



Fifteenth South Asia Economic Summit (SAES XV) Unleashing an equitable green transformation in South Asia

Kathmandu | 11-13 December 2024

Parallel session: Sustainability-based trade measures: An emerging challenge for global trade

Date: 12 December 2024 Time: 11:15-13:00

The triple planetary crises of climate change, pollution and biodiversity loss have taken centre stage, with the effects increasingly evident. While mindful of the urgency to find workable solutions to address this crisis, and recognizing the inextricable relationship between trade and sustainable development, there are increasing concerns related to the recent trend of some countries adopting unilateral trade measures linked to sustainable development and climate change mitigation. These include measures for de-carbonization, circularity, waste management, and deforestation, among others.

Measures such as the carbon border adjustment mechanisms, restricting production processes to preclude the engagement of child labour, and ensuring that commodities and their derivatives are deforestation-free, are concerning for developing economies due to their extraterritorial application and the potential to act as non-tariff barriers to trade. Sustainability-related trade measures fall squarely into the category of “non-product-related processes and production methods” (“NPR-PPM”)-based trade measures, *viz.* “methods and techniques used to produce goods and services that may have an impact on the environment, human health, or animal welfare, but are not directly related to the physical characteristics or quality of the product itself”. NPR-PPM-based trade measures have been the subject of long-standing debate as they might be considered trade restrictive or discriminatory, depending on their design and the manner of implementation.

Amidst the proliferation of sustainability-related trade measures, it is essential to take into account the interests of developing countries and least developed countries (“LDCs”), for whom economic sustainability often takes precedence over environmental goals. Further, effective implementation of such sustainability measures requires that the technology and resources are made available to those communities that most need it, and at an affordable cost. But committed resources for capacity building and development financing in these areas have been inadequate. Developed-country firms, which often possess cutting-edge technologies that provide solutions, have also been reluctant to even engage in substantive dialogue on how technology transfers to developing societies that balance their needs for profit and societal needs for a just transition towards a sustainable future can take place.

Hence, it is crucial to ensure that such measures are not used as a means of disguised protectionism. There is also a need for developing effective platforms and institutions that address critical questions of funding and access to technology to support a just transition. Furthermore, it is worth reiterating how developing countries and LDCs are the biggest victims of environmental disasters without contributing as much towards them as developed countries. The South Asian region, for instance, comprises different nations with different economic capacities. Yet the countries in the region face similar difficulties in tackling sustainability-related trade measures at bilateral and multilateral levels.

Against this backdrop, this panel discussion convened by the Centre for WTO Studies, New Delhi aims to explore the implications of sustainability-related trade measures for the global trading system, with a focus on how to

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ensure that these measures are fair, inclusive, and supportive of developmental objectives of developing countries and LDCs. It brings together trade and sustainability experts to discuss the challenges posed by such measures and to identify pathways for harmonizing trade and sustainability goals without marginalizing vulnerable economies. The panel will engage on questions surrounding:

- the challenges faced by developing countries and LDCs, including those in South Asia, in complying with sustainability-related trade measures and exploring options for support in the form of technical assistance, climate finance, and capacity building;
- how uncoordinated national and regional measures might lead to fragmented trade regimes, increasing compliance complexity for businesses and disrupting global supply chains;
- the best possible courses of action for developing countries while considering commitments both, bilaterally and multilaterally;
- important observations and analyses to secure interests that respect trade and sustainability objectives; and
- the possibilities of common South Asian positions and cooperation on these issues.