

Policy Lab 4 – Orientation Paper

The Trade-Development-Environment Nexus

Orientation paper by the IPES-Food Secretariat to support the Policy Lab on 'Alternative Food Systems in Europe' on May 2, 2017, co-hosted by IPES-Food and the European Economic and Social Committee.

The context of the Policy Lab on the Trade-Development-Environment nexus, 2 May 2017, is a 3-year process of research and reflection launched by IPES-Food to identify what policy tools would be required to deliver sustainable food systems in Europe – or a 'Common Food Policy' vision. The Policy Labs in this series aim to bridge the different policy areas and different policy levels through which food systems are governed. The Trade-Development-Environment nexus provides an illustration of the need for improved coherence, since a range of imperatives and a range of different policy frameworks intersect, but are typically dealt with in isolation. This has major implications for our ability to build sustainable food systems -- that deliver food security and nutritious diets, contribute to resilient ecosystems, and ensure decent livelihoods for farmers and foodworkers, in the EU and beyond.

The Lab will seek to address the following questions:

- How do the EU's food systems and agri-trade policies affect developing countries ? To what extent do EU policies support the development of (economically, socially and environmentally) sustainable food systems in those countries?
- How can we redesign agri-trade policies and trade agreements in a way that contributes to food security, healthy diets, environmental sustainability and poverty reduction in the EU and in partner countries?

This orientation paper provides a basis for discussion on these topics by reviewing the relevant EU policy frameworks affecting these areas, offering a basic overview of the current impacts of these policies, and identifying the key challenges in putting trade policy in the service of sustainable development and sustainable food systems. This orientation paper and the ensuing discussion at Policy Lab 4 will feed into a Policy Brief on the Trade-Development-Environment nexus to be published later in 2017.

The status quo: the EU's increasing export orientation¹

The EU is the largest economy in the world, the biggest exporter and importer, the biggest aid donor, the largest source of foreign direct investment, and accounts for over 25% of global GDP. It is the biggest import market for over 100 countries. Almost 70% of all agricultural imports to the EU come from developing countries, and currently, almost three quarters of imports enter the EU market with reduced duties (i.e. below the maximum levels the EU could apply under WTO bound tariffs).

Agri-food trade flows have been increasing fast in both directions, with exports starting to overtake imports in recent years. In 2005, EU agri-food imports and exports were roughly equal in net value, but since 2010 the EU has been running significant and generally increasing surpluses; in 2014 EU agri-food exports outstripped imports by roughly €20m in economic value. However, even as the EU has developed these net surpluses, its reliance on imports of raw commodities and primary products has grown. In 2015, imports were nearly twice the value of exports in terms of raw commodities (e.g. cereals, vegetable oils). The net figures also mask major variations in terms of the balance of trade flows with different regions of the world. For example, EU-Africa trade has followed the general trajectory described above, with the EU shifting from net importer to net exporter over the past decade. However, in this case, the EU has built growing surpluses in processed goods *and* raw commodities. In 2015, a single commodity - wheat - accounted for 22% of EU agri-food exports to Africa, with milk powders and whey making up a further 6%.

While agricultural employment has been contracting, the EU agri-food sector as a whole provides some 44 million jobs, with export markets seen to play a crucial role in sustaining employment and generating value for the EU agri-food industry². Nearly 20,000 jobs in the EU agri-food sector were supported by recent trade liberalization with South Korea, Mexico and Switzerland alone, according to a recent survey³. Current trends are likely to deepen over the coming years, with a growing premium on securing

¹ Unless otherwise referenced, data in this section is drawn from European Commission databases:

https://europa.eu/european-union/topics/trade_en

² European Commission, 2015, 'Food and Farming: Focus on Jobs and Growth'.

http://ec.europa.eu/agriculture/sites/agriculture/files/events/2015/outlook-conference/brochure-jobs-growth_en.pdf

³ Copenhagen Economics, 2016, Impacts of EU trade agreements on the agri- cultural sector. Study commissioned by the European Commission. https://ec.europa.eu/agriculture/sites/agriculture/files/external-studies/2016-bilateral-trade-agreements/final-report_en.pdf

agri-food export markets. With EU markets relatively saturated, the European Commission anticipates as much of 90% of additional demand being generated outside Europe over the next 10-15 years⁴.

The commitment: putting trade in the service of sustainable development

While trade liberalization has traditionally been pursued with the explicit aim of expanding trade volumes and boosting economic growth, this is no longer the only stated goal of EU policy. Over recent years the EU has made a range of unilateral commitments to supporting sustainable development, and reconciling trade and development goals:

Policy Coherence for Development. The EU's commitment to 'Policy Coherence for Development (PCD)'⁵ pledges to take account of development objectives in all policies likely to affect developing countries, to avoid contradictions between these policies, to build synergies and thereby increase the effectiveness of development cooperation. Since being integrated into EU law in 1992, the commitment to PCD has been reaffirmed and fleshed out in various ways, including the introduction of biennial progress reports (2007), the identification of issue clusters where synergies must be sought, including global food security (2009)⁶, and the creation of a toolbox for analysing the potential impact of EU policies on developing countries at early stages of policy development (2015: as part of the Better Regulation package⁷).

Agenda For Change. The 2011 Agenda for Change⁸ reaffirms the principle of PCD (see above), and underlines regional integration around the world as a key goal of EU trade

⁴ European Commission, COM(2015) 497 final Trade for All: Towards a more Responsible Trade and Investment Policy. <http://ec.europa.eu/trade/policy/in-focus/new-trade-strategy/>

⁵ Policy Coherence for Development is now referred to in Art. 208(1) of the Treaty on the Functioning of the European Union. https://ec.europa.eu/europeaid/policies/policy-coherence-development_en

⁶ European Commission, Communication COM(2009) 458 final 'Policy Coherence for Development - Establishing the policy framework for a whole-of-the-Union approach'.

https://ec.europa.eu/europeaid/sites/devco/files/communication-policy-coherence-for-development-com2009458-20090915_en.pdf

⁷ European Commission, Communication COM(2015) 215 'Better regulation for better results — An EU agenda'. http://ec.europa.eu/smart-regulation/better_regulation/documents/com_2015_215_en.pdf

⁸ European Commission (2011). Increasing the impact of EU Development Policy: an Agenda for Change.

policies, committing to support South-South partnerships, to help foster regional development and close competitiveness gaps through 'Aid for Trade'.

Trade for All. The 2015 'Trade for All' Communication⁹ makes the link between trade and development explicit, underlining the EU's responsibilities as the world's largest importer, expressing a 'pro-development stance' and pledging to continue promoting fair and ethical trade schemes, responsible supply chain management, market opportunities for small producers, and better conditions for workers in developing countries.

Towards a new 'European Consensus on Development'. In November 2016, the European Commission presented a proposal for a new European Consensus on Development¹⁰. The document seeks to align EU policies with the UN 2030 Agenda for Sustainable Development, underlining the goal to promote trade as a key driver of growth and poverty reduction, and pledging to use trade as a tool to achieve the Sustainable Development Goals (SDGs).

The EU has also taken steps to enshrine these principles through significant shifts in its internal and external policies, and through the provisions of its trade agreements and trade policies:

Phasing out 'dumping' through CAP reform. In the past, export refunds paid to EU farmers through the CAP were widely criticized for undercutting farmers and 'dumping' cheap produce on developing country markets. Following two decades of gradual reduction in export subsidies, the 2013 CAP reforms effectively phased out export refunds (restricting them to exceptional usage in periods of severe market crisis). In January 2014 the European Commission agreed to end the use of export refunds for all products exported to African countries entering into full economic partnership agreements (EPAs - see below), helping to pave the way for a multilateral commitment to phase out agricultural export subsidies in the 2015 WTO Nairobi Agreement¹¹. The

⁹ European Commission, COM(2015) 497 final Trade for All: Towards a more Responsible Trade and Investment Policy. <http://ec.europa.eu/trade/policy/in-focus/new-trade-strategy/>

¹⁰ European Commission, Communication COM (2016) 740 final 'Proposal for a new European Consensus on Development Our World, our Dignity, our Future'. https://ec.europa.eu/europeaid/sites/devco/files/communication-proposal-new-consensus-development-20161122_en.pdf

¹¹ WTO. 2015. "WTO members secure "historic" Nairobi Package for Africa and the world" https://www.wto.org/english/news_e/news15_e/mc10_19dec15_e.htm

abandonment of export subsidies has come alongside a broader reduction in market management tools (e.g. private storage aid), which are no longer used as systematically as in the past.¹² Meanwhile, the CAP has gradually shifted away from *coupled* subsidies - product-specific payments that are generally considered trade-distorting. Coupled payments are now limited to 8% of Member States' national CAP envelopes. However, this can rise to 15% when special circumstances are invoked; coupled payments represented €4.1 billion of CAP support in 2015, with as much as 50% of the EU dairy herd currently supported by coupled payments¹³ - and several Member States now setting out their stall in favour of maintaining or even expanding coupled payments in the post-2020 period¹⁴.

Cooperation through the CAP. An *Advisory Group on International Aspects of the CAP* was operational until spring 2014, and has since been replaced by the '*Civil dialogue group on international aspects of agriculture*'¹⁵. The group, bringing together a range of European NGOs with a development/food systems focus, has a mandate is to assist the European Commission in maintaining a regular dialogue on all matters related to the international aspects of agriculture, including trade and development issues.

Generalised Scheme of Preferences. The EU's unilateral "Generalised Scheme of Preferences" (GSP), reformed in 2014¹⁶, allows 90 developing countries considered to be particularly in need of support to pay lower or zero duties on their exports to the EU. The standard GSP arrangement grants significant tariff reductions to these countries, whereas the GSP+ scheme envisions full removal of tariffs for countries that implement international conventions relating to human and labour rights, environmental protection and good governance. Finally, under the Everything But Arms scheme, all exports, except arms and ammunition, from the Least Developed Countries (LDCs) are granted complete duty-free access to the EU market.

¹² Moehler, R. 2015, Is there a need for a mid-term review of the 2013 CAP reform? in: *The Political Economy of the 2014-2020 Common Agricultural Policy: An Imperfect Storm*. Centre for European Policy Studies (CEPS), Brussels.

¹³ Baldock, D. and Mottershead, D.H. (2017) *Towards an integrated approach to livestock farming, sustainable diets and the environment: challenges for the Common Agricultural Policy and the UK*, Institute for European Environmental Policy, London.

¹⁴ Matthews, A. (2016b) AGRIFISH Council meeting underlines pressures to reverse CAP reform, Blog post at capreform.eu, March 2017.

¹⁵ EC. Agriculture and Rural Development. *Civil Dialogue Group on International Aspects of Agriculture*. http://ec.europa.eu/agriculture/civil-dialogue-groups/international-aspects_en.htm

¹⁶ Reforms came into effect in 2014 on the basis of Regulation (EU) No 978/2012 of the European Parliament and of the Council 'applying a scheme of generalised tariff preferences and repealing Council Regulation (EC) No 732/2008'.

Economic Partnership Agreements. While the GSP scheme offers unilateral provisions for developing countries, the EU has also negotiated a series of reciprocal Economic Partnership Agreements (EPAs) over recent years to liberalize trade with regional groupings of the African, Caribbean and Pacific (ACP) countries. The non-reciprocal trade preferences offered to ACP countries under the Lomé Conventions (from the 1970s onwards) were deemed discriminatory and non-compatible with WTO rules, sparking the 2000 Cotonou Agreement and the concurrent shift towards EPAs. The majority of ACP countries are either implementing or have concluded an EPA with the EU. Sustainable development and poverty reduction are among the stated goals of the EPAs, as well as a commitment to supporting *diversification* of ACP economies away from specific commodity exports; the EU-East African Community (EAC) agreement recognizes the challenges faced by EAC member states “because of their dependence on export of primary agricultural commodities, which are subject to high price volatility and declining terms of trade¹⁷” - and aims to address these challenges by supporting diversification, raising local processing and marketing capacities, and allowing the EAC countries to rise up the value chain. Some of the challenges and critiques in regard to the EPA approach are discussed below.

Free Trade Agreements. Given the stalemate in multilateral negotiations on the WTO’s Doha Development Agenda, there has been increasing emphasis on bilateral or region-to-region Free Trade Agreements (FTAs). The EU-South Korea FTA was the first of a new generation of agreements (provisionally applied since 2011). Others include the Multi-Party Trade Agreement with Peru and Colombia (provisionally applied since 2013), the Association Agreement with the countries of Central America (provisionally applied since 2013), the EU-Canada Comprehensive Economic Trade Agreement (CETA), signed in 2016, the EU-Singapore FTA (negotiations concluded in 2014), and the EU-Vietnam FTA (negotiations concluded in 2015). FTA negotiations are advanced but remain problematic with the US (‘TTIP’), India, Japan and Mercosur, and have been opened with Australia, New Zealand, Indonesia and Tunisia. The EU-South Korea FTA - now providing a template for other Asian FTAs - enshrines a common commitment to sustainable management of natural resources and biological diversity, and expresses a shared commitment to diversification of agriculture, and the integration of environmental requirements (e.g. sustainable forestry) into agricultural policy¹⁸.

¹⁷ Economic Partnership Agreement between the EU and the EAC, art. 69.

¹⁸ Articles 23.1 and Article 25 of EU-South Korea FTA

Mainstreaming sustainable development into research programmes. The EU-Africa High Level Policy Dialogue (HLPD) on Science, Technology and Innovation seeks to mainstream sustainable development goals in the field of research and innovation. At the EU-Africa Summit in 2014, the Heads of State endorsed the decision to work on a roadmap towards a long-term, jointly funded and co-owned research and innovation partnership to ensure 'Food security, nutrition and sustainable agriculture'. Research and innovation partnerships in the remit of Horizon 2020 have focused on sustainable intensification pathways of agri-food systems in Africa as well as the role of small farmers.

Development policies. A range of development assistance and cooperation programmes are operated by the EU and by Member States bilaterally, with considerable resources channelled to assistance in the agricultural sector - particularly since the food price spikes of 2007-2008. These wide-ranging programmes are not reviewed here, but shall be taken into consideration in the Policy Lab 4 discussion and the ensuing Policy Brief.

Market-based developments have also introduced new imperatives in agri-food trade over recent years. While they will not be reviewed in detail here, a variety of private-led sustainable supply chain initiatives and sustainability assurance schemes have been introduced in various sectors. Notably, 'fair trade' products have become significant in several agri-food sectors, with the EU market accounting for roughly two-thirds of global sales¹⁹. The European Commission's 2009 Communication on the role of fair trade in sustainable development²⁰ expressed support for these initiatives, while reiterating the private governance of sustainability assurance schemes. Meanwhile, EU public procurement rules were reformed in 2014 with a view to facilitating procurement of fair trade products²¹.

¹⁹ European Parliamentary Research Service, 2014. 'Fair trade and consumers in the European Union'.

²⁰ European Commission, Communication COM(2009) 215 final 'Contributing to Sustainable Development: The role of Fair Trade and non- governmental trade-related sustainability assurance schemes'.

http://trade.ec.europa.eu/doclib/docs/2009/may/tradoc_143089.pdf

²¹ Directive 2014/24/EU of the European Parliament and Council on public procurement.

What are the impacts of EU agri-trade policies on developing countries?

The 'dumping' associated with the EU's extensive usage of coupled support and export subsidies over previous decades - and the negative impacts on livelihoods in developing countries - has been well-documented. The question, therefore, is whether the EU's current agri-trade policies continue to generate these impacts, and whether current policies and imperatives are helping to put food systems onto sustainable footing, and thereby achieving the stated goal of policy coherence.

The decoupled payments that now make up the bulk support for EU farmers are generally considered to be less trade-distorting than the forms of support that preceded them. However, the CAP still accounts for more than €50 billion of annual spending, and - despite recent reforms - continues to play a major role in supporting agricultural production. Some ongoing impacts on developing countries have therefore been identified; however, the effects tend to be marginal in size, indirect in nature and mediated by broader economic and political factors²². According to one estimate, complete abolition of EU direct income support would result in an aggregate price increase for agricultural products in the EU of 0.5%, a slight decrease in exports and a slight increase in imports.²³ Further reforms to EU farm subsidies are generally considered to be more significant in terms of shifting the distribution of EU production internally (e.g. concentrating it in the most productive areas), rather than meaningfully affecting developing countries or global markets.

The need to avoid generalizations about the impacts of EU agri-trade policies on developing countries has also been emphasized, given the heterogeneity of the EU's trading partners. For example, the UK Overseas Development Institute (ODI) identifies limited value in trying to assess the impacts of the CAP on the developing world, since the impacts depend on the structure of a country's agriculture sector, e.g. whether it is a net importer or exporter of given commodities²⁴.

²² See for example Costa C, Osborne M, Zhang X-G, Boulanger P and Jomini PA. 2009. "Modelling the Effects of the EU Common Agricultural Policy" Staff Working Paper. Productivity Commission, Melbourne.

²³ Helming JFM, Jansen S, Van Meijl H and Tabeau A. 2010. "European farming and post-2013 CAP measures: A Quantitative Impact Assessment Study" LEI Report 2010-085. <http://edepot.wur.nl/158658>

²⁴ Overseas Development Institute, 2012. The EU's Common Agricultural Policy and development, Project Briefing: <https://www.odi.org/sites/odi.org.uk/files/odi-assets/publications-opinion-files/7906.pdf>

Indeed, the effects of agri-trade policies are hard to isolate from broader trends, and from the broader pathways of liberalization/globalization which are now embedded in the economic trajectories of many developing countries. Identifying detailed social and environmental impacts is even more challenging. This underlines the need to look beyond 'impacts' per se, and requires a nuanced analysis that can only be meaningfully conducted on the level of specific countries and sub-regions²⁵. However, it is possible to identify a series of general challenges which current agri-trade policies - even after significant reforms - may be failing to address, and may in fact be unable to address within their current remits:

i) New forms of 'dumping'

Allegations of dumping have not completely subsided. Criticism tends to be reserved for specific sectors, with some alleging that other EU's aggressive export orientation continues to undermine livelihoods in developing countries, and to override the stated goal of 'policy coherence for development'. For example, concerted efforts to export competitively priced and highly subsidized EU milk products into African markets have been criticized for undermining local production. One estimate suggests that milk products exported by the EU to the Southern African Development Community (SADC) in 2016 were subject to more than 18 million euros of subsidies, once the sum total of coupled and decoupled support (including for feed) are taken into account²⁶ - and therefore constitute a major threat to farmer livelihoods in the region.

Elsewhere, the EU has been accused of dumping cheap produce through the back door. For example, market disruption and disadvantages for Kenyan farmers have been linked to influxes of cheap European imports being channelled into the Kenyan market via Egypt and other COMESA countries with preferential market access²⁷. This ties into a broader dietary shift identified with colonization and globalization. For example, during

²⁵ Detailed case studies are likely to be included in the full Policy Brief on the Trade-Development-Environment nexus that IPES-Food will produce later in 2017.

²⁶ The EU28 dumping of its dairy products to SADC in 2016, Jacques Berthelot, SOL, March 27, 2017.

²⁷ Fritz, T, 2011. Globalising Hunger: Food Security and the EU's Common Agricultural Policy (CAP), draft paper for TNI: https://www.tni.org/files/download/CAPpaper-draft_0.pdf

the British empire, wheat-based products were promoted in Kenya and other African countries, gradually becoming a key dietary component and displacing cassava, millet and other traditional foods; today the country produces less than 40%²⁸ of what is now one of its key staple foods - and, combined with the strong demographic growth and nutrition transition for urban populations in the region, import dependency continues to grow.

ii) Over-specialization, import dependency and unfavourable terms of trade

Diversification of developing country production and exports has been increasingly underlined as a goal of EU trade policies moving forward (see Section 2). However, over recent decades, countries and regions around the world have shifted towards increasingly specialized and industrialized forms of agriculture, often with a focus on specific export commodities²⁹. While generating economic benefits for those with access to foreign markets, highly specialized export zones have tended to bring macroeconomic risks. The countries depending most heavily on agricultural commodity exports are commonly low-income countries³⁰. Reliance on a handful of commodities as the main means of participating in global trade can lead to major vulnerabilities by exposing an economy to price shocks³¹. Having been a net food exporter in the 1970s, the African continent has become a net importer of food and agricultural products more broadly, with a total agricultural trade deficit of \$22bn by 2007³². Declining prices for tropical products (coffee, cocoa, tea, bananas etc.) have made it more difficult for net food-importing countries to afford the staple foods they no longer produce. FAO projections indicate a further deepening of the food import dependency of developing countries in the coming years.³³ Though part of this trend is attributable to demographic

²⁸ Op cit. Fritz, T. 2010

²⁹ IPES-Food. 2016. From uniformity to diversity: a paradigm shift from industrial agriculture to diversified agroecological systems. International Panel of Experts on Sustainable Food Systems.

³⁰ FAO, 2004. The state of agricultural commodity markets: 2004. Food and Agriculture Organization of the United Nations, Rome.

³¹ UNCTAD, 2013. Commodities and development report: perennial problems, new challenges and evolving perspectives (No. UNCTAD/SUC/2011/9). United Nations Conference on Trade and Development, New York and Geneva; Bellora, C., Bourgeon, J.-M., 2014. Agricultural trade, biodiversity effects and food price volatility. HAL cahier de recherche.

³² Manitra A. Rakotoarisoa, Massimo Iafate, and Marianna Paschali, "Why has Africa become a net food importer: Explaining Africa agricultural and food trade deficits," FAO (2012): <http://www.fao.org/fsnforum/resources/why-has-africa-become-net-food-importer-explaining-africa-agricultural-and-food-trade-defi>.

³³ Sarris, A. 2009. "Hedging Cereal Import Price Risks and Institutions to Assure Import Supplies" FAO Commodity and Trade Policy Research Paper No.30.

growth and changing demand linked to urbanization and the rise of a middle class, the structure of trade relations also is a major part of the explanation.

In the face of these trends, it has been acknowledged that previous attempts to promote trade competitiveness, diversification and growth through the Lomé conventions did not have the desired effects³⁴; poverty has remained endemic in many ACP countries despite around 98% of exports already entering the EU tariff-free prior to EPAs³⁵. While it is too early to judge the impacts of EPAs, it is unclear how they will spark a meaningful shift towards diversification. Provisions to protect sensitive sectors in EPAs may mitigate short-term food security impacts, but are unlikely to support a shift towards diversification - and may in fact deepen existing highly-specialized food production patterns.

Meanwhile, recent EU trade liberalization with Mediterranean partners has failed to stem the tide of over-specialization - and may in fact have deepened it. For example, the Euromed agreement and the 'Plan Maroc Vert' have been criticized for encouraging a shift towards cash crops for European markets at the expense of traditional staples (e.g. cereals, sunflower oil) in Morocco³⁶, while EU markets have failed to provide a stable market for the country's more competitive products (e.g. citrus, tomatoes) as a result of a complex array of exclusions³⁷. Elsewhere in the region, trade liberalization with the EU has exacerbated a general trend of reduced food production, increased import dependency and the loss of revenues from border tariffs, since increased volumes of imports have not compensated for the lowering of tariffs³⁸. For critics, trade

http://www.fao.org/fileadmin/templates/est/PUBLICATIONS/Comm_Working_Papers/HedgingCereallImportPriceRisks_01.pdf

³⁴ European Commission, 2016. The Economic Impact of the West Africa - EU Economic Partnership Agreement. Report. European Commission's Directorate-General for Trade. <https://www.tralac.org/images/docs/9814/the-economic-impact-of-the-west-africa-eu-economic-partnership-agreement-march-2016.pdf>

³⁵ Figures differ slightly between different regions. 98% of West African exports entered the EU without duties, according to European Commission, 2007. *Nigeria and the European Union Trade for Development: An Introduction to the Economic Partnership Agreement (EPA)*. European Commission, Directorate-General for Trade, Directorate-General for Development and European Commission Delegation in Nigeria.

http://trade.ec.europa.eu/doclib/docs/2007/july/tradoc_135286.pdf; meanwhile, 98.5% of exports from the Caribbean bloc, including bananas, entered EU markets without customs duties: World Bank 2009. *Accelerating trade and integration in the Caribbean: Policy options for sustain growth, job creation and poverty reduction*. Washington DC.

³⁶ L. Daumas, "Alimentation, commerce et exploitation des femmes," pp. 1–10, 2005.

³⁷ ATTAC / CADTM, 2015. "Morocco Against liberal globalization," <http://www.rosaluxna.org/wp-content/uploads/2016/12/free-trade-agreement-book-web.pdf>

³⁸ A. Cieřlik and J. Hagemeyer, "Assessing the Impact of the EU-sponsored Trade Liberalization in the MENA Countries," *J. Econ. Integr.*, vol. 24, no. 2, pp. 343–368, 2009; P. Marty, S. Manceron, C. Le Mouël, and B. Schmitt, "Le

liberalization with the EU has only served to exacerbate Algeria's increasing dependence on food imports³⁹ - while costing the country \$2 billion in budget revenues according to a recent estimate⁴⁰.

iii) Unsustainable land use patterns

The increasingly specialized agri-development pathways mentioned above also have major implications for environmental sustainability, and underline the failure of current agri-trade policies and broader food systems governance to establish favourable dynamics for sustainable management of land and natural resources. According to the FAO, by the 1990s, some nine million km² of land - an area roughly the size of China - was considered to be moderately degraded, with a further 3m km² in a severely degraded state⁴¹. Overall, unsustainable practices associated with industrial agriculture remain the largest contributor to land degradation, which continues at an alarming rate of 12 million hectares/ year, equivalent to the total agricultural land of the Philippines⁴².

It is difficult to identify direct trade impacts on environmental sustainability; trade is generally seen to impact the environment via economic growth - which tends to worsen environmental outcomes at first, while paving the way for improvements at later stages in a country's development⁴³. However, some studies have identified trade liberalization as a key driver of specific cases of environmental degradation, on the basis of trade liberalization deepening the model of agricultural specialization - and placing major pressures on the local environment⁴⁴: the more a country specializes in the production

système agricole et alimentaire de la région Afrique du Nord – Moyen-Orient: une analyse rétrospective (1961-2012)," Synthèse du Rapp. réalisé pour le compte PluriAgri, INRA, 2014.

³⁹ The negative effects of this agreement, and calls to renegotiate it, have been carried in Algerian news reports: <http://algerienews-fr.blogspot.it/2016/02/decryptage-laccord-dassociation-algerie.html>; <http://www.algerie-focus.com/2015/09/accord-dassociation-algerie-ue-lalgerie-a-importe-deurope-pour-195-milliards-de-dollars-en-dix-ans/>; http://www.djazairress.com/fr/lemaghreb/5931_25/09/2007

⁴⁰ <http://algerienews-fr.blogspot.it/2016/02/decryptage-laccord-dassociation-algerie.html>

⁴¹ Fraser, E.D.G., Rimas, A., 2010. Empires of food. Free Press, New York.

⁴² ELD Initiative, 2015. Report for policy and decision makers: Reaping economic and environmental benefits from sustainable land management. Economics of Land Degradation Initiative, Bonn.

⁴³ This trend is referred to as the 'Environmental Kuznets Curve'. See for example: Andreoni, J., & Levinson, A. (2001). The simple analytics of the environmental Kuznets curve. *Journal of public economics*, 80(2), 269-286.

⁴⁴ See for example: Gonzalez, C. G. (2004). Trade liberalization, food security and the environment: the neoliberal threat to sustainable rural development; Lopez, R. (1997). Environmental externalities in traditional agriculture and the impact of trade liberalization: the case of Ghana. *Journal of Development Economics*, 53(1), 17-39; Damania, R., Fredriksson, P. G., & List, J. A. (2003). Trade liberalization, corruption, and environmental policy formation: theory and

of cash crops for export markets, the fewer incentives farmers have to develop diversified types of production that build soil health and respect ecological balances. These trends and their environmental impacts are particularly relevant for the EU, which increasingly outsources raw commodity production to other regions of the world. The virtual land area required for EU food needs been estimated at 35 million hectares⁴⁵. Most developed countries are in fact net importers of biomass for human consumption, animal feed and industrial raw materials⁴⁶. Sustainability claims must be placed in this global perspective: while the EU's agricultural CO₂ emissions have been brought down over recent years, the overall environmental footprint of its food and farming systems has not followed this trajectory.

Attempts to promote sustainable development through trade policies have borne some fruit. According to a 2016 study⁴⁷, all 14 countries that signed GSP+ schemes have demonstrated progress in strengthening their commitment to tackling human rights, labour rights, environmental protection and good governance. However, trade incentives may be insufficient to stem the tide of unsustainable land use and environmental degradation arising from the current division of labour in global food systems. Nor do environmental clauses in trade agreements appear commensurate to the task. While the EU has the ability to suspend trade concessions or subject the conduct of a state to dispute settlement in case the human rights clause in its FTAs is violated, the clauses on sustainable development are significantly weaker, while EU treaty obligations to pursue such goals may be too broadly defined to act as a meaningful constraint⁴⁸.

iv) Persistent power imbalances and fragmented governance

evidence. *Journal of environmental economics and management*, 46(3), 490-512; Nadal, A. (2001). The environmental and social impacts of economic liberalization on corn production in Mexico.

⁴⁵ Witzke, H., Noleppa, S., 2010. EU agricultural production and trade: can more efficiency prevent increasing "land grabbing" outside of Europe?

⁴⁶ Krausmann, F., Gingrich, S., Eisenmenger, N., Erb, K.-H., Haberl, H., Fischer-Kowalski, M., 2009. Growth in global materials use, GDP and population during the 20th century. *Ecological Economics* 68, 2696–2705. doi:10.1016/j.ecolecon.2009.05.007

⁴⁷ <http://trade.ec.europa.eu/doclib/press/index.cfm?id=1443&title=Trade-policy-promotes-sustainability-and-human-rights>

⁴⁸ Bartels, Lorand. "Human Rights and Sustainable Development Obligations in EU Free Trade Agreements", *Legal Issues of Economic Integration*, vol. 40, no. 4 (2013): 297-314.

The challenges described above raise questions about the balance of power between the EU and developing country partners, and whether countries are really able to secure favourable terms of trade and to put the conditions in place for building sustainable food systems. While ACP countries account for just over 5% of EU imports and exports, the EU is a much more significant trading partner for ACP countries. ACP countries are effectively obliged to sign EPAs in order to retain existing preferences, although countries failing to do so can fall back on the EU's GSP preferences (or for LDCs, the duty-free access offered under the Everything But Arms agreement). Despite the commitment to support regional integration in Africa, difficulties reconciling key questions have led to individual countries breaking off from the regional blocs and signing preliminary agreements. For example, the ACP Council of Ministers denounced the pressures leading to Ivory Coast and Ghana breaking away from West African partners to sign bilateral interim EPAs⁴⁹. Criticism has emerged from the European Parliament and the European Economic and Social Committee (EESC)⁵⁰ in regard to the EPA process, and particularly uncertainties regarding renewal of the Cotonou Agreement post-2020 and the future of EU-African cooperation.

Furthermore, it is unclear whether safeguards integrated into EPAs are commensurate to the stated commitments to sustainable development - particularly in terms of food security. For example, the EU has insisted on eliminating emergency export restrictions in the EU-CARIFORUM EPA, while similar flexibilities are allowed in a separate EU-Mexico agreement, and in spite of the evidence suggesting that use of such measures by smaller countries can increase their food security without harming that of others⁵¹. Attempts to address food security through bilateral trade agreements have been more generally criticized for drawing attention away from the multilateral fora where these global questions must ultimately be addressed⁵². Meanwhile, the EU's increasing focus on securing access to raw materials (particularly minerals but also farmland) has been alleged to undermine and override broader sustainable development imperatives⁵³.

⁴⁹ Concord, 2015. *The EPA between the EU and West Africa: Who benefits? Coherence of EU Politics for Development*. Report. Concord, European NGO confederation for relief and development. http://www.concord.se/wp-content/uploads/Spotlight_2015-TRADE-EPA-April_2015-EN.pdf

⁵⁰ EESC (2016). Trade for All – Towards a more responsible trade and investment policy.

⁵¹ Gruni, G, 2013. "Going from One Extreme to the Other: Food Security and Export Restrictions in the EU-CARIFORUM Economic Partnership Agreement", *European Law Journal*, vol. 19, no. 6 (2013): 864-883

⁵² Op.Cit., Gruni, G.

⁵³ See for example Curtis, Mark. "The new resource grab: How EU trade policy on raw materials is undermining development." Published by Traidcraft Exchange, Oxfam Germany, WEED, AITEC, and Comhlámh (2010). http://www.s2bnetwork.org/wp-content/uploads/2014/11/The_new_resource_grab.pdf

Furthermore, formal trade agreements are now being outflanked by other fora for agricultural liberalization, raising the risks of fragmented governance and corporate capture. For example, the G8 New Alliance for Food Security and Nutrition, initiated in 2012, commits ten African governments to liberalize their agricultural sectors and paves the way for major agribusiness investments and land acquisitions. A recent European Parliament opinion warned that this initiative sidelines existing fora and risks further undermining the ability of developing countries to define their own policies and to consider alternative (e.g. agroecological) pathways for building sustainable food systems.⁵⁴

Leverage points for change

It is clear from the discussion above that a series of major challenges must be addressed for future policy tools to succeed where current agri-trade and development policies have failed - namely in supporting the development of sustainable food systems. The EU is yet to find convincing answers to deliver sustainable food systems on its own territory, let alone to promote similar pathways for its trading partners. Ultimately EU agri-trade policies and trade agreements are only one piece of a bigger puzzle; these policies shape and are shaped by underlying trends in agricultural production, land use and the economy more broadly, as well as the power imbalances and fragmented governance that characterize global food and farming systems.

Questions therefore remain in terms of how the EU will be held to its own stated objectives of Policy Coherence for Development (PCD). These challenges exist alongside the net economic benefits that trade agreements and agri-trade policies have generated in many cases. Rather than highlighting specific problems with trade, the discussion above underlines the insufficiency of trade agreements - and even EPA-style trade and development partnerships - as a framework for managing these complex social and environmental challenges. It is therefore crucial to consider what tools would be required to govern food systems with a sufficiently holistic and integrated vision. Indeed, the need for more integrated food systems governance is what characterizes the 'Common Food Policy' vision IPES-Food hopes to build through this process.

⁵⁴ European Parliament, 2016. Report on the New Alliance for Food Security and Nutrition (2015/2277(INI)), rapporteur: Maria Heubuch. <http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//NONSGML+REPORT+A8-2016-0169+0+DOC+PDF+V0//EN>

Several key questions remain to be addressed in order to complete the picture above, and to point the way towards the more integrated approaches that are needed to address these challenges. Five potential leverage points/entry points are identified below as a basis for discussion:

- I) Set clear external objectives for the CAP and introduce stronger accountability measures for the EU's Policy Coherence for Development;
- li) Address sustainable food systems multilaterally through SDG implementation and reviving/completing the WTO Doha Round;
- iii) Promote sustainable land management and food systems planning in the EU and its trading partners as a prerequisite for/component of trade agreements;
- iv) Build on the EPA approach to develop increasingly ambitious trade and development compacts;
- v) Promote alternative retail circuits and alternative food systems for domestic and internationally traded goods; build North-South solidarity between farmers and consumers on the basis of 'food sovereignty'.

WORKING DRAFT