

## 1. Main Messages

**Context heterogeneity significantly shapes the sustainability outcomes of trade policies**, with different socio-economic and environmental conditions influencing results.

**Case studies from Ghana and Vietnam highlight diverse value chain structures, policy environments, and sustainability challenges**, affecting how trade impacts livelihoods, environmental conservation, and market access.

The EU-Vietnam Free Trade Agreement (EVFTA) **promotes sustainability but faces enforcement gaps, while the EU-Ghana Economic Partnership Agreement (EPA) improves market access but lacks strong sustainability measures**

**Smallholder farmers in both countries struggle with market integration, certification barriers, and resource constraints**, limiting their ability to benefit from trade agreements.

**Sustainability challenges, including environmental degradation, labour conditions, and gender inequality, persist** despite trade liberalisation efforts, requiring targeted policy interventions.

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## 2. Research Scope & Methodology

This study examines how contextual differences shape trade and sustainability linkages, using:

- **Case studies of Ghana (cocoa, cashew) and Vietnam (rice, tea, dragon fruit)** to explore trade's role in sustainable development.
- **Mixed-methods approach**, combining qualitative and quantitative data, including literature reviews, stakeholder consultations, and surveys.
- **Analysis of EU trade agreements** (EPA and EVFTA) to assess sustainability provisions and their effectiveness.
- **Comparative framework to identify commonalities and differences** in sustainability outcomes across the two countries.

# PROJECT BRIEF 12:

20 | APRIL | 2025

## CONTEXT HETEROGENEITY AND TRADE-SUSTAINABILITY LINKAGES



This project has received funding from the European Union's Horizon 2020 research and innovation programme under grant agreement No 101000551

## 3. Key Findings: Evidence Supporting Policy Discussions

### 3.1. Trade and Sustainability Challenges in Ghana

- Cocoa farming contributes significantly to **deforestation and biodiversity loss**, while cashew offers a **more sustainable alternative**.
- **Weak institutional support** for cashew farmers limits their market access and economic viability, in contrast to the stronger government intervention in the cocoa sector.
- **Smallholder farmers struggle with price volatility, low incomes, and limited bargaining power**, impacting their ability to invest in sustainable practices.

**Implication:** Ghana's trade policies should prioritise local processing and certification adoption to enhance sustainability outcomes.

### 3.2. Trade and Sustainability Challenges in Vietnam

- **Rice production is highly water-intensive and contributes to greenhouse gas emissions**, requiring climate-smart agricultural practices.
- **The tea and dragon fruit sectors lack robust government support**, leading to challenges in productivity and international competitiveness.
- **Trade liberalisation has increased Vietnam's market opportunities**, but smallholder farmers face certification barriers and reliance on intermediary traders.

**Implication:** Vietnam should invest in value-added processing and certification programs to improve smallholder competitiveness in global markets.

### 3.3. Cross-Country Comparative Insights

- **Both Ghana and Vietnam exhibit market access challenges, weak labour protections, and environmental risks**, though the specific drivers differ.
- **Gender inequality remains a significant barrier in both countries**, limiting women's access to land, training, and financial resources.
- **The role of voluntary sustainability standards (VSSs) varies**, with Ghana focusing more on Fairtrade/UTZ certification and Vietnam on GlobalGAP.

**Implication:** Trade agreements should integrate more comprehensive social and environmental safeguards to address country-specific sustainability concerns.



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Table 12.1. shows cross-country differences in more detail, while Table 12.2. provides recommendations on how to make more sustainable based on case study evidence.

**Table 12.1: Common features and challenges across supply chains in Ghana and Vietnam**

Issues	Ghana	Vietnam
<b>Income</b>	Farmers earn below poverty thresholds	Farmers earn low incomes, with limited profitability in value chains.
<b>Market access &amp; certification</b>	The challenges with adopting certification schemes like Fair Trade due high costs and low awareness.	Barriers to certification (e.g., GlobalGAP) due to high costs and fragmented farms.
<b>Environment</b>	Environmental issues, such as deforestation and biodiversity loss from monoculture.	Overuse of chemical inputs leads to soil degradation and water pollution.
<b>Climate change</b>	Cocoa and cashews are sensitive to climate change, water scarcity and soil erosion.	Rice, tea, and dragon fruit are affected by water scarcity, salinity, and extreme weather.
<b>Gender</b>	Women face limited land inheritance rights, lower income, and fewer opportunities in higher-value tasks.	Women have smaller farm sizes, lower incomes, and limited access to credit and training.
<b>Health</b>	Farmers lack protective equipment and face exposure to hazardous tasks like pesticide application.	Farmers often lack protective equipment, increasing health risks from chemicals.
<b>Land tenure</b>	Complex traditional systems (Abuna, Abusa) limit land access and productivity.	Land fragmentation reduces productivity and market efficiency.
<b>Policy</b>	Integrated policies required to address environmental and economic challenges.	Policies needed to support sustainable practices, market access, and equity.
<b>Child labour</b>	Child labour persists in hazardous tasks, though efforts are being made to reduce it.	Reports of child labour in agriculture, with ongoing concerns in certain sectors.
<b>Cooperative</b>	Need for stronger cooperatives to improve farmers' market power and compliance with standards.	Limited number of cooperatives in dragon fruit; need for stronger organizations to support farmers.

Source: own composition.

## 4. Implications for EU Policy & Trade Governance

- Ensure sustainability impact assessments (**SIAs**) are **tailored to country-specific challenges**.
- **Expand support for voluntary sustainability standards (VSSs)** to facilitate smallholder certification.
- Introduce mechanisms to **monitor and enforce** environmental and social clauses in EU trade agreements.
- **Enhance access to credit and financial instruments** for sustainability investments.
- **Develop trade capacity-building programs** to assist smallholders in meeting export standards.
- **Strengthen producer cooperatives** to improve value chain integration and bargaining power.
- **Support agroecological practices** to mitigate deforestation and land degradation.
- **Align EU trade policies with global climate commitments** to ensure long-term sustainability.



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**Table 12.2: Trade and sustainability recommendations for implementing the agreements**

Issues	Ghana	Vietnam
Trade	- Improved access to EU markets through the EPA.	- Tariff reductions and privileged market access via EVFTA.
	- Need to meet higher quality and sustainability standards to enhance international competitiveness.	- Requirement to comply with stringent EU standards for quality and traceability.
	- Challenges in increasing crop profitability under the EPA framework.	- Encourage the adoption of VSSs to meet EU standards and market demands.
Sustainability	- Emphasis on eco-friendly farming practices to align with EPA sustainability standards.	- Promotion of sustainable agricultural practices as a key aspect of the EVFTA.
	- Focus on reducing environmental impact, especially in cocoa and cashew farming.	- Elevation of working conditions and encouragement of sustainable practices through certifications.
	- Addressing gender equality and enhancing the roles of women in agricultural sectors.	- Addressing gender imbalances, empowering small farmers, and strengthening agricultural cooperatives.
	- Aligning national policies with EPA commitments to overcome environmental and social challenges.	- Aligning national strategies with EVFTA to promote sustainable growth.

Source: own composition.

## 5. Conclusion

This study highlights the importance of recognising context heterogeneity in trade policy formulation, ensuring sustainability interventions are tailored to country-specific realities.

### Key takeaways:

- **Trade agreements must integrate stronger sustainability safeguards** to address regional disparities.
- **Smallholder farmers require targeted support** to improve market access and adopt sustainability standards.
- **Future trade policies should balance** economic growth with social and environmental sustainability.

This Project Brief is based on **Deliverable 4.2.** of the TRADE4SD project.

Trade4SD is a 4-year project devoted to research on a topic which is high on the domestic as well as multilateral, EU and bilateral trade policy agenda. The ambition of the project is to explore and foster the positive linkages between trade and sustainable development is to provide policy recommendations for the creation of new opportunities for agents involved in the global, regional and national agri-food value chains, and to define conditions for sustainable livelihoods of farm producers in the EU and developing partner countries. Trade is a central factor in shaping global, regional and local development. Increased trade, empowered by the growth of Global Value Chains (GVCs), has boosted productivity and incomes in many countries.



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