

Implications of the European Green Deal for agri-food trade with developing countries

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Consequences of EU unilateral adoption of more stringent standards

- **Economic:** (possible) reduction of competitiveness of domestic producers (short and medium run)
- **Environment:** (possible) pollution leakage if there is an increase of production in foreign countries, limiting the global efficacy of the policy
- **The overall impact depends upon several factors:**
 - The impact of the the new policy on the domestic market
 - Price elasticity of domestic demand
 - Differences in pollution intensity and regulations between countries
 - International market conditions for affected commodities (prices)
 - Trade policies
 - Degree of standards Harmonization (reciprocity and/or mutual recognition)
 - Availability of new technologies (precision agriculture, NBTs)

The impact on production and trade of each policy instrument is not the same

- GHG pricing policies
- Ban on key products
- Environmental regulations - Pesticides use regulations
- Pesticides tax
- Lower MRL
- Farmers' payments
- Information measures - R&D



Key research findings from the literature on agrifood standards

- **Standards may both stimulate or reduce trade:** they can be non-tariff protectionist instruments but they can also reduce transaction costs, information asymmetries and negative externalities, which may stimulate demand, supply, and thus trade.
- Standards and NTMs **can profoundly change the structure and the organization of value chains.**
- Empirical studies document mixed effects on smallholder inclusion but **most positive effects on farm income, food security, and rural development in LDCs.**
- The “economics” and the “politics” of standards are difficult to separate. Harmonization and regulatory rapprochement of standards **do not have necessarily only benefits.**

Trade policies to tackle environmental-related issues

- Tariffs: The possibility to raise tariffs is very limited without entering a multilateral negotiations (MFN)
- Preferential Quotas
- NTMs (*i.e. mirror clauses*) : The measure should not be discriminatory and necessary and proportionate to reach the environmental objective. This should be clear, verifiable and measurable
 - EU beef raised with hormones
 - EU/US ban on pork produce with ractopamine
 - EU/US ban on poultry processed with pathogen reduction treatment
 - MRLs
 - GMOs
 - Sustainability certification for biofuels
- Trade agreements and other forms of international regulatory cooperation

Possible advantages and risks from unilateral adoption of the mirror clause

- **Advantages**

- Levelling the playing field
- Pushing upwards social and environmental standards outside the EU
- Avoid displacement of environmental pollution on exporting countries through EU imports

- **Risks**

- Retaliation (also on non-agricultural goods)
- Disputes on like-products if the issue is non detectable
- Impossibility to control
- Geopolitical tensions for interfering in other countries policies
- Undermine the ongoing multilateral efforts on same matters

Some conclusions

- The consequences of unilateral adoption of more stringent environmental policies depends upon several factors. Therefore **there is not one-fits-all solution**.
- In order to increase reciprocity it is necessary to build **networks**, strengthen relations and open communications channels.
- Some issues are very difficult to solve, especially when there is no agreement on the scientific evidence. Here, there is an important **role of the scientific community** to avoid unnecessary conflicts.
- Conflict resolution could result from better collaboration between risk assessment bodies, harmonization of official controls, improved traceability and improvement of early warning systems and from the work of **technical international bodies**.
- A **modernization of WTO** is needed (increasing coherences with MEAs)
- **Partnership with the private sector** is also crucial to set sustainability standards and certification schemes.

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