

REPORT ON SUSTAINABILITY IN AGRI-FOOD VALUE CHAINS.

CASE STUDIES FROM THE MEDITERRANEAN REGIONS & THE MIDDLE EAST.

CASE STUDY: INTERNATIONAL TRADE FRAMEWORKS AND INSTITUTIONS

Mirela: Hello Izabela! In this recording we will focus on international trade frameworks and institutions. This is a key topic for agricultural producers who participate in the global value chains and there are several connections with the food standards, a topic developed in another case study presented recently.

We know that international trade is governed by complex rules. In our case study we looked at some top trade partners such as the EU, China and Russia to understand the requirements that need to be met by food exporters interested in accessing their markets. Could you please mention some of them?

***Izabela:** Thank you Mirela, absolutely. Yes, we looked at the trade rules of the EU, China and Russia. In 2018, the top five countries from which European Union imported goods were China, the United States, the Russian Federation, Switzerland, and Turkey. According to the European Commission, the EU has import taxes that are among the lowest in the world and is the most open to developing countries (excluding fuels) and it imports more from developing countries than the US, Canada, Japan and China combined, granting developing countries many duty exemptions under a variety of agreements. The European Commission also highlights how both exports and, increasingly, imports are critical to economic growth and job creation, as raw materials and intermediate goods are needed for production processes.*

The EU helped to create a rules-based international trade regime under the WTO – that is, the World Trade Organization, a global international organisation dealing with the rules of trade between nations. The WTO develops agreements that are negotiated and signed by the world's trading nations and ratified by their parliaments. The WTO replaced the General Agreement on Tariffs and Trade (GATT) in 1995, which was the first worldwide multilateral free trade agreement designed to remove

tariffs and increase international trade. Although the EU was reluctant to contemplate the elimination of export subsidies, it has apparently played a more constructive role in recent years in their removal.

Since China joined the WTO in 2001, companies seeking to engage in import trade only need to register with the Ministry of Commerce or its authorised local offices. All companies (both Chinese and foreign) have the right to import most products, but a limited number of goods are reserved for import through state trading enterprises. Complex inspection and certification requirements apply for trade, including requirements for certain goods to be inspected on arrival and to be accompanied by formal certification recognised by the Chinese government. Labelling and packaging requirements are particularly important for consumer goods. Between January and July 2019, 727 batches of foreign food and beverage items needed to be “returned or destroyed due to a lack of compliance in food quality, certificates, label, and package, excessive or limited use of food additives, presence of micro-organisms, no access for inspection and quarantine, non-compliant ingredients, and other reasons”. In some cases, import trading companies’ licenses may be revoked, and investors barred from continuing trade with China. Compliance with the labelling and packaging requirements are therefore critical for continued trading, as well as to reduce waste on agri-food value chains.

Turning now to the example of Russia, Russia is a member of the Eurasian Economic Union, which allows goods imported into any member nation, including Armenia, Belarus, Kazakhstan, Kyrgyzstan, and Russia, to be freely transported across these countries. Customs declarations can be made by assigned managers of Russian-registered companies, including foreign companies registered or established under Russian law. All imports must present freight declarations accompanied by contracts, commercial invoices and packing lists, transport documents, import licenses, certificates of conformity, and certificates of origin and sanitary certificates.

Mirela: Thank for summarizing so effectively such a complex topic. Now I would like to ask if various trade frameworks promote sustainability in agri-food chains and what are the targets which the developing countries mostly benefit of?

Izabela: According to a joint 2017 report by the Food and Agriculture Organization of the United Nations (FAO) and the World Health Organisation: “Trade is inextricably linked to food security, nutrition and food safety. Trade affects a wide number of economic and social variables, including market structures, the productivity and composition of agricultural output, the variety, quality and safety of food products, and the composition of diets.”

Numerous studies demonstrate that participation in markets has positive impacts on farmers’ food security. Here, food security relies on the free market to improve efficiency and enhance food production, supporting economic growth, employment and incomes – both in agriculture and, through a spill over effect to other sectors.

But this position is not limited to framing the ways in which the relationship between food security and trade are understood by global institutions. Many global frameworks assume that agricultural trade liberalisation is essential for food system sustainability. This logic is based on liberal economic theory that emphasises the role of trade in generating economic efficiency gains that can be used to promote sustainable food systems. Academic and policy documents that support the idea that trade is linked with sustainability refer to the economic concept of ‘comparative advantage’ whereby all countries specialise in the goods for which they have the least opportunity costs and then engage in trade. This results in efficiency gains on a global scale, thus minimising the overall use of natural resources, with production shifted to the countries best suited to producing specific crops. The theory of comparative advantage perceives international trade to be a static and harmonious phenomenon. Some studies show how export agriculture has increased revenues and access to inputs and technology, stimulating household food production and reducing capital and technology constraints.

The Sustainable Development Goals contain a number of targets that support free trade, particularly for developing countries, such as SDG target 10.a, which is to “implement the principle of special and differential treatment for developing countries, in particular least developed countries, in accordance with WTO agreements”, and SDG target 17.10, to “promote a universal, rules-based, open, non-discriminatory and equitable multilateral trading system under the WTO, including through the conclusion of negotiations under its Doha Development

Agenda.” There are explicit targets to significantly increase the exports of developing countries, in particular with a view of doubling least developed countries’ share of global exports by 2020, which is contained in target 17.11.

Mirela: As we can see, there are several potential benefits. However, do you see any challenges posed by the international trade system to agri-food producers from developing countries?

Izabela: *Thanks Mirela. Yes, there are indeed challenges posed by the international trade system to agri-food producers from developing countries. As mentioned, trade is promoted as important for achieving food security, but there are critics of ‘trade as an opportunity’, who reject the notion of higher integration in agri-food markets supporting food security. Countries more dependent on food imports and food aid are at greater risk of being affected by price shocks, and future swings in food prices may jeopardise food security in poor countries.*

Large-scale land acquisition projects for export trade may not always be able to deliver on their promises jobs as frequently promoted in ‘agriculture for development’ discussions and, in practice, trade deals may lead to capital intensive agriculture with a low labour to land ratio.

Those who consider ‘trade as a threat’ generally call for increased involvement of local and regional governments, consumers and farmers in agri-food system governance, supporting a vision of the multifunctionality of agriculture and highlighting the importance of local biodiverse farming systems, self-sufficiency and domestic production for food sovereignty.

To summarise, there is a need to better understand how the international trade system affects agri-food producers from developing countries, and pay close attention to issues of equity and justice for farmers in agri-food value chains.

Mirela: Thank you Izabela for introducing us to this very interesting and complex case study on international trade frameworks and institutions.

Izabela: Thank you Mirela!

Mirela: More information and sources can be found in the “Report on Sustainability in Agri-food Value Chains. Case studies from the Mediterranean Regions and the Middle East” which is available on our project website <https://agricultural-voices.sussex.ac.uk/>.