



# Discussion Forum on “Why Trade Matters in Development Strategies”

Geneva, 27-29 November 2013 (room XXVI)

Presented by Robert Hamwey  
Trade and Environment Branch  
UNCTAD



### To review and discuss...

- Sustainable development challenges and progress achieved
- Addressing the remaining gaps
- But what about competitiveness?
- UNCTAD's work on the SDGs



# Sustainable development challenges and progress achieved

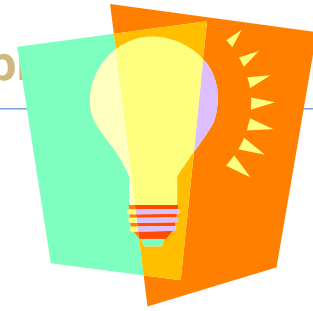


### The world is changing...

Dramatic changes **over the past two decades** – social, economic and environmental.

- Now characterized by globalization, the world economy has **expanded by 170 %**.
- Global population growth from about **5 to 7 billion people**.
- **GDP/capita has doubled** from \$ 4,500 to over \$ 9,000.
- Consumption levels rising sharply.
- Population growth, economic activities and consumption patterns, place **increasing pressure on the environment**.





## There are some bright spots...

- Significant strides towards achieving the **Millennium Development Goals (MDGs)** have been made in many developing countries
- Many **developing countries benefiting** from increased investment and exports in global economy
- **ICT gaps have narrowed**, helping the poor to access markets
- Use of **renewable energy** is on the rise
- Producers and consumers **voluntarily greening** their activities

... but many challenges remain



### Global challenges...

We face mounting environmental, social, economic and challenges

- **Climate change** the major environmental threat that can exacerbate others (i.e., desertification, biodiversity loss)
- Increasing **scarcities in natural resources** – water, biodiversity, tropical forests, fish, cropland and many metals and minerals
- The release of **harmful and persistent pollutants** from mining, manufacturing, sewage, energy, transport and agriculture remains a problem for ecosystems and human health



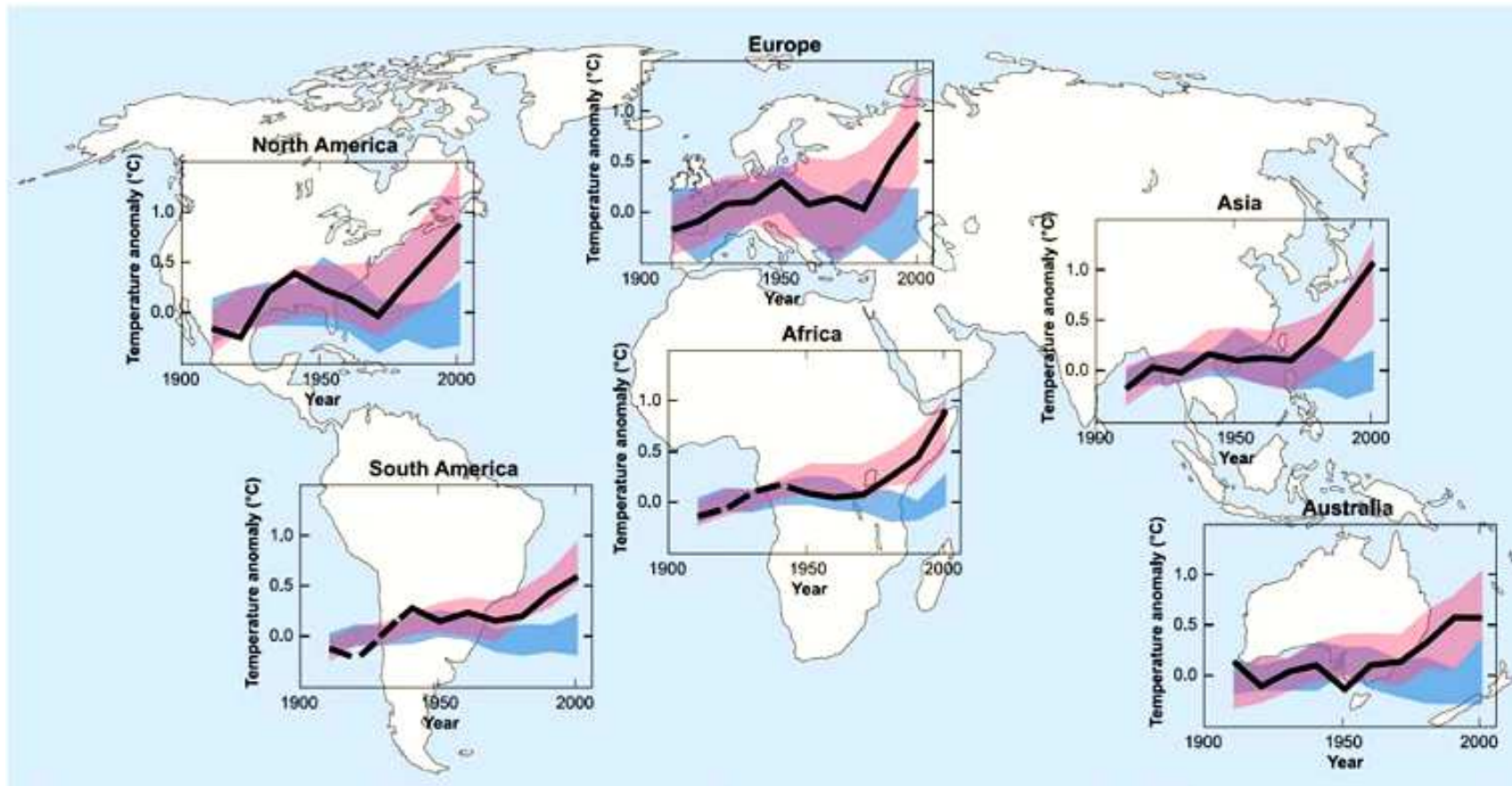
### **Example:** Climate change

- Human activities are releasing **greenhouse gases** into the atmosphere
- Climate change is a **global issue**:  
1 tCO<sub>2</sub> emitted in India = 1 tCO<sub>2</sub> emitted in USA
- Rising levels of greenhouse gases are **already changing** the climate
- Climate models predict the global temperature will rise by about 1,4 to 5,8 degrees by 2100
- Climate change will have a significant impact on the global environment, economy and society



### Example: Climate change

- Global warming already underway





### **Example: Climate change**

Impacts are  
widespread



#### **Agriculture and food security**

*Crop yields, irrigation demands...*

#### **Forest**

*Composition, health and productivity...*

#### **Water resources**

*Water supply, water quality...*



#### **Coastal areas**

*Erosion, inundation, cost of prevention...*



#### **Species and natural areas**

*Biodiversity, modification of ecosystems...*



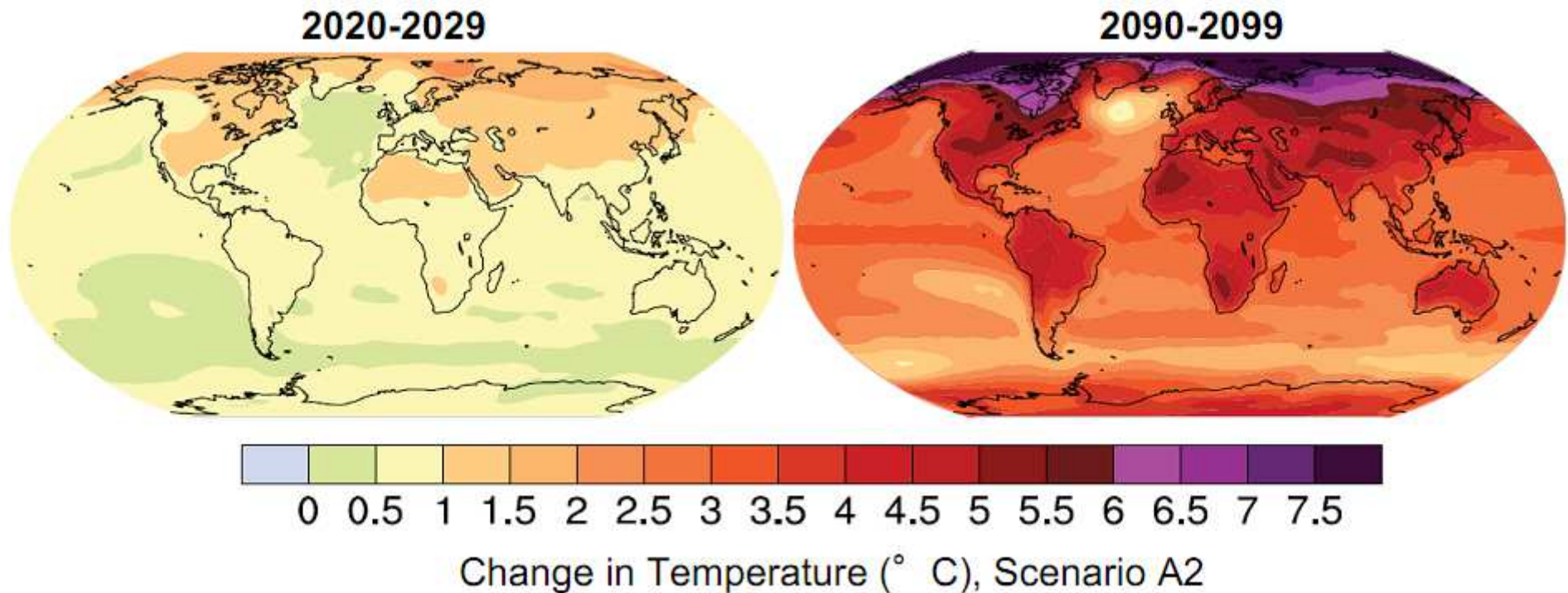
#### **Human health**

*Infectious diseases, human settlements...*

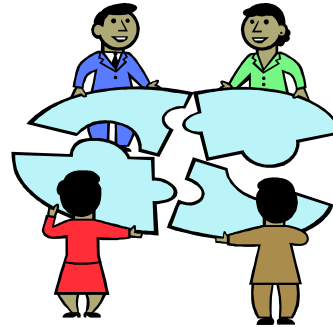


### Example: Climate change

- Business as usual results in a very hot planet



### Global challenges... social challenges



- There has been significant progress in achieving the MDGs in many developing countries, but the poorest countries (LDCs) and people within them **have yet to see improvements**
- New **‘decent’ employment** opportunities needed, particularly for women and young workers
- **Access to basic services** such as energy, water, housing, transportation, communications, healthcare and education must be improved



### **Example:** Some outstanding social challenges

- Over **1 billion people still live in extreme poverty** (less than \$1.25 /day)
- Over 800 million people worldwide do not have **access to safe drinking water**
- Over 2.6 billion people lack **access to improved sanitation**
- About 70 million school-age children are **not in school**
- Only 23 percent of the LDC population has access to **electricity**
- Only 15 percent of people in the developing world have **internet access**



### Global challenges... economic challenges



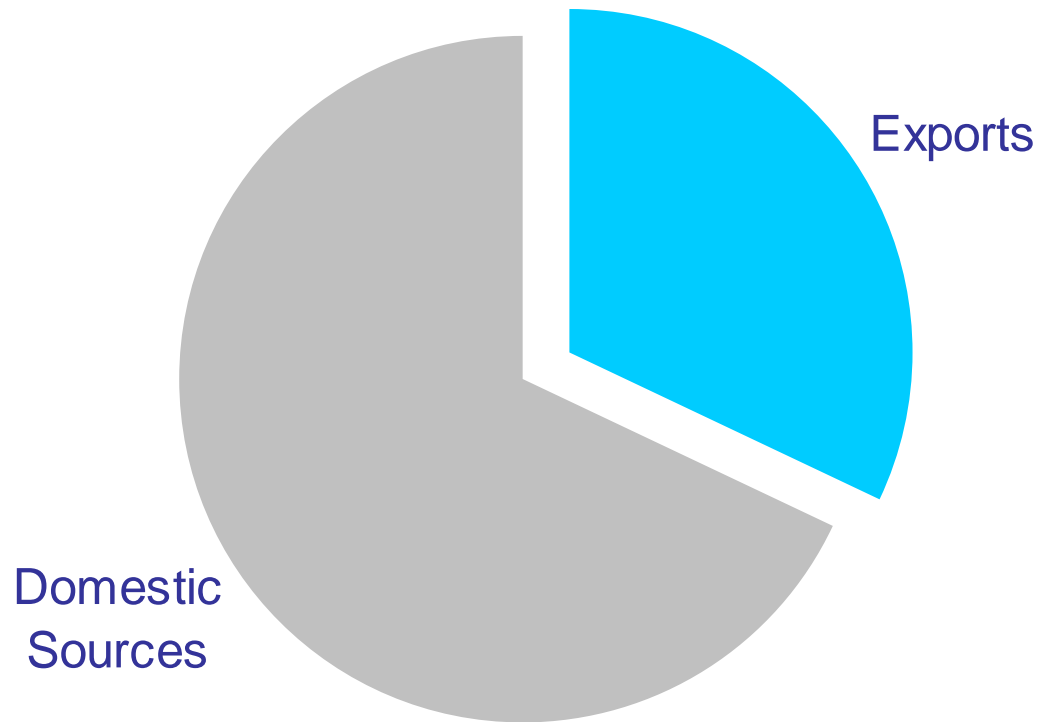
- Current (since mid-2008) economic crisis reveals the extent of **economic vulnerability** countries are exposed to in an increasingly interdependent global economy
- Nearly **80 million jobs lost** worldwide due to crisis at its highpoint
- Volatile price of **commodities** (oil, food, metals)
- Poor economic conditions increases risk of **social unrest**
- **Rising public debt** crisis in developed countries
- ODA stands at 0.31 % of combined national income of developed countries, far short of the 0.7 per cent UN target – *only five donor countries have reached or exceeded the target*



**Example: Economic interdependency**

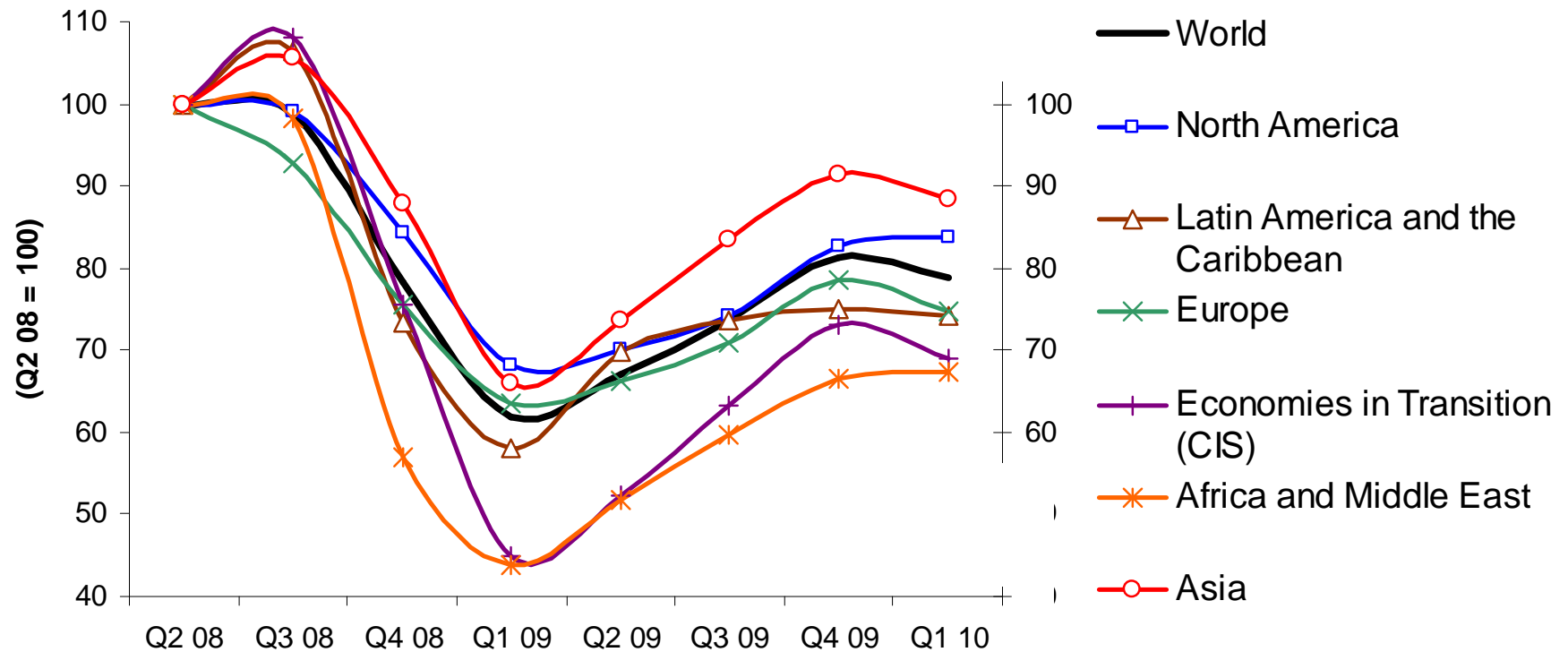
Exports account for nearly 1/3 of developing countries' GDP

**Developing Countries' GDP in 2012**



### Example: Economic interdependency

#### Merchandise exports through a crisis (2008-2010)



Source: UNCTAD based on WTO Quarterly Trade Report, 2010



### Global challenges **going forward ...**

- World population is forecast to climb from **7 billion today to over 9 billion in 2050**; nearly 8 billion will reside in countries that are today developing countries and only just over 1 billion in developed countries
- **Economic growth is required** to reach higher levels of world output to meet consumption needs of a growing population and create jobs and reduce poverty
- This means world **GDP will expand to 3 times current levels by 2050**, with well over a half generated in developing countries





### Global challenges **going forward ...**

- **Simply scaling up current production methods and consumption patterns** to support continued economic growth is **not feasible**
- Why? Because it would significantly deplete natural resource endowments, deteriorate natural ecosystems and accelerate global climate change
- **Fossil fuel energy intensity and natural resource intensity of economic growth be substantially reduced** in order to maintain the viability of natural and environmental systems



# Addressing the remaining gaps



**World's Nations trying to cooperate on addressing emerging problems**

**Approach: Sustainable Development ...**

***“Development that meets the needs of the present without compromising the ability of future generations to meet their own needs”***



## Sustainable Development : pillars ...

Concept formally recognized

United Nations **2005 World Summit** Outcome Document refers to the “three components of sustainable development — economic development, social development and environmental protection — as interdependent and mutually reinforcing pillars”  
(Para. 48)



Rio+20 sought to put them together ...



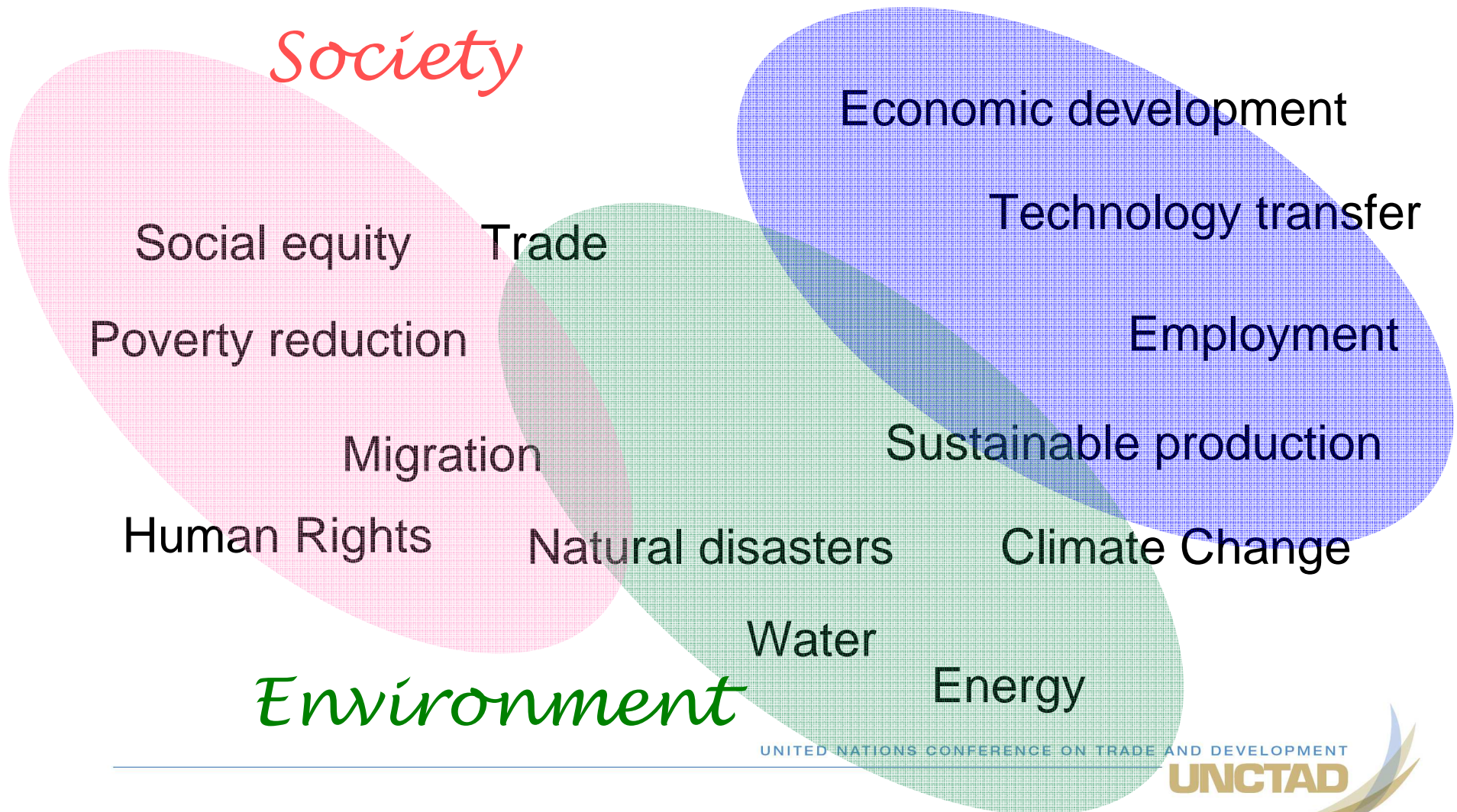
**Sustainable Development**  
*Green Economy*



UNCTAD's focus is ...

*Economy*

*Society*



*Environment*



# Sustainable Development Policies

- National policies needed :
  - stimulate **behavioral change** in production and consumption patterns
  - protect the **environment**, lower carbon intensity of development, preserve ecosystems
  - promote **technology** development and innovation and diffusion
  - support **socially equitable outcomes** that improve public welfare and gender equality while reducing poverty
- Private sector and civil society also active through **voluntary initiatives**



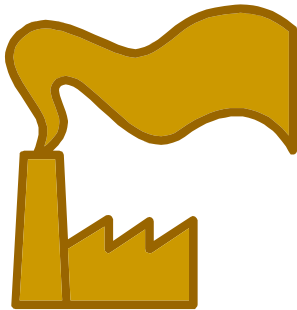
## Why Trade Matters in Development Strategies?

Let's look at producers (firms) in the economy...

Environment &  
Society (E)

Labor (L)

Capital (K)



National sustainable  
development policies



Cost of Production  
with sustainable development policies...

$$C = K + \Delta K + L + \Delta L$$

Producer/Government covers  
additional costs of  
technology and labor to  
eliminate/remedy  
environmental and social losses

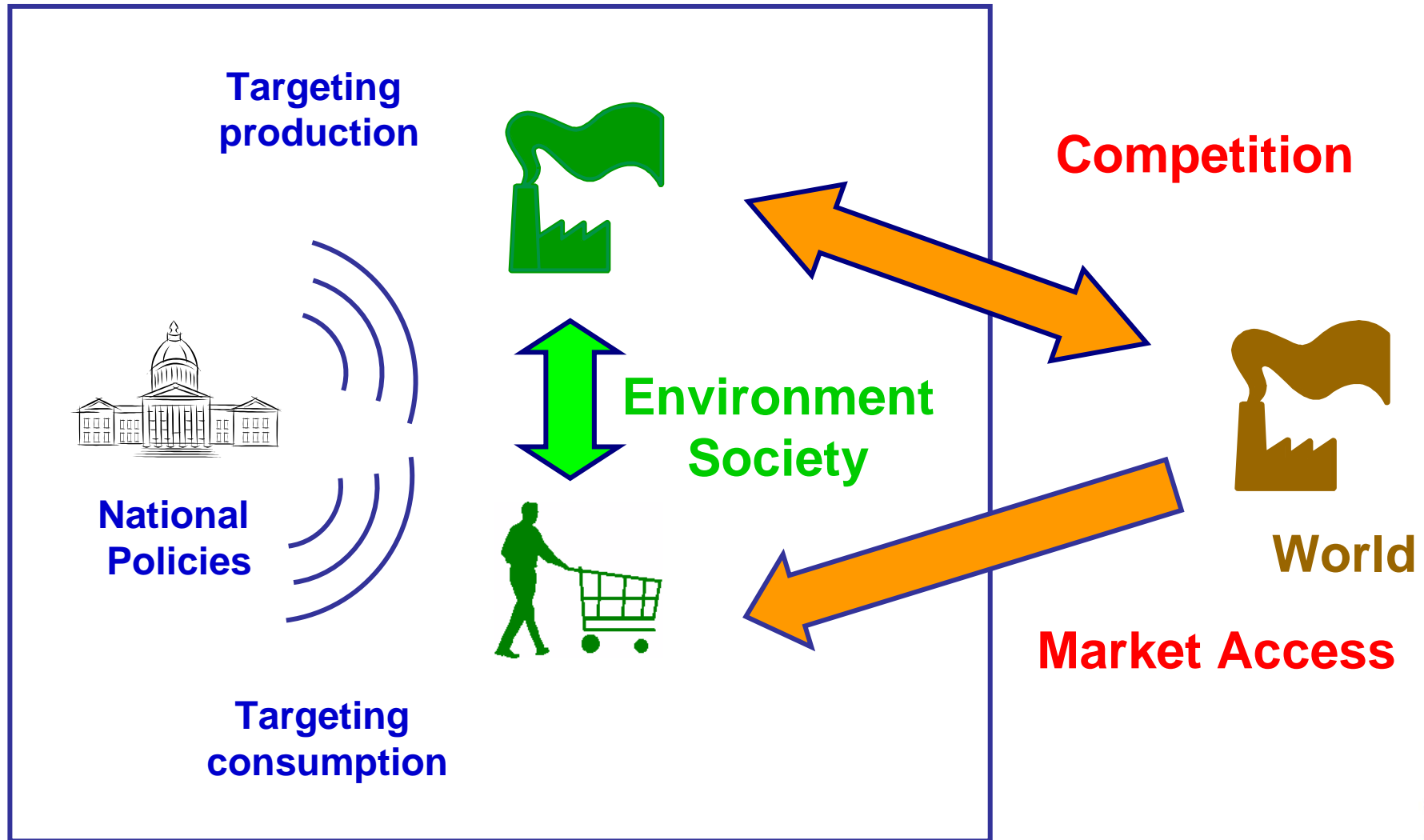
Environmental & Social costs = 0  
Public Welfare Loss = 0

**RESULT:** Environmental protection,  
Social equity





# Sustainable Development Policies



# Sustainable Development Policies and Trade

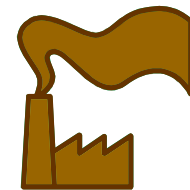
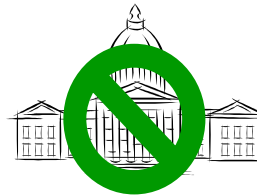
- ***If countries did not trade*** goods and services we would not have an issue to be concerned with
- ***But countries do trade !*** Trade is responsible for a large portion of their economic income
  - 1/5 of developed countries' income
  - 1/3 of developing countries income
- ***Adverse changes in trade (exports)*** is a major concern for all countries
- ***Countries seek assurances*** that a Sustainable Development will improve their prospects for trade, or at least leave them unchanged



# National Sustainable Development policies

Types of national measures available to governments,  
i.e., Command & Control and Economic Instruments

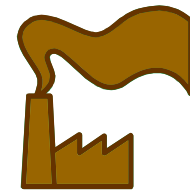
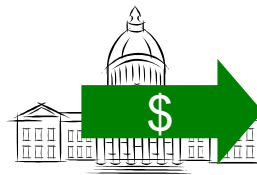
– **Command & Control**  
**Regulation, standards, bans**



– **Economic Instruments**  
**Charges, fees, taxes**



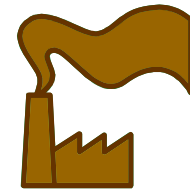
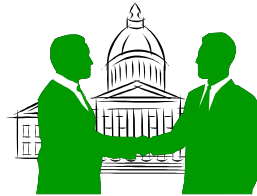
– **Economic Instruments**  
**Subsidies, tax rebates,  
government procurement, etc.**



# National Sustainable Development policies

Types of national measures available to governments,  
i.e., Command & Control and Economic Instruments

- **Voluntary agreements**  
e.g., domestic firms agree with government to reduce pollution, use renewable energies...



- **Information Instruments**  
Awareness campaigns,  
ecolabels



But what about competitiveness?



### Why is trade affected?

- National product regulations/standards may be difficult/costly for foreign firms to meet (i.e., developing country firms)
- By changing the cost structure of production, national policies alter the relative competitiveness of national and foreign firms
- National environmental and social measures can be used as a guise for closing off national markets (green protectionism)
- Greening of supply chains
- Ecolabels influence consumer demand

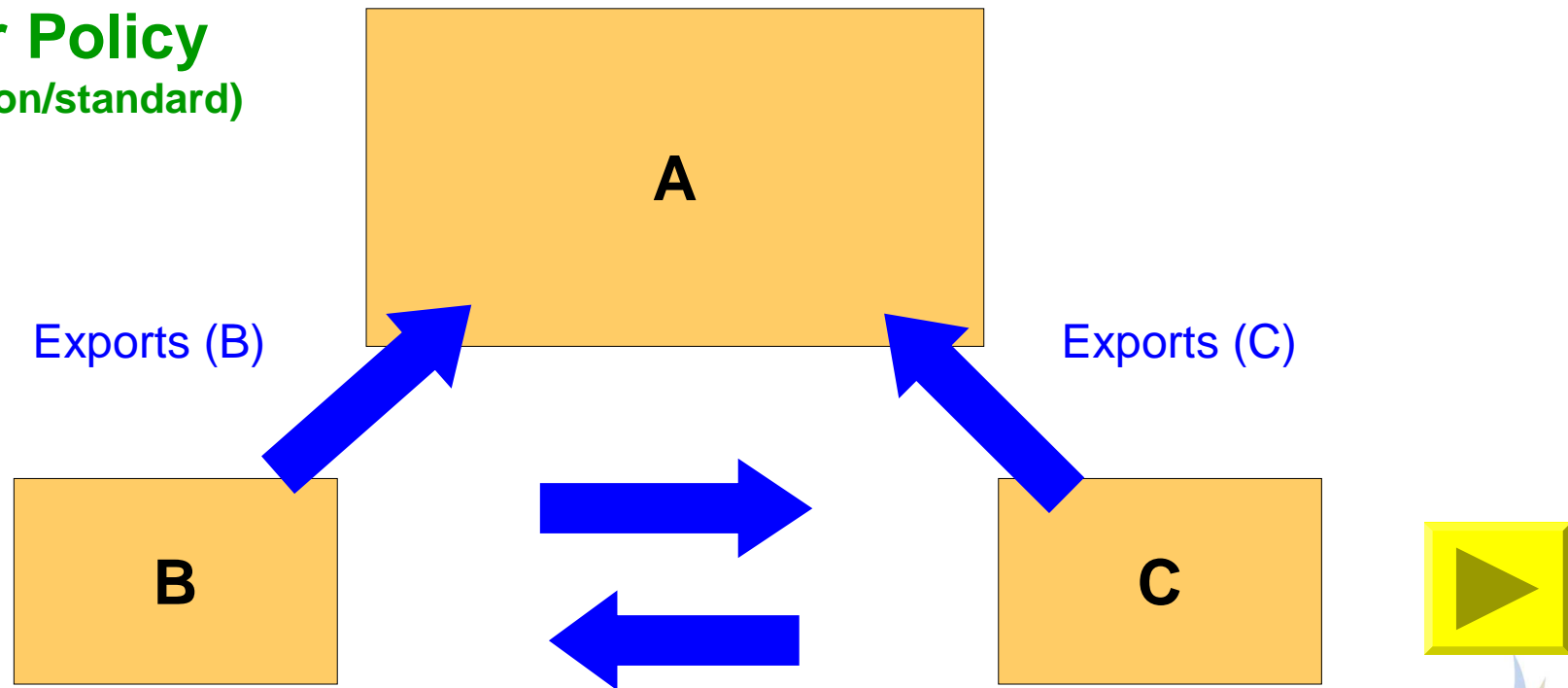


## Why Trade Matters in Development Strategies?

### Impact:

If country C is a developing country, it may require **international support** (e.g., financial and technical assistance, technology transfer) to increase productive capacity so it can meet new GE regulations/standards. Warning light for National **regulations/standards that relate to PPMs**.

### After Policy (regulation/standard)

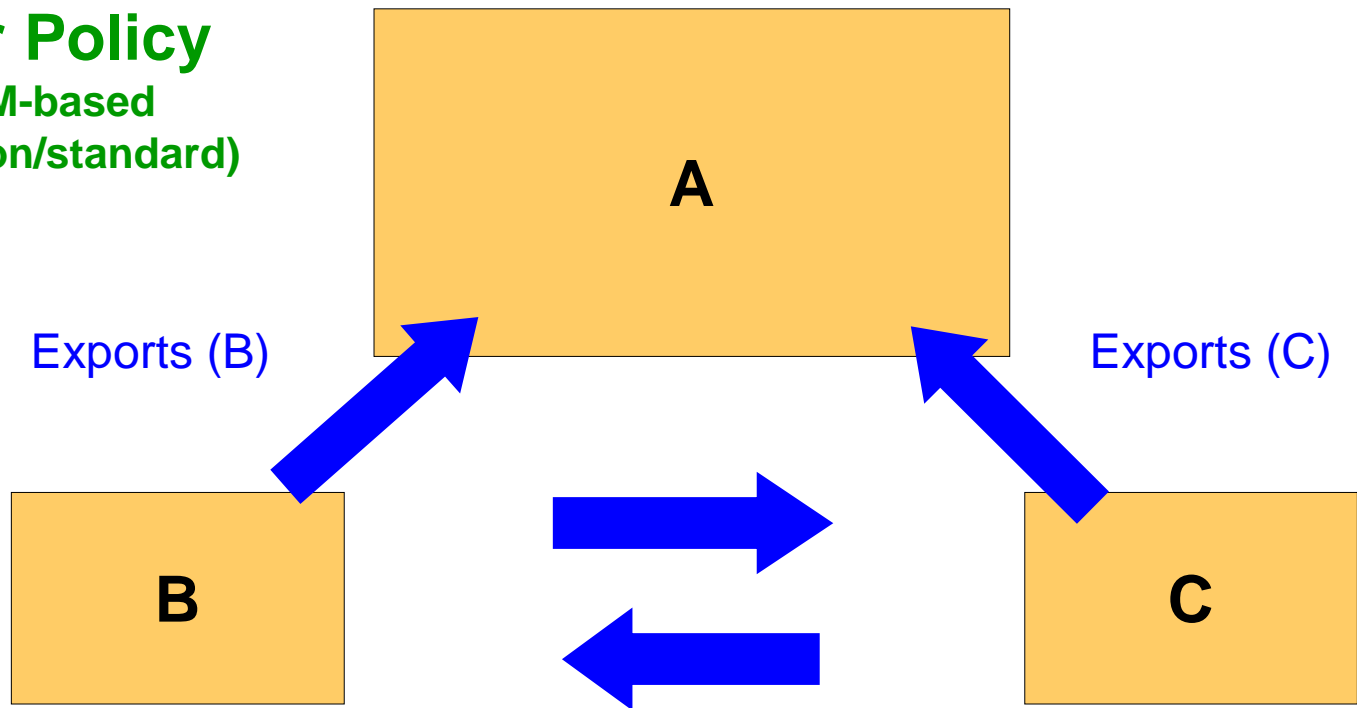


## Why Trade Matters in Development Strategies?

### Impact:

Countries B and C are likely to claim that A is practicing **green protectionism**. Likely to lead to **trade dispute** unless consultations can resolve differences.

**After Policy**  
(PPM-based  
regulation/standard)



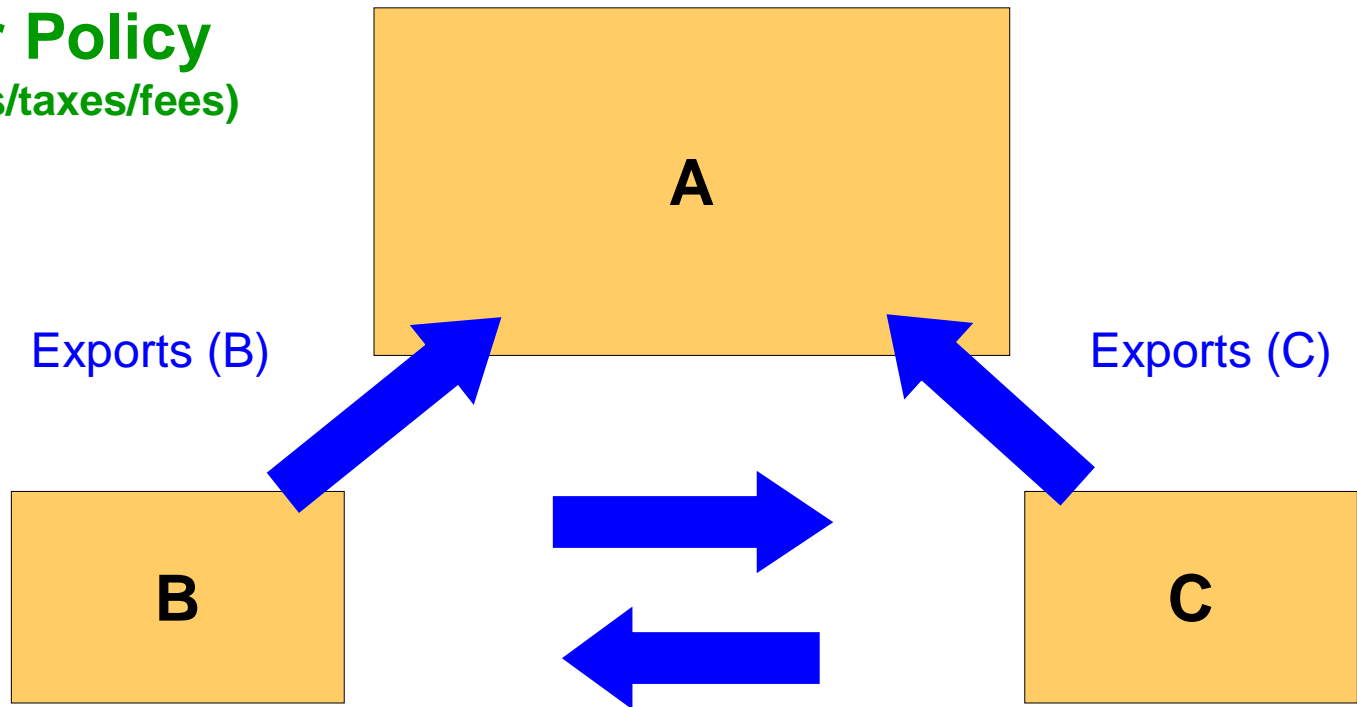


## Why Trade Matters in Development Strategies?

### Impact:

Countries A and B may introduce non-tariff barriers (NTBs) to offset the competitiveness loss of their firms relative to country C. NTBs may take the form of anti-dumping measures and countervailing duties, possibly in the form of a “border tax adjustment”. **Trade disputes** can be expected to increase.

### After Policy (charges/taxes/fees)

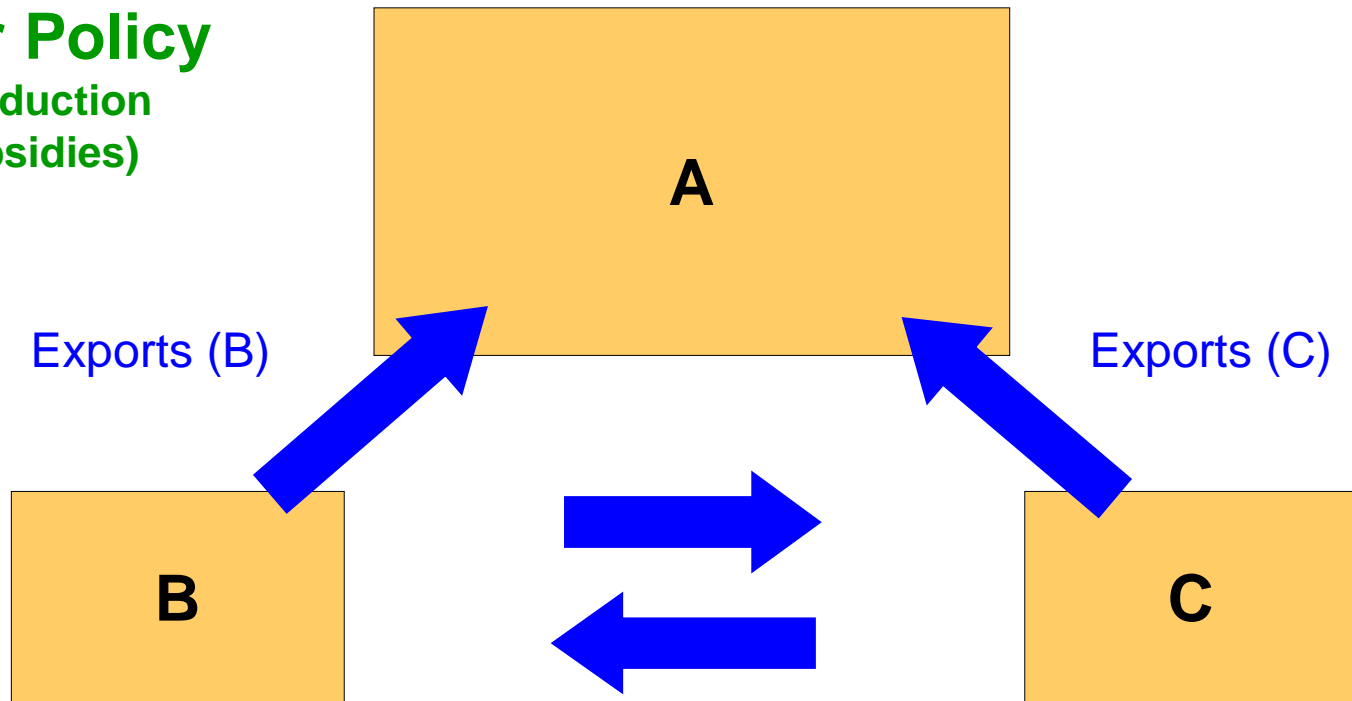


## Why Trade Matters in Development Strategies?

### Impact:

Country C may introduce non-tariff barriers (NTBs) to offset the competitiveness loss of their firms relative to countries A and B. NTBs may take the form of anti-dumping measures and countervailing duties. If C is a developing country it may take no action in fear of retaliation and **N-S technology gaps may widen**. **Trade disputes** can be expected to increase.

**After Policy**  
(production  
subsidies)

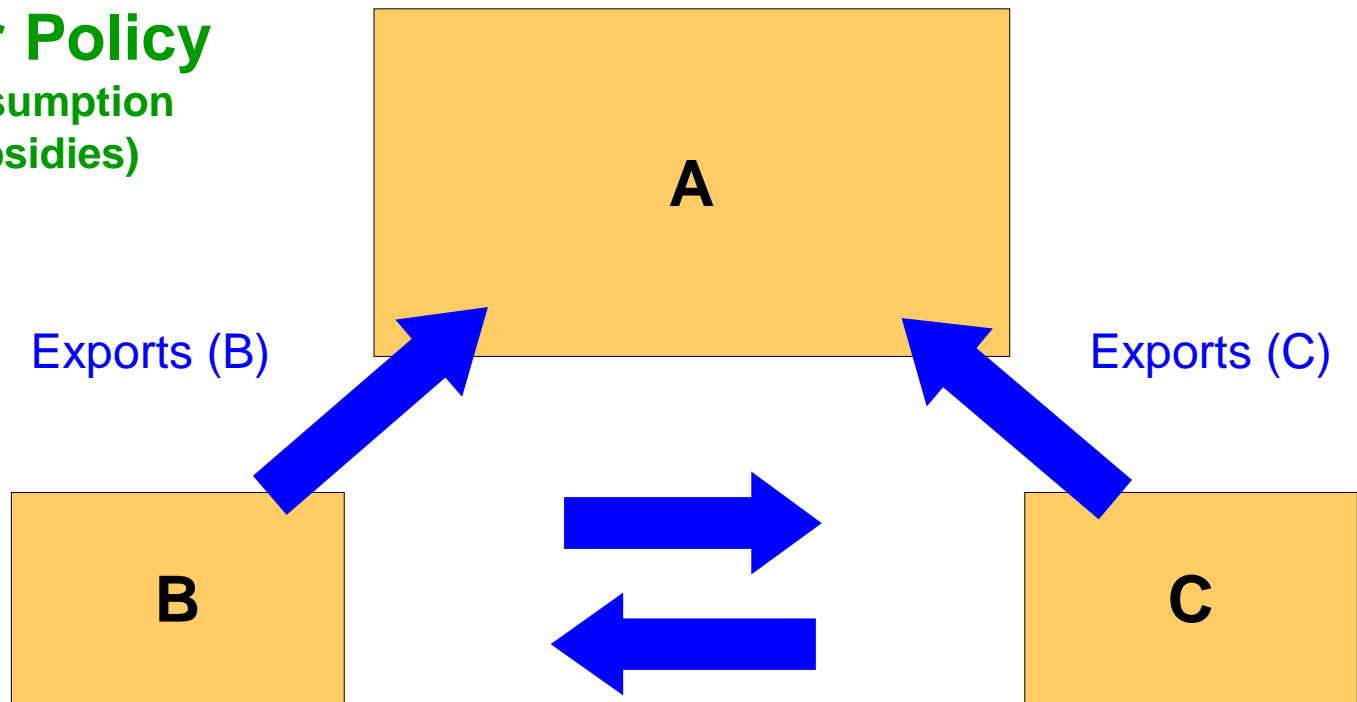


## Why Trade Matters in Development Strategies?

### Impact:

Countries B and C are likely to claim that A is practicing **green protectionism**.  
Likely to lead to **trade dispute** unless consultations can resolve differences.

**After Policy**  
(consumption  
subsidies)



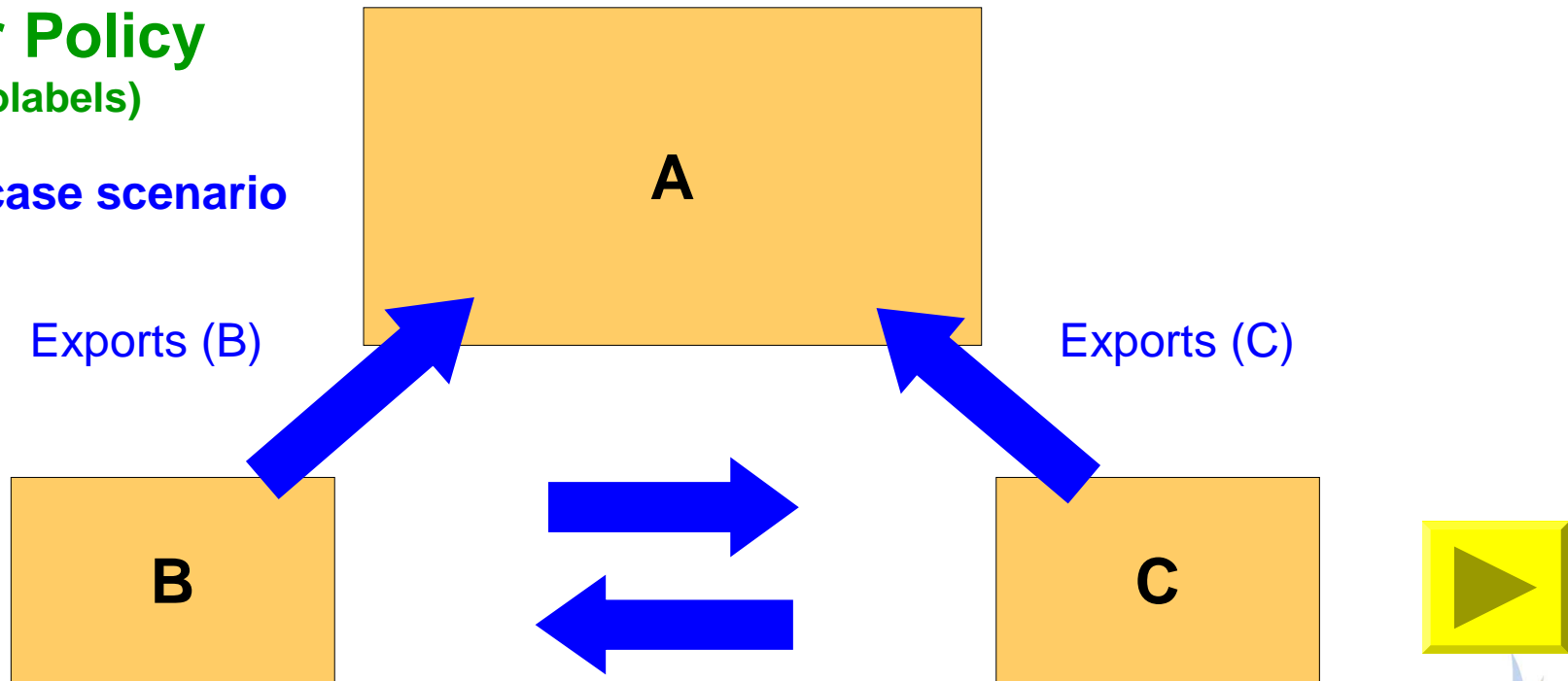
## Why Trade Matters in Development Strategies?

### Impact:

All countries (and consumers) benefit from open, transparent non-discriminatory ecolabel schemes. **Harmonization or mutual recognition** prevent ecolabels from becoming trade barriers. **Developing countries should be consulted** in the formulation of ecolabel schemes to ensure their capacities and specificities are considered in labelling criteria.

### After Policy (ecolabels)

worst case scenario



## Sustainable Development policies... how far can we go ?

- Surely, trade can be affected by sustainable development policies
- Trade conflicts are already evolving
- The cry of protectionism is rising
- There may be significant issues of WTO compatibility of some sustainable development policies



Trade concerns are growing...

**Green Protectionism**

**Border Carbon Taxes**

**Export Restrictions**

**Domestic Content Requirements**

**Domestic Support**

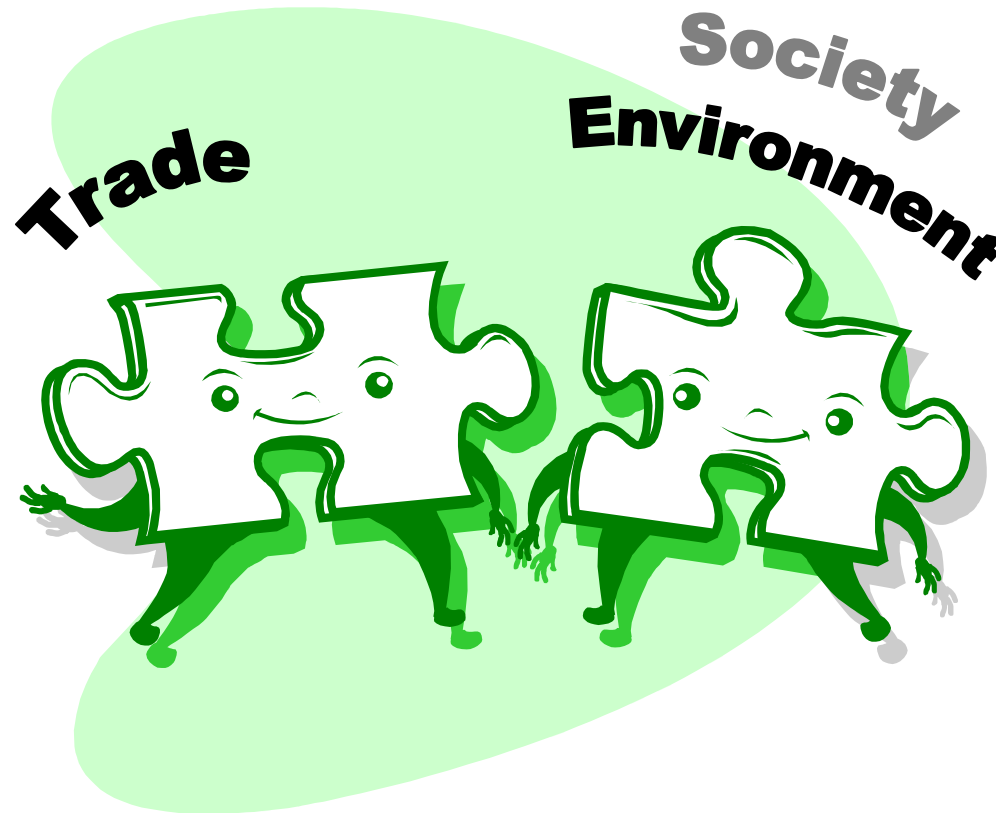
**Violation of National Treatment Principle**



## Why Trade Matters in Development Strategies?

---

Much more work is needed to strengthen / ensure coherence ...



UNCTAD's work on sustainable development...

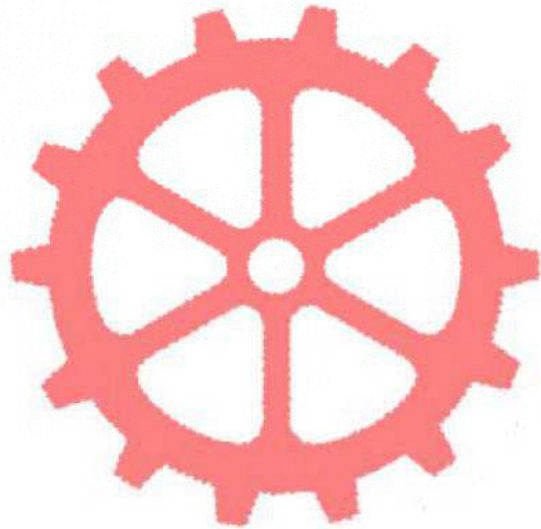




## Why Trade Matters in Development Strategies?

---

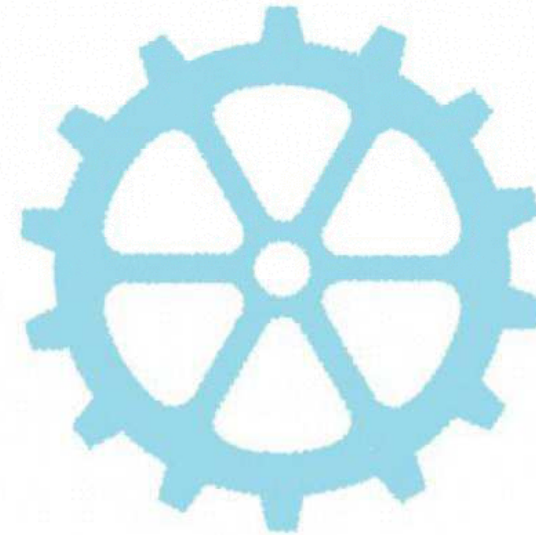
**We know that sustainable development is not automatic...**



**Social Development**



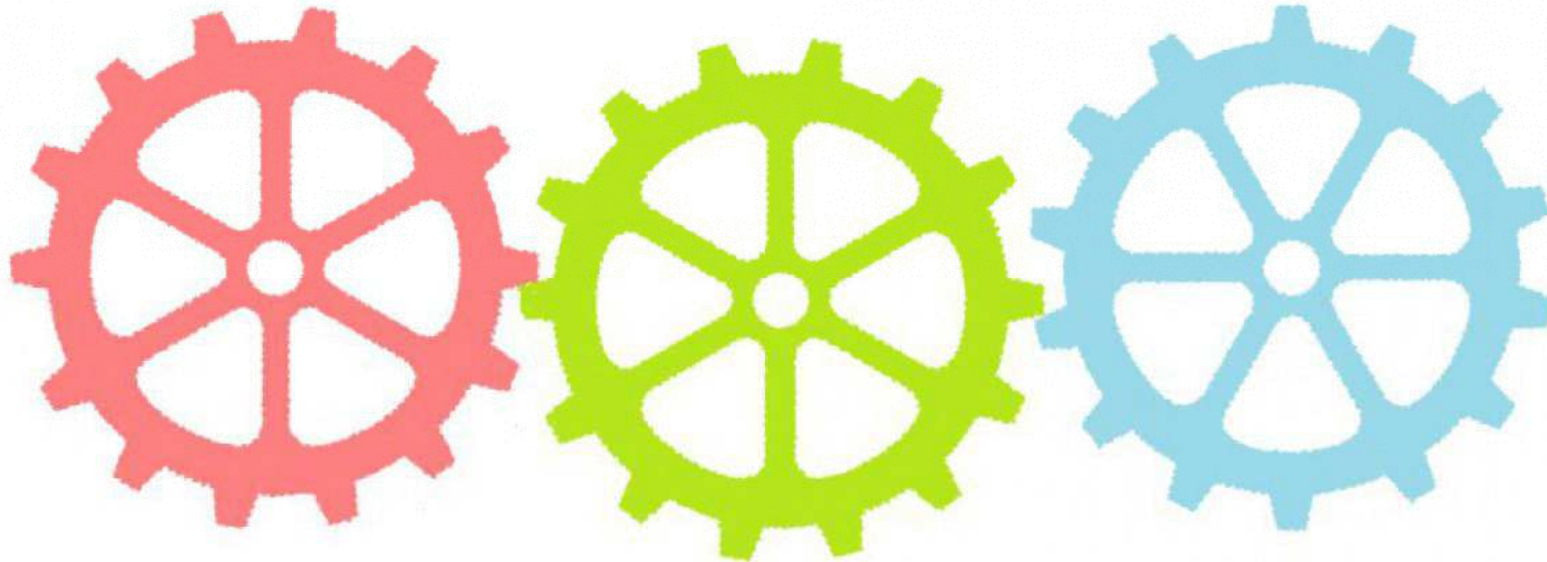
**Economy**



**Environmental Sustainability**



**UNCTAD examines ways to *make the trade work for sustainable development***



**Social Development**

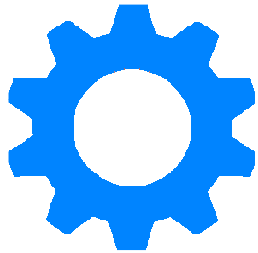
**Environmental Sustainability**

**Sustainable Development**



## UNCTAD's Activities...

### *Promote Opportunities*



**National Green Export Reviews**

***Stimulate Green Trade***

### *Address Concerns*



**Sustainable Development and Trade Forum**

***Reduce Trade Friction***



## A punctual UNCTAD activity on the **SDGs**

- An important area of current focus concerns the **United Nations Post-2015 Development Agenda** and the **Sustainable Development Goals (SDGs)**
- The SDGs are mandated by the **Rio+20 Conference**
- Currently under **negotiation by the General Assembly** in New York for a September 2014 completion date
- UNCTAD's SG has set up a **Open Working Group** (for Geneva Delegates) to provide input to the SDG negotiation process
- Next meeting is on **29 November** (please attend)



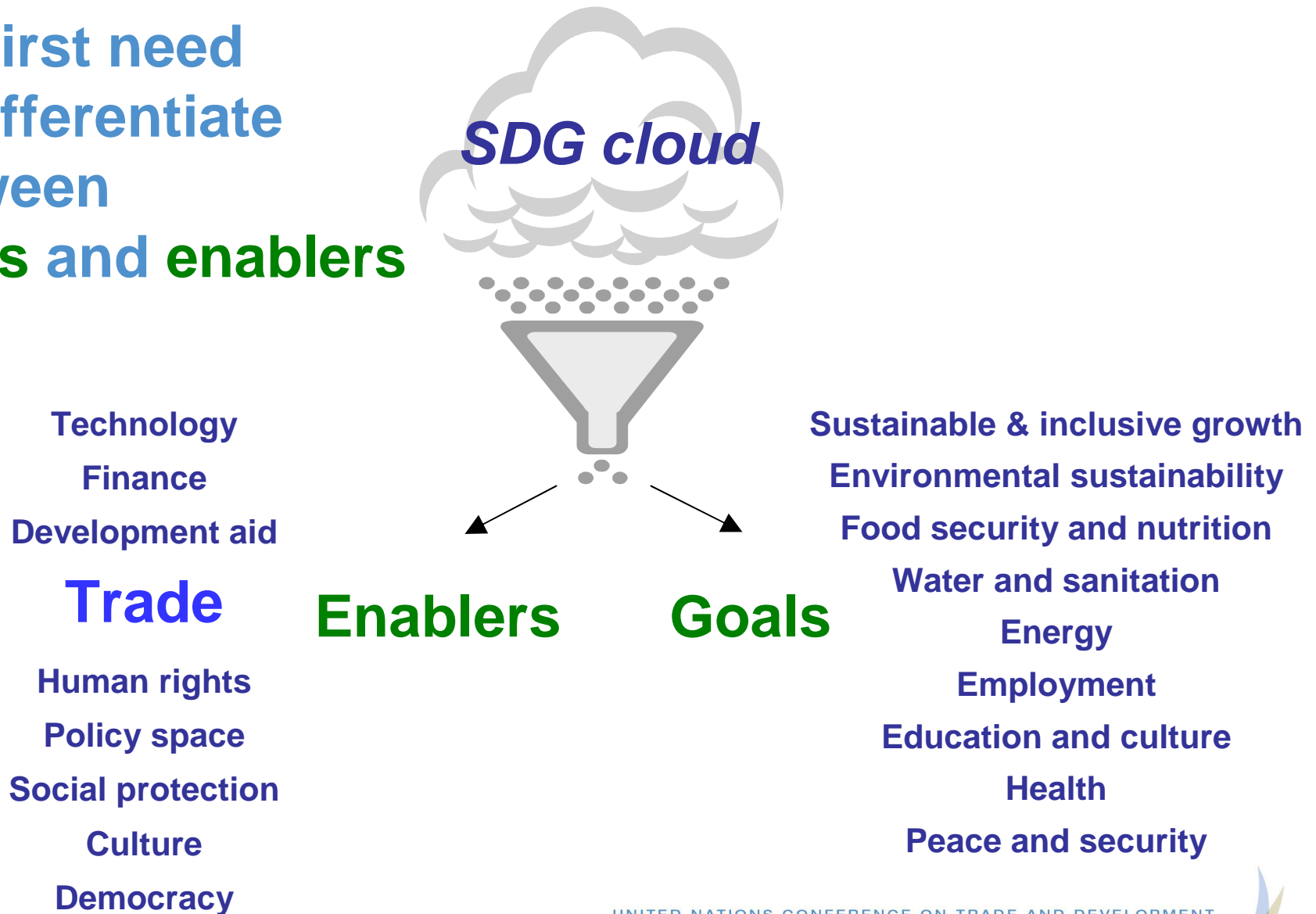
# UNCTAD's Activities... the **SDGs**

## *Or Christmas tree?*



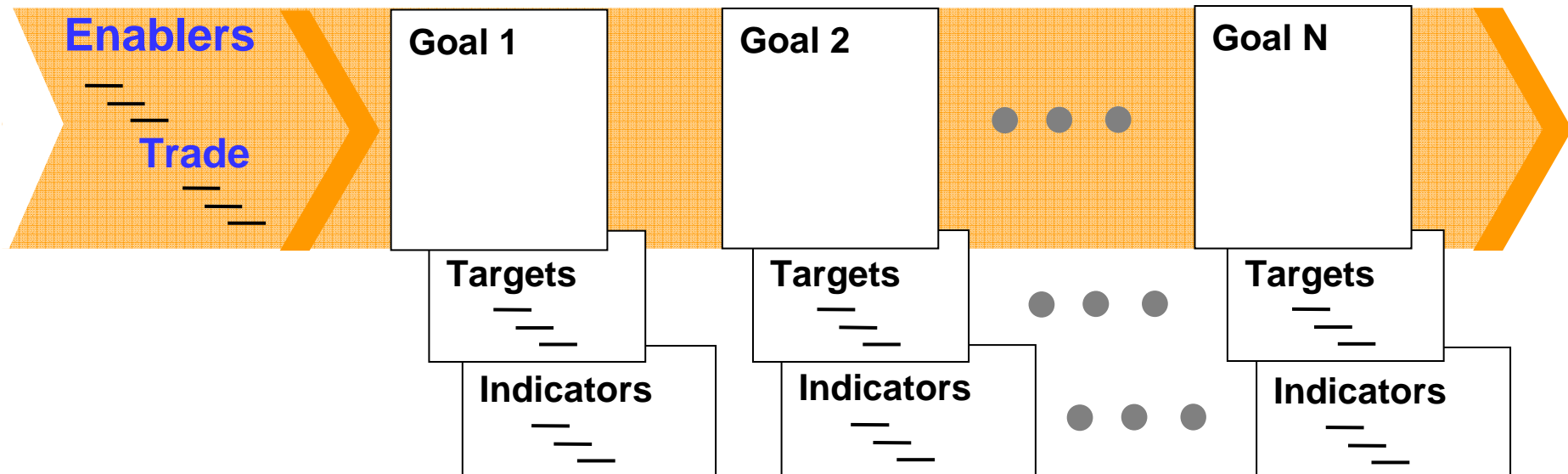
## Why Trade Matters in Development Strategies?

We first need  
to differentiate  
between  
**goals and enablers**



## Why Trade Matters in Development Strategies?

Then we need to specify in which ways a given enabler supports the achievement of each goal



Enablers such as trade, finance and others, act horizontally across the full set of SDG goals





## Why Trade Matters in Development Strategies?

---

Let's take **sustained & inclusive economic growth** as a goal. Enabling actions on trade could, among others, be to:

- Reduce, or as appropriate eliminate tariffs, including **tariff peaks, high tariffs, and tariff escalation**
- Ensure **100% DFQF market access for LDCs** in non-LDC markets
- Make **preference schemes more easily usable** by developing countries through streamlined/harmonized rules of origin requirements and verification procedures
- Increase **LDC participation in global value chains**
- Strengthen incentives for the **private sector to transfer technology** to LDCs under the TRIPS agreement



Let's take **environmental sustainability** as a goal.

Enabling actions on trade could, among others, be to:

- Eliminate tariffs on **environmental goods**
- Reduce/Eliminate **fossil fuel subsidies**
- Agree on forms of **non-actionable government support** for national sustainable production and consumption activities
- Ensure the use of **least trade restrictive measures** for meeting national and agreed global environmental objectives
- Monitor, assess and remedy all forms of **green protectionism**



Let's take **food security and nutrition** as a goal.

Enabling actions on trade could, among others, be to:

- Reduce (and ultimately eliminate) all forms of **agricultural and fishery export subsidies** alongside substantial reductions in other forms of trade-distorting support
- Eliminate tariffs on **organic food products**
- Eliminate **illegal, unreported and unregulated fishing**
- Advance the harmonization and mutual recognition of national eco-food **certification schemes**

**More generally, goal-specific enabling actions related to trade could be elaborated for each SDG goal.**



**Reminder: Next meeting of Open Working Group (for Geneva Delegates) on the SDG negotiation process is on 29 November (please attend)**

**Thank you for your attention**



# UNCTAD

PROSPERITY FOR ALL

[www.unctad.org](http://www.unctad.org)



UNITED NATIONS  
UNCTAD