



MARKET ACCESS, TRADE AND SUSTAINABLE DEVELOPMENT: THE LABOUR MARKET CHANNEL

DEVELOPING COUNTRIES IN INTERNATIONAL TRADE STUDIES





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IN BRIEF

Trade can play an important role in achieving progress towards the SDGs. This report contributes to the enhanced understanding of the interrelated nature of the sustainable development goals and provides guidance for trade-policy makers who would like to harness trade as a means of the implementation of the SDGs, focusing on the employment channel. Based on most recent advances in the trade and employment literature and on ongoing analytical work by the UNCTAD secretariat, this study aims at developing a general framework policy makers can use to design a SDG-sensible trade policy. Two practical cases study illustrate the implementation of this framework.

EXECUTIVE SUMMARY

The 2030 Agenda for Sustainable Development recognizes that “international trade is an engine for inclusive growth and poverty reduction, and contributes to the promotion of sustainable development”.¹ At the macroeconomic level, trade serves as a source of finance for both the public and the private sector. At the microeconomic level, it affects people’s opportunities for consumption and production. This study focuses on how trade affects sustainable development through production, and in particular, the labour channel.

The particular importance of the labour channel is twofold. First, (decent) work is an SDG target itself (8.5), and gainful employment helps individuals achieve other SDGs for themselves and other members of their household. Second, while trade has helped improving the standards of living of millions of people, the employment implications of international trade are not always positive, and can be very disruptive. Trade shocks may have long lasting effects due to the reallocation across sectors of productive resources and the fact that their respective markets do not function perfectly. Imperfections in the labour market are pervasive in most countries. Imperfections are usually reflected in high unemployment rates and high shares of informal employment. Therefore, the implications of trade policies on employment are of particular importance for welfare. Policy-makers who want to harness trade to achieve progress towards the SDGs need to be well aware of the consequences the liberalization of different sectors would have on employment in their country. It might be the case that even if a trade strategy aims at promoting sectors that are relatively more competitive on international markets, overall employment effects can be negative if the latter sectors are also characterized by relatively stronger imperfections on their respective labour markets.

This report provides guidance to trade-policy makers aiming to design employment-centered trade policies. The first chapter is a brief introduction to the issue at stake and underlines its relevance to the current debate about the role of international trade in facilitating the achievement of the SDGs. The second chapter of this report reviews the existing theoretical and empirical literature on the relationship between trade and labour market outcomes. Informality, which is an important feature of the labour market in most developing countries, and its role in framing the latter relationship are discussed in detail. The third chapter of the report presents a diagnostic tool constructed based on insights from the previous chapter, providing detailed information on data requirements and methodology. The diagnostic tool is designed to be used as a first step in assessing the potential employment implications of trade policy. It uses data to build evidence that provides qualitative guidance. It is complementary to simulation tools that estimate numerical outcomes under possible policy reform scenarios but rely on simplifying

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