



Task Force 04

TRADE AND INVESTMENT FOR SUSTAINABLE AND INCLUSIVE GROWTH

Sustainable Agriculture Trade: Environment Concerns and Global Imbalances

Sanvid Tuljapurkar, Independent Researcher (India)

Swati Sharma, Independent Researcher (Switzerland)

Felipe Amoroso, Strategy Manager, Grundfos (Denmark)



TF04



Abstract

Agro-food systems are complex and multifaceted with impacts on the society, economy, and the environment which translates to competing interests in the case of agriculture trade. In several developing countries, agriculture trade represents a significant source of export earnings and employment. Moreover, agriculture trade not only varies across country-income groups but also within country-income groups. Smallholder farmers, especially in low-income and lower-middle-income countries, depend on agriculture for their livelihood.

India's G-20 Presidency recognized the imperative of sustainable agriculture trade which aligns with its potential to contribute to SDG 2, crucial for addressing the escalating challenge of global hunger. The environmental dimension of the agriculture sector presents a dual challenge, as it not only grapples with susceptibility to climate change but also contributes to environmental degradation through biodiversity loss, deforestation, soil pollution, and greenhouse gas emissions. International trade agreements have sought to rectify distortions in agriculture trade; however, socio-economic, and environmental concerns persist. In this context, this policy brief proposes actions that the G20 can take to ensure inclusivity in environment related agriculture measures and facilitate agriculture negotiations.

Keywords: Competing Interests, Food Security, Livelihood, Environmental Concerns, Agriculture Trade Negotiations



Introduction

The agriculture sector is critical for a variety of socio-economic and environmental reasons. Firstly, with 9.2% of the global population facing chronic hunger, agriculture is essential for food security and achieving Sustainable Development Goal (SDG) 2: Zero Hunger.¹ Secondly, agriculture provides employment for 26% of the global workforce, making it crucial for livelihoods. Thirdly, the sector significantly impacts climate change, as many farming practices contribute to rising greenhouse gas (GHG) emissions. Moreover, while the agriculture sector contributes to climate change, it is also one of the most vulnerable sectors to climate change.

Given the agriculture sector's critical role in socio-economic and environmental goals, countries have diverse and often competing interests in this area that result in a negotiating deadlock and the use of unilateral measures. In this context, this policy brief will review the current impasse in agriculture negotiations, examine these competing interests, and offer recommendations for G20 actions to facilitate progress in agricultural trade negotiations.

Diagnosis of the Issue

The stalled agriculture negotiations

The G20 members, through the New Delhi Declaration, committed to building more sustainable and climate-resilient agriculture and food systems and to support developing countries' efforts and capacities to address their food security challenges. This declaration

¹ However, the agriculture sector goes beyond food to include various non-food commodities as well as commodities that are used for both, food and non-food purposes.



signals a resolve to prioritize sustainability and resilience in agriculture practices, recognizing their role in ensuring food security for all. By pledging to enhance support and capacity-building initiatives, the G20 members demonstrated their commitment to fostering inclusive and sustainable development, particularly in regions most affected by climate change and food insecurity. This commitment aligns with broader global efforts to achieve the SDGs and the Paris Agreement's objectives. However, to drive meaningful progress in the global agricultural landscape, this issue needs to be effectively addressed by multilateral bodies. Unfortunately, achieving consensus on this matter has proven challenging at various forums.

In the World Trade Organisation (WTO), agriculture negotiations have been stalled for several years. Developing countries like India have persistently advocated for renegotiating the mandate, arguing that their agricultural sectors were disadvantaged by integration into global markets and reduced government support. However, many developed nations have been reluctant to return to the negotiating table.

Resultant, updating WTO rules on agriculture has been a long-standing agenda item for over two decades, with the 13th Ministerial Conference (MC13) in Abu Dhabi in February 2024 marking another missed opportunity for meaningful progress. Central to the stalemate was the contentious issue of "public stockholding for food security purposes," which disproportionately affects Least Developed Countries (LDCs), small island economies, and developing economies. Other issues of contention among WTO members include a special safeguard mechanism, disciplines on export restrictions and increased transparency. The agriculture negotiations deadlock underscores the delicate balance between global trade regulations and national food security strategies, with LDCs and developing nations seeking flexibility to safeguard their vulnerable populations while facing pressure to conform to international trade norms.

The UN Food Summit, a significant gathering convened by the United Nations to address global food security, nutrition, and sustainable agriculture, was held virtually in September 2021, serving as a platform for world leaders, policymakers, experts, and stakeholders to discuss strategies to tackle food insecurity and related challenges. Despite its aims, the Summit received widespread criticism for not producing concrete results in agro-food trade due to various factors. While the Summit aimed to provide solutions to pressing food system challenges, it fell short of clarifying the problems inherent in dominant food ecosystems. This lack of clarity left participants with a confusing mix of ideas and no clear path forward. Additionally, the Summit failed to include discussions on critical issues such as the COVID-19 pandemic, geopolitical tensions and their impact on food ecosystems, which further detracted from its effectiveness. Small-scale farmers and indigenous communities, responsible for producing over 70 per cent of the world's food through sustainable agriculture, boycotted the summit citing concerns that their knowledge and expertise in sustainable farming were disregarded and that the summit was focused on the interests of large corporations, branding it as "corporate colonization". Overall, the World Food Summit 2021 was deemed incomplete and unsuccessful due to its inability to address key challenges, specifically faced by small farmers and indigenous communities, and provide actionable solutions for transforming global food systems.

India's withdrawal from the Regional Comprehensive Economic Partnership (RCEP) in November 2019, driven by significant concerns over agricultural trade dynamics, highlights the challenges faced in free trade agreement negotiations. The RCEP agreement posed significant challenges for India's agricultural sector, particularly regarding the potential influx of cheap agricultural imports from other member nations. Given the importance of agriculture to India's economy and the livelihoods of millions of

farmers, the fear of unfair competition and adverse impacts on domestic agriculture weighed heavily in the decision-making process.

Countries have competing interests in the agriculture sector

The economic conditions, food security needs, climate ambition policy priorities and political circumstances determine the agriculture related interests of G20 countries. The differences in these factors among the G20 members translate into members adopting measures, often in the form of non-tariff measures (NTMs) to support their domestic priorities. However, these measures also have an impact on the interests of their trading partners.

The European Union (EU) has been increasingly focused on the green transition through the Green Deal. For the agriculture sector, this has led to measures that encourage climate friendly agricultural practices not only within the EU but also in its trading partners. E.g., the EU is pursuing greener global supply chains through the EU Deforestation Regulation (EUDR) by requiring businesses to prove that the production of certain commodities did not cause deforestation. This regulation was criticized for its unilateralism and for being developed without consulting trading partners and without considering their socio-economic circumstances. Additionally, this regulation has also faced backlash from within the EU. Among their concerns are issues such as inadequate information sharing, insufficient time to adapt supply chains and misconceptions as to the functioning of complex supply chains.

In the case of the United States (US), given the agriculture sector's importance for the economy,² the Inflation Reduction Act provides ~USD 20 billion for farmers to adopt sustainable farming practices to reduce methane emissions, increase carbon capture, and optimize the usage of farm inputs. The US, along with other agriculture commodity exporting countries, also known as the Cairns group³ has been a proponent of trade liberalization for increased market access for its agricultural products. A law similar to the EUDR is being considered in the US.

Agriculture is a prime pulse of the Indian economy not only for food security but also for lives and livelihood with agriculture accounting for 43 per cent of the total employment. However, policies for trade in the agriculture sector in India have often been characterized by export related measures to ensure sufficient availability of affordable agricultural commodities domestically. Combining agricultural interests with climate ambition, in India, several measures encourage farmers to adopt innovative and modern agricultural practices.

With a lower per capita production of food than other countries, least-developed countries (LDCs) rely to a great extent on imported food. Overall, 14 per cent of the supply of food in LDCs is sourced from net imports. Given their reliance on food imports, their priority lies in ensuring the availability of adequate supplies of basic foodstuffs from external sources on reasonable terms. With the inclusion of the African Union in the G20 in 2023, which includes 33 of the world's 45 LDCs, food security has become central to

² For the United States (US), agriculture is one of the foundational sectors of the economy. agriculture, food and related sectors accounting for 5.5 per cent of its gross domestic product (GDP) and 10.4 per cent of its employment in 2022.

³ Cairns group includes 19 members that propagate agricultural trade liberalization.

G20s’ concerns in addition to climate change and trade liberalization for agricultural commodities.

As global climate action intensifies through both domestic policies and international commitments, NTMs are increasingly deployed to curb GHG emissions in agriculture and bolster climate resilience in the sector. G20 countries have adopted a total of 3591 environment-related NTMs between 2009-23, however, only six G20 members that are also a part of the Cairns group account for ~38 per cent of these environment-related NTMs.⁴

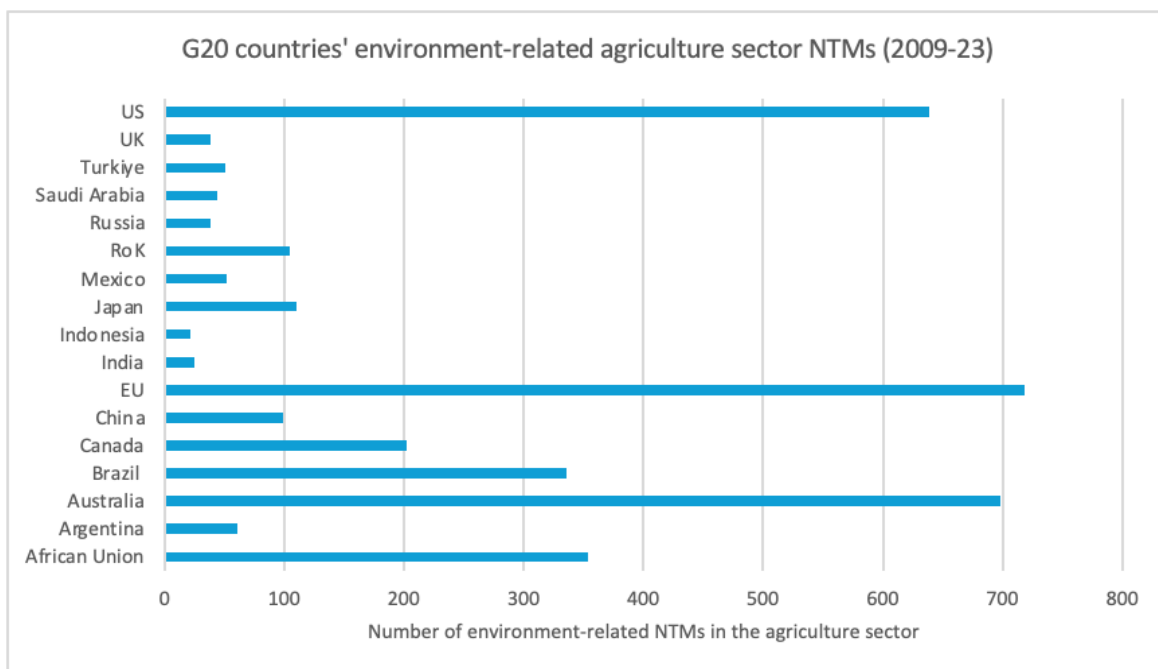


FIGURE 1: Environment related agriculture sector NTMs adopted by G20 members between 2009 - 2023.

Source: Authors’ rendering based on “WTO EDB” accessed April 1, 2024, <https://edb.wto.org>.

⁴ The number of environment-related agriculture sector NTMs of countries that are members’ of the EU and African Union have been included in the environment-related agriculture sector NTMs of the latter.



Despite LDCs' relatively small share of global food trade, their export market share has more than doubled over the past 25 years. Environment-related NTMs pose a significant challenge for developing countries that export agricultural commodities. Firstly, NTMs tend to be more widespread in agriculture, an economic sector whose relative importance is higher for low-income countries as the composition of their export baskets tends to consist of more agricultural products. Secondly, while NTMs may be applied in a non-discriminatory manner equally to domestic and all foreign producers, the cost of compliance with NTMs is generally higher for exporters in low-income countries due to weaker infrastructural, organizational, administrative and technical capabilities and limited resources. Thirdly, the limited fiscal space of developing countries to provide domestic support to their agriculture, comparable to developed countries, further exacerbates these challenges.

The failure of developed countries to fulfil their climate finance promises further compounds the challenges of developing countries. For example, developed countries failed to meet their promise of mobilizing USD 100 billion per year for developing countries by 2020. Furthermore, climate finance continues to be predominantly delivered as loans, a large share of which has been non-concessional. According to UNCTAD, 60 percent of low-income countries are in, or on the edge of, debt distress and are spending five times more on debt servicing than on climate adaptation every year which not only impacts their agricultural employment and economic growth but also has an impact on their ability to achieve food sovereignty and climate resilient development.



Recommendations and Outcome Scenarios

More developing countries and LDCs joining the G20 in 2023 provide the G20 an avenue to openly discuss a wider range of agriculture sector related interests not only from the point of view of agriculture commodity exports and climate ambition but also food security and livelihood concerns. Both, developing and developed countries have raised concerns regarding the challenges posed by NTMs to agricultural commodity exports and the need to address these concerns. This seems to be the one challenge that all countries can rally behind. However, addressing the challenges regarding NTMs specific to certain agriculture sector interests requires a more nuanced approach.

Recommendation 1: Multi-stakeholder consultations in developing sustainable agriculture NTMs

G20 members should develop guidelines for multi-stakeholder consultations to ensure inclusivity in creating sustainable agriculture NTMs. The unilateral development and implementation of sustainable agriculture NTMs impact farmers not only in the adopting country but also in its trading partners. Therefore, a comprehensive consultative process is essential to understand the challenges and opportunities for farmers in both contexts.

Outcome scenario 1: Conducting such consultations will enable in development of NTMs grounded in local circumstances and competing interests, avoid unintended consequences, and embed climate ambition in climate justice. However, this approach may be time-consuming and resource-intensive. Taking into account the concerns of diverse stakeholders may also lead to undermining the intended goal of the NTM, thereby potentially jeopardizing its efficiency.

Recommendation 2: Enhancing trade negotiations with transparent agricultural data

Real-time, accurate and reliable agricultural data plays a critical role in informing decision-making and facilitating efficient trade operations, particularly for smallholder farmers, indigenous communities, small island economies, and LDCs.

Outcome scenario 2: Enhanced transparency and evidence-based decision making through data-sharing mechanisms and standardized reporting of agriculture trade data can allow negotiators to identify areas of mutual interest and make tailored interventions to ensure the socio-economic and climate resilience and sustainability of agricultural trade in vulnerable regions. However, reporting and data-sharing obligations should be conditioned on financial and technical assistance and capacity building as developing countries and LDCs often lack the necessary resources and the capacity.

Recommendation 3: Food related negotiations v other agricultural commodities

Separating discussions on food related agriculture commodities from other agriculture commodities at the G20 may provide members an opportunity to make much needed progress on the issue.

Outcome scenario 3: Food security is an essential feature and has been a point of contention in agriculture negotiations. While not all agricultural products are consumed as food, discussions often intertwine food-related commodities with others, hindering progress. This approach can enable faster progress through more targeted discussions while acknowledging the urgent character of the matter. It could be transposed in other multilateral forums as well. Yet, it risks dividing discussions on export interests and livelihood concerns, despite their interconnectedness across all agricultural sectors.



Recommendation 4: Tying climate finance and sustainable agriculture

For this challenge to be addressed, negotiations on climate finance for the agriculture sector should be tied together with sustainable agriculture negotiations in the G20

Outcome scenario 4: The limited fiscal space of developing countries and the non-fulfilment of climate finance promises by developed countries, combined with the additional costs of complying with NTMs, call for greater financial support to encourage sustainable agriculture practices in developing countries and LDCs. This will also facilitate a holistic understanding of G20 members' needs and overcome the deadlock.

References

“A climate finance goal that works for developing countries.” *UNCTAD*. Published June 14, 2023. <https://unctad.org/news/climate-finance-goal-works-developing-countries>.

“Agriculture negotiations enter final straight as MC13 approaches.” *WTO*. Accessed March 28, 2024. https://www.wto.org/english/news_e/news24_e/agng_17jan24_e.htm.

“Climate Finance and the USD 100 Billion Goal.” *OECD*. Accessed April 1, 2024. <https://www.oecd.org/climate-change/finance-usd-100-billion-goal/>.

“Employment in agriculture (% of total employment).” *ILOSTAT*. accessed April 1, 2024, <https://data.worldbank.org/indicator/SL.AGR.EMPL.ZS>.

“India.” *WTO Environmental Database*. Accessed April 1, 2024, <https://edb.wto.org/member/14252>.

“UN list of LDCs.” *UNCTAD*. Accessed April 1, 2024, <https://unctad.org/topic/least-developed-countries/list>.

Congress.Gov. *S.2950 - FOREST Act of 2021*. Congress, 2021.

<https://www.congress.gov/bill/117th-congress/senate-bill/2950#:~:text=This%20bill%20restricts%20certain%20commodities,produced%20from%20illegally%20deforested%20land>.

European Commission. *Regulation on Deforestation-free products*. DG Environment. https://environment.ec.europa.eu/topics/forests/deforestation/regulation-deforestation-free-products_en.

Federal Government. Ministry of Consumer Affairs, Food & Public Distribution. *Centre mandates Stock Disclosure of Rice/Paddy for Traders/Wholesalers, Retailers, Big Chain Retailers, Processors/Millers*. PIB, 2024.

<https://pib.gov.in/PressReleasePage.aspx?PRID=2001790#:~:text=In%20respect%20of%20Non%2DBasmati,lower%20the%20prices%20of%20rice>.

Federal Government. USDA. *Ag and Food Sectors and the Economy*. Economic Research Services. <https://www.ers.usda.gov/data-products/ag-and-food-statistics-charting-the-essentials/ag-and-food-sectors-and-the-economy/>.

G20. *New Delhi Leaders' Declaration*. New Delhi, 2023.

Gupta, Surupa, Ganguly, Sumit. "Why India refused to join the world's biggest trading bloc." *Foreign Policy*. Published November 23, 2020.

<https://foreignpolicy.com/2020/11/23/why-india-refused-to-join-rcep-worlds-biggest-trading-bloc/>.

ITC. *LDC Trade Report 2023*. Geneva, 2023.

<https://intracen.org/file/ldctradereport2023-improvingfoodsecuritypdf>.

Lakhani, Nina. "Corporate colonization: small producers boycott UN food summit."

The Guardian. Published September 23, 2021.

<https://www.theguardian.com/environment/2021/sep/23/small-producers-boycott-un-food-summit-corporate-interests>.

Neo, Pearly. "Deforestation Unrest: EU Policy Implementation Hangs in the Balance After Industry Pushback." *FoodNavigator Asia*. Published April 9, 2024.

<https://www.foodnavigator-asia.com/Article/2024/04/10/eu-deforestation-policy-implementation-hangs-in-the-balance-after-industry-pushback#:~:text=The%20EUDR%20has%20long%20been, challenges%20from%20within%20Europe%20itself>.

Priyadarshi, Shishir. "Decision-making processes in India: The Case of the Agriculture Negotiations." *WTO*. Accessed March 28, 2024.

https://www.wto.org/english/res_e/booksp_e/casestudies_e/case15_e.htm.

Sparkman, Maia. "Amplifying the IRA: Prioritizing investment in US agricultural innovation." *Atlantic Council*. Accessed April 1, 2024.



<https://www.atlanticcouncil.org/blogs/energysource/amplifying-the-ira-prioritizing-investment-in-us-agricultural-innovation/>.

UNCTAD, World Bank. *The unseen impact of NTMs: Insights from a new database*. Geneva, 2018.

WTO EDB. <https://edb.wto.org>.

WTO, *LDCs and the multilateral trading system*. Geneva, 2023.

WTO. *Joint Letter: EU Proposal for a Regulation on Deforestation-Free Products*.

Committee on Agriculture.

[https://docs.wto.org/dol2fe/Pages/SS/directdoc.aspx?filename=q:/G/AG/GEN213.pdf&](https://docs.wto.org/dol2fe/Pages/SS/directdoc.aspx?filename=q:/G/AG/GEN213.pdf&Open=True)

[Open=True](https://docs.wto.org/dol2fe/Pages/SS/directdoc.aspx?filename=q:/G/AG/GEN213.pdf&Open=True).



Let's **rethink** the world

