Trade policy and SDGs

NTMs week
25 Sept 2017

Trade and Sustainable Development

- What are the links between SDGs and international trade?
  - Trade policy for the achievement of SDGs

- Do commitments within trade agreements obstruct the pursuing of SDGs?
  - policy space

Some examples…

Goal 2 (End Hunger)

– To be achieved with
  - Increase in Productivity,
  - **Less Trade distortions**

– *Correct and prevent trade restrictions and distortions in AG markets…*

Rationale for Removing Distortions

AG markets are indeed distorted (Tariffs, Subsidies, export taxes, standards)

- **Minimize distortions:** Free trade (Economic Argument)
  - Food availability, lower prices, less volatile prices
  - Discipline the use of policy is necessary to make world markets more reliable and therefore guarantee food security strategies based on imports.

- **Food security =** National policy.
  - AG needs to be subsidized
    - ToT argument (trend of relatively lower AG prices)
    - AG cannot compete with productivity/subsidies in developed world

Trade policy related to food security

Avoid measures which have adverse spillover effects on other countries (Export subsidies).

- Policy space for import protection: Bound tariffs relatively high
- Policy for support: Some forms of subsidies allowed
- Policy for volatility: Trade remedies (safeguards)
- SDT: de-minimis support is different across countries (10% for developing countries)
  - Controversies "devil in the details" - price reference

What does research says about food security?

- Trade policy not the best instrument to address it.
- Improve PRODUCTIVITY (Lower costs obtaining inputs).
- Distribution
- Trade Policy: subsidizing inputs and infrastructure developments

Goal 8 - Economic Growth / Decent Work

– *Increase **Aid-for-Trade** support for developing countries, in particular **least developed countries**…*

Goal 10 (reducing inequalities)

– *Implement the principle of **special and differential treatment** for developing countries, in particular least developed countries, in accordance with World Trade Organization agreements.*

Both Goals to be achieved thru increase in **competitiveness / productivity** of developing countries.

Increase competitiveness

Increase competitiveness thru multilateral policy
– Does the WTO allows for enough SDT?
– Are these still relevant? (Pref. erosion, NTMs, utilization?)

Improve competitiveness by reducing trade costs for firms
– Infrastructures, trade costs.
– NTMs, compliance

These goals are related to trade not only about policy space (SDT) but more about infrastructure development and trade facilitations
– Aid for Trade
– Trade Facilitation Agenda
– Procedural obstacles related to NTMs

Goal 14 - Conservations of maritime resources

- To be achieved by:
  - Less pollution
  - Increase knowledge
  - **Removal of subsidies**

- *Prohibit certain forms **of fisheries subsidies** ….recognizing that appropriate and effective **special and differential treatment..** within WTO*

Regulate/Limit Subsidies

- Too much policy space available. Negotiations to reduce subsidies. Still to much space.

Classic case of the tragedies of the commons
- Importance of Multilateralism

Natural resource economics: in the absence of property rights fish stock depletion will occur in open access fisheries.

That is… the only role that subsidies play is that they accelerate the rate of depletion.

SDGs related to health, safety, environment.

– *Indicators do not directly refer to trade policy, but these goals are related to trade because of cross border externalities (and policies governing it, standards in particular)*

Why do Trade Agreements deal with Standards?

- TOT effects of standards
  - Prices
- Distortionary
  - Cost of compliance are different across countries (and firms)
- Externalities can be cross-nationals.
  - Environment, health, etc.

Available policy space to pursue these goals at the national level:

- General rules:
  - Regulations should not be more trade restrictive than **necessary.**
  - Subject to **non-discrimination principle** (i.e. must apply to domestically produced goods also).

- SPS and TBT agreements leave a lot of policy space to countries (provide general guidelines)
  - Initial burden of proof on the complaining party
  - Encourages to use **International standards**
  - Supports the **recognition of equivalence**

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Possible tensions between trade and public policy objective

Trade vs domestic priorities:

Trade perspective: Harmonization. Standards are often distortionary.
- Standards are trade costs

Domestic policy perspective: Public policy priorities are different across countries
- Selective harmonization
- Cost benefits analysis

Two areas of research on trade policy and SDGs

Use of policy space on NTMs

Why country do not seems to use the policy space they have? Would this be the case for pursuing SDGs?

We know for some (Tariffs, RoO), but not much about the use of NTMs for public policy objectives.

Not only about economic efficiency, but with SDGs other priorities need to weight in.

More research in the area,
– We now have better information and data

Trade policy as an enforcing mechanism for SDGs

Social dumping
- Production moves where sustainable development policies are weaker.

Environmental tariffs
- To internalize environmental costs

General point, Trade policy second best… harmonization is better, but agreement feasible?

Thank you