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## Staying Open for Business: Environmental Competitiveness and Trade

USAID promotes international trade as a primary way to achieve broad-based economic growth in today's global economy. By trading with other countries and attracting foreign investment, countries can take advantage of global market forces – competition, human resource development, technology transfer, and technological innovation – to generate growth, reduce poverty, and improve national welfare. In order to substantially increase their levels of international trade and investment, developing countries usually have to negotiate and comply with trade agreements that today often include requirements for environmental policy and institutional governance reform. To compete effectively in today's global market and sell into the supply chains of multinational corporations also increasingly requires that developing countries promote compliance by enterprises with sound environmental regulatory standards, and also conformance to international standards, including environmental standards.

### How Environmental Policy and Practice Affects Participation in International Trade

- *Standards enable and encourage trade.* International markets now include requirements for many and diverse sustainability and environmental management standards, including, for example, SA 8000 (for socially responsible employment practices); ISO 14001 (for environmental management systems); HACCP (Hazard Analysis Identifying Critical Control Points for food safety); and EUREGAP (a framework of good agricultural practices for horticultural products). Conformance to international standards both enables entry into international markets and opens up specific trade opportunities in the global economy.
- *Standards ensure environmental sustainability.* Trade initiatives that account for environmental requirements will also integrate principles of sustainable development into trade-promoting activities. They allow the perspective of both the producing country and the market to be considered, including social as well as environmental issues.
- *Accounting for multilateral environmental agreements (MEAs) improves the efficacy of trade agreements.* MEAs include the Kyoto Protocol on Climate Change, the Biodiversity Convention, the Convention on International Trade in Endangered Species, the Convention on Persistent Organic Pollutants, and the like. Trade-related environmental measures authorized or required under MEAs must be consistent with WTO rules. Incorporating MEA-based international environmental rules into trade agreements allows the agreements to take account of environmental impacts without intruding on regulatory areas that are properly the subject of national environmental policy and institutions.
- *Good trade-based environmental practices improve public health.* Alongside environmental requirements are linked and related benefits from requirements for social responsibility within trade agreements. These will lead to improved conditions for workers and improved health and education that will further enhance trade and economic growth in developing economies. This not

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only includes working conditions, but also links to infrastructure improvements for sanitation and health. Standards are mandatory when they are set by governments in the form of regulation, such as sanitation and phytosanitary standards. These affect trade by placing technical requirements such as testing, certification and labeling procedures on goods in international trade.