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The Director

REGIONAL WORKSHOPS ON “SUSTAINABLE DEVELOPMENT AND REGIONAL TRADE AGREEMENTS”

BACKGROUND PAPER

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A robust body of empirical evidence demonstrates a strong positive relationship between trade liberalization and rates of economic growth. In turn, economic growth and development are pivotal in alleviating poverty. However, recent economic literature has opened a lively debate with regards to the relationship between trade liberalization and a range of sustainable development indicators. Among the lessons of the trade agenda are that various benefits of trade, while substantial, are not automatic and depend on timing and the broader circumstances surrounding them. In addition, benefits can also imply adjustment costs. Accordingly, considerable attention continues to focus on identifying and implementing a complementary policy framework to ensure policy coherence.

A particular concern of policy-makers is to ensure that trade and sustainable development are complementary and mutually reinforcing objectives. Various international agreements enshrine this commitment to integrate sustainable development as an overarching objective in regional trade agreements (RTAs) and to make trade, environment and social policies mutually supportive. In the final communiqué of the 2002 World Summit on Sustainable Development, countries agreed to:

“Continue to enhance the mutual supportiveness of trade, environment and development with a view to achieving sustainable development” by encouraging “efforts to promote cooperation on trade, environment and development, including in the field of providing technical assistance to developing countries, between the secretariats of WTO, UNCTAD, UNDP, UNEP and other relevant international environmental and development and regional organizations” (paragraph 91(c)).

Greater coherence between sustainable development and trade policy is also called for in goal 8 “Develop a global partnership for development” of the Millennium Development Goals (MDGs):

“Develop further an open, rule-based, predictable, non-discriminatory trading and financial system (includes a commitment to good governance, development, and poverty reduction – both nationally and internationally)”

Since the early 1990s, work has been underway to ensure that trade policy and sustainable development work in tandem. Various inter-governmental organizations, including the World Trade Organization (WTO), UNCTAD, UNEP, OAS, OECD and others, continue to identify the complex direct and indirect relationship between trade liberalization and the goals and objectives

of sustainable development: economic growth, social development and sustainable use of natural resources. Although the majority of this work has centered upon the trade-economic and trade-environment nexus, work also continues in identifying other priorities related to the broader social development agenda.

Against this general backdrop, the particular focus of these two regional workshops will be the extent to which the emergence of regional trade agreements can contribute to the integration of sustainable development objectives and the trade liberalization agenda.

Trade expansion and market integration are identified by countries of the Americas as key opportunities to support development by way of accelerated economic growth, poverty alleviation, improvement of social welfare, environment and other indicators of sustainable development. Pursuant of these objectives, countries of the Americas continue to negotiate and implement a range of bilateral and regional trade agreements. One lesson of the decade-long debates on the trade-environment and trade-sustainable development agenda is that sustainability does not necessarily occur automatically from trade expansion. A series of policy measures implemented at the national or sub-regional levels have been identified,

a) modification of trade agreements themselves, for example increasing role of trade rules in RTAs and emphasis on regional integration for ensuring sustainable growth, preferential access for goods such as organic agricultural produce (the recent CAFTA offers preferential TRQs for organic sugar; and the evolution of investment chapters).

b) complementary policy measures which include trade-related capacity building activities, as well as the pursuit of environmental cooperation among trading nations as potentially effective approaches with which to maximize the sustainable development benefits of trade. Several agreements have incorporated environmental provisions both formally within the legal articles, as well as introduced “parallel” complementary packages of measures. Examples include the Canada-Chile Free Trade Agreement; the CARICOM-Dominican Republic FTA; CARICOM-Colombia; U.S.-Chile; and most recently the US-Dominican Republic-Central America Free Trade Agreement (CAFTA).

c) Institutionalization of environment and labour issues, for example by setting up permanent joint bodies to oversee cooperation and monitor implementation (cf. CEC, joint cooperation commissions)

Regional trade agreements offer a number of relative strengths compared to multilateral agreements, including shorter negotiating periods, greater flexibility, capacity to include increased innovation as well as region-specific trade-related capacity programs. On the other hand, they pose a number of challenges, especially for smaller, developing countries, including a basic asymmetry between large and smaller country trading partners, a fragmentation of trade schedules leading to administrative and other burdens during implementation.

Given the recent increase in regional trade agreements, the role of regulatory dialogue among trading partners is important, not only to lower traditional trade restrictions and distortions, notably tariffs and various non-tariff measures, but also to ensure that the widening scope of trade policy reforms, from trade-related investment rights, intellectual property rights, and dispute settlement procedures, result in improved market access leading to economic development. Even outside the trade sphere, the strengthening of regulatory dialogue can be necessary to promote trade and sustainable development. Regulatory issues and standards i.e. environment, health and safety, will be increasingly important on trade and investment flows in the context of RTAs

where most of classical trade barriers will be significantly reduced. The cost of compliance with the standards of developed countries can be high for developing countries. Comprehensive regulatory dialogue with trading partners on domestic regulation that affects trade and investment can be beneficial in mitigating disproportionate or unintended effects derived from standards on trading partners.

Moreover, since trade is a business activity, it is important to ensure that businesses within the region understand the trajectory of trade policy reforms, anticipate challenges related to market openings, and respond to new opportunities so as to contribute in a measurable way to fostering sustainable development.

In addressing sustainable development challenges, formal trade rules and articles have generally been recognized as not being sufficient to ensure sustainable development. Other elements including programs to identify and support trade-related capacity-building, good governance (including institutional transparency, public participation, access to information, and other indicators), and a robust domestic regulatory framework are important complementary policies needed to work in tandem with trade.

Examples of initiatives underway in the Americas in this regard are the trade capacity building programs developed in the context of regional and bilateral negotiations, the Hemispheric Cooperation Program (HCP), the creation of the Consultative Group on Smaller Economies, and the Committee of Government Representatives on the Participation of Civil Society in the FTAA, and the European Union-Mexico Free Trade Agreement.

Objective of the Workshops:

The workshops, organized and sponsored by the European Commission, will examine the specific ways in which the new generation of regional trade agreements in the Americas are affected by, and can support, sustainable development. The workshops will bring together senior government officials and policy makers, representatives of the private sector, the research community, non-governmental organizations and other groups, as well as interested individuals. The workshops are intended to provide information from leading experts regarding recent developments in the trade-sustainable development dialogue, as well as to facilitate the exchange of information, lessons learned and best practices highlighting a series of policy issues. A key focus of the workshops will involve identifying practical approaches to optimizing the economic benefits of RTAs while ensuring social development and being mutually supportive of environment protection. The analysis will include the way social and environment-related provisions can be designed and implemented within regional trade agreements, drawing upon past lessons, as well as identify a future agenda to ensure the continued and deeper integration of trade policy reforms and sustainable development.

Among the questions that will be addressed in the workshops will be:

- What does the recent experience and evidence teach us about the role of RTAs in promoting sustainable growth and more generally sustainable development as well as good governance? How can they be improved to meet the challenges of the future? How can RTAs be better linked with domestic regulatory frameworks with a view to optimizing sustainable development?
- What are the current social, environmental and other provisions within regional trade agreements; how have they been implemented; and have they led to measurable improvements in sustainable development?

- Has the private sector been an active partner in policy integration? What are the bottom-line activities in support of sustainable business practices that can lead to a profitable bottom-line?
- Given the key importance of the agricultural, tourism and other sectors, what are the practical ways in which regional agreements can support sustainable business goals?
- Given the emerging role of global supply issues, what are the environmental challenges that are occurring – such as trade-related specialization and its affect on renewable natural resources or rates of pollution?
- What is the “package” of complementary policy measures that are contained within some regional trade agreements? Have they worked in anticipating and alleviating environmental pressures and social adjustments that could jeopardize sustainability, as well as identified opportunities for regional cooperation in such areas as technology transfer?
- How can we best ensure the monitoring of RTA implementations? How can we best involve civil society and parliamentarians in this work?

In addition to identifying trade-related sustainability considerations, consensus at the policy level is that sustainable development should be incorporated formally into trade negotiations¹ in order to promote development by addressing social, economic and environmental concerns in the trade agenda. It is necessary to explore proactive ways to address and incorporate these concerns into RTAs and their implementation phase in an integrated approach, engaging the economic sectors that benefit from trade to achieve the utmost results for sustainability in developing countries.

See Paragraph 51 Doha Ministerial Declaration, Qatar November 14, 2001.