Background Note on Promoting Trade for Sustainable Development

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

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.

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.

Latest development in trade policies and implications for the LDCs

The WTO Bali Ministerial Meeting helped restore some of the faith in multilateralism and other multilateral processes, which are necessary to strengthen the global partnership for development. The meeting provided deliverables in three key areas: trade facilitation, agriculture and development, and it was agreed that members will decide by the end of the year on a clear road map for concluding the Doha Development Agenda.

The Trade Facilitation Agreement is aimed at cutting trade transaction costs and increase trade competitiveness in developing countries. In the area of agriculture, decisions were made responding to demands by the developing countries on issues of food security, tariff rate quota administration and export competition.

On development, members agreed to put in place a monitoring mechanism for special and differential treatment provisions and took decisions specific to LDCs on duty-free quota-free market access, preferential rules of origin, operationalization of the services waiver, and cotton trade reform. Further work remains in each of these areas.

LDCs continue to represent only around 1 per cent of international trade. Duty free market access for LDC and developing countries' remained in 2012 at similar levels to 2011, reaching 84 and 80 per cent of their exports, respectively.

Similarly, average tariffs on key products from developing countries have also stagnated in recent years. The average tariffs in 2012 for agricultural goods, textiles and clothing from developing countries were around 8, 5 and 8 per cent, respectively, and 1, 3 and 7 per cent for LDC exports.