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POLICY BRIEF

A Vision to Operationalise a Sustainable Agricultural Trade Regime

Insights

- Promoting a sustainable agricultural trade regime involves setting provisions in trade agreements, establishing non-tariff measures and passing directives to help sharing and raising international standards. We identify three challenges and identify three paths forward.
- A sustainable agricultural trade regime implements the polluters pay principle. The inclusion of fertilisers in both the ETS and the CBAM kick starts a new era of taxing agriculture-related emissions, opening the regulation of polluting activities in the agrifood sector.
- It balances efforts along value chains. The CSRD, the CSDDD and the CRCF track and spread responsibilities along agrifood value chains, and leverage downstream industries to clean agrifood systems.
- It helps preserve natural resources. The sustainability provisions in trade agreements and the EUDR target the preservation of global natural resources. They export noble values while calling for a shared vision of the use of depletable reserves.
- The paths forward are demanding and should include incentive-based mechanisms and compensation schemes to foster economic and social wellbeing, a necessary step to share the ambitious EU environmental targets.

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Climate change, geopolitical dynamics and the international regulatory framework[1]

The global agricultural sector faces significant challenges: climate change, biodiversity loss and soil degradation. These are worsened by recent geopolitical and geoeconomic disruptions that are reflected in the dynamics of international trade. Climate change is increasing price uncertainty and shifting regional specialisations. The COVID-19 pandemic revealed that Europe heavily relies on global supply chains, and Russia's war in Ukraine further disrupted food and commodity flows. During the pandemic the European agrifood industry lost 1.4%[2] of its revenue and food prices rose by 5.6%.[3] Although emission reduction between 1990 and 2021 was as much as 24%,[4] EU agrifood accounts for approximately 11% of total GHG emissions (mainly due to methane from enteric fermentation in livestock).[5] In response to these interconnected challenges, the European Union (EU) has sought to lead the development of a global trade policy framework that promotes sustainable agri-food systems. This approach to sustainable agricultural trade is ambitious and multifaceted,[6] spanning from regulatory tools to trade agreements, non-tariff measures and sustainability-driven policies. The agenda may have profound welfare and distributional implications that need to be addressed within the broad context of the EU agrifood policy regime. The Farm to Fork Strategy, the new Vision for Agriculture and Food[7] and the reforms in the post-2027 Common Agricultural Policy may further leverage the transition to a sustainable food system.[8] The Vision foresees actions to reduce strategic dependencies on imported inputs and to de-risk supply chains while promoting the transition to a clean and resource-efficient low-carbon economy. Paradigm shifts should also be considered, moving from support- to incentive-based interventions, from a regulatory- to a company-driven search for solutions and from value- to business-centred environmental provisions and trade measures. All these factors will have to be reflected in the EU agenda to promote a sustainable agricultural trade regime

The EU agenda

The EU has strategically integrated sustainability in its trade policies to promote more resilient and responsible food systems. This is in line with World Trade Organization (WTO) principles including non-discrimination, reciprocity and transparency, and the UN Sustainable Development Goals (SDGs). This approach balances the EU's ambition to lead on sustainability and safeguard the at-

1 The authors are grateful to the speakers at the FSR webinar 'How to ensure a sustainable trade regime' for comments on an earlier draft.

2 European Parliament (2021). Research for AGRI Committee − Preliminary impacts of the COVID-19 pandemic on European agriculture: a sector-based analysis of food systems and market resilience. Policy Department for Structural and Cohesion Policies Directorate-General for Internal Policies. Available at https://www.europarl.europa.eu/RegData/etudes/STUD/2021/690864/IPOL_STU(2021)690864(SUM01)_EN.pdf (accessed January 13, 2025).

3 European Parliament (2022). Russia's war on Ukraine: EU food policy implications. EPRS, European Parliamentary Research Service. Available at https://www.europarl.europa.eu/RegData/etudes/ATAG/2022/729368/EPRS_ATA(2022)729368_EN.pdf (accessed January 13, 2025).

4 European Commission (2025). Tackling climate change. Available at https://agriculture.ec.europa.eu/sustainability/environmental-sustainability/climate-change_en (accessed January 13, 2025).

5 Jensen L. and Scalamandre', C. (2023) Climate impact of the EU agrifood system. European Parliamentary Research Service. Available at https://www.europarl.europa.eu/RegData/etudes/ATAG/2023/739327/EPRS_ATA(2023)739327_EN.pdf

6 Frezal, C. & Deuss, A. (2025). Trade-related measures linked to the environmental sustainability of agriculture: A stocktake and typology (No. 216). OECD Publishing. Santeramo, F. G., Lamonaca, E. & Emlinger, C. (2023). Technical measures, Environmental protection, and Trade. EUI RSC Working Paper.

7 EC (2025) A Vision for Agriculture and Food Shaping together an attractive farming and agri-food sector for future generations. Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions

8 European Commission (2024). EU agricultural outlook 2024-35: A resilient sector adapts to climate change, sustainability concerns, and shifting consumer demand. Directorate-General for Agriculture and Rural Development. Available at https://agriculture.ec.europa.eu/news/eu-agricultural-outlook-2024-35-resilient-sector-adapts-climate-change-sustainability-concerns-and-2024-12-11_en (accessed January 13, 2025).

tractiveness of its agricultural market[9] with the practical need to comply with WTO requirements and meet SDG standards.[10] This strategy also aims to maintain the EU's competitive edge as both a leading agricultural exporter and an attractive market for global suppliers. This alignment ensures that the EU's trade policies are not only ambitious in their sustainability goals but also compliant with international trade rules.

This commitment is evident in unilateral measures to lower carbon leakage and deforestation through reporting and due diligence. The Carbon Border Adjustment Mechanism (CBAM)[11] aligns the carbon price of imported goods with that of domestic production, thus incentivising cleaner industrial practices in non-EU countries exporting to the single market, and diverting trade from non-EU companies that are not able to meet the requirements. However, (at least for now) it does not cover any agricultural good. The Regulation on Deforestation-Free Products (EUDR)[12] discourages imports of goods that require deforestation practices. The Corporate Sustainability Reporting Directive (CSRD)[13] and the Corporate Sustainability Due Diligence Directive (CSDDD),[14] which came into force in 2023 and 2024 respectively, strengthen EU corporate sustainability commitments. In addition, the EU regularly implements environment-related non-tariff measures (NTMs),[15] most of which are on agrochemicals, as part of its sustainability agenda. These requirements level the playing field and hinder imports from non-aligned countries.[16]

In addition to unilateral actions, the EU emphasises bilateral and multilateral collaborations. This is exemplified by the inclusion of Trade and Sustainable Development (TSD) chapters in Trade Agreements (TAs), and by contributions to improving standard-setting in organisations such as the World Health Organization (WHO), the World Organisation for Animal Health (WOAH) and the International Plant Protection Convention (IPPC). The leadership of the single market has spillovers in developing countries. Notable examples are

9 This strategy aims to maintain the EU's competitive edge as both a leading agricultural exporter and an attractive market for global suppliers. With its renowned quality, competitiveness and high level of diversification, the EU remains the top global trader in agri-food products. its top trade partners include the United States, the United Kingdom, China, Brazil and Ukraine. European Commission (2024). EU agri-food trade achieved a record surplus in 2023. Directorate-General for Agriculture and Rural Development. Available at https://agriculture.ec.europa.eu/news/eu-agri-food-trade-achieved-record-surplus-2023-2024-04-05_en (accessed January 13, 2025). European Commission (2024). EU agri-food trade stays on course. Directorate-General for Agriculture and Rural Development. Available at https://agriculture.ec.europa.eu/news/eu-agri-food-trade-stays-course-2024-09-03_en (accessed January 13, 2025).

10 Happersberger, S. & Mateo, E. (2024). The future of the EU trade and sustainability agenda in turbulent times. Heinrich-Böll-Stiftung European Union. Available at https://eu.boell.org/en/2024/09/17/future-eu-trade-and-sustainability-agenda-turbulent-times (accessed January 13, 2025).

11 Regulation (EU) 2023/956 creates a Carbon Border Adjustment Mechanism (CBAM) to prevent carbon leakage from imported (embedded) emissions by complementing the EU ETS and aligning free allowance allocations.

12 Regulation (EU) 2023/1115 on deforestation-free products complements key EU initiatives, such as the Green Deal, the Biodiversity Strategy for 2030 and the Farm to Fork Strategy.

13 The Corporate Sustainability Reporting Directive (CSRD), which has been effective since 5 January 2023, expands reporting requirements to large companies, listed small and medium enterprises (SMEs), and non-EU firms generating over EUR 150 million in the EU market. It provides investors with key data on environmental and social impacts, and sustainability risks. The first European Sustainability Reporting Standards (ESRS) were published on 22 December 2023, with reports due in 2025 on the 2024 financial year.

14 The Directive on Corporate Sustainability Due Diligence (Directive 2024/1760) entered into force on 25 July 2024. It aims to promote sustainable corporate behaviour by requiring companies to identify and address human rights and environmental impacts in their operations and global value chains.

15 A detailed review is provided in Santeramo, F. G., Lamonaca, E. & Emlinger, C. (2023). Technical measures, Environmental protection, and Trade. EUI RSC Working Paper.

16 Recent estimates are provided in Santeramo, F. G., Lamonaca, E. & Emlinger, C. (2025). Technical measures, Environmental protection, and Trade. Review of International Economics.

the EU's role in reducing antimicrobial use and improving plant health in third countries.[17]

TAs are a key pillar of the EU's strategy to integrate sustainability in global trade. Since the landmark EU-South Korea Free Trade Agreement in 2009, the EU has leveraged its market influence to embed sustainability objectives in its TAs, which now consistently include TSD chapters. They address critical issues including environmental protection, labour rights and climate change, and have progressively expanded to specific topics like illegal logging and sustainable forest management. Agreements with New Zealand[18] and Chile,[19] and ongoing negotiations with India, Indonesia and Australia, include chapters on Sustainable Food Systems (SFSs). This reflects the growing emphasis on sustainable agriculture in EU trade policy. Despite these advances, TAs often encounter friction from civil society and businesses,[20] as in the case of the EU-Mercosur Association Agreement.[21] Striking a balance between fairness, economic interests and environmental standards is a complex challenge that can have profound implications for businesses. Emblematic cases are the wine and dairy industries, in which the paths to decarbonising production may differ substantially among different countries. Harmonising sustainability standards and improving certification processes seem essential to reduce costs for SMEs and reduce greenwashing and unfair competition.[22]

Challenges and the path forward

Integrating sustainability in trade policies faces persistent challenges in ensuring that commitments, whether unilateral, bilateral or multilateral, are not merely aspirational but deliver tangible outcomes.

Challenge No. 1. Implementing the polluters pay principle

The global agricultural sector, which accounts for approximately a quarter of global GHG emissions, is both highly vulnerable to climate change and a significant contributor to it. The EU has introduced measures such as the CBAM to address emissions in upstream agri-food production targeting key inputs like fertilisers. This inclusion is an important step toward regulating agri-food industries with climate policies.[23] The CBAM, which is set for full implementation by 2026, will be coordinated with the EU Emissions Trading System (ETS), which will facilitate the decarbonisation of energy-intensive industries like fertilisers. The inclusion of fertilisers in both the ETS and the CBAM kick starts a new era of taxing agriculture-related emissions, which is

17 Commission Implementing Regulation (EU) 2024/2598, adopted on 4 October 2024, provides a list of third countries (and regions) permitted to export certain animals and animal products for human consumption to the Union, in line with Regulation (EU) 2017/625, which enforces the prohibition on specific antimicrobial products. Under Regulation (EU) 2024/3115, third countries have an obligation to declare the measures they apply against regulated non-quarantine pests on a phytosanitary certificate in the case of imported plants.

18 The EU-New Zealand trade agreement, effective since 1 May 2024, eliminates all import tariffs on EU agri-food exports and grants EU farmers and agribusinesses easier access to the New Zealand market. Key products like pigmeat, wine, pet food, chocolate, dairy products and cheeses will benefit from zero tariffs.

19 The EU-Chile Agreement, signed in December 2023 and approved on 29 February 2024, has a minimal impact on agriculture. Sensitive goods like meat, some fruits, vegetables and olive oil are exempt from full liberalisation. Chile gains limited market access through stable Tariff Rate Quotas (TRQs), with sugar excluded. The agreement replaces automatic annual increases in meat TRQs with a fixed long-term top-up ensuring predictable access.

20 Bergquist, M., Nilsson, A., Harring, N. & Jagers, S. C. (2022). Meta-analyses of fifteen determinants of public opinion about climate change taxes and laws. Nature Climate Change, 12(3), 235-240. Dechezleprêtre, A., Fabre, A., Kruse, T., Planterose, B., Chico, A. S. & Stantcheva, S. (2022). Fighting climate change: International attitudes to climate policies (No. w30265). National Bureau of Economic Research.

21 The EU has negotiated a trade agreement with the four Mercosur founding members – Argentina, Brazil, Paraguay and Uruguay – granting Mercosur access to the EU market while restricting imports of sensitive agricultural products like beef, ethanol, pork, honey, sugar and poultry. Bilaterals (2020). A front of Brazilian civil society organizations against the Mercosur-EU agreement. December 9, 2020. Available at https://www.bilaterals.org/?front-of-brazilian-civil-society&lang=en (accessed 23 January 2025).

22 Papendieck, S. & Elverdin, P. (2021). Harmonization of sustainability standards under the WTO framework as the core to create an intersection of trade and environment mutually supportive.

23 Santeramo, F. G. & Jelliffe, J. (2024). CBAM and Agriculture: Opportunities, Challenges, and Perspectives. IATRC Commissioned Paper. Available at https://ageconsearch.umn.edu/record/339544?ln=en&v=pdf

leading to the regulation of polluting activities in the agrifood sector.

The agricultural sector is not currently covered by the EU ETS. This omission has sparked an intense debate,[24] and prompted the European Commission to explore a tailored ETS for agriculture (ETSAg),[25] which seems to not include emissions from cattle due to friction from the livestock sector. While the ETSAg is promising, issues remain, including opposition by farmers, difficulties in measuring emissions and the complexity of monitoring, reporting and verification (MRV) processes, particularly for decentralised and small-scale agricultural enterprises. Policy tools, such as the post-2027 CAP, could incentivise sustainable and low-emission farming practices, thus reducing the financial burden of trading emissions. A shift from subsidy-based systems to incentive-driven frameworks[26] alongside emission caps with gradual reductions could align with existing regulatory norms, ease opposition and foster acceptance.

Challenge No. 2. Empowering sustainability in value chains

Besides upstream industries, processing and retailing activities are responsible for a growing share of emissions,[27] which calls for a vertically integrated value-chain approach.[28] The Corporate Sustainability Reporting Directive (CSRD)[29] strengthens sustainability reporting requirements for businesses and compels them to comprehensively disclose environmental impacts. By encouraging farmers and agri-food businesses to monitor and mitigate their environmental footprints, the directive plays a crucial role in promoting sustainability and resilience in agri-food supply chains.

Agrifood value chains will be further impacted by the Corporate Sustainability Due Diligence Directive (CSDDD),[30] and the Carbon Removals and Carbon Farming (CRCF)[31] initiative will further bolster the EU green transition in agriculture. The CSDDD mandates companies to address adverse human rights and environmental impacts along their global value chains and offers benefits like fairer purchasing practices and better protection for smallholder farmers. The CRCF introduces the first EU-wide voluntary framework for certifying carbon removals, carbon farming and carbon storage in products across Europe. These three directives track and spread responsibilities along agrifood value chains and leverage downstream industries to clean agrifood systems. The value-chain approach balances the benefits and costs of the green transition among stakeholders and ensures a fairer and more sustainable evolution toward climate-neutral agrifood systems.

Challenge No. 3. Preserving natural resources

The EU Regulation on Deforestation-Free Products (EUDR)[32] is a critical component of the sustainability agenda. It aims to cut deforestation-related emissions by at least 32 million metric tons annually. Under the EUDR, operators must demonstrate by December 2025 that commodities like cattle, cocoa, coffee and palm oil put on the EU market are not linked to deforestation. A benchmarking system categorises countries in 'low,' 'standard,' 'high' and 'no risk' levels according to their risks of deforestation, with 'no risk' reserved for nations with

24 EEB (2024) Reducing emissions from agriculture: Reflection on the potential design and scope of an EU Emissions Trading System for agriculture. European Environmental Bureau. Belgium.

25 Raude, M., Heinrich, L., Ferrari, A., Ekins, P., Osorio, S. & Borghesi, S. (2024). Climate neutrality: policy scenarios for emissions trading, EUI, RSC, Policy Brief, 2024/31, https://hdl.handle.net/1814/7744

26 A further step forward would be moving from a regulatory approach to a company-driven one due to the high reactivity of businesses to growing consumer awareness and pressure.

27 Martin, W. & Vos, R. (2024). Options for reducing greenhouse gas emissions from agriculture and food systems. CGIAR Initiative on Rethinking Food Markets Initiative Technical Paper

28 Awokuse, T., Lim, S., Santeramo, F. & Steinbach, S. (2024). Robust policy frameworks for strengthening the resilience and sustainability of agri-food global value chains. Food Policy, 127, 102714.

29 Regulation EU/ 2023/2772.

30 Directive 2024/1760/EC.

31 Regulation (EU/2024/3012).

32 Regulation (EU/ 2023/1115).

stable forest growth. The regulation may have an important impact on smallholder farmers particularly in countries like Brazil and Tanzania, who are critical producers of commodities such as cocoa, coffee and palm oil. For instance, in Brazil smallholder farmers account for 51% of the land used to grow cocoa, 40% of that for palm oil and 34% of that for coffee. In Tanzania, the share of smallholders is even bigger: more than 90% for coffee, palm oil and cocoa. To mitigate these impacts, the EUDR must balance stringent traceability requirements with socio-economic realities and ensure that smallholders are not unduly penalised. On the other hand, the small and declining EU share of global demand for products covered by the EUDR and potential trade leakage are significant threats to its effectiveness.[33] Ongoing research, dialogue and capacity-building efforts will be essential to support effective implementation.

TSD chapters, another instrument to preserve resources, often lack enforceable mechanisms to address non-compliance. Recent efforts, such as the Single Entry Point complaints contact point, aim to enhance accountability.[34] In addition, the European Commission has proposed elevating the Paris Agreement to the status of an 'essential element' in trade agreements,[35] as has de facto been established in expressions by the European Court of Justice.[36] This would enable the suspension of agreements or the disruption of trade for non-compliance, as has already been incorporated in the dispute settlement chapter of the EU-New Zealand Trade Agreement.[37] This shift reflects the EU's commitment to ensuring that sustainability goals in trade agreements are supported by enforceable actions. Preserving natural resources requires sharing values. The sustainability provisions in trade agreements target natural preservation, share noble values and call for a common vision of the use of depletable reserves. Granting market access, lowering competition and financing investments in environmental preservation and restoration programmes in exchange for not depleting resources may compensate partner countries for the reduced economic growth otherwise promoted by unconstrained trade.

Conclusions

The EU is seeking to align its trade framework with high sustainability standards and foster a more resilient and responsible global agri-food system while balancing environmental objectives with socio-economic realities.

The agricultural trade agenda faces three challenges. 1) taxing fertiliser-related emissions from EU agricultural imports. The ETS and the CBAM, while not regulating the agrifood sector are entry points to regulate polluting activities in closely connected sectors. 2) Tracking and spreading efforts from 'farm to fork' induces changes in processors and distributors. The new directives (CSRD, CSDDD and CRCF) leverage responsibilities of entire value chains and of downstream industries. 3) Favouring the preservation of natural resources in third countries by mean of provisions in trade agreements and specific directives (e.g. the EUDR).

The path to operationalising the agenda requires constant efforts to balance the economic challenges to its trading partners entailed by the stringent EU regulatory framework, with a long-term vision to help partners evolve their economic structure and cultural values to target the ambitious aims that would ensure environmental sustainability of agrifood systems.

33 Yarlagadda, B., Zhao, X., Iyer, G., Wild, T., Hultman, N. & Lamontagne, J. (2025). Emissions leakage and economic losses may undermine deforestation-linked oil crop import restrictions. Nature Communications, 16(1), 1520.

34 Blot, E. (2023). Green horizons – Towards more sustainable trade after the TSD Review. Perspectivas Journal of Political Science, 27 (Special Issue on New Globalization Challenges and EU Trade Policy).

35 European Commission. (2022). Report from the Commission to the European Parliament and the Council: Application of EU health and environmental standards to imported agricultural and agri-food products. [COM (2022) 226]. Retrieved from https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52022DC0226

36 Bertram, C. & Van Coppenolle, H. (2024). Strengthening the Paris Agreement through trade? The potential and limitations of EU preferential trade agreements for climate governance. International Environmental Agreements: Politics, Law and Economics, 1-22.

37 EU-New Zealand. (2024). Free Trade Agreement between the European Union and New Zealand, EUR-Lex. https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?&uri=OJ:L_202400866#page=397

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