

## WTO's contribution to sustainable development governance: balancing opportunities and threats

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### Making Preferences for the Environment Compatible: A Case for International Compensation

[www.cat-e.org](http://www.cat-e.org)

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**W**hat kind of multilateral agricultural trade agreement should be designed to benefit both competitive exporting countries and non competitive importing countries wishing to fulfil their domestic collective preferences for non-trade aspects of agricultural production? We show that current trade rules are not efficient in such a situation. On the one hand, current trade rules impose to reduce the impact of domestic support on production and prices, which is not efficient for the importing countries once non trade aspects of agricultural production have been taken into account. On the other hand, domestic support targeted to non trade functions of agriculture can be used to distort the terms of trade in the case of a large importing country, and become hence a legitimate, multilateral trade concern, particularly for competitive exporting countries. Keeping free trade as a possible benchmark to assess the distribution of gains and losses among countries, we derive from a stylised, two country model, optimal conditions for a trade agreement to be beneficial to all. Among such conditions appear international compensations from gaining to losing countries. This means that without such a compensation, no mutually beneficial trade liberalisation can be expected.



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Tancrede Voituriez, PhD in Economics, economist at CIRAD, and head of the Trade Program at IDDRI. His first researches have addressed the issue of world commodity price instability. He is now involved in WTO related issues, and particularly the consequences of non trade concerns on policy spaces and trade rules.

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Tristan Le Cotty, PhD in Economics, economist at IDDRI. His research focuses on the rationale of WTO trade rules in the agricultural sector. He is now leading a research project on the consequences for multilateral negotiations of efficient agricultural policies with expected positive impact on the environment and possible trade distortions.