

BRIEFING NOTE

**EU trade policy for
sustainable food systems**

**SUSTAINABLE
FOOD SYSTEMS**

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The European Union (EU) has committed to supporting the global transition to more sustainable food systems. As the world's largest food importer, the EU can use its trade policies and agreements to stimulate and incentivise more sustainable practices by its trade partners. In this brief, we provide specific recommendations on how the EU can do so.

Building on lessons from existing initiatives, the EU should adopt sector-specific regulations and sustainability standards to promote imports of sustainable food, and restrict the import of illegally or unsustainably manufactured products. Further, real change can only be achieved if the EU makes sustainable food systems an explicit objective of its free trade agreements, negotiates relevant sustainability provisions in these agreements and monitors efficiently the impact of these provisions on food systems. At the multilateral level, the World Trade Organization and the upcoming 2021 Food Systems Summit can be good platforms for the EU to build alliances with like-minded countries to push for global trade rules that promote sustainable food systems.

To be effective, these efforts need to be based on a good understanding of the various ways trade affects food systems. They also need to be based on inclusive consultation involving potentially marginalised food systems actors and civil society representatives, and to be complemented by other relevant policies, including on investment and development cooperation.

Introduction

Our food systems produce large volumes of food, but they also contribute to land and water degradation, threaten biodiversity and generate greenhouse gas emissions, malnutrition and livelihood stresses for farmers. There is growing recognition in Europe and beyond that food systems need to become more environmentally sustainable and resilient, more inclusive of poor and marginalised populations, and better able to deliver healthy and nutritious diets to all. Through the European Green Deal and Farm to Fork Strategy (F2F), the European Union (EU) has committed to a more economically, socially and environmentally sustainable European food system, and to use its external policies to promote sustainable food systems beyond its borders.

In this context, the International Panel of Experts on Sustainable Food Systems (IPES-Food) and the European Centre for Development Policy Management (ECDPM) are collaborating to advance dialogue on the role of EU external policies in promoting a transition to sustainable food systems globally.¹ Supporting this transition requires a range of tools and approaches in different policy areas. Nonetheless, trade policies can and should serve as important means to promoting sustainable food systems. As the largest importer of food products, the EU is particularly well placed to use its trade policies and agreements to stimulate and incentivise more sustainable practices by its trade partners. The European Commission's ongoing review of EU trade policy provides a perfect opportunity to explore how to do so.

In this brief we provide recommendations on general principles that can help ensure EU trade policy is better able to promote sustainable food systems, and sustainable development more broadly. We also provide recommendations on the use of specific unilateral, bilateral and multilateral trade policy tools



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and processes for these ends. These recommendations represent IPES-FOOD and ECDPM's joint submission to the EU trade policy review.

Principles for using trade policy to promote sustainable food systems

Sustainable and resilient food systems that support livelihoods, provide sufficient healthy food for all, protect biodiversity and the environment and contribute to social equity are crucial for achieving a number of Sustainable Development Goals (SDGs), particularly SDGs 1, 2, 3, 8, 12, 13 and 15. An EU trade policy that promotes and supports a global transition towards more sustainable and resilient food systems would therefore make a great contribution to sustainable development. To promote and support such a transition, EU trade policy should be guided by the following four principles.

Policy coherence for sustainable food systems and sustainable development. The interaction of European trade and non-trade policies generate trade-offs and/or synergies in terms of their impact on food systems globally. Policy coherence can help mitigate negative trade-offs and exploit synergies. The EU should seek to ensure policy coherence for sustainable

¹ Sustainable food systems should provide and promote affordable, safe and nutritious food for all current and future populations in a manner that has a neutral or positive impact on the natural environment and preserves and restores its ecosystem services, is robust and resilient (especially to the effects of climate change), generates fair economic returns - including for small farmers - and is socially acceptable and inclusive. SAPEA, Science Advice for Policy by European Academies. (2020). A sustainable food system for the European Union. Berlin.

development (PCSD) and for sustainable food systems between: (i) its trade and non-trade policies (including internal policies); (ii) its trade policy instruments and approaches at the unilateral, bilateral and multilateral levels; (iii) EU and EU member state policies; and (iv) its policies towards partner states and the interests and capabilities of those states. EU trade policies, development cooperation (including aid for trade) and public financing instruments for stimulating private investment should be used in a coherent and complementary way to support economic and agricultural transformation pathways that enhance food system sustainability.

Gradual and progressively ambitious implementation of new approaches. New and innovative approaches to using trade policy to promote economic, social and environmental sustainability are needed. Unilateral, bilateral and multilateral policies, regulations, negotiations and agreements offer different pathways for such approaches. Where new approaches may face resistance from other countries, the EU should consider using unilateral measures to pilot such approaches and demonstrate ‘proof of concept’. Lessons should then be drawn for scaling these up to and mainstreaming the approach in bilateral agreements. Building on coalitions of the willing, the EU should also seek to foster open plurilateral agreements in multilateral fora, notably at the World Trade Organization (WTO). Similarly, where certain partners are willing to cooperate on new approaches in e.g. specific sectors or commodities, the EU should pursue such targeted arrangements (see more below), while exploring opportunities to expand these approaches to other sectors, commodities and partner countries, or to plurilateral and multilateral frameworks.

Inclusive consultation and partnership building for implementation. EU trade policies should be based on inclusive multi-stakeholder processes and promoted through partnerships and dialogue, including via multi-country and multi-stakeholder ‘Green Alliances’, in line with the commitments of the Farm to Fork Strategy.² These processes should build ownership of the design, implementation and monitoring of trade policy and related non-trade policies and accompanying measures.

Sustainability as an explicit goal. Given the increasing urgency of promoting sustainability as an overarching policy objective, and consistent with article 3(5) of the Treaty on the Functioning of the EU, the EU should define sustainability as an explicit objective of its trade and other external policies and refer to this in its trade agreements. Putting this principle into practice to support sustainable food systems will require efforts to differentiate between trade in sustainable food products and trade in non-sustainable food products. While this is not a straightforward exercise, and is subject to certain disciplines under WTO agreements, progress can be made through the use of standards, certification and traceability schemes,³ through targeted subsidies linked to sustainability criteria, and through unilateral trade measures (see below).



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² “Through its external policies, including international cooperation and trade policy, the EU will pursue the development of Green Alliances on sustainable food systems with all its partners in bilateral, regional and multilateral fora”.

³ the F2F and other EU traceability policies already envisage the use of “sustainability food labelling frameworks” to facilitate consumer choice (also within collaborations with third countries)

Sector-specific initiatives and trade preferences for sustainable imports

The EU should explore sector-specific cooperation agreements to ensure that imports entering the EU have been legally and sustainably produced (for example, working towards zero deforestation, zero child labour, zero biodiversity loss, carbon neutrality) in line with relevant international commitments and standards, including those deriving from UN human rights treaties and ILO conventions, and adhering to the same level of sustainability requirements as EU producers. In doing so, it should draw lessons from, and build on, the cocoa sustainability standards being developed with Cote d'Ivoire and Ghana, and the broader precedent of Voluntary Partnership Agreements (VPAs) under the Forest Law Enforcement, Governance and Trade (FLEGT) Action Plan. These approaches should focus initially on 'forest risk commodities' and/or supply chains dominated by a small number of exporting countries. In a second phase, the EU should ensure application of these sustainability standards beyond the targeted commodity, i.e. progressively apply the new enforcement capacities and cooperation tools to the whole of a country's agricultural sector, so it becomes a licensed 'sustainable food supplier', while working with importing companies to fast-track the application of new horizontal due diligence requirements in the agricultural sector.

The EU should explore preferential trade frameworks that differentiate between products based on whether or not they are sustainably produced and distributed, and/or on their impact on consumer nutrition and health. Such frameworks could either make preferences conditional on food products meeting relevant sustainability criteria, or provide additional preferences for those food products that do. While it is sometimes questioned whether such differentiation is compatible with non-discrimination clauses in trade agreements, including the GATT and GATS agreements of the WTO, these agreements in fact

provide some flexibility in this regard, provided the differentiation on sustainability grounds is not a source of unjustified discrimination and does not entail disproportionate impacts on trade. The F2F and EU traceability policies already envisage the use of "sustainability food labelling frameworks" to facilitate consumer choice (also based on collaboration with third countries). This differentiation, to be further defined also in line with available evidence (such as the recent UNFSS Report⁴ mapping how free trade agreements that include sustainability standards can support countries' SDG ambitions) could be an important tool to support a global move towards sustainable food systems. The EU should seek to introduce such differentiation on sustainability grounds in its revised General Scheme of Preferences Plus (GSP+) and in its free trade agreements (FTAs). Where the introduction of sustainability criteria for differentiation creates difficulties for producers from developing countries to access European markets under its preferential trade frameworks, the EU should use its development cooperation instruments, such as aid for trade (AfT), to support those producers, and other relevant food value chain actors, to meet these criteria and to shift to more sustainable practices.

Using free trade agreements to promote sustainable food systems

While the promotion of sustainable food systems will rely heavily on action in other policy areas (e.g. investment policies, agricultural policies, development cooperation), the EU should **ensure that its bilateral trade agreements support sustainable production, consumption, investment and trade to the extent possible.** This can be best achieved by:

1. **Including the promotion of sustainable food systems as an explicit objective of EU FTAs** and stipulating in FTA texts the principle that the parties commit to cooperation on sustainable food systems;⁵

⁴ See UNFSS 4th Flagship Report "Scaling up Voluntary Sustainability Standards through Sustainable Public Procurement and Trade Policy", September 2020. <https://unfss.org/home/flagship-publication/>

⁵ For instance, EU-Japan FTA states in Art 19 that "The Parties recognise that promoting trade in agricultural products and foods between them is in their mutual interest, and aim at promoting cooperation on sustainable agriculture, including rural development

2. **Including other provisions to promote sustainable food systems in EU FTAs** (including beyond Trade and Sustainable Development Chapters⁶), with these provisions being in line with internationally accepted sustainability frameworks, and subject to multi-stakeholder consultation, notably through enhanced Domestic Advisory Groups (DAGs) and joint dialogues⁷;
3. In line with the commitment in F2F to develop 'Green Alliances',⁸ **strengthening multi-stakeholder consultation and participation in the negotiation, implementation and monitoring of the sustainability-related provisions of EU FTAs** to address the current limitations of DAGs and joint civil society meetings (i.e. the functioning of civil society mechanisms incorporated in EU FTAs) and better ensure that the sustainability concerns of diverse food system stakeholders (including peasant farmers and grassroots and community-based civil society groups) are addressed;
4. **Providing adequate support for FTA implementation** (e.g. via Aft, investment promotion and private sector engagement), including building capacity for SMEs and smallholder farmers to meet relevant sustainability standards and participate in sustainable food trade and sustainable food value chains;
5. **Ensuring that monitoring and evaluation of EU FTAs covers their impact on the sustainability of food systems in the EU and in the partner country or region.**

When using sustainable food labelling frameworks and international sustainability standards to maximise the contribution of trade policy to sustainability, **the EU should ensure it takes into account the level of development of partner countries and seek to build local ownership** with a view to reach agreements with partners based on an 'equal partnership' spirit and based on the corresponding standards/frameworks as agreed in international fora like the Committee on

World Food Security (CFS).

The EU can also **use its sustainability impact assessments (SIAs) more effectively to ensure its FTAs promote food system sustainability**, in particular by:

1. **Integrating food system sustainability considerations into SIAs for all EU FTAs** and including more systematic and detailed treatment of all relevant aspects of food system sustainability (including in relation to climate resilience, biodiversity, gender equality, health and nutrition, food safety, etc) likely to be affected by trade liberalisation;
2. **Updating the official EU SIA Guidance Handbook** with more explicit guidance for assessing food system sustainability impacts;
3. **Ensuring SIAs are sufficiently inclusive and participatory**, by involving potentially affected food systems actors in partner countries;
4. **Tailoring models used for SIAs, and their assumptions and specifications, to include food system sustainability criteria**, and addressing the limitation of equilibrium models assuming full employment as the starting point; and
5. **Improving ex-post assessment of the impact of FTAs on EU and partner country food system sustainability**, informing corrective action if necessary.



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and the exchange of technical information and best practices for providing safe and high quality foods for consumers in the European Union and Japan". Based on this approach, useful text could be added relative to F2F and SFS.

⁶ F2F: "The EU will seek to ensure that there is an ambitious sustainability chapter in all EU bilateral trade agreements"

⁷ See for instance Ashraf, N. and J. van Seters (2020), Recommendations to *strengthen civil society engagement in EU trade agreements*, ECDPM Briefing Note 119, September. <https://ecdpm.org/bn119>

⁸ F2F: "Through its external policies, including international cooperation and trade policy, the EU will pursue the development of Green Alliances on sustainable food systems with all its partners in bilateral, regional and multilateral fora".

Growing sustainable trade with neighbouring countries and Africa

In order to strengthen the sustainable dimensions of its trade and investment relations with neighbouring countries and Africa, the EU should:

1. **Provide aid for (sustainable food) trade that focuses on building the capacity of neighbouring and African countries to produce and trade ‘sustainable’ (food) products,** particularly those with existing or potential markets in Europe, drawing on lessons from EU member states like the Netherlands, and its Centre for the Promotion of Imports from Developing Countries (CBI);
2. **Promote development (blended) finance to stimulate private investment in the food systems of neighbouring and African countries,** in particular to generate opportunities for investments that are likely to have large positive impacts on food system sustainability to become commercially viable over time, paying special attention to impacts on smallholder farmers and food SMEs, drawing on the resources of the European Fund for Sustainable Development (EFSD/EFSD+), and its Investment Window on Sustainable Agriculture, Rural Entrepreneurs and Agribusiness,⁹ and ensuring that EU-supported investments via financial institutions are aligned with these principles; and
3. **Stimulate private sector engagement around food system sustainability objectives,** including through EU-Neighbourhood and EU-Africa sustainable business platforms like the Sustainable Business for Africa Platform (SB4A) and the AU-EU Agribusiness Platform, and through stimulating partnerships and business-to-business interactions and experience sharing,



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drawing lessons from successful European mechanisms.¹⁰

Strengthening multilateral governance for sustainable food trade

In pursuing WTO reform, the EU should seek to **ensure that promoting sustainable food systems becomes a more central goal of the multilateral trading system.**

The EU can contribute to this objective by:

1. **Exploring in line with F2F,¹¹ the establishment of a voluntary, inclusive and transparent ‘Green Alliance’ at the WTO** with like-minded members from the global North and South, based on shared sustainability ambitions and involving civil society from all members, and together establishing a **WTO Working Group to examine how WTO agreements and rules can contribute to more sustainable food systems,** possibly as an outcome of the 2021 Food System Summit;
2. Using this Green Alliance and Working Group to push for **updating the WTO ‘Green Box’ to accommodate domestic subsidies for**

⁹ As in the current EFSD investment window, and as recommended by the EU Task Force Rural Africa (2019): https://ec.europa.eu/info/sites/info/files/food-farming-fisheries/farming/documents/report-tfra_mar2019_en.pdf

¹⁰ See for instance Seters, J. van and S. Bilal (2020), Sustainable EU business and trade: How the Enterprise Europe Network can promote trade beyond Europe, ECDPM Briefing Note 115, March. <https://ecdpm.org/bn115>

¹¹ “Through its external policies, including international cooperation and trade policy, the EU will pursue the development of Green Alliances on sustainable food systems with all its partners in bilateral, regional and multilateral fora”

sustainability and resilience objectives based on clear and transparent criteria, while still remaining committed to reducing trade-distorting agricultural subsidies, and for **building support for a new approach to WTO agriculture negotiations** that puts sustainability and resilience at the centre of the agricultural trade agenda;

3. **Providing unilateral assurances** (via a declaration) that the EU will not launch WTO disputes against countries making use of Green Box subsidies for sustainability and resilience objectives;
4. **Championing open plurilateral approaches** (as in the case of the Environmental Goods Agreement) and sectoral approaches to address specific sustainability challenges or solutions (e.g. green public procurement), with those WTO members willing to undertake deeper commitments towards sustainability;
5. **Promoting greater coordination between the WTO and global ‘food and agriculture’ institutions around trade and sustainable food systems**, including by using platforms and events like the Committee on World Food Security (CFS) and the 2021 Food Systems Summit to institutionalise regular inter-agency engagement at the highest level (WTO DG, FAO DG, CFS Chair), identify areas of collaboration, task divide effectively and improve policy coherence¹²; and
6. **Formulating a coherent message on the importance and role of trade policy to address climate change and promote sustainable development**, and bringing this to all relevant high-level processes culminating in the 2021 summits: Climate Adaptation Summit, Nutrition for Growth Summit, COP26, COP15 of the Convention on Biological Diversity, and Food Systems Summit.



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Conclusion

Drawing on insights from a range of trade and food systems experts, this brief has presented recommendations on: (i) principles that can help ensure EU trade promotes sustainable food systems beyond EU borders and (ii) specific trade instruments, approaches and fora that the EU can and should use to promote sustainable food systems. IPES-Food and ECDPM are grateful to have the opportunity to provide these recommendations as input to the European Commission’s public consultation on the review of EU trade policy, and we hope that the EU is willing and able to take up these recommendations. In the meantime IPES-Food and ECDPM will continue to collaborate on the role of EU trade and other external policies in promoting a transition to sustainable food systems globally.

¹² For further details and discussion about this proposal, see for instance Rampa, Dekeyser, Alders and Dar, ECDPM-Chatham House paper, December 2019 <https://ecdpm.org/publications/global-institutional-landscape-food-agriculture-achieve-sdg-2/>

About IPES-Food

The International Panel of Experts on Sustainable Food Systems (IPES-Food) seeks to inform debates on food systems reform through policy-oriented research and direct engagement with policy processes around the world. The expert panel brings together environmental scientists, development economists, nutritionists, agronomists, and sociologists, as well as experienced practitioners from civil society and social movements. The panel is co-chaired by Olivier De Schutter, former UN Special Rapporteur on the Right to Food, and Olivia Yambi, nutritionist and former UNICEF representative to Kenya.

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