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Regulatory integration in trade agreements and sustainable development: Legal mechanisms and constraints for inclusive growth

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Abstract

This article advances the concept of development-sensitive regulatory integration in trade law as a pathway for inclusive growth. Unlike traditional liberalization, which emphasizes market access and tariff reduction, regulatory integration aligns institutional and legal frameworks across borders to achieve sustainable outcomes. The guiding research question is: How can regulatory integration in trade law be structured to promote inclusive development? Methodologically, the study is conceptual and doctrinal, drawing on selective secondary literature and illustrative case examples from regional and multilateral agreements, including the AfCFTA, CPTPP, EU DCFTAs, EBA, and AGOA. The analysis highlights structural barriers such as regulatory asymmetry, sovereignty concerns, and unequal bargaining power, and demonstrates how modern trade agreements incorporate mechanisms including Special and Differential Treatment (SDT), investment facilitation, SME support, and technology transfer. By examining these cases, the paper shows how regulatory integration can be recalibrated to promote structural transformation. It concludes with targeted recommendations that directly address identified obstacles, advancing the normative claim that regulatory integration must evolve into a development-sensitive framework oriented toward equity, institutional capacity, and sustainability in the face of global challenges.

Keywords: Trade; Sustainability; Development; Integration; Regula

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1. Introduction

Trade liberalization has long been promoted as a way to reduce poverty and stimulate economic growth worldwide. Enhancing market access, facilitating capital inflows, and boosting efficiency through comparative advantage are all attributed to the removal of tariff and non-tariff barriers (Hoekman and Mavroidis, 2015). However, for many developing countries, the promise of free trade remains unfulfilled. Some have diversified exports and industries, while others remain reliant on commodities and vulnerable to external shocks (Rodrik, 2018). This uneven experience has renewed attention to the connection between trade liberalization and development goals, particularly the need to ensure that trade outcomes align with broader objectives of social inclusion, economic resilience, and environmental sustainability.

This article contributes to ongoing debates by advancing the concept of development-sensitive regulatory integration. Existing literature on deep integration and 21st-century regionalism has emphasized efficiency and policy alignment, but has not systematically addressed how integration can be recalibrated to development asymmetries. The framework proposed here highlights three models of regulatory integration, harmonization, mutual recognition, and hybrid approaches, and evaluates them through a development lens. This typology underscores how integration mechanisms can either exacerbate or mitigate structural inequalities depending on their design. By foregrounding equity, institutional capacity, and sustainability, the article offers a distinctive normative contribution beyond descriptive accounts of trade law.

The research question guiding this study is: *How can regulatory integration in trade law be structured to promote inclusive development?* Methodologically, this is a conceptual and doctrinal analysis based on selective secondary literature and illustrative case examples, including the AfCFTA and EU DCFTAs. The normative claim advanced is that regulatory integration must be reoriented toward equity, institutional capacity, and sustainability rather than efficiency alone.

To situate this argument, Section II examines the legal underpinnings of regulatory integration in trade law. Section III explores how contemporary trade agreements incorporate development objectives. Section IV analyzes operational mechanisms for economic advancement, while Section V assesses structural obstacles to sustainable integration. Section VI offers targeted recommendations for reform, and Section VII concludes with reflections on the future of trade agreements in global development.

2. Understanding regulatory integration in trade law

The importance of regulatory integration has increased significantly within the framework of modern international trade. Tariffs and non-tariff measures, particularly those included in domestic regulations, have become the primary source of trade friction. These include technical specifications, licensing procedures, investment requirements, health and safety regulations, and product standards, all of which have the potential to purposefully or inadvertently obstruct market entry (Bacchus, 2018). It is becoming increasingly accepted that resolving these regulatory disparities is essential to promoting trade and enhancing the positive developmental effects of trade agreements, particularly for small and developing economies.

2.1. Definition and legal relevance

The legal process by which nations harmonize, align, or mutually recognize their domestic laws governing trade-related activities is known as regulatory integration in trade law. By lessening discrepancies between legal and technical standards, it aims to promote cross-border trade without necessarily compromising national policy autonomy. Regulatory integration may take a variety of forms, ranging from informal dialogues to legally binding commitments, but it always involves coordination of governance frameworks across national borders (Hoekman and Mattoo, 2011).

This process is particularly relevant in modern trade agreements that move beyond the World Trade Organization's (WTO) focus on market access and into "behind-the-border" issues. Baldwin (2016) contends that contemporary trade governance functions under the principle of "21st-century regionalism," wherein integration prioritizes the alignment of domestic policies over the reduction of tariffs.

2.2. Harmonization vs. mutual recognition

Mutual recognition and harmonization are the two main models of regulatory integration. Adopting common standards or legal requirements by all parties is a necessary step towards harmonization. This strategy, frequently supported by supranational organizations or oversight bodies, ensures a high degree of regulatory consistency. This model is best illustrated by the European Union's Single Market, in which member states have enacted common regulations in areas such as product safety, environmental standards, and consumer protection, which are enforced by EU agencies like the European Commission and the European Court of Justice (Craig and de Búrca, 2020).

Mutual recognition, on the other hand, permits each state to preserve its own regulatory framework while consenting to recognizing other states' standards as being on the same level as its own. Although this model maintains regulatory autonomy, it necessitates strong dispute resolution procedures and a high level of trust. One well-known example is the Trans-Tasman Mutual Recognition Arrangement between Australia and New Zealand, which permits products lawfully sold in one nation to be sold in the other without additional regulatory obstacles (Arrowsmith, 2005).

In addition to concerns over sovereignty and the potential loss of regulatory control, harmonization remains politically sensitive despite its promise of greater consistency. When states differ in institutional capacity or policy priorities, mutual recognition offers flexibility but is often more challenging to implement. To balance legal certainty with national discretion, many trade agreements adopt hybrid approaches that combine harmonized elements with mutual recognition protocols. These two pathways of regulatory integration differ not only in legal formality but also in institutional depth. Harmonization entails rule-making integration, in which parties adopt common standards and legal requirements, often enforced by supranational institutions. Mutual recognition, by contrast, reflects procedural or cooperation-based integration, emphasizing dialogue, transparency, and equivalence assessments rather than uniform rules. The CPTPP's "regulatory coherence" chapter exemplifies this softer model, relying on impact assessments and consultation mechanisms (CPTPP, 2018), while EU DCFTAs illustrate "hard" approximation, requiring alignment with substantial portions of the acquis (van der Loo, 2016). Recognizing this distinction underscores how integration can range from cooperative dialogue to binding legal transplantation, with significant implications for development-sensitive design.

For developing countries, the choice between hard approximation and soft coherence is not merely technical but developmental: while approximation can accelerate modernization, it also imposes heavy compliance costs, whereas coherence offers flexibility but requires strong institutional dialogue mechanisms (Hoekman and Mattoo, 2011).

2.3. Examples of regulatory integration in modern agreements

Several recent trade agreements exemplify the variety and intricacy of regulatory integration. A specific chapter on regulatory coherence in the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) encourages member states to implement sound regulatory practices, carry out impact analyses, and hold public consultations (CPTPP, 2018). The provisions establish normative expectations for regulatory cooperation and transparency, which can influence domestic policymaking even though they are largely non-binding.

2.3.1. CPTPP and regulatory coherence

The African Continental Free Trade Area (AfCFTA) advances regulatory integration through its Protocol on Trade in Services and Protocol on Investment, which encourage reciprocal recognition of professional credentials and collaboration on regulatory frameworks (UNECA, 2022). Unlike the CPTPP's soft coherence, the AfCFTA adopts a gradualist, capacity-linked strategy. Commitments are phased, allowing member states to liberalize at different speeds depending on institutional readiness. For example, the Protocol on Trade in Services establishes mechanisms for mutual recognition of professional qualifications and regulatory convergence in sectors such as telecommunications and financial services. These provisions are paired with technical assistance platforms, training, and funding to ensure weaker economies can comply. The incremental design reflects a deliberate balance: ambition in scope, but realism in implementation. Developmentally, this model recognizes asymmetry among African states and embeds support structures to prevent regulatory integration from becoming exclusionary. It demonstrates how integration can be tailored to structural realities, operationalizing inclusivity through sequencing and assistance.

2.3.2. EU single market and DCFTAs

The most developed and institutionalized model of regulatory integration remains the European Union's single market. The EU has standardized product standards through instruments such as the New Approach Directives and relies on accredited conformance assessment organizations to ensure compliance (Pelkmans, 2012). This represents "hard" rule-making integration: member states adopt common standards enforced by supranational institutions like the European Commission and the Court of Justice. Beyond its internal market, the EU exports this model through Deep and Comprehensive Free Trade Agreements (DCFTAs) with partners such as Georgia and Ukraine. These agreements require alignment with substantial portions of the EU acquis Communautaire (van der Loo, 2016). In practice, approximation clauses have triggered institutional reforms, such as the establishment of Georgia's Competition Agency in 2014, directly linked to DCFTA obligations (European Commission, 2016; Kavtaradze and Japaridze, 2025). This illustrates how regulatory integration can catalyze domestic legal modernization, albeit at the cost of significant compliance burdens. For partner

countries, approximation offers access to the EU market and an anchor for reform, but also raises sovereignty concerns and requires sustained institutional investment.

2.3.3. Strategic importance for development

In addition to facilitating trade, regulatory integration provides developing economies with a means to modernize their legal systems and bolster their institutions. Mutual recognition can provide access to high-value markets with fewer administrative obstacles, while harmonized standards can enhance industrial safety, environmental regulation, and consumer protection (Narlikar, 2020). Furthermore, small and medium-sized businesses, which often cannot navigate complex foreign regulatory environments, may find that regulatory integration reduces their compliance costs. Regulatory integration can modernize legal systems and strengthen institutions, as seen with the EU–Georgia Deep and Comprehensive Free Trade Area (DCFTA), which mandated approximation to EU competition law. This institutional reform enhanced domestic oversight capacity and judicial accountability, demonstrating how integration clauses can catalyze tangible governance improvements. Such examples underscore that integration is not merely normative but can trigger measurable institutional transformation.

However, both technical know-how and political will are required for regulatory integration to succeed. If developing nations lack the necessary institutional infrastructure, such as testing facilities, law enforcement tools, and skilled personnel, they may not be able to benefit from integrated regulatory regimes fully. Therefore, legal commitments alone are insufficient for proper integration. Strong support networks, such as funding, training courses, and venues for knowledge exchange, are also necessary.

3. Trade agreements and development objectives

Trade agreements today are more than instruments for market access; they increasingly embed developmental goals such as promoting inclusive growth, reducing poverty, and strengthening institutional effectiveness in developing countries. This reflects a growing recognition that trade liberalization alone does not guarantee equitable outcomes. The design of trade rules, the methods by which they are enforced, and their integration into broader development strategies all determine whether trade can facilitate long-term structural transformation (UNCTAD, 2019).

Most contemporary agreements now include clauses on technical assistance, capacity-building, and special and differential treatment (SDT) for developing and least developed countries (LDCs). These provisions acknowledge disparities in trade capacity and institutional preparedness, aiming to integrate fairness into the global trading system.

3.1. Technical assistance and capacity-building

Technical assistance provisions enable developing countries to comply with complex trade rules by providing funding, training, policy advice, and infrastructure support. Since the establishment of the WTO in 1995, technical assistance has been a core component of its framework and remains central in regional and bilateral agreements (Evenett, 2019). It is particularly important in areas such as sanitary and phytosanitary measures

(SPS), intellectual property rights, and trade facilitation, which require advanced legal and administrative systems.

For example, the EU's Economic Partnership Agreements (EPAs) with African, Caribbean, and Pacific (ACP) countries include support for customs modernization, digital trade infrastructure, and trade-related education programs (Stevens, 2005). Similarly, the African Union has created a support platform under the AfCFTA to assist member states with regulatory reforms and policy harmonization (UNECA, 2022). The AfCFTA's regulatory cooperation framework illustrates this developmental orientation. Beyond reciprocal recognition of professional qualifications, the AfCFTA Secretariat has established a support platform that provides technical assistance, training, and funding for regulatory reforms. Commitments are phased, allowing weaker economies to implement obligations gradually while building institutional capacity. This architecture demonstrates how regulatory integration can be tailored to development asymmetries rather than imposed uniformly, making it a practical case of capacity-linked integration. These mechanisms serve a dual purpose; they empower developing countries to participate more effectively in global trade while also stabilizing the system by reducing disputes and non-compliance (Hoekman and Mavroidis, 2015).

3.2. Special and differential treatment (SDT)

SDT provisions remain a cornerstone of development-oriented trade law. They grant developing countries more extended implementation periods, exemptions from certain obligations, and preferential market access (Keck and Low, 2004). The principle underlying SDT is equity. Equal treatment under international law does not necessarily yield equal results when states begin from different economic positions.

Examples include the WTO's Agreement on Agriculture, which allows developing countries to maintain subsidies for food security and rural development, and the phased implementation model of the Trade Facilitation Agreement (TFA), which permits countries to self-determine commitments and request technical assistance (WTO, 2020). However, critics argue that SDT is vague and unenforceable, enabling wealthier emerging economies to benefit from provisions intended for LDCs (Narlikar, 2020). Some developed countries have also called for reform, advocating for eligibility based on measurable development indicators rather than self-designation. This article advocates a recalibrated model of SDT that moves beyond vague self-designation. Specifically, SDT should be indicator-based, relying on measurable development criteria such as per capita income, institutional capacity, and trade vulnerability. It should also be conditional on verified capacity assessments, ensuring that flexibilities are targeted to genuine needs rather than exploited by advanced emerging economies. While politically challenging, such differentiation would enhance legitimacy and fairness, even if implementation requires phased commitments and consensus-building. The political obstacles to such targeted differentiation remain significant, as achieving consensus among WTO members is difficult, but incremental reforms through regional agreements or plurilateral initiatives could provide realistic entry points (Ukpe, 2024).

3.3. The role and limitations of the World Trade Organization

The WTO plays a central role in formalizing trade-related development objectives by providing legal frameworks, negotiation venues, and dispute settlement mechanisms. However, its record has been uneven. The Doha Development Round, launched in 2001 to prioritize development, stalled due to disagreements over

agriculture, intellectual property, and services liberalization (Hopewell, 2016). This impasse highlights structural problems in consensus-based negotiations, where powerful states dominate, and weaker members often lack technical expertise.

The paralysis of the Appellate Body, caused by the blocking of appointments, has further undermined the dispute settlement system, once praised for its legal strength. This crisis disproportionately affects developing countries, which rely on binding adjudication to combat unfair practices (Van den Bossche and Zdouc, 2022). Scholars and policymakers have therefore called for WTO reform that prioritizes development, including differentiated dispute resolution, enhanced technical capacity, and enforceable SDT obligations (Steger, 2009). The paralysis of the Appellate Body undermines not only dispute settlement generally but also the enforcement of deep integration commitments. Without a functioning adjudicative tier, obligations in services, investment, and regulatory approximation chapters' risk becoming aspirational rather than binding. For developing countries, this gap is particularly damaging: they rely on adjudication to ensure that powerful partners honor integration clauses. Thus, the crisis directly weakens the credibility of regulatory integration as a development tool. For smaller economies, the absence of binding adjudication removes a critical safeguard against power asymmetries, weakening confidence in the WTO's ability to deliver development-sensitive outcomes (Hopewell, 2025).

3.4. Emerging regional and bilateral approaches

In response to multilateral gridlock, many developing countries have pursued regional and bilateral agreements to embed development objectives more concretely. The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) includes chapters on development, labour rights, and regulatory coherence (Bollyky, 2012). The EU's Deep and Comprehensive Free Trade Agreements (DCFTAs) with neighbouring states require regulatory approximation and provide financial and legal assistance to facilitate compliance (van der Loo, 2016).

These agreements increasingly integrate environmental protections, gender-sensitive trade measures, and digital inclusion. Nevertheless, challenges remain in ensuring that such commitments are implemented effectively. The trend, however, demonstrates that trade law is evolving toward frameworks that combine economic growth with social justice and sustainability. These regional innovations demonstrate how countries are experimenting with development-sensitive integration outside the WTO, though their effectiveness depends on sustained institutional support and monitoring (UNECA, 2022).

4. Mechanisms for inclusive growth through trade law

Trade law, when crafted with an eye toward the future, can serve as the basis for comprehensive economic transformation. Modern trade agreements increasingly go beyond tariff reduction to incorporate legal tools that advance broader social and developmental objectives. These mechanisms include preferential market access, investment facilitation, SME empowerment, dispute resolution, and technology transfer. Together, they illustrate how trade law can operationalize development goals in practice.

4.1. Preferential market access for least developed countries

Preferential schemes such as the EU's Everything but Arms (EBA) initiative and the U.S. African Growth and Opportunity Act (AGOA) grant duty-free and quota-free access to LDC exports. Scholars note that these arrangements have facilitated diversification and industrial growth in some cases, such as Bangladesh's textile sector, where EBA preferences are widely regarded as having supported entry into EU markets (Razzaque and Rahman, 2019; Khorana et al., 2021; European Commission, 2023). However, preferential access on its own does not guarantee sustained development outcomes. Realizing such benefits depends on complementary domestic factors, including institutional support, productive capacity, and export readiness. Trade agreements can reinforce these schemes by embedding clauses that promote capacity building and investment preparedness, thereby increasing the likelihood that preferential access translates into long-term structural gains.

4.2. Investment facilitation and legal infrastructure

Investment facilitation provisions are designed to enhance predictability and transparency in cross-border investment. Agreements such as the CPTPP and EU Association Agreements typically include investor protections, equal treatment clauses, and dispute settlement mechanisms (Bollyky, 2012). Scholars suggest that such rules can help mitigate risk and create a more stable environment for foreign direct investment (FDI), which is often viewed as critical for infrastructure development, technology transfer, and job creation. Commentators note that Morocco's association agreement with the EU has been linked to increased EU-origin FDI, particularly in renewable energy and automotive sectors (European Commission, 2020). However, the extent of this impact depends on broader domestic and regional factors. At the multilateral level, ongoing WTO discussions on the Investment Facilitation for Development (IFD) agreement reflect a growing consensus on the importance of strengthening legal environments for investment in developing economies, even if the precise institutional pathways remain under negotiation. The WTO's IFD initiative illustrates how plurilateral pathways can embed investment transparency and capacity-building into multilateral frameworks, even if consensus remains incomplete (Ukpe, 2024).

4.3. SME empowerment and value chain integration

Small and medium-sized enterprises (SMEs) often encounter disproportionate barriers to participating in global trade, ranging from high compliance costs and complex standards to limited access to finance and market information. These constraints not only restrict their ability to export but also hinder their integration into regional and global value chains, where larger firms typically dominate. Recognizing this structural imbalance, recent trade agreements have begun to include explicit provisions to empower SMEs and lower entry barriers.

The United States–Mexico–Canada Agreement (USMCA) includes a dedicated SME chapter that mandates cooperation among member states, the exchange of best practices, and mechanisms to improve SME access to trade finance and market intelligence (USMCA, 2020). This institutional recognition of SMEs as distinct stakeholders signals a shift toward inclusive trade governance. Similarly, the African Continental Free Trade Area (AfCFTA) Protocol on Trade in Services emphasizes SME participation in regional value chains, supported by technical assistance and capacity-building programs (UNECA, 2022). By embedding SME-specific measures

within broader integration frameworks, these agreements seek to democratize the benefits of trade and ensure that smaller firms are not excluded from opportunities created by liberalization.

However, the effectiveness of these provisions depends heavily on complementary domestic policies. Access to affordable credit, targeted training programs, and investment in infrastructure are essential to translate treaty commitments into tangible empowerment. Without such support, SMEs may remain unable to comply with technical standards, leverage digital platforms, or scale production to meet international demand. Moreover, integration into value chains requires not only financial and technical capacity but also institutional support for innovation, quality certification, and logistics.

Taken together, these developments illustrate a growing recognition that trade agreements must go beyond tariff reduction and market access to address structural inequalities in participation. SME empowerment through value chain integration represents a critical pathway toward inclusive growth, but it requires a holistic policy mix that combines international commitments with national reforms. In this way, agreements such as the USMCA and AfCFTA demonstrate how trade law can evolve to support smaller enterprises, fostering diversification, resilience, and broader socio-economic development (USMCA, 2020; UNECA, 2022; Atoye et al., 2025).

4.4. Dispute resolution and legal predictability

Predictable legal frameworks reduce uncertainty and foster trust in trade relationships. The WTO's Dispute Settlement Understanding has long been praised for its fairness, though the Appellate Body crisis has weakened confidence (Van den Bossche and Zdouc, 2022). In response, new generation agreements have experimented with alternative systems. The EU–Ukraine DCFTA, for instance, employs a tiered dispute-resolution mechanism that combines political and legal stages (van der Loo, 2016). The EU–Ukraine DCFTA also illustrates how regulatory approximation functions in practice. Ukraine is required to align substantial portions of its domestic law with the EU acquis, covering competition, consumer protection, and environmental standards. While this imposes significant compliance costs, it has also triggered institutional reforms, including the creation of specialized regulatory agencies and enhanced judicial oversight. The DCFTA's tiered dispute resolution system supports this process by combining political dialogue with binding arbitration, ensuring that approximation is embedded in institutional practice rather than remaining a formal commitment. For developing countries, access to effective dispute resolution is vital to counterbalance power asymmetries, protect national interests, and strengthen institutional credibility.

4.5. Technology transfer and industrial development

Technology transfer provisions are increasingly embedded in trade agreements as instruments for structural transformation and industrial upgrading. At the multilateral level, the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) contains Article 66.2, which obliges developed countries to provide incentives for enterprises and institutions to transfer technology to least developed countries (LDCs). In practice, however, implementation has been uneven, with reporting mechanisms often criticized for lacking transparency and measurable outcomes (WTO, 2021). This gap between legal obligation and practical delivery underscores the challenges of operationalizing technology transfer within global trade law.

Regional and bilateral frameworks have attempted to bridge this gap by linking trade commitments with broader development strategies. The European Union's *Global Gateway* initiative, for example, integrates infrastructure investment with digital innovation, renewable energy projects, and educational partnerships designed to enhance technological capabilities in partner countries (European Commission, 2021). By embedding technology transfer within a wider package of connectivity and skills development, such frameworks aim to reduce dependency on foreign technology and foster domestic innovation ecosystems.

The developmental impact of these mechanisms, however, depends critically on the absorptive capacity of recipient countries. Absorptive capacity refers to the ability of domestic firms, institutions, and research systems to internalize, adapt, and build upon transferred technologies. Where countries have robust R&D infrastructure, supportive regulatory environments, and skilled human capital, technology transfer can catalyze industrial diversification, productivity gains, and integration into higher-value segments of global value chains. Conversely, in contexts where institutional support is weak, innovation systems are underdeveloped, and financing for R&D is scarce, transferred technologies often remain underutilized, limiting their transformative potential (UNCTAD, 2019).

This dynamic highlights a broader policy lesson: technology transfer provisions in trade agreements cannot operate in isolation. They require complementary domestic measures, including investment in education and vocational training, strengthening of intellectual property management systems, and targeted industrial policies that encourage innovation and entrepreneurship. Without such measures, LDCs risk remaining dependent on external technologies, perpetuating structural asymmetries rather than overcoming them.

Ultimately, technology transfer is not merely a technical process but a governance challenge. Effective implementation requires coordination between international obligations, regional initiatives, and national development strategies. When aligned, these mechanisms can support industrial upgrading, enhance competitiveness, and contribute to long-term structural transformation. When misaligned, they risk reinforcing dependency and widening the technological divide.

5. Challenges to sustainable integration

While the promise of trade agreements as tools for sustainable economic transformation is widely acknowledged, their realization is frequently hindered by a range of structural, institutional, and geopolitical challenges. These challenges, rooted in regulatory asymmetry, limited institutional capacity, sovereignty tensions, unequal bargaining power, and policy incoherence, pose significant risks to the equitable and sustainable outcomes that trade integration aspires to achieve.

5.1. Regulatory asymmetry and capacity constraints

One significant challenge to long-term regulatory integration is that rules vary across participating countries. Many developing and least developed countries (LDCs) have weak legal systems, inconsistent technical standards, and struggle to enforce laws. Developed countries, on the other hand, tend to have strong regulatory environments that include oversight agencies, mechanisms to ensure compliance with rules, and procedures for resolving disputes (Hoekman and Mattoo, 2011). This imbalance often means that weaker economies must

make more changes than stronger ones, making it difficult for them to implement the commitments they made in trade agreements.

For instance, countries with limited laboratory capacity, inadequate inspection systems, or insufficiently trained workers have struggled to comply with WTO rules and regional agreements (UNCTAD, 2019) regarding sanitary and phytosanitary (SPS) measures. As a result, market access rules can become de facto inaccessible, even though they are legally binding. This makes the structural problems that trade integration aims to fix even worse. Similar asymmetries are evident in digital trade negotiations, where weaker economies often lack the institutional frameworks to regulate cross-border data flows. This leaves them vulnerable to adopting externally imposed standards without adequate domestic consultation, reinforcing dependency rather than building regulatory capacity (UNCTAD, 2019).

5.2. Sovereignty concerns and domestic autonomy

Another issue is the misconception that regulatory integration requires relinquishing sovereignty. Governments are often reluctant to cede control over domestic regulation, especially in vital sectors such as public health, food safety, and environmental preservation. The situation is particularly pronounced in developing nations, where regulatory flexibility is essential for industrial policy, the acquisition of new technologies, and the provision of social services (Rodrik, 2018).

If harmonization initiatives are perceived as violating local priorities or as imposing external regulations without sufficient public input, they may encounter opposition within the country. The legal enforceability of these mechanisms, which often favor multinational investors, can limit the policy space needed to follow development strategies that include everyone. Concerns about sovereignty are sharpened by investor-state dispute settlement (ISDS), which can constrain public-interest regulation (Sornarajah, 2015). Recent treaties have attempted to mitigate these risks through carve-outs and safeguards. For example, the EU–Canada CETA includes general exceptions for public health and environmental measures, while proposals for an investment court system seek to rebalance adjudication. Assessing these mechanisms reveals mixed adequacy: while they provide legal cover, their effectiveness depends on consistent interpretation and political will, leaving developing countries vulnerable to investor pressure. Concrete illustrations include disputes over agricultural subsidies, where developing countries have faced challenges defending food security measures against claims of trade distortion. Such cases highlight how sovereignty concerns are not abstract but directly tied to developmental priorities such as rural livelihoods and industrial policy (Hopewell, 2016).

Additionally, mutual recognition can foster distrust, even though it is less intrusive, if regulatory equivalence is perceived as unfair or if enforcement mechanisms are deemed ineffective. Without strong institutions and clear governance, mutual recognition might worsen existing inequalities rather than close regulatory gaps.

5.3. Unequal bargaining power and norm exportation

Trade negotiations are rarely conducted on a level playing field. Unequal bargaining power allows stronger economies to shape trade agreements in ways that reflect their legal traditions, industrial interests, and

geopolitical priorities. This often results in "norm exportation", where weaker countries adopt standards and disciplines that may be ill-suited to their development stage or institutional realities (Shaffer and Ginsburg, 2012).

For example, many EU Association Agreements require partner countries to approximate large portions of the EU acquis Communautaire as a precondition for market access. While this can promote regulatory modernization, it also imposes substantial compliance costs on countries that may lack the resources to implement such comprehensive reforms effectively (van der Loo, 2016). In such contexts, trade agreements risk functioning as tools of legal transplantation rather than collaborative integration. Moreover, while norm exportation often reflects asymmetrical bargaining power, it is not always externally imposed. Partner countries sometimes voluntarily align with a large market's acquis to anchor domestic reform, even at high cost. Ukraine's approximation to EU standards, for example, was partly driven by domestic reform agendas seeking credibility and modernization (European Commission, 2024; EU Delegation to Ukraine, 2023). This voluntary alignment underscores that approximation can be both a negotiated choice and a tool of legal transplantation, depending on context.

Additionally, intellectual property rights (IPR) standards, particularly those modeled after the WTO's TRIPS Agreement and embedded in many bilateral trade deals, have been criticized for restricting access to essential medicines, educational resources, and digital tools in developing countries (Sell, 2003). These power asymmetries often undermine the developmental intent of trade integration, reinforcing global hierarchies rather than dismantling them.

5.4. Policy coherence and fragmentation

Achieving sustainable integration requires a high degree of policy coherence between national development strategies and international trade commitments. In many countries, particularly those with low incomes and weak governance, trade policy is formulated without taking into account other development planning processes, environmental considerations, and industrial strategies (Egenhofer, 2006). This division of policy areas puts trade obligations at odds with domestic goals, such as reducing poverty, creating jobs, or making the climate more resilient.

For example, a government may attempt to protect a newly established domestic industry while simultaneously liberalizing imports under a trade agreement. This can lead to conflicting goals. Similarly, subsidies or tax credits intended to promote social equity may inadvertently violate trade rules, potentially leading to disputes or necessitating legal reform. This misalignment is exacerbated by poor coordination among ministries and by a lack of stakeholder participation in trade policymaking, particularly from marginalized groups such as small and medium-sized businesses, farmers, and informal workers.

Also, environmental and social protections in trade agreements are often ineffective to enforce, raising concerns that trade-driven growth may not be sustainable in the long run. Some recent agreements have impact assessments or review clauses, but these are mostly just goals without ways to hold people accountable or act (Bartels, 2012).

6. Recommendations for policy and legal reform

The difficulties with sustainable regulatory integration discussed above suggest that trade law and policy should be more open, development-focused, and forward-thinking. If drafted correctly, trade agreements can be highly effective tools for shaping the economy.

6.1. Targeted capacity-linked implementation schedules

Building on the earlier challenge of regulatory asymmetry and capacity constraints, trade agreements should adopt phased commitments tied to verified capacity assessments. This approach allows obligations to be sequenced according to each country's institutional readiness, rather than imposed uniformly. Technical assistance must be embedded as a binding obligation, with measurable benchmarks and joint monitoring to ensure credibility. Such provisions not only prevent weaker economies from being penalized for structural deficits but also create a cooperative framework in which capacity-building and compliance progress are tracked together. In this way, rules can be implemented at a realistic pace while fostering trust among parties and reinforcing the legitimacy of integration commitments.

6.2. Safeguards for domestic policy space

In response to concerns about sovereignty and issues related to domestic autonomy discussed in the previous section, agreements should include explicit carve outs for public health, environment, and social welfare. Investor-state dispute settlement should be recalibrated to protect regulatory autonomy, either by narrowing its scope or replacing it with state-to-state mechanisms that recognize development priorities.

Beyond procedural reform, the legitimacy of these carve-outs depends on embedding them within transparent monitoring and review systems. Explicit criteria for invoking public interest exceptions, coupled with reporting obligations and peer review, can prevent abuse while safeguarding policy space. This approach ensures that governments retain the flexibility to pursue developmental and social objectives without undermining investor confidence. By institutionalizing transparency and accountability, agreements can strike a balance between regulatory autonomy and predictability, reinforcing trust among states and private actors alike.

6.3. Guardrails against overly stringent legal transplantation

To counter the unequal bargaining power and norm exportation, regulatory approximation clauses must be accompanied by costed implementation roadmaps, opt-out provisions, and equivalence mechanisms. This prevents wholesale transplantation of advanced standards onto weaker economies without adaptation to local contexts. Recommendations must be grounded in feasible institutional pathways. Enforceable and targeted SDT could realistically be pursued through plurilateral initiatives within the WTO, supplemented by annexes or waiver decisions in regional trade agreements. Transitional implementation schedules might be embedded in treaty annexes or interpretative declarations, ensuring legal clarity without requiring wholesale renegotiation. Such pathways demonstrate how reform proposals can be operationalized within existing structures rather than remaining aspirational (Ukpe, 2024).

6.4. Coherence and coordination mechanisms

To address policy incoherence and fragmentation, agreements should establish coordination platforms *to* align WTO, regional, and bilateral commitments. Standardized reporting formats and inter-ministerial councils can ensure obligations are consistent with national development strategies.

6.5. Enforceable sustainability commitments

To address enforcement gaps surrounding sustainability protections, trade agreements must elevate sustainability clauses from aspirational language to binding obligations. Too often, commitments to environmental protection, gender equality, or digital inclusion are framed as cooperative goals without clear accountability. Embedding enforceability requires linking sustainability impact assessments to compliance reviews, ensuring that outcomes are monitored against agreed benchmarks.

Where deficiencies are identified, remedial pathways should be activated. These can include structured consultations to resolve disputes, compliance plans with measurable targets, or, in persistent cases, targeted sanctions or suspension of benefits. Such mechanisms integrate sustainability into the same compliance architecture that governs tariffs and investment, preventing these goals from being sidelined.

Comparative practice shows that enforceability can take different forms. The European Union increasingly ties sustainability chapters to dispute settlement procedures, while other frameworks emphasize cooperative monitoring and technical assistance. For developing countries, enforceability must be balanced with capacity-building, so that obligations are realistic and supportive rather than punitive.

Ultimately, enforceable sustainability commitments reflect a shift in trade law toward structured accountability. By embedding sustainability into compliance systems, agreements can ensure that environmental, gender, and digital inclusion objectives are treated as core obligations, shaping integration in ways that are both ambitious and development-sensitive.

6.6. Interdisciplinary collaboration

Finally, interdisciplinary collaboration can be institutionalized through advisory structures that combine legal, economic, and environmental expertise. The EU's Domestic Advisory Groups under trade and sustainable development chapters provide one model. In contrast, national trade councils in countries such as France and Germany integrate diverse stakeholders into policy design. Adapting similar structures to developing regions could enhance inclusivity and ensure that regulatory integration reflects broader development priorities.

7. Conclusion

Trade agreements hold unrealized potential as instruments for long-term economic transformation, particularly when they embed strategic regulatory integration. The quality of legal frameworks, the inclusivity of provisions, and the developmental intent incorporated into trade agreements determine their transformative impact, even though traditional liberalization has emphasized market access and tariff reduction.

Whether achieved through harmonization or mutual recognition, regulatory integration can lower transaction costs, promote institutional growth, and facilitate technology transfer. Nevertheless, the developmental impact of these mechanisms depends not only on their design but also on whether integration models are calibrated to institutional capacity asymmetries. Hard approximation can accelerate modernization but imposes heavy compliance costs, while softer coherence models provide flexibility but require strong dialogue and trust (Hoekman and Mattoo, 2011).

Notable asymmetries remain in the current architecture of international trade. Concrete illustrations, such as SPS compliance failures and subsidy disputes, show how institutional weaknesses translate into real developmental barriers (UNCTAD, 2019; Hopewell, 2016). At the same time, voluntary alignment cases like Ukraine's approximation to the EU acquis demonstrate that norm exportation can also serve as a reform anchor when driven by domestic agendas (European Commission, 2024; EU Delegation to Ukraine, 2023). Trade policies that disregard development priorities risk escalating rather than reducing global inequality, as noted by Rodrik (2018).

Reform is therefore necessary to close these gaps, both in the institutions that oversee trade agreements and in their overall design. Feasible pathways include plurilateral initiatives within the WTO, annexes or waiver decisions in regional trade agreements, and interpretative declarations that embed capacity-linked implementation schedules (Ukpe, 2024). Trade regulations must be redesigned with sustainable development at their core, supported by legally binding commitments, capacity-enhancing procedures, and more robust dispute-resolution mechanisms. Multilateral organizations like the WTO need to review their operations to accommodate different developmental viewpoints and provide a more responsive, transparent, and inclusive forum for enforcement and negotiation (Steger, 2009; Narlikar, 2020).

Crucially, an interdisciplinary approach is no longer optional; it is now necessary. Legal scholars, economists, political scientists, and development practitioners must collaborate more intentionally in shaping trade policy. Models such as the EU's Domestic Advisory Groups and national trade councils illustrate how diverse expertise can be institutionalized in trade governance, offering templates for developing regions to embed inclusivity and coherence (Martens et al., 2020). Embedding inclusive processes into trade governance ensures that trade rules are not only technically sound but also socially equitable and environmentally viable.

Looking ahead, institutional adaptability will be vital. As global challenges ranging from digital transformation to climate change reshape the trade landscape, agreements must become living instruments that evolve in response to changing developmental needs. Only then can trade agreements move from being instruments of exchange to vehicles of shared prosperity and sustainable growth

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