**21st century Trade Agreements: Implications for Development Policy**

**International trade** agreements can limit the ‘policy space’ of emerging and developing nations to implement effective regulation to encourage their development. Researchers reviewed policies designed to encourage long-term development and examined how existing trade agreements may limit their use.

**Much policy** debate about international trade and environment has now spread to well beyond ‘environmental provisions’ only. The researchers examined global and regional trade agreements: those of the World Trade Organisation (WTO); four agreements between EU and developing countries (EU-South Africa, EU-Tunisia, EU-Mexico and EU-Chile); agreements between the US and developing countries, e.g. North America Free Trade Agreement (NAFTA), US-Chile; and finally South-South agreements between developing countries, e.g. China-Chile and the South Asian Free Trade Agreement. Four trade-related areas were examined: goods, services, investment and intellectual property. Within these areas, the study reviewed policy tools used to kick-start diversity and development for long-run growth, and analysed the space allowed for their use within the different agreements.

Overall, it appears that the US constrained the use of these policy tools the most, whilst South-South agreements between developing countries are the most flexible, allowing more space for tools to encourage development. Flexibility within South-South agreements derives from a lack of affirmative trade disciplines, but also from trade liberalisation between developing countries to protect industries and promote regional growth. EU and WTO agreements tend to occupy the middle ground and differ with trading partner. The WTO allows considerable room for manoeuvre, for example, countries are allowed to raise and lower tariffs and provide tax-related export incentives. The EU retains much of this flexibility in investment and intellectual property, but its policies tend to vary more with trading partner.

According to the study, this variation also depends on specific policy areas. For example, considering trade policies for goods, there are many tools, such as export incentives, quotas and safeguards, which could be used to enable development, but also to potentially protect the environment and ensure sustainability. The EU-Chile and EU-Mexico agreements are more prohibitive on the use of these tools, unless there are critical situations, such as food shortages or harmful imports. In comparison, the EU-Tunisia and EU-South Africa agreements are less prohibitive and provide space to deploy these forms of policy.

In terms of trade policies for services, the various agreements also differ in their allowance of the use of certain policies, for example, with respect to the policy tool of controlling sensitive sectors, such as financial services, where a country may want to discourage foreign trade. Like the WTO, the EU adopts a ‘positive list approach’, whereby protection is prioritised and, unless a sector is on the list, it may be protected. However, the US adopts a negative list approach, whereby liberalisation is the priority, so only listed sectors may be protected. This means trading partners are less able to control their sensitive areas to encourage development.

The greatest differences between trade agreements can be found in the area of investment. The EU-Chile agreement conveys a right of establishment for foreign firms, but other EU agreements remain silent on this matter, indicating a flexibility to regulate foreign enterprises, which could potentially enable environmental protection and sustainability. US agreements heavily constrain the use of policies by trade partners to regulate foreign investors, so allowing no space for the policy to kick-start development.


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