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International Trade and Sustainable Development

Post–2015 Development Agenda Briefing Series

International trade, when well regulated within coherent policy frameworks, can make an important contribution to sustainable development. Trade and trade policy have thus been a recurring theme in the debate around a global Post-2015 Development Agenda. In the Rio+20 outcome document, 'The Future We Want,' UN members acknowledge the importance of an enabling environment for sustainable development and international cooperation, including with respect to trade policy.[1] *The 'zero draft' of Sustainable Development Goals (SDGs) and targets released on 2 June 2014 by the Co-Chairs of the United Nations General Assembly's Open Working Group on SDGs referenced a number of trade policy measures, including as means of implementation to support progress towards goals around ending hunger, sustainable and inclusive economic growth, and ending poverty.*[2]

This policy brief explains how trade can contribute to food security and diffusing environmental technologies, underscoring the point that trade policy is relevant to many of the themes of the Post-2015 Development Agenda. Trade is not an end in itself, and is only one element of sustainable development. At the domestic level, trade policy must be part of a coherent policy framework, including effective implementation of labour and environmental standards and adjustment assistance to manage the human cost of local adaptation to a global market. In the same way, the Post-2015 Development Agenda must be a coherent framework in which environmental, social, and economic policies work together and are mutually reinforcing.

Background

Every economy in the world is involved, to a greater or lesser extent, in international trade. Trade, and the competitive pressures it creates, can help improve the productivity of natural and human resources, particularly land and labour, and the efficiency of local production, generating employment and income. According to the United Nations Conference on Trade and Development (UNCTAD), "[t]rade remains the most reliable and productive way of integrating into the global economy and of supporting the efforts of poorer countries to become less aid dependent."[3]

Trade is also an essential mechanism that can enable social progress and environmental protection. Fighting communicable and non-communicable

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1 UN General Assembly Resolution 66/288 'The Future We Want', para 19.

2 UN (2014) 'Introduction and Proposed Goals and Targets on Sustainable Development for the Post2015 Development Agenda'. Available at: http://sustainabledevelopment.un.org/content/documents/4044140602workingdocument.pdf.

3 UNCTAD (2013) *Trade and development and the global partnership beyond 2015*. UN System Task Team on the Post- 2015 UN Development Agenda Thematic Think Piece. United Nations Conference on Trade and Development, Geneva, p.3.

diseases requires medicines and medical devices to be traded across borders. Trade can help improve food and nutrition security by making food available and accessible in places where it would otherwise be scarce. Without trade, environmental goods and services that reduce greenhouse gas emissions, treat waste water, and reduce fishing bycatch would be available only in the countries where they were produced.

Trade is thus relevant to the achievement of many elements of the Post-2015 Development Agenda. As the zero draft of the Sustainable Development Goals (SDGs) suggests, trade policy targets could be incorporated under various themes across the SDG framework.

Trade's contribution to food security for all

The UN Secretary General's Zero Hunger Challenge underscores the importance of "open, fair and well-functioning markets and trade policies at local, regional and international level, preventing excessive food price volatility" in achieving the goal of "100% access to adequate food all year round."[4] A well-functioning global market for the agricultural and fisheries products that make up the world's food supply is crucial to achieving global and national food security.

In the years leading up to the creation of the Millennium Development Goals (MDGs), high levels of domestic support, export subsidies and supply management policies in many developed countries meant that global agricultural trade was characterised by production excesses and depressed prices, disincentivising investment in developing country agriculture. The structure of global agriculture has changed significantly since then, to one of higher and more volatile prices. Demand for food is increasing as the global population grows and is also changing. As incomes increase in developing countries, people are likely to choose to eat more varied, often imported, food.[5] Changes in global temperatures and precipitation and more frequent and intense extreme weather events are expected to have a significant impact on patterns of agricultural production.[6]

These dramatic changes mean complete self-sufficiency in food production is an increasingly elusive goal for most countries, making trade in food products even more crucial. For net food-importing developing countries, in particular, an open and well-functioning global market for food products is critical to the country's food security.[7] Access to markets for agricultural goods can help lift farmers out of poverty and invest in becoming more productive. An open and equitable trading system can help economies adjust to changing demands for food and changing growing patterns.[8]

Trade in fisheries products is also critical to food security and development. For developing countries, which account for over 50 per cent of global fishery exports in value terms, trade in fish products "represents a significant source of foreign currency earnings in addition to the sector's important role as a generator of income, source of employment, and provider of food security and nutrition."[9] Demand for fish as food is likely to increase by 20-30 per cent by 2030,[10] but in 2009 only 12.7 per cent of global fish stocks had some room left for further expansions of catch.[11] The fact that fisheries are a renewable but depleted resource means the benefits of open global trade in fish products need to be balanced with the need to sustainably manage stocks.

4 UN (n.d.) *Zero Hunger Challenge*. Available at: http://un-foodsecurity.org/sites/default/files/EN_ZeroHungerChallenge.pdf.

5 For a detailed discussion of the changing global food market, see Meyer, Seth and Josef Schmidhuber (n.d.) *Has the treadmill changed direction? WTO negotiations in the light of a new global agricultural market environment*. E15Initiative Agriculture and Food Security Expert Group Background Paper. International Centre for Trade and Sustainable Development, Geneva. Available at: http://e15initiative.org/agriculture-trade-food-security-and-sustainable-development/.

6 Nelson, Gerald, Amanda Palazzo, Claudia Ringler, Timothy Sulser, and Miroslav Batka (2009) *The Role of International Trade in Climate Change Adaptation*. ICTSD-IPC Platform on Climate Change, Agriculture and Trade, Issue Paper No.4. International Centre for Trade and Sustainable Development, Geneva, and International Food & Agricultural Trade Policy Council, Washington DC. Available at: http://ictsd.org/i/publications/129616/?view=document.

7 See: Valdés, Alberto and William Foster (2012) *Net Food-Importing Developing Countries: Who They Are, and Policy Options for Global Price Volatility*. ICTSD Programme on Agricultural Trade and Sustainable Development, Issue Paper No. 43. International Centre for Trade and Sustainable Development, Geneva. Available at: http://ictsd.org/i/publications/142558/?view=document.

8 See supra, n6.

9 FAO (2012) *The State of World Fisheries and Aquaculture 2012*. Food and Agriculture Organization of the United Nations, Rome, p.70.

10 Lee, Bernice, Felix Preston, Jaakko Kooroshy, Rob Bailey, and Glada Lahn (2012) *Resources Futures*. Chatham House, London.

11 Supra, n9.

Trade's contribution to the diffusion of environmental technology

Renewable energy made up about 13 per cent of the world's energy supply in 2010.[12] The UN Secretary General's Sustainable Energy for All initiative aims to increase this to 30 per cent by 2030.[13] Renewable energy technologies, and the products and services that make those technologies useable, are essential to achieving this goal. Environmental goods and services can reduce the pollution caused by production and consumption and, by improving the efficiency of resource use, help to 'decouple' economic growth from the current unsustainable pattern of resource consumption.

Trade is key to making environmental goods both available and accessible to consumers and producers in countries at all levels of development. As UNCTAD has argued: "It is essential that the rules of the trading system enhance the diffusion of goods, services and technologies to help address these threats [linked to "interrelated crises in food, energy and water, and the cumulative challenge associated with rising global temperatures"] as well as supporting the spread of sustainable and socially equitable production methods among countries."[14]

Well-functioning global markets for clean energy technologies, for example, can help producers to scale up production, reducing the unit costs of goods and increasing their accessibility across income levels.[15] Fluid markets for environmental services, like maintenance of renewable energy systems, can provide employment opportunities and improve the returns on investments made by governments in sustainable energy generation.[16]

Trade policy across the Sustainable Development Goals

The examples above suggest that trade is an important enabler of goals as diverse as improving global nutrition and supporting a transition to a sustainable energy world. Examples of trade policy reforms that could contribute to the functioning of markets in the areas above (contributing to food security and the diffusion of environmental goods and services) are provided below.

Sustainable Energy for All

- *Reduce distortions in the market for environmental goods and services*

Work by the World Bank[17] has shown that removing tariff and non-tariff barriers[18] to trade in clean energy technologies would lead to a significant increase in the volumes of these goods that are traded internationally. This could increase their diffusion throughout the global economy.

Food security for all

- *Reduce distortions in trade of agricultural products*

Reform of trade-distorting subsidies, particularly those in developed countries, could increase the competitiveness of agriculture and support livelihoods in developing countries. Governments can also take measures to ensure poor consumers in low-income food-deficit countries can access food during periods of scarcity, for example by reducing export taxes and similar restrictions.

12 World Bank (2010) *World Development Report 2010: Development and Climate Change.* World Bank, Washington DC, citing inter alia IEA (2008) *Energy Technology Perspective 2008: Scenarios and Strategies to 2050.* International Energy Agency, Paris.

13 See: http://www.sustainableenergyforall.org/objectives/renewable-energy.

14 UNCTAD (2013) T*rade and development and the global partnership beyond 2015.* UN System Task Team on the Post- 2015 UN Development Agenda Thematic Think Piece. United Nations Conference on Trade and Development, Geneva, p.7.

15 See: Sugathan, Mahesh (2013) *Winds of change and rays of hope: How can the multilateral trading system facilitate trade in clean energy technologies and services?.* E15Initiative Clean Energy Technologies and the Trade System Expert Group Background Paper. Chatham House, London, Friedrich Ebert Stiftung, Berlin, and International Centre for Trade and Sustainable Development, Geneva. Available at: http://e15initiative.org/wp-content/uploads/2013/06/Energy_backgroundpaper.pdf.

16 See: Monkelbaan, Joachim (2013) T*rade in Sustainable Energy Services.* International Centre for Trade and Sustainable Development, Geneva.

17 World Bank (2007) *International Trade and Climate Change: Economic, Legal and Institutional Perspectives.* World Bank, Washington DC.

18 These can include quotas, and technical requirements that are neither harmonised nor recognised internationally.

- *Reduce distortions in the market for fisheries products*

The Rio+20 outcome encouraged UN members to eliminate subsidies that contribute to overcapacity and overfishing.[19] Establishing national targets for the gradual elimination of the most environmentally harmful fisheries subsidies would help to anchor these objectives in development plans. The Johannesburg Plan of Implementation also set a target of returning depleted fish stocks to a position where they would produce maximum sustainable yield by 2015, a target which could be extended.[20]

Conclusion: trade policy can enable progress across the development agenda

Millennium Development Goal 8 included two targets related to the international trading system, with indicators largely focused on improving market access for exports from developing countries. These objectives are still relevant, but this paper has shown that trade policy's contribution as an enabler of sustainable development in the Post-2015 Development Agenda can and should be much wider.

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An earlier version of this Policy Brief was submitted online to the Open Working Group on Sustainable Development Goals.

19 UN General Assembly Resolution 66/288 'The Future We Want', para 173.

20 *Johannesburg Plan of Implementation of the World Summit on Sustainable Development*, para 31(a).

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About the International Centre for Trade and Sustainable Development, www.ictsd.org

Founded in 1996, the International Centre for Trade and Sustainable Development (ICTSD) is an independent think-and-do-tank based in Geneva, Switzerland, with operations throughout the world, out-posted staff in Brazil, Mexico, Chile, Senegal, Canada, and Russia, and a first regional office in Beijing, China. By enabling stakeholders in trade policy through information, networking, dialogue, well-targeted research and capacity-building, ICTSD aims to influence the international trade system so that it advances the goal of sustainable development. ICTSD co-implements all its programmes through partners and a global network of hundreds of scholars, researchers, NGOs, policymakers and think-tanks around the world. ICTSD acknowledges the contribution of its donors in supporting this project.

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ICTSD welcomes comments and feedback on this Policy Brief. These can be sent to atipping@ictsd.ch

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