and the post-2015 development agenda

Trade and the multilateral trading system (MTS) therefore need to be viewed as a key part of a worldwide strategy towards inclusive and sustainable development. The multilateral trading system can support the growth and stability of international trade. However, the MTS is currently facing major challenges owing to the increasing prominence of plurilateral and regional trade agreements, which have mushroomed in light of the slow progress in the WTO Doha Round negotiations but may diverge from some cardinal WTO approaches such as “most favored nation” and “special and differential treatment”. There is therefore a need to ensure convergence between the multilateral and regional process, and also for multilateral oversight and effective discipline.

Developments during the Ninth Ministerial Conference, held in Bali, Indonesia, from 3 to 7 December 2013, which adopted the “Bali Package”, served to advance the multilateral trade agenda in a manner consistent with sustainable development and the post-2015 development agenda. The Package contained ten ministerial decisions, aimed at streamlining trade, boosting least-developed countries’ trade, allowing developing countries more options for providing food security, and helping sustainable development more generally. It also included a series of measures for least-developed countries, heralded as a key achievement

of the conference including reforms that would create new export opportunities for LDC service providers in developed country markets; improvements in preferential schemes which extend exemption from tariffs and quotas to LDC exports; and simplification of the accompanying rules of origin, which will improve the market access opportunities for the LDCs. Taken together, these measures can be seen a step towards better integrating LDCs into the multilateral trading system.

Significant challenges remain. The discussions in Bali avoided some core issues in agriculture, industrial goods and services. Moving forward will require hard negotiations in these areas, given political sensitivities. The Director-General of the WTO emphasized that development has to be preserved in these negotiations as the central pillar, yielding tangible results for the poorest members. As many of the major issues are all interconnected, they must be tackled together. The current priorities of the organization are to implement the agreements reached in Bali and to prepare a work program on the remaining Doha Development Agenda (DDA) issues before the end of 2014.

The Links between Trade and Post-2015 Development Agenda

Overall, when combined with appropriate domestic and international policies, the promotion of fair, non-discriminatory and rules-based trade should be seen as key towards advancing sustainable development and the post-2015 development agenda. As such, it is one of the six chapters of the Monterrey Consensus, to be discussed in the third international conference on financing for development. Trade has been considered as part of the Means of Implementation by the still ongoing Open Working Group (OWG) discussions on Sustainable Development Goals. The latest OWG deliberation has emphasized the need to:

- Promote open, rules-based, non-discriminatory and equitable multilateral trading and financial systems, including complying with the agricultural mandate of the WTO Doha Round.
- Provide greater duty-free and quota-free market access to least developed countries in keeping with World Trade Organization decisions.
- Improve market access for agricultural and industrial exports of developing countries, especially Least Developed Countries, and at least double the share of LDCs.