

INTRODUCTION TO SUSTAINABLE DEVELOPMENT PROVISIONS IN FTAS

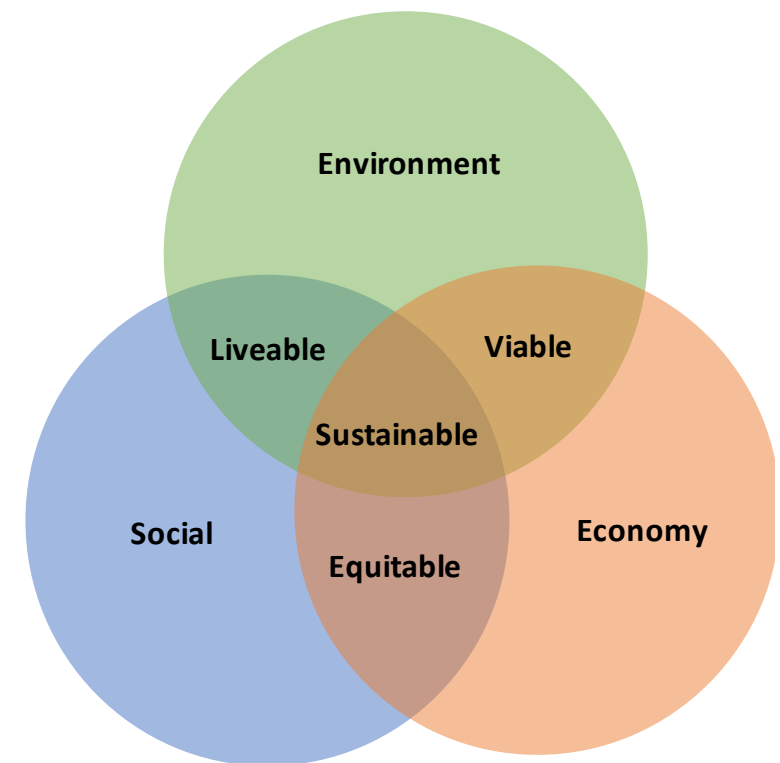


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Sustainability's wide scope

- "Sustainable development is development that meets the needs of the present **without compromising** the ability of future generations to meet their own needs" (Brundtland Commission, 1987)
- "The exchange of goods and services that generate social and environmental benefits which go **beyond the mere creation of economic value**" (EY, 2021)
- **Economic & social development** together with **environmental protection** are considered interdependent and mutually reinforcing.
- Encompasses everything related to human and society's wellbeing, from **women's empowerment**, **gender equality**, **jobs**, **labour rights**, including child labour, education and youth, to **health**, **environmental safeguards**, disability rights, social inclusiveness etc.
- Promoting sustainable trade and production processes can also bring economies a step closer to **realising the sustainable development goal**, avoiding the "race to the bottom" (Ministry of Foreign Affairs Netherlands, 2016).



Source: Christa Thomsen (2013)

Key SDGs and Trade



Promotion of rules based, open, non-discriminatory and equitable multilateral trading system, increasing the exports of developing countries with a doubling of their export market share and implementation of duty-free and quota-free (DFQF) market access for all LDCs



correct and prevent distortions in world agricultural markets that deny poor countries much needed export revenue



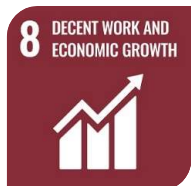
cognisant of cross-border connectivity and increased integration of SMEs into GVCs



important role of A4T and trade for creating opportunities for the employment and economic development of women



The significance of SDT of developing countries' trade in accordance with WTO agreements



the role of A4T in targeting improved regional infrastructure to improve connectivity for both the formal and informal sector



reduce fisheries subsidies but also protect small and vulnerable states from effects of climate change

Why include such provisions in FTAs?

- International trade holds **several opportunities for sustainable development** to contribute to the reduction of poverty, job creation, innovation, and improve food security, gender equality and workers' rights (UNCTAD, 2021).
- In a study conducted in the United States, for example, it was observed that the low carbon and environmental goods and services sector generated more than USD 1.3 trillion of revenue while employing 9.5 million people (Georgeson & Maslin, 2019).
- **FTAs are used to correct environmental or labour distortions** but will likely entail efficiency losses elsewhere in the economy, which even might lead to an overall welfare loss. Even if these efficiency losses are compensated by welfare gains due to enhanced sustainability, the net result will be smaller than that of the first-best method.

Evidence of Impact of FTAs & Trade on SD

- Increases in trade flows can **magnify trade-embodied pollution** and that improvements in technology make it increasingly easy to intensify the **exploitation of natural capital**, potentially exacerbating the depletion of natural capital De Melo & Casella (2021).
- **FTAs affect countries differently.** FTAs can have a positive impact for high income countries, but have a negative impact on upper middle income and lower middle-income countries. Yao et al (2019).
- Trade **promotes specialisation, competition, economies of scale and innovation globally.** If properly harnessed, trade can help make the world economy more sustainable and resilient to environmental risks whilst having positive effects on prosperity, jobs and equality, in line with the United Nations' 2030 Agenda for Sustainable Development. UNEP-WTO (2018)

Evidence of SD Chapters in RTAs

	Environment	Labour	Health	SMEs	Human Rights	Development Cooperation	CSR
CPTPP	Present	Present	Absent	Present	Absent	Absent	Present
UK-SG DEA	Absent	Present	Absent	Present	Absent	Present	Absent
EU-UK TCA	Present	Present	Absent	Absent	Present	Absent	Absent
EU-Canada CETA	Present	Present	Absent	Absent	Absent	Absent	Absent
Pacer Plus	Absent	Absent	Absent	Absent	Absent	Absent	Absent

Source: IEC Database on Trade Agreements based on DESTA Database

Conclusions

- **Fairly weakly enforceability** (either excluded from dispute resolutions or include but with weak enforceability)
- **Trade Digitalisation** of the trade ecosystems would reduce trade costs amongst G7 countries by an average of 84% (ICC, 2021). Other actions that make a difference address informal trade, inclusiveness, gender mainstreaming, capacity building, etc.
- The crucial stage of negotiating sustainability-related provisions lies **at the end of the chain**, with a proper M&E system that enforces the provisions of the agreement.
- Setting up the **institutional framework** for the pre-during-post negotiation process.
- Having the **political will** to enforce and transition to development friendly policies

Last word

“For environment-related provisions to have a real impact, they must be supported by well designed and effective governance mechanisms that enable meaningful enforcement where appropriate”.

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