

*Opportunities and challenges in using evidence-based trade policy for the achievement of sustainable development goals*

*Thimpu, 15-17 June 2016*



# Trade and sustainable development

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# Outline – we shall discuss the following questions:

- What is sustainable development?
- Making trade an effective means of delivering sustainable development: what are the drivers and which actions and reforms are needed?
- Q&A



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**What is sustainable  
development?**



# Development → Sustainable Development

- Integrating 3 dimensions: economic, social, and environmental
- “...development that meets the needs of the present without compromising the ability of future generations to meet their own needs. It contains within it two key concepts:
  - the concept of **needs**, in particular the essential needs of the world's poor, to which overriding priority should be given; and
  - the idea of **limitations** imposed by the state of technology and social organization on the environment's ability to meet present and future needs.”





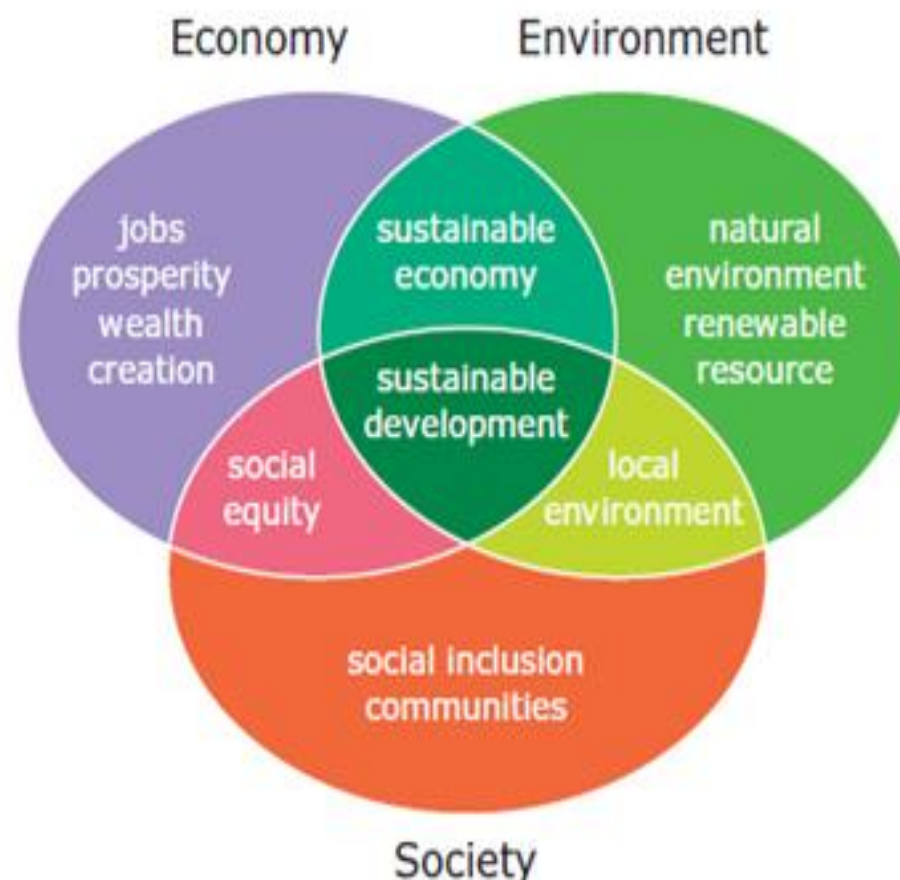
# Common understanding


In essence, sustainable development is a process of change in which the exploitation of resources, the direction of investments, the orientation of technological development, and the institutional changes are all in harmony and enhance both **current and future potential to meet human needs and aspirations.**



# What is this about?

- One billion people live on less than \$2 a day
- 1% of the world population consumes roughly 30% of world resources
- How to change these (and similar) numbers?



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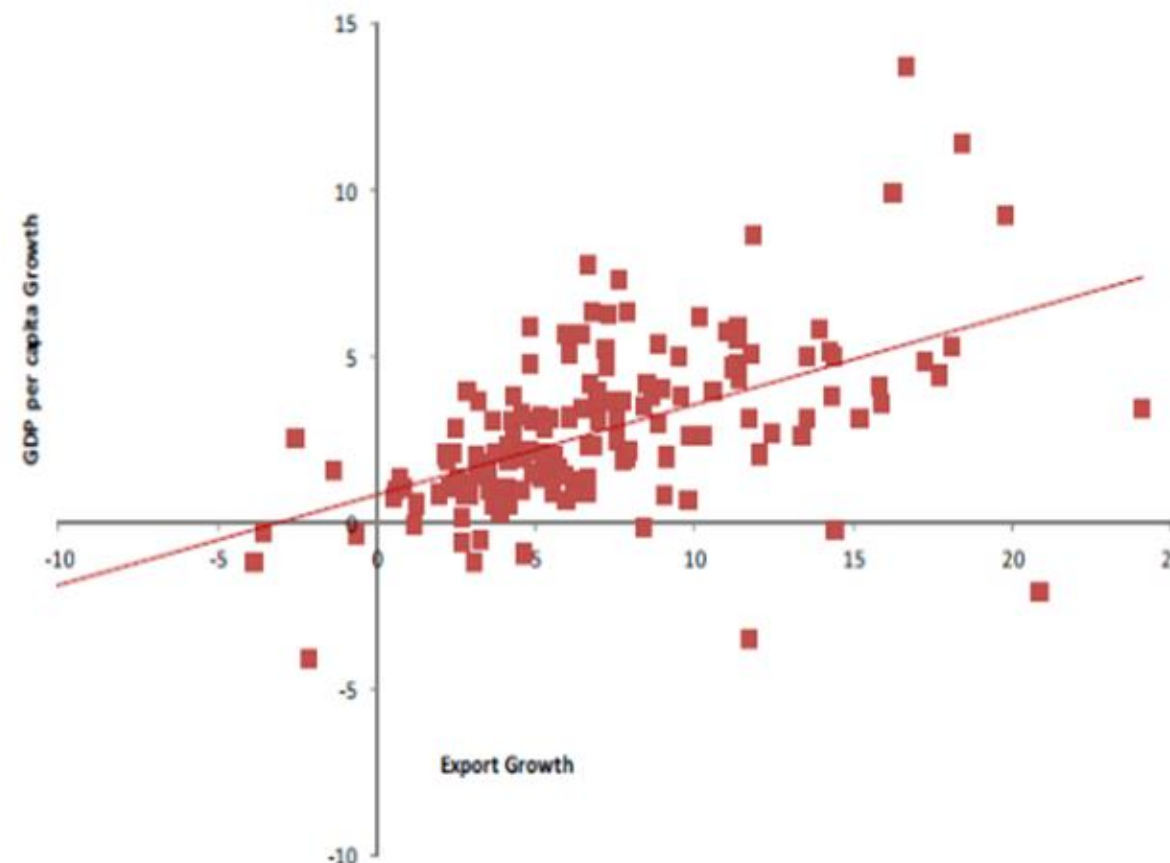
**Can sustainable  
development be led by  
trade?**



# We used to rely on trade-led growth

Growth of an economy that is thought to be caused by expansion of the country's trade (or exports). Often referred to as “trade as an engine of growth” or “outward-oriented growth”.

Real per capita GDP Growth and Export Growth, 2000-2011  
(percentage points)







# Some of the positive impacts of trade-led growth

- Enhances competition
- Supports economies of scale (and GVCs)
- Increases efficiency, technical progress
- Attracts foreign capital
- Generates foreign ex for food
- Ends rent-seeking and corruption
- Promotes equal access to resources
- Supports democracy
- Etc.





## There are also negative impacts:

- Highly unbalanced performance and outcomes:
  - Benefits sharing within and between economies are not equitable → Is trade making the rich even richer, and not benefiting the poor? (see APTIR 2013 for detailed explanation)
  - LDCs' exports as a share in global exports do not grow fast enough to prevent marginalization
- Average tariffs are low in developed countries, but high effective rates of protection with distorting peaks





## There are also negative impacts:

- Non-tariff measures are on the rise and they are more difficult to handle by poor countries and SMEs
- Trade costs are not declining (fast enough) for poor countries
- Preferential trade and investment agreements are not utilized well by members and may really hurt excluded countries





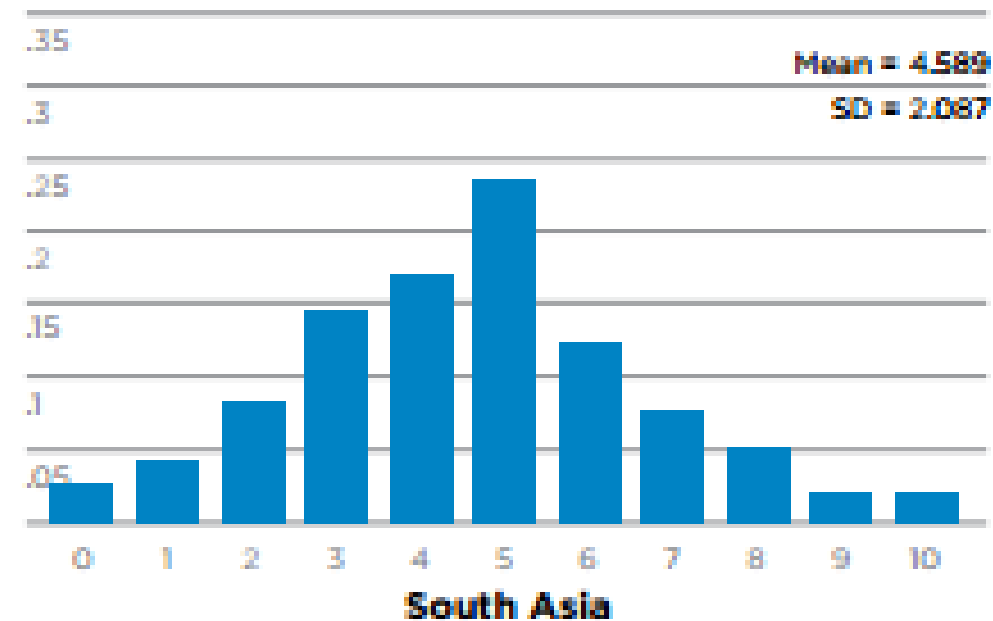
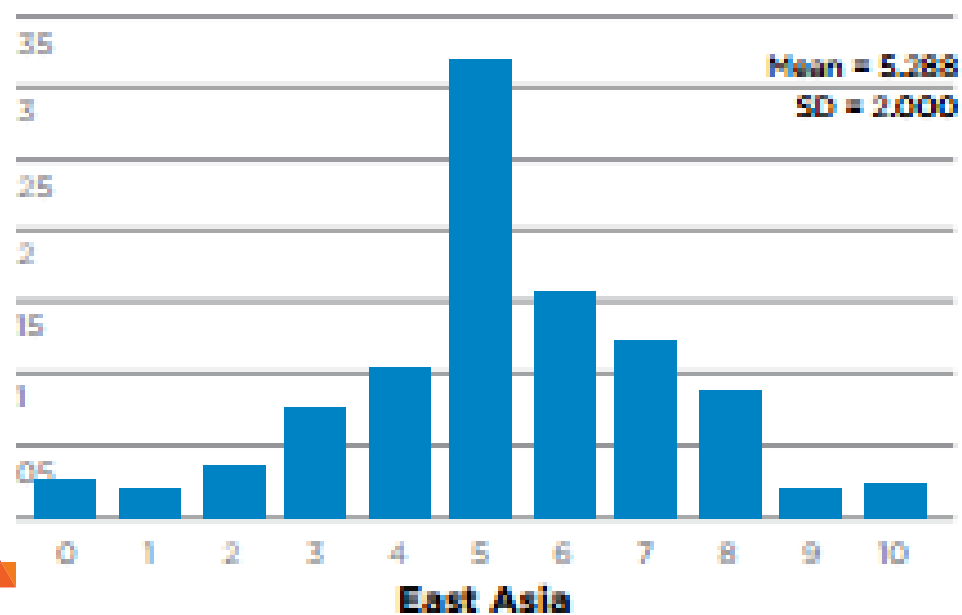
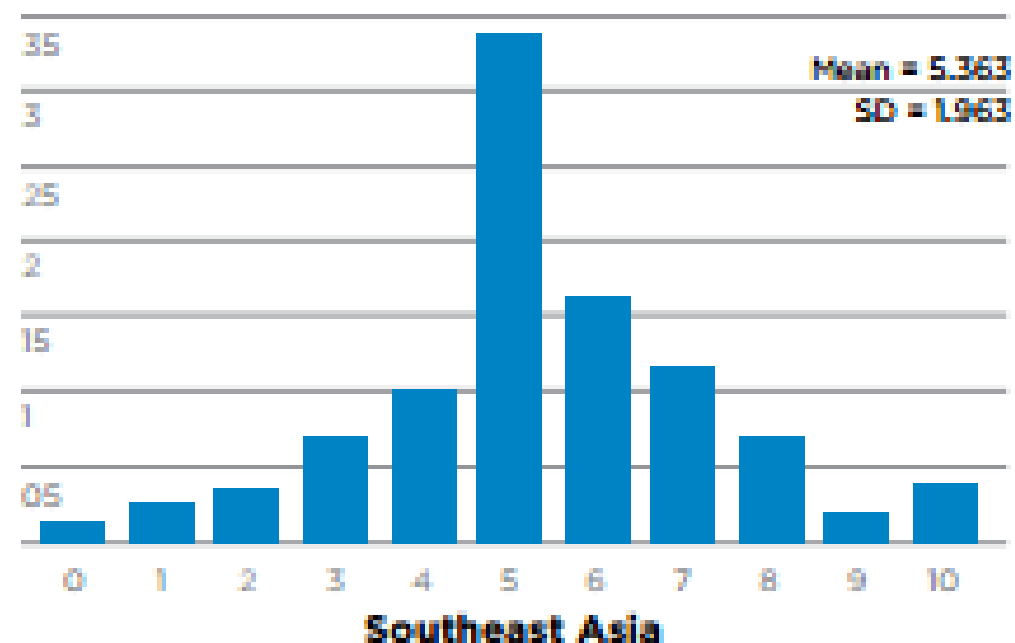
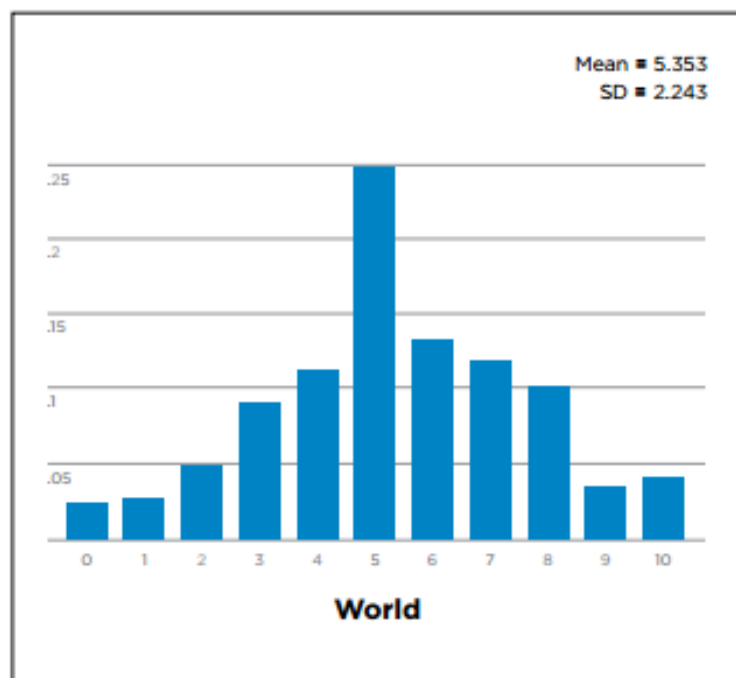
# Quality of growth matters!

- Jobless growth, unemployment (youth), and vulnerable workers.
- Resource-intensive economic growth, despite low per capita use of resources.
- Increasing frequency, severity and impact of climate change related risks.
- Land use change, biodiversity loss, greenhouse gas emissions among key environmental issues.



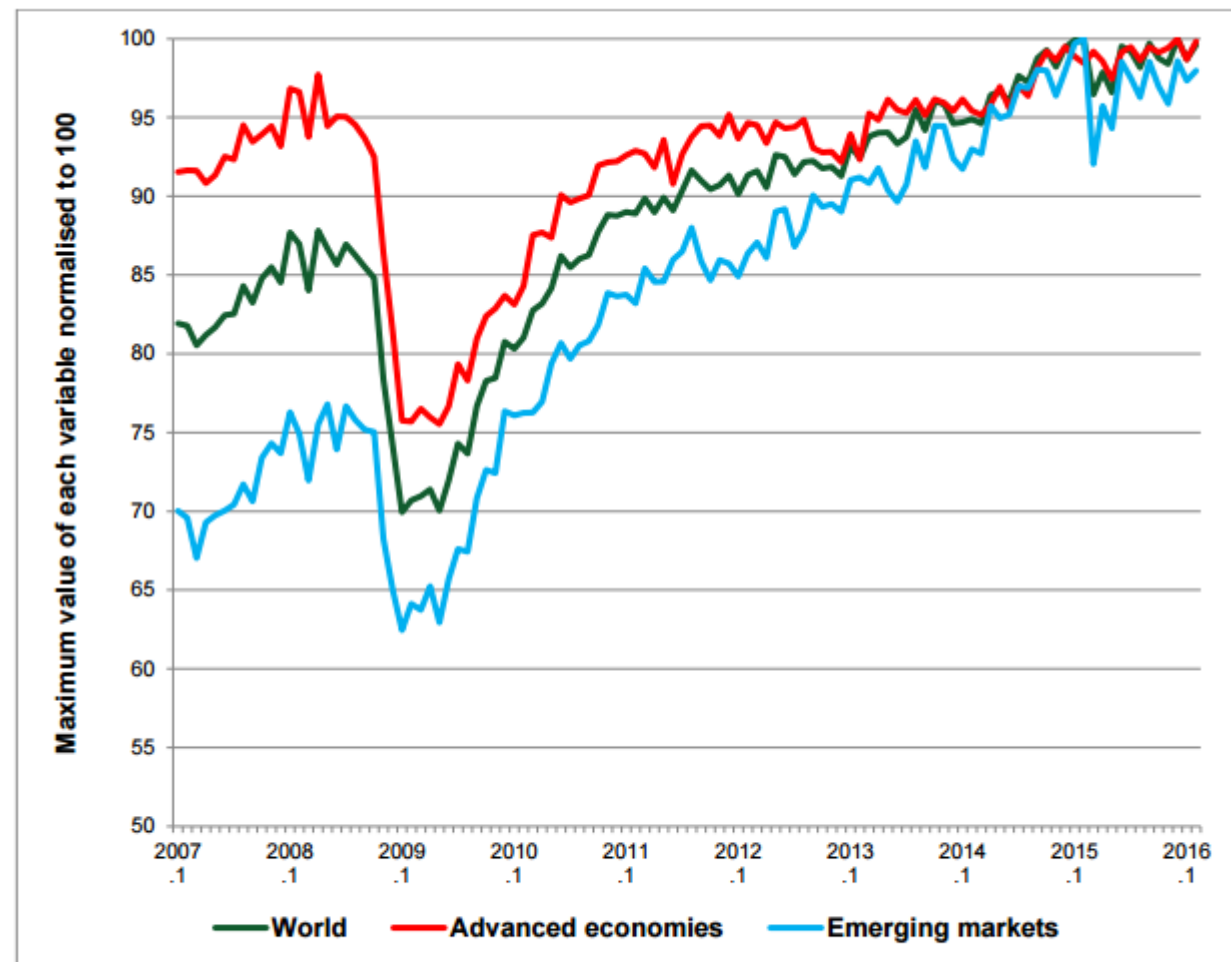


# HAPPINESS MATTERS TOO! (WHR 2016)



# A global trade halt in the last 3-5 years

Figure 1: World export volumes have stagnated for two years



Source: Copenhagen Policy Bureau (CPB) *World Trade Monitor*, February 2016.

- Slowing parts-and-components trade
- Retrenchment of supply chains
- Falling shipments of capital goods

## BUT WHY?

- Currency fluctuations (and manipulation)
- Rise of import substitution
- Protectionism
- Failing macro policies





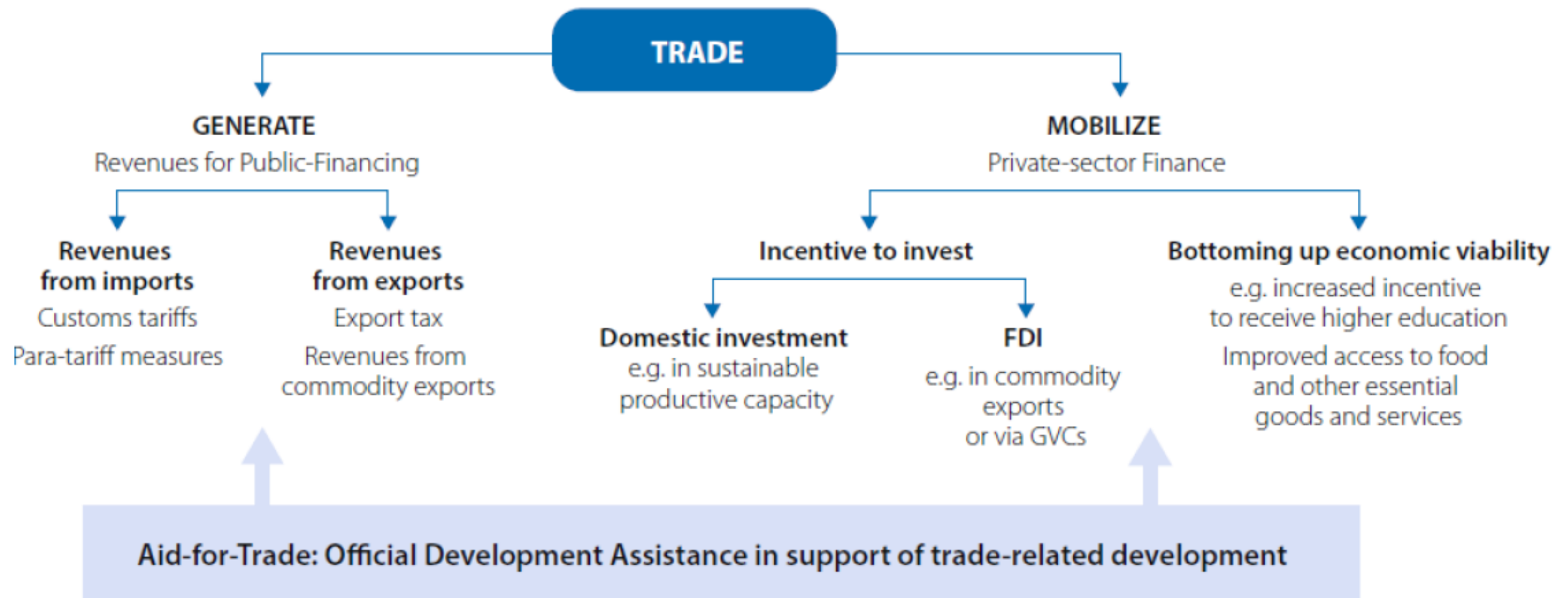
Trade as means of  
implementation &

Actions to deliver trade-led  
sustainable development



# Trade as means of implementation

Why do countries trade?







# Drivers

- Trade liberalization and integration
- Lowering trade costs (for goods and services)
- Developing supply capacity
- Developing supportive policy environment (including for digital trade)
- Innovation and technology





# Trade policy choices available to LDCs over time

- Import-substituting industrialization
- Export-oriented industrialization (with/out SEZs)
- Resource-based industrialization
- Industrialization through innovation





# Sustainable development policies-- how far to push?

- Trade can be affected (in both directions, + and -) by sustainable development policies.
- Issues of WTO compatibility of some sustainable development policies.
- Are there conflicts between regional trade agenda and sustainable development?
- The alarm on rising protectionism





# Not to forget: Bringing in the business

- Direct business involvement in the operationalization of trade strategies.
- Corporates are responsive, given an enabling environment and the proper incentives.
- Business case for sustainability is key to getting business onboard, but business requires public funding for new initiatives.





# Thank you

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Any questions?

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[artnet.unescap.org](http://artnet.unescap.org)



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