Understanding the linkages between trade and sustainability

TRADE4SD Workshop
19 September 2024

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HORIZON 2020

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Outline

1. Our context

2. Policy relevant results by WPs

3. Upcoming tasks possibly relevant for policy

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What TRADE4SD does? (Objectives)

- Provide a framework behind trade and sustainability linkages (WP1)
- Provide a structured review of how SDGs are currently included in trade rules (WP2)
- Measure the links between trade, trade policies and sustainability via elaborating a new and robust sustainability toolbox integrating econometric and SDGs indicators (WP3)
- Provide context-specific case studies of selected agri-food value chains in relevant EU trade partners in Asia and Africa (WP4)
- Analyse the coherence of the current EU trade-related policies (trade, CAP, energy, climate, bioeconomy, nutritional) in view of their impacts on trade and SDGs (WP5)
- Identify options for improving the sustainability impacts of EU trade policy and provide evidence-based policy recommendations (WP6)
- Facilitate the science-to-society dialogue (WP7)

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Active stakeholder involvement

WP	Participatory activity	Methodology	Link with other WPs
WP1	Scoping exercise	Iterative selection	WP2, WP3, WP5, WP 6, WP7
WP2	PTAs analysis and case study on STCs	Country case studies - interviews	WP3, WP4, WP6
WP3	Scenario building	Workshop	WP4
WP4	Case study on GVCs, Stakeholder views on Sustainability, Trade Game	Case studies, Delphi Survey	WP3, WP5, WP6
WP5 and WP6	Policy coherence analysis and relevance of project results to CAP	Delphi Survey	WP7
WP7	Discussion of results and feedback	Workshop	WP1 to WP6

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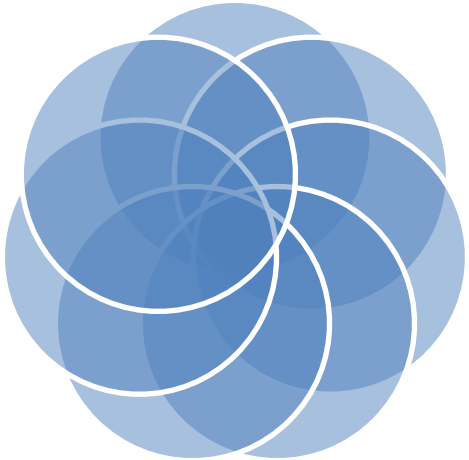
Project Structure in Numbers

40 Deliverables

4 Years
(2021-2025)

19 Milestones



60+ Colleagues

31 Tasks

10 Countries

13 Participants

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List of Consortium Members

No.	Participant Organisation Name	Country
1	Budapesti Corvinus Egyetem (CUB)	HU
2	University of Kent (UNIKENT)	UK
3	Consiglio per la Ricerca in Agricoltura e l'Analisi dell'Economia Agraria (CREA)	IT
4	Johann Heinrich von Thünen-Institut, Bundesforschungsinstitut für ländliche Räume, Wald und Fischerei (THUENEN)	DE
5	The University of Sussex (UOS)	UK
6	University of Ghana (UG)	GH
7	Luonnonvarakeskus (LUKE)	FI
8	Centrum Analiz Spoleczno-Ekonomicznych-Fundacija Naukowa (CASE)	PL
9	Food and Agriculture Organization of the United Nations (FAO)	IT
10	Institut National D'Etudes Supérieures Agronomiques de Montpellier (INRAE)	FR
11	Confederazione Generale Dell'Agricoltura Italiana (CONFAGRICOLTURA)	IT
12	Truong Dai Hoc Kinh Te Thanh Pho Ho Chi Minh (UEH)	VN
13	Luminaconsult Sprl (LUMINA)	BE

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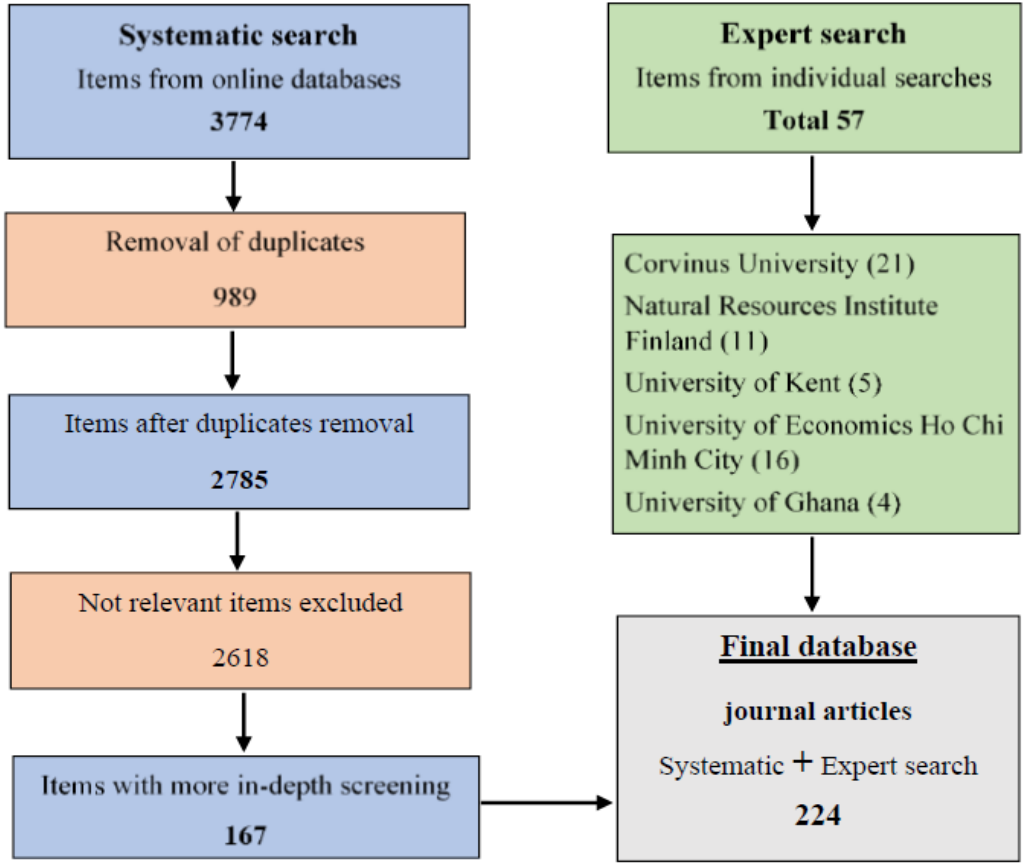
Policy relevant results from WPs

WP1: Economic Pillar is still considered to be the most important

1. **Systematic search**
   - Search for **all** trade and SDG-related, peer-reviewed **sources**
   - Scopus and Web of Science
2. **Expert search**
   - Search for only **agri-food trade** and SDG-related, peer-reviewed sources
   - Search for non-academic sources (**grey literature**)



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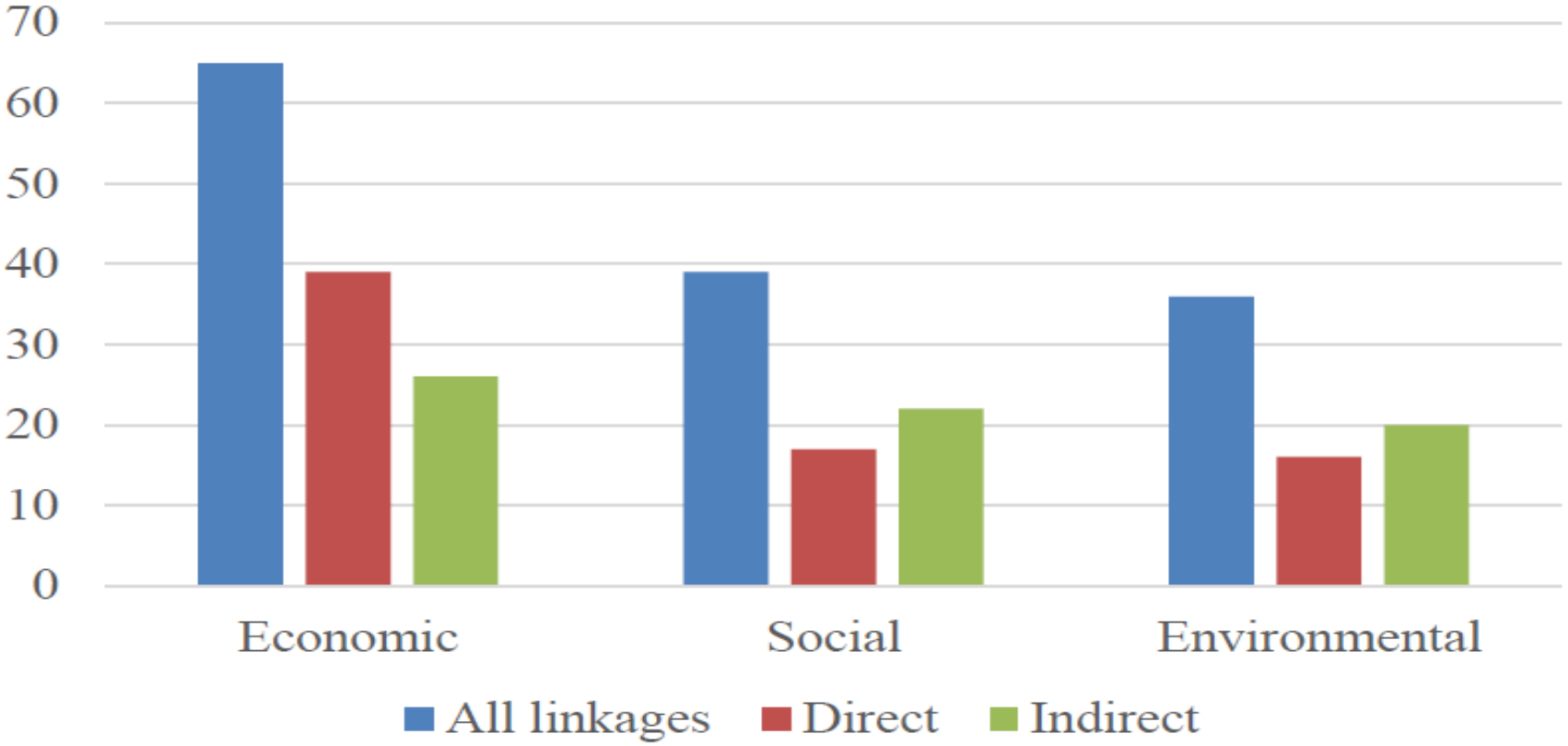

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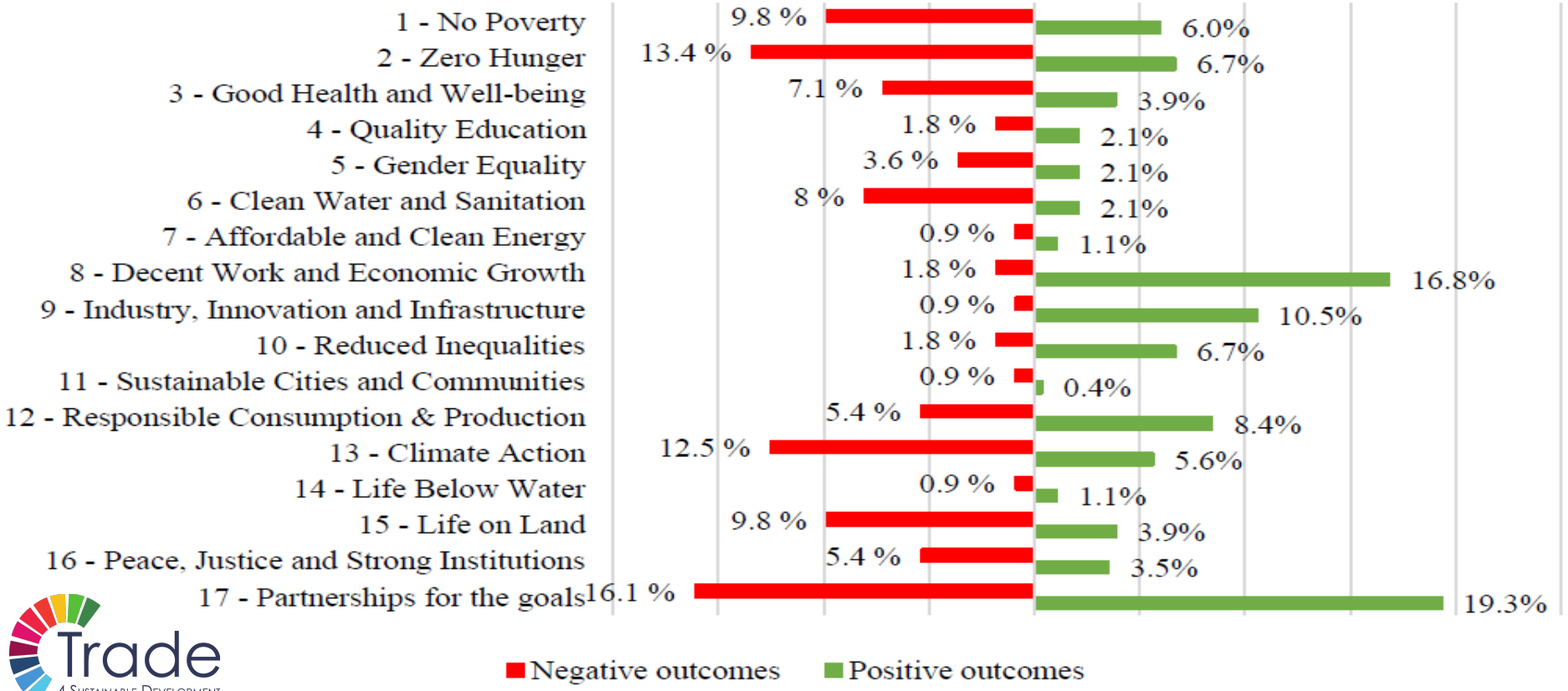
WP1: Interactions between trade and SDGs are context specific, one size fits all does not work



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WP1: Recent trends in GVCs show global changes in agri-food value chains

- From globalization to slowbalisation
  - GVC participation still increases but to less extent
- From global to regional trade
  - Shortening of GVCs
- Agri-food sectors are among the most resilient ones to economic shocks
- Large regional and sectoral differences
- Structural characteristics of the countries are the key determinants of GVC participation
  - Market and trade policy related determinants drive engagement in GVC participation

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WP2: Mixed effects of environmental provisions in PTAs on SDGs

- Heterogeneous results do not allow us to come to general conclusions about the effectiveness of trade agreements in pursuing environmental outcomes
- The strongest and most consistent results across several specifications are those obtained for the impact of provisions on the reduction of Greenhouse Gases (GHG) → negative impact
  - This result is estimated or the PTAs subsample that contain legal enforcement mechanisms (binding provisions), although similar effects are found for PTA with non-binding provisions.
- The majority of the statistically significant effects arise on the PTAs subsamples with non-binding provisions
  - In environmental matters, a cooperative approach is likely to be more successful to make progress towards the attainment of SDGs

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WP2: Cooperation and knowledge sharing is key to achieve sustainable outcomes

- D2.2. is about how the Sustainable Development Goals are currently included in preferential agreements and how are sustainability provision working
- Three case studies: Ghana (cocoa), Vietnam (coffee), Tunisia (olive oil)
  - Most interviewees recognised the increasing demand for sustainable products in the EU market and emphasized the need for Ghanaian cocoa producers to comply with these standards to grab new market opportunities
    - However, they also highlighted that economic sustainability comes first for them!
  - EU-Vietnam FTA TSD chapter has had little impact on sustainability in the coffee production sector in Vietnam
  - Training, information and support are crucial to helping stakeholders comply with EU requirements
  - Biggest risk associated with trade liberalisation in Tunisia is the need to increase production, which could result in significant strain on resources such as water and the marginalization of small-scale producers
  - Results suggest to use of cooperation mechanisms to provide sustainability enhancements to the olive oil sector

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WP2: Further harmonisation of standards is needed to stimulate trade relationships and increase food safety globally

- From the analysis of pesticides and antibiotics regulations a certain degree of heterogeneity and dis-harmonisation emerged
- The ongoing process of liberalisation, through bilateral free trade agreements, should be accompanied by compliance with the standards
  - This may require a series of accompanying measures, both in relation to technical assistance for the adaptation of farms to hygienic-sanitary standards and in relation to surveillance and control structure
- Conclusions from the three STCs analysed
  - Enhancing cooperation and exchange of information among trading partners (as suggested by the analysis of EU-China and EU-India STCs)
  - Continuing technical assistance programs, for helping countries to enhance sustainability and compliance to norms and standards (as suggests the analysis of Senegal-EU STC)
  - Increasing the level of ambition in bilateral economic and trade relations for sustainable development (India and China cases)

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WP2: Limited contribution of multilateral trade rules to global sustainability

- WTO agreements primarily emphasise economic growth (SDG8) and partnership (SDG17)
- 92% of stakeholders thought the WTO should be modernized
- 62% of stakeholders thought that sustainability focus would be an obstacle to further trade liberalisation
- Explicit indicators are needed in the future (with SDG proofing)
- Harmonisation of existing agreements and policy coherence are also of key importance

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WP3: Mixed social impacts

- D3.2. was about modelling of social and distributional impact of trade and sustainability policies on the example of Ghana
- The baseline simulation suggests serious decrease of the GDP-share of the agriculture sector with associated income (and consumption) fall
  - Agricultural production can be increased only by continuing deforestation
- Trade liberalization simulation (implemented via removing tariffs on the exports and imports of Ghana) suggests that:
  - It increases the total real income by 1.2 per cent and – in addition – the share of agriculture-affiliated households in the total labour income by 0.2 percentage points
  - It will replace unprocessed food consumption to processed and imported food consumption
  - No serious nutritional impacts are observed
  - Households affiliated to tradable sectors benefit more than the average household from trade liberalization
  - Households in the Greater Accra region and women-led households benefit less.
  - The young-led households and the poor benefit from trade liberalisation to an average degree

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WP3: Mixed environmental impacts

- D3.3: Modelling the environmental impact of trade and sustainability policies
- Positive GDP impact of EU-Vietnam and EU-Ghana trade agreements in the long run
- Both agreements increase emissions of the FTA partners with a small increase effect on world emissions
- Trade liberalisation increases economic activity even when coupled with carbon tariffs
- Carbon output taxes have visible negative effect on output
- Trade liberalization leads to increase of emissions unless coupled with carbon tariffs. Substantial reduction only possible with a CO2 tariffs on all goods
- EU emissions reductions are substantial only if environmental tariffs are imposed on all goods rather than agriculture only

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WP4: Background of policy relevant conclusions

- One piece of research in TRADE4SD project aimed at providing new insights on public‘s opinions concerning the interactions of trade and sustainability in the agri-food sector by employing a participatory approach
  - Participatory approaches are gaining importance in academic literature, in particular when analysing complex subjects such as sustainability
- A survey was conducted in 2023 in Germany, Hungary and the UK
  - It aimed to aid understanding of the prevailing opinions about the importance of different aspects of sustainability
  - The survey covered a sample of 1,000 people in each of the respective countries, representative with respect to gender, age and location within the country

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WP4: Economic sustainability prevails for the general public

- In the post-Covid and the war in Ukraine environment, the major concerns are about the economic sustainability, where policy efforts should be focused (at least in a short to mid-term)
- Within the broad area of economic sustainability, citizens preferences are for reducing poverty and securing employment
  - These two factors are interrelated as productive employment generating incomes is a major factor to reduce poverty.
- Policies to reduce food losses are emphasised for developed countries, and to decrease inequality in developing world
- The war in Ukraine has increased concerns about social sustainability, which was ranked second following the economy. The big social issues raised by citizens have been to eradicate hunger and to improve food security
- Water quality and water waste have been put at the centre of environmental sustainability
  - These issues are closely inter-related to eradication of hunger, and good health and well-being since in many developing countries agricultural yields and human health have been jeopardised by droughts and the lack of clean drinking water
- The general public appear to believe in the sustainability benefits of trade liberalisation

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Upcoming tasks possibly relevant for policy

- Task 4.2. Context specific qualitative analysis: country/regional case studies on specific commodities
  - Six case studies (coffee, cocoa, olive oil, rice, fruit&veg and cashew in three countries (Ghana, Vietnam, Tunisia)
  - Task 4.3: Assessment of the effect of private standards on sustainability and trade relations
- Task 4.4. Investigation of the effect of local institutional arrangements on the stakeholders' engagement in sustainable trade: Lab-in-the-Field Experiments and behavioural factors
- Task 5.2. Estimating the marginal propensity to invest in SDGs: a trade game approach
- Task 5.3. Assessing the potential, political feasibility and acceptance of new options
- Task 6.1. Analysis of the impact of trade patterns on MEAs enforcement
- Task 6.3. Incorporation of policy conclusions into CAP
- Task 6.4. Designing structured policy recommendations for the EU, partner countries and the multilateral trading system

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