

Agriculture, trade and employment

A Global Green New Deal to address structural challenges

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► Introduction

No other sector is more entangled in the debate on development, employment and climate change than agriculture. Those who are feeling the dire consequences of such entanglement, exacerbated by the triple crisis of climate change, conflict and pandemics, mostly live in the developing world, accounting for 83 per cent of the world population (UNCTAD 2022a). According to the 2023 *State of Food Security and Nutrition* report, more than 3.1 billion people, or 40 per cent of the global population, cannot afford a healthy diet, 23 per cent of all children under 5 years old have stunted growth, and 828 million children went to bed hungry in 2021 (FAO et al. 2023). At the same time, 1.6 billion tonnes of food was wasted, and 675 million people – 13 per cent of the adult population – suffered from overeating in 2021.¹

Inseparable from the issue of food waste is the environmental dimension: “food wastage’s carbon footprint is estimated at 3.3 billion tonnes of CO₂ equivalent of GHG [greenhouse gas] released into the atmosphere per year ... 1.4 billion hectares of land – 28 per cent of the world’s agricultural area – is used annually to produce food that is lost or wasted” (FAO 2013). The environmental impact of agriculture is not limited to wasted resources. The sector uses (and pollutes) a substantial part of the air, land and water: it is responsible for 20–37 per cent of anthropogenic greenhouse gases and uses 40 per cent of global land and 70 per cent of global fresh water (FAO 2019). The sector is also responsible for significant reductions in biodiversity through deforestation, land degradation, soil exhaustion and depletion of underground water resources (Clapp et al. 2018; Dasgupta 2021; Duku et al. 2022; Springmann et al. 2018; Willett et al. 2019).

The agriculture sector is also beset by various labour market challenges and adverse working conditions. To start with, 45 per cent of the world’s poor live in rural areas of the developing world (IFAD 2023). Other challenges include exclusion of agricultural workers from national labour protections, meagre wages, hazardous working environments and wide prevalence of child and forced labour.² According to the ILO, of all the child workers in the 5–17 age group, 60 per cent work in agriculture, the majority of them as unpaid family labourers.³ Moreover, the sector is one of the most dangerous to work in, with a high incidence of work-related accidents and fatalities,

1 Unless otherwise stated, all figures refer to the year 2020 and were acquired from the FAOSTAT database (accessed 26 September 2021).

2 ILO, “Agriculture; Plantations; Other Rural Sectors” (n.d.).

3 ILO, “Child Labour in Agriculture” (n.d.).

and occupational health hazards. This symbiotic prevalence of widespread hunger, food waste and obesity, alongside environmental destruction and unsustainable labour practices, is the manifestation of an inefficient, unequal and unsustainable global order with significant structural problems.

These structural challenges in the sector must be addressed to ensure a sustainable future for the planet and its inhabitants, as it is crucial for food security, employment and environmental well-being, as well as economic development. Therefore, in recent years, researchers and policymakers have shown a growing interest in the sector. The existing research and policy dialogue on the issue can be divided into two main branches: one comprising the production side – how to increase food supply; the other considering the framework – how to organize the multilateral system, particularly international trade in agriculture, given the increasing importance of agricultural goods in international trade and the importance of international trade in food security through global value chains.

This chapter aims to contribute to the current dialogue on both fronts, with a focus on developing countries. It poses the following question: “Are existing finance and trade policies and agreements apt to solve the myriad challenges linked to food insecurity, food waste, labour and environmental issues?” It argues that existing policies, including trade and finance policies to address these developmental issues, are inadequate at best, and harmful at worst, for two main reasons: first, they fail to take into consideration the unique organizational features of agrarian production in developing countries; and second, existing narratives and policies fail to address long-standing and deep-seated structural issues.

The organization of the chapter is as follows. Section 8.1 provides a critical overview of the supply-side solutions put forward by current conventional thinking on how to address food security issues in agricultural production. Section 8.2 then zooms in on the particularities of agrarian production with a focus on labour. In section 8.3, there is a critical overview of trade policies, including some recent regional trade agreements, with respect to their effects on agriculture. Section 8.4 broadens the developmental perspective, by showing the implications of fractures and vulnerabilities in the economy that are created because of the interdependencies that exist between agriculture, finance, trade and the physical environment. It puts forward a more comprehensive framework, the so-called Global Green New Deal, that includes finance and trade policies that can be directed to the needs of ecological and economic sustainability for this essential sector. Section 8.5 concludes the chapter.

► 8.1 A critical look at existing narratives and policies in the agriculture sector

Much of what has been researched in the agriculture sector and carried forward into policy design and implementation has been limited in its approach, focusing mostly on increasing output without much regard to structural, distributional and labour issues. Indeed, the most under-studied and overlooked aspect of agrarian production has been how labour engages within the larger framework of local, national, regional and global economic structures, and its role in food security. This is puzzling given that most of the world's food is produced by farmers in developing countries using labour-intensive production technologies.

Mostly, the literature focuses on well-known environmental, social and economic impacts of past production methods, such as the Green Revolution,⁴ without much concern for sustainable resource use, including labour (Joshi 1997).⁵ The proposed solutions to “fix” the sector rely mostly on risk management combined with upgrading production technologies through innovation, particularly biotechnology. This includes mass production of foods produced from microbes,⁶ or providing supply-side boosts, such as improving farming skills and water management systems, and supporting the environment in which micro- and medium-sized farms could adapt green technologies (IFAD 2021). The management of output risks, such as shocks to supply, are left to market mechanisms, such as farmers' insurance, or income diversification, and the consolidation of arable lands to achieve economies of scale. However, as will be shown in section 8.4, risk-based market mechanisms are simply transferring risk from one party to another, without addressing the underlying causes of the problem. Similarly, economic responses such as building scale without addressing the root causes of the problems will only breed new challenges for the future.

There are similar problems with the dominant narrative suggesting that increasing yields through technological innovations and “boosting nature-positive production” systems, combined with short-term strategies to deal

4 The Green Revolution was the adoption of high-yielding varieties, which required high investments in fertilizers and irrigation.

5 For a critique of the Green Revolution, see Boyce (1993).

6 For a detailed discussion of microbial foods, see Graham and Ledesma-Amaro (2023).

with risk such as storing food, can solve the issue of food security.⁷ While the rationale for such a response is understandable, especially to achieve the goal of tripling food production by 2050 to avoid a Malthusian demise, the single-minded focus on technology and short-term risk management brings multiple and significant problems.

One such problem is that these policies can harm small and medium-sized farmers through subsequent increases in supply, and decreases in output prices, thereby affecting their incomes. Even though lower food prices help to increase the profit rate of non-agricultural sectors through lower cost of wage goods, these sectors also suffer because of a reduction in effective demand due to a decrease in income in the agricultural sector (Storm and Rao 2002). Additionally, it is unclear what will happen to the estimated 4.5 billion people whose livelihoods are tied to food systems, especially in developing countries, when microbial biomass foods flood global markets.⁸ Section 8.4 below traces these impacts resulting from a physical shock to subsequent shocks in the economic and financial systems, showing that even policies implemented to address the problems can, if not coherent or synchronized, cause further unanticipated negative impacts.

A second problem is that none of these proposed solutions address the existing food puzzles: first, the mutually reinforcing existence of obesity, food waste and hunger, as mentioned above; and second, the extreme concentration of food content on the consumption side, because 85 per cent of our food comes from only four major grains (wheat, rice, maize and barley), while the global grain trade is dominated by four major companies. Together, they control a significant portion, ranging from 70 to 90 per cent, of the world's grain trade (UNCTAD 2023b). Despite countless studies and

7 Relevant in this context are Action Track No. 3 of the UN Food Systems Summit 2021 (UNFSS-21); the EU's [European Green Deal](#); the UK Labour Party's [Green New Deal](#); the OECD's [Agro-Food Productivity-Sustainability-Resilience Policy Framework](#).

UNFSS-21's five Action Tracks will investigate practical approaches to: (1) guaranteeing access to food that is both safe and nourishing; (2) transitioning towards sustainable patterns of consumption; (3) promoting production methods that benefit nature; (4) progressing towards fair livelihoods; and (5) enhancing the ability to withstand shocks and pressures.

8 Microbial biomass foods are produced by a technique called precision fermentation, a method that involves producing food from microbes and yields microbial biomass abundant in proteins and essential nutrients. This emerging technique offers several significant advantages. It allows the transition of food production from fields to factories, reducing the reliance on farmland and intensive agriculture. This, in turn, helps mitigate the environmental impact of food production and allows the repurposing of land for other beneficial uses. It is argued that precision fermentation proves to be more efficient than traditional agriculture. It boasts impressive caloric and protein yields per land area, surpassing staple crops by over ten times in protein yield and at least twice in caloric yield, as demonstrated in a study by Leger et al. (2021).

models on risk management, such an approach falls short of explaining why we should – through such concentrated global food chains – put all our eggs in the same food basket. Third, this approach ignores the distributional issues and fundamental national and international asymmetries. But it also falls short of identifying structural and long-standing issues in the global division of labour and international trade, and ignores accumulation and distribution dynamics within and between countries.

Finally, and more disturbing, the risk-technology approach distracts the development policy debates away from more prominent policy issues such as (biased) trade rules, (unfair and phenomenally costly) subsidy practices, (insufficient) investment in sustainable practices, (unfair) labour practices, (lack of) effective demand and – most prominently – (the absence of) the developmental state in agricultural production and its role in building a sustainable future. A developmental state is essential because only the State or public institutions have the perspective and mandate that open up a longer-term time horizon, involving patient capital and the ability to follow social, economic and ecological imperatives, as opposed to the market's short-term profit-seeking ones.

Hence, one can conclude that the current, dominant thinking on agriculture – trade policy in agriculture, how to increase food supply in agriculture, and other policies designed to mitigate the impact of climate change and food security issues – fails to recognize the existing and most pressing conundrums of hunger, unemployment and environmental destruction for what they really are: development problems that can only be solved when approached from a multidimensional perspective with labour at the centre.

► 8.2 Agrarian households, labour and its global discontents

It could be argued that the backbone of economic development is the evolution of labour productivity, moving from low- to higher-productivity activities without “immiserizing growth” (Lewis 1954; Ranis and Fei 1961; Johnston and Mellor 1961). Economic history shows us that failures of previous development practice emerge precisely from failing to achieve this, and unfortunately most, if not all, developing countries, trapped in debt with low labour productivity, are examples of this failure. For this reason, it is crucial to look at labour and its utilization in the context of agricultural

production, as this has significant implications for sustainable development (and particularly food security) and employment within the context of the global economic order, as transmitted through trade policy.

Trade policy plays a crucial role in agriculture and also in economic development through its effect on market access, division of labour, technology transfer, and employment and income opportunities, as well as by providing backward and forward linkages to other sectors, and thereby contributing to industrialization. Finance policy is also part of this, because whether (or not) farmers or countries have the productive capacity to benefit from trade policies and to access the markets they open depends in large part on whether they have access to sufficient finance to make the necessary investment in productive capacity. Finance needs to be provided at the required scale, on reasonable terms and on appropriate long-term maturities.

Hence, it is rather important for developing countries to design and implement trade and finance policies that strike a balance between promoting domestic agricultural interests, building capacity and integrating into global markets. Policy coherence, support for smallholder farmers, capacity-building and – maybe more crucially – addressing structural issues of inequality are critical elements in creating an enabling environment that benefits agriculture. Such policies are also crucial for creating employment and income opportunities in developing nations through economic diversification.

One of the most crucial aspects of designing the right policy depends on a realistic and accurate understanding of the micro and macro factors that affect agricultural production. Thus, this section will provide a brief elaboration of labour by agrarian households and the myth that “small is beautiful” in developing countries and policies in agriculture.

8.2.1 Labour in agricultural production

It is common knowledge among agricultural economists that agrarian households operate on a different mode when compared with non-agrarian households. Their decision to supply their labour is determined by rural factor markets and by how those markets function in distributing economic opportunities to households within which trade is a central element.

Labour, more often than not, is the only productive asset the rural poor possess. More importantly, it is often the most important factor of production in agriculture, as agrarian output responds very well to labour-intensive technologies, especially in countries where land and capital are scarce. Particularly in the case of developing countries, where the most abundant

factor of production is labour, understanding labour and its organization in factor markets is crucial for a sound economic policy in agriculture (Skoufias 1994; Sadoulet, Key and de Janvry 2000; Mduma and Wobst 2005; Barrett, Sherlund and Adesina 2008).

A distinctive feature of agrarian production in developing countries is that agrarian households have a dual character: they are both producers and consumers of the goods they produce and of the factors of production they use (such as land and labour). This dual character requires a different modelling of policy, including trade policy. Agricultural household models were developed to consider the simultaneous nature of decisions regarding production and consumption. This was in response to an unexpected discovery in Japan, where it was noticed that farmers did not notably raise their surplus for sale in response to higher prices (Taylor and Adelman 2003).⁹

A price change in output (farm gate prices for grains, for example) or input (wages) does not necessarily translate into changes in supply of output in an agrarian household. This is because consumption and production decisions are inseparable, as the farmer allocates their labour and non-labour inputs (land, capital and other inputs such as fertilizers) in production on their own farm while at the same time allocating income from farm profits and labour sales to the market. For example, if a food staple price is too high, the farmer may decide to consume it rather than sell it to the market. Similarly, the impact of higher input prices, such as a higher market wage, differs for agrarian households compared with non-agrarian households that provide labour to the market but do not demand it. The farmer may choose to work on their own farm, rather than hiring out their labour or hiring in labour for their farm. All these decisions will depend on transaction costs. If, for example, transport is too costly, the farmer would choose to work on their own farm as opposed to supplying their labour to the market. Only when markets have zero transaction costs and when perfect competition assumptions hold can agrarian households separate their consumption and production decisions. Yet most of the policies that are geared to increase food supply through price policies or by increasing market access, as in trade policies in

9 Taylor and Adelman (2003) present an excellent discussion of the development and extension of agricultural household models.

agriculture, ignore the inseparability of production and consumption and assume prevalence of perfect competition in developing-country markets.¹⁰

However, the assumption of perfect markets never holds because no developing-country market is truly complete with zero transaction costs (see Kankwamba in Volume 1).¹¹ On the contrary, missing or imperfect markets are often the norm. This failure to recognize the heterogeneity of agrarian households and the inseparability of production and consumption – combined with poor structural specification of rural markets in developing countries – has been reflected in trade policy globally. Another reason for poor policy design is related to the issue of small farmers, and how small farming is perceived.

8.2.2 Is small really beautiful?

In the development literature, it is a stylized fact that small farms have higher productivity per acre than large ones (Ünal 2008). Perhaps based on this observation, many interventions in the policy realm to increase yields in agriculture focus on increasing small-farmer productivity through innovation, education and other entrepreneurial interventions to ensure farmers are better connected to global markets.

¹⁰ In the realm of traditional agriculture, the division between consumption (relating to labour supply) and production (relating to labour demand) decisions within a farm household can only be realized within fully competitive markets. This stems from the fact that, given a fixed labour price, the choice between a peasant engaging in the labour market or tending to their own land yields identical outcomes. In this scenario, the total income remains unchanged, thereby aligning labour-supply determinations for agrarian households with those of their non-agrarian counterparts. Essentially, the separability hypothesis necessitates that the output a farmer generates on their personal land should equate to what they could earn by selling their labour – essentially, the farm's marginal labour product should match the prevailing wage rate in the market.

¹¹ For example, the job search cost is very high in rural areas because of the long distances between jobseekers and markets, and/or because of the high unemployment rate in developing countries. Even if one assumed perfect and complete markets, the nature of agrarian production would still break the separability hypothesis because of supervision costs and the climate- and nature-related uncertainties that affect one's labour effort. Even if an agrarian worker makes their best effort, the crop could still fail; hence – because the productivity of labour is hard to measure – hired hands do not have the same incentive to work as hard as family hands. Additionally, the nature of agrarian production determines that family labour is more efficient than hired labour because of the supervision costs in agriculture, which are much higher in an open field than in a closed factory. In sum, separability is rendered an unrealistic proposition for agrarian markets by the particularities of agrarian production, which include labour supervision (Eswaran and Kotwal 1986), preference to work on one's own farm (Lopez 1986), prevalence of unemployment (Mazumdar 1959), impact of monopoly land on labour opportunities (Griffin, Khan and Ickowitz 2002; Rao 2005), and gender customs with respect to off-farm employment (Deere 1982; Fafchamps 1985; Masterson 2005).

In the literature, higher per acre productivity of small farms has been elaborated through many different theories.¹² Of these, the one that best fits the realities of the developing world can be summarized under the market imperfection hypothesis – namely, small and large farms use different proportions of inputs as a result of different factor prices (Mazumdar 1965; Berry and Cline 1979; Sen 1981a, 1981b; Cornia 1985; Eswaran and Kotwal 1986; Griffin, Khan and Ickowitz 2002; Benjamin and Brandt 2002).¹³ As discussed by Cornia (1985), small-scale farmers generally face higher land and capital prices, whereas larger farmers face higher labour costs. This discrepancy in input prices results in farms employing different input ratios based on their resource position, including factors such as availability and expenses associated with production resources.¹⁴

Highlighted by Bardhan (1973), a potentially more intriguing inquiry revolves around the reasons behind the higher input utilization per acre, specifically in terms of labour, by smaller farms, consequently yielding greater per-acre yields. To probe this matter, it is necessary to grasp the structural and institutional context of traditional agriculture within developing nations.

According to Sen (1981a, 1981b), small farmers use labour intensively because they cannot access other inputs such as land and credit through factor markets as a result of structural issues (that is, imperfections) in those markets. Even though small farmers' land utilization is higher, and even though neoclassical economics suggest that free markets allocate resources to the most efficient – hence land to those who get the higher yield per acre, in the case of farming – agricultural land is rarely reallocated to those who produce more per acre in developing countries. This is because all factor markets, as well as output markets, are connected – in other words, small farmers need land or assets as collateral to get credit, which they often lack.

Both credit and land markets are very much connected to each other through collateral, hence a small farmer would not have sufficient credit to purchase additional land. In other words, the ownership of productive assets is connected to the distribution of productive assets. "It is because of this relationship that those who are poor in land but rich in labour, and thus can reap higher yields from their land, fail to lease in more land to utilize their labour" (Ünal 2008, 14). Hence the correction of this failure, to achieve a

12 For a more detailed discussion, see Ünal (2012).

13 The different factor prices result from imperfections of markets, which give different incentives to farmers operating on different scales.

14 The higher cost of labour for large farms is due to factors such as supervision and the expenses involved in finding workers, as observed by Eswaran and Kotwal (1986). Conversely, substantial farmers benefit from relatively cheaper and more easily accessible credit, mainly because of the collateral requirements that smaller farmers lack.

sustainable future, has to be through reallocation of resources to those who use productive factors in agriculture more efficiently. Any policy, including trade policy, which does not address these structural issues will not succeed in offering sustainable solutions to the food security issues.

The next subsection looks at the policy realm in agriculture, with a particular focus on trade policy.

8.2.3 Policies in agriculture

Since the 1980s, most agricultural policy interventions have been made within the framework of a neoliberal paradigm where structural issues of markets were not the focus. As argued by Swinnen, Olper and Vandeveld (2021), discussions of agricultural and food policies predominantly revolved around interventions related to prices and trade. These interventions consisted of import tariffs, quotas and measures to support prices. Price support measures, along with import tariffs and export subsidies, played crucial roles in the agricultural and food policies of many nations (Anderson 2009).

However, in the late 20th century there were efforts to reform and reduce trade and price policy interventions in markets (Anderson, Rausser and Swinnen 2013). Subsequently, discussions shifted towards different types of government intervention. One notable development was the growth of food standards and regulations, which were suggested as replacements for import tariffs and categorized as “non-tariff measures” (Beghin 2017). These standards and regulations, encompassing aspects such as food safety and geographical indications, served a dual purpose. On the one hand, they enhanced efficiency by addressing issues such as asymmetric information and negative externalities. On the other hand, they facilitated the redistribution of rents among interest groups, thereby stimulating growth while safeguarding vested interests (Beghin, Maertens and Swinnen 2015; Swinnen 2016, 2017).¹⁵ It is beyond the scope of this chapter to analyse all the different interventions and policies in detail, but suffice it to say that none of them focused on addressing structural issues in either local or global markets.

Unfortunately, following the precepts of free trade policies that involved limited or no government intervention left developing-country farmers to the vagaries of so-called free markets. Smaller rural producers were not able to compete with agricultural goods coming from large-scale producers in emerging economies, such as China, and/or with highly subsidized agricultural goods coming from the developed world. Maybe the most

¹⁵ Discussion and citation in Swinnen, Olper and Vandeveld (2021).

dramatic consequence of these policies has been the breaking of the endogenous growth link between agriculture and the rest of the economy as a result of lower-priced food imports flooding the markets.

One of the most dramatic manifestations of the failure of this approach in agricultural trade policy is evidenced in the collapse of the Doha Round of WTO negotiations in 2001. Despite clear evidence that subsidized agricultural commodities created an unlevel playing field in international agricultural markets and were against the tenets of free trade, developed countries declined to eliminate agricultural subsidies, yet wanted unfettered access to developing-country markets. An example of the disastrous impact of this policy is that of Haiti after lower-priced food imports flooded Haitian markets from the United States. The results led, in 2011, to a rare apology from the former US President Bill Clinton for supporting policies that destroyed Haiti's rice production by reducing tariffs on imported US rice.¹⁶

Unfortunately, despite evidence showing the disastrous results of so-called free trade in agriculture for developing countries, discussions to offer solutions to the world's food challenges, and the ensuing policy design, are not much different today. Indeed, today's policy package could be considered even more problematic, as the technology fix is seen as the new silver bullet to solve food security issues, moving the policy debate away from structural imbalances. Once implemented, solutions such as microbial foods, which aim only to increase food supply, will adversely affect farmers' incomes and employment in developing countries, as traditional farmers will be unable to compete with highly funded research-based microbial foods and will end up losing their livelihoods. Additionally, as a result of the austerity that was typical of neoliberal policies in recent decades (UNCTAD 2017), agricultural extension services in the form of infrastructure and research and development have declined significantly, which has crucial implications for sustainability and food security. This would, in turn, ignite rural–urban migration at a pace these countries are not equipped to deal with. Such social movements, in the absence of social and physical infrastructure, bring dramatic results for development, such as increased crime, high unemployment leading to increased informal employment, lower participation of females in the labour force, poor housing and sanitary conditions, and myriad health issues that come with such outcomes (Todaro 1997; İlkkaracan and İlkkaracan 1998; Yildirim 2004; Datta 2012).

Moreover, the issue of intellectual property (IP) rights means that producing an abundant supply of food through such technological solutions falls short of addressing the food security issue. When a new, innovative technology to

¹⁶ Mark Engler, "'Free' Trade Makes Earthquakes Worse", *Dissent*, 7 April 2010.

increase yields, such as microbial foods, is introduced, it often comes from a developed country. Thus, the question of who will hold the IP rights for the new technology, and what IP mechanism for access and distribution will be used, has significant implications for the developing world.

Hence policies, including trade policies, must address imbalances in market access, particularly land and credit markets, both at national and global levels.

An interesting question to consider at this point is the extent to which existing trade agreements on agriculture address structural issues such as market access. The following section looks at some recent trade agreements and assesses if there has been any major policy shift in agricultural trade.

► 8.3 Recent trade agreements and agriculture

8.3.1 The Regional Comprehensive Economic Partnership

Signed on 15 November 2020, the Regional Comprehensive Economic Partnership (RCEP) is a free trade agreement (FTA) between 15 countries in the Asia-Pacific region, including China, Japan, the Republic of Korea and members of the Association of Southeast Asian Nations (ASEAN). It covers one third of the global population and about 30 per cent of its global gross domestic product (GDP). Similar to other such agreements, it builds on the foundations of several previous bilateral and multilateral agreements in place between the participating countries.¹⁷

First of all, it is important to note that, of the 20 chapters in the agreement, none is exclusively dedicated to agriculture; rather, agriculture is included in the “goods” chapter. Second, the RCEP is focused mainly on lowering tariffs and allowing easier movement of goods in the region. The agreement leaves little scope for government interventions, which could significantly and negatively impact national and economic sovereignty in many developing countries. In particular, the “national treatment” provision allows foreign

¹⁷ ASEAN, “[The Regional Comprehensive Economic Partnership \(RCEP\)](#)”.

investors to have the same privileges as local investors. This opens the Pandora's box of resource (land) allocation to multinational corporations unless governments offer an explicit exemption in the agreement, which is highly unlikely. This has already been experienced by participating countries in the region: "According to reports, almost 9.6 million hectares of agricultural land in Australia, Cambodia, Indonesia and Laos, which are all RCEP members, are now under the full control of foreign corporations and individuals coming from the FTA partners of RCEP" (bilaterals.org 2023). Additionally, the text of the trade agreement implies increased output without regard to environmental concerns (bilaterals.org 2023).

8.3.2 The Comprehensive and Progressive Agreement for Trans-Pacific Partnership

Another trade agreement that fails to effectively address agrarian issues is the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). The CPTPP is an FTA between 11 Pacific Rim countries, including Australia, Canada, Japan and New Zealand.¹⁸ It covers a wide range of sectors, including agriculture. It is a revised version of the Trans-Pacific Partnership, signed in March 2018 after the United States withdrew from the agreement. The CPTPP aims to reduce trade barriers and includes provisions related to tariff reductions, sanitary and phytosanitary (SPS) measures and rules on IP rights. There are some important clauses in the agreement regarding, in particular, agricultural subsidies. Some key aspects of the CPTPP's clauses on agricultural subsidies include:

- **Subsidy disciplines:** The CPTPP establishes rules and disciplines to ensure that agricultural subsidies provided by member countries do not distort trade or create unfair advantages for domestic producers.
- **Domestic support:** The CPTPP sets limits on the amount of trade-distorting domestic subsidies that member countries can provide to their agricultural sectors.
- **Export subsidies:** The agreement restricts the use of export subsidies by member countries, aiming to prevent unfair competition in international markets. The CPTPP encourages the reduction and eventual elimination of export subsidies for agricultural goods.

¹⁸ Australian Government, "Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)".

- ▶ **Transparency and reporting:** The CPTPP includes transparency provisions related to agricultural subsidies. Member countries are required to notify and provide information about their domestic support programmes and any changes to their subsidy regimes. This promotes transparency and allows other member countries to monitor the subsidy practices of their trading partners.

Yet it is important to note that the specifics of the agricultural subsidy clauses may vary among member countries, and the CPTPP's provisions build upon existing rules and disciplines established by the World Trade Organization (WTO), which ultimately render these provisions ineffective to a large degree.

8.3.3 The European Union–Mercosur Trade Agreement

The European Union (EU) and the Mercosur countries (Argentina, Brazil, Paraguay and Uruguay) negotiated a comprehensive FTA known as the EU–Mercosur Trade Agreement.¹⁹ While the agreement has not yet been ratified or implemented, it is important to note that negotiations were concluded in 2019. The agricultural provisions in the agreement cover various aspects of trade in agricultural goods between the two regions. Like other similar FTAs, the European–Mercosur Trade Agreement focuses on increasing market access through tariff reduction and harmonizing regulatory and sanitary practices.

It should be noted that the EU–Mercosur Agreement has faced significant scrutiny and opposition due to concerns related to environmental sustainability, deforestation, human rights and the impact on local agricultural sectors. Some stakeholders argue that the agreement may negatively affect certain industries and increase competition for European farmers. Many experts and think-tanks in the Mercosur region also note that the agreement is only a continuation of an unsustainable trade model, as “[t]he EU will import more meat and other agricultural products. With them, we will import emissions, deforestation, soil contamination and human rights abuses – while endangering local farmers’ livelihoods in the Mercosur region and in the European Union” (Buczinski et al. 2023).

¹⁹ European Commission, “[EU–Mercosur Trade Agreement](#)”.

It is important to note that none of these agreements addresses the agricultural sector adequately, let alone suggests policies to address structural imbalances. To start with, none of the agreements has a separate section on agriculture. Another key concern is that, even though the major issue in agricultural subsidies is farm subsidies at the production level, the RTAs only address elimination of export subsidies. Moreover, in these RTAs most of the capacity-building is through technical solutions and innovations, when they should be addressing structural issues regarding market access and unfair farm subsidy practices pursued by developed countries.

Maybe one of the biggest issues in trade agreements is that they can be seen as ends in themselves, rather than as policy tools for development and international cooperation in global issues such as climate change, food security and (most importantly) structural imbalances in the world, not only within countries but also on global trading platforms. Agreements that are harmful to local communities and the planet, such as those that worsen deforestation of rainforests as they increase demand for palm oil, are a case in point (Buczinski et al. 2023). It does not matter how well intended or well designed a trade agreement is, unless structural issues are addressed on all fronts, trade policies will continue to harm, rather than help, developing countries on their path to development. The world urgently needs to invest heavily to improve and transform how food is produced and traded. Agriculture, and in particular the industrialization and globalization of agriculture that have marked recent decades, has the potential to confront a range of challenges. These challenges not only include dealing with hunger and malnutrition, but also extend to addressing poverty, managing water and energy resources, improving working conditions, countering unfavourable trade terms, reducing carbon emissions and pollution, mitigating climate change, and fostering more sustainable patterns of producing and consuming food and food-related items. What could be the path forward then?

► 8.4 Finding a trade, finance and climate-sensitive policy path to reforming agriculture: A Global Green New Deal

The Sustainable Development Goals (SDGs) and other collective goals, such as the Paris Climate Agreement, suggest a more hopeful future; however, much will have to change if the more equitable and sustainable future envisaged is to become a working reality. The transition phase will have to be orderly and just to ensure that the social, employment and economic impact of change is broadly positive, not negative. There will be powerful shocks and high costs to what might be called “sunset” agricultural processes and products – that is, those whose future starts to dim because of climate regulations or changing consumer tastes, such as long-standing agricultural activities based on palm oil or industrially farmed animals. This transition will include millions of people employed directly in these activities and indirectly in the global value chains that stem from them. Some will transition effectively to new sectors and new activities, in agriculture or beyond, but not all. Their pain will need to be considered alongside the opportunities and benefits opening up in sectors that create new products or serve the emerging “sunrise” markets for new alternatives – vegetable replacements for meat or cellulose-based replacements for fossil-fuel-based products such as plastics (Barrowclough and Deere Birkbeck 2022; UNCTAD 2023a). Moreover, this shift will include internationally traded products as well as national ones, so the scale of the impact will be immense. Indeed, some part of this future is already here: some of the newly emerging alternative markets in agricultural products (such as plant-based alternatives to plastic packaging) already earn hundreds of billions of dollars in international trade and employ large numbers of workers.

Recognizing these historical and long-standing patterns of structural imbalance, any major policy changes will involve extended processes of negotiation and contested politics. These imbalances persist at both the international and the national level because of the impact of globalized food and commodity trading, marketing corporates and financial systems that incentivize short-term investments and predatory speculation in global agricultural markets. Such imbalances are exacerbated by reliance on internationally traded fossil-fuel inputs, such as fuel and fertilizers, for industrial-based farming, which incur significant financial and environmental

costs. Furthermore, labour practices are far from decent. Neither the SDGs nor climate agreements and pledges are succeeding in tracing a path to redressing these unsustainable practices in agriculture.

To ease this transition, the broad set of approaches and policies grouped under the name “Global Green New Deal” can help, as they set out a framework of interrelated and complementary policies aimed at fundamentally changing the existing patterns of investment, production and distribution. Why this is needed and how it can be brought about is explored below.

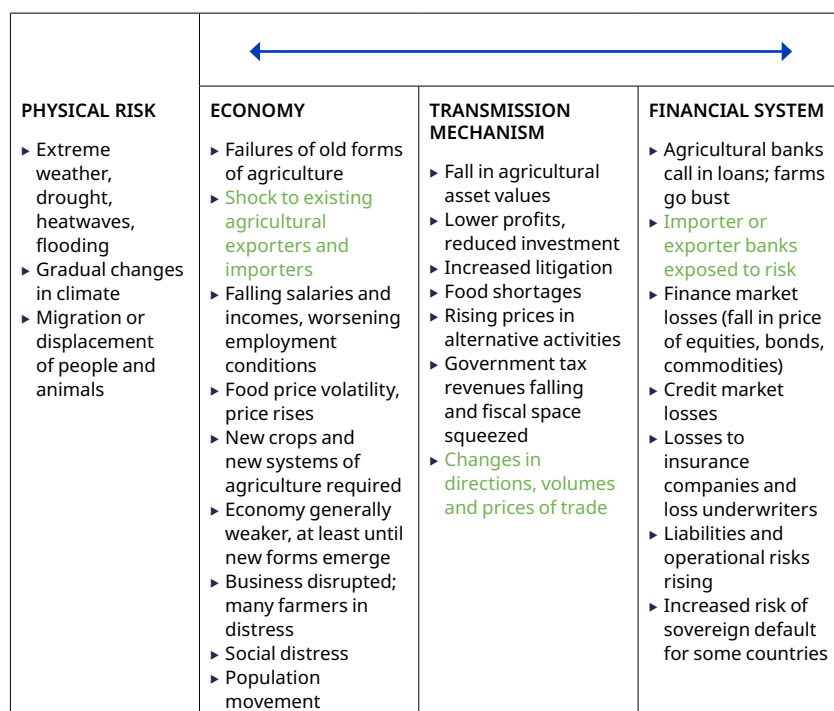
8.4.1 Negative feedback cycles involving agriculture, climate change and economic and financial risk

This chapter has so far argued that reform in agriculture is needed to ensure sustainable and decent jobs both for the hundreds of millions of people working in the sector and for the ecological health of the planet. It has also shown why, for this to happen, part of the solution has to be access to input and output markets – and in particular, access to finance, credit and land. Equally important, trade policy must provide space and tools to address market access and other structural imbalances, supported by complementary policies to ensure employment and food security. Accordingly, this section will expand on these issues by highlighting sources of vulnerability in the agriculture sector as seen through the lens of the potential for financial shocks (figure 8.1) or policy shocks (figure 8.2).²⁰ Both of these types of shock have an impact on, and can be mediated through, trade and trade policy. Returning to the limitations of the “de-risking” or “risk-passing” approach discussed in section 8.1 above, climate change is already causing new vulnerabilities and fractures at all levels of the economy, even though most attention is given to the financial ones (figure 8.1). Finding ways to address these will not lie in more financial risk mechanisms, but in fundamental reform to address the root causes of agricultural sector vulnerability and instability, as described above. At the same time, if the policies used to resolve these issues are implemented in an uncoordinated manner that disregards the integrated and complex nature of agriculture (as described in section 8.2 above), they may provoke further new shocks

²⁰ This treatment was sparked by an analysis introduced by the then Governor of the Bank of England, Mark Carney, to alert people to the potential financial fallout from climate change (Carney 2015), and expanded by Campiglio et al. (2018) and UNCTAD (2019, 144–145), among others.

(figure 8.2). For a massive sector such as agriculture, with its incredibly long and interdependent value chain that touches every country and virtually every person, these effects can be extremely significant.

► **Figure 8.1 How climate change can cause a negative feedback cycle between trade, economic and financial risks**



Note: Trade effects, policies and instruments are highlighted in green.

Source: The authors, expanded from UNCTAD (2019, 144).

►Figure 8.2 How transition policies can cause various trade, financial and economic stability risks

TRANSITION POLICIES			
	ECONOMY	TRANSMISSION MECHANISM	FINANCIAL SYSTEM
► New government policies relating to agriculture, e.g. changing land use, banning excessive use of chemicals and industrialized or unsustainable farming, removing fossil-fuel subsidies ► Banks requiring climate disclosure; new greener lending policies ► New trade policies to promote sustainable farming; to reduce fossil-fuel usage and encourage shift to substitute energy, substitute plastics, etc.; to promote low-carbon agriculture and food security	► Some winners and some losers ► Higher prices for high-carbon activities ► Greater returns for low-carbon exporters ► Former assets stranded or unusable (fossil-fuel-based agricultural and agro-industrial systems; farmlands no longer viable – too hot, too dry) ► Agricultural workers dispossessed, unemployed or increasingly precarious ► New opportunities created – reinvest and replace ► New kinds of farming; new products ► New jobs created in sunrise sector	► Fall in value of old assets/rise in value of new ones ► Loss of jobs in old economy/rise of new jobs in green economy ► “Sunk assets” including “sunk” employees, falling wages, more precarious employment ► Migration and movement ► Loss of old export markets/opening of new ones ► New terms of trade; some old sectors lose and emerging sectors gain	► Borrowing costs rise in old agricultural sectors and high-carbon sectors ► Rising inputs prices (e.g. diesel; fossil-fuel-based fertilizers); rising costs to importers ► Financial market losses in some agriculture and agro-industry sectors (equities, bonds, commodities); debt write-offs; firms fail ► New sectors boom, financial market gains ► Credit market losses (old firms go bust; bankers suffer non-performing loans; new firms emerge; new loans are profitable)

Note: Trade effects, policies and instruments are highlighted in green.

Source: The authors, expanded from UNCTAD (2019, 145).

Some hints of the interdependencies and vulnerabilities in today’s globalized agricultural sector were evident for many countries during the shock of COVID-19 lockdowns, when they discovered the full extent of their reliance on imported food and agricultural labour. In some countries, fruit or crop farmers left harvests in the fields because they could not call upon their usual sources of foreign farm labour, often employed on very short-term, poorly paid and precarious contracts. In other countries, farmers’ inability to reach

long-standing export markets for their produce meant that harvested food lay rotting in container ships stuck in ports; exporters did not receive their expected revenues, while farmworkers could not work and did not get paid. A trade shock very quickly exacerbated and spread the economic shocks that stemmed from the health and related policy shocks surrounding COVID-19. In countries all over the globe, terms of trade took a violent tumble in 2020 (UNCTAD 2021b).

This shock was very sudden, and while for most countries trade had recovered and gained new highs by mid-2021, the impact was nonetheless severe. In the case of longer, slow-burn shocks of the kind likely to be experienced with climate change, the trade effects may be slower to emerge, and it will be unpredictable how these effects will be distributed between exporters and importers, and between sectors, and then how they will be transmitted to employment and food security issues. Vulnerability exists at all levels of the economy, and there needs to be a coherent approach involving all the different policy efforts to transform agriculture, to reduce carbon emissions and to ensure a more sustainable and equitable path to achieving the SDGs.

Figures 8.1 and 8.2 focus on the role of financial risk, trade risk and policy shock in agriculture, and the impact these have on other parts of the economy. This vision of a vulnerable economy where financial contagion can rapidly spread and lead to a cascade of collapses through the real economy has done much to raise awareness of some of the issues linking climate change, economic activity and the financial markets. However, this focus on risk is only part of the story. In order to change things at a more profound level, what is needed is transformative investment, not just risk management, and in climate adaptation activities for agriculture, as well as climate mitigation. First, this means bringing in a great deal more finance than is currently being allocated to achieve this end. Adaptation to climate change in the agricultural sector, including devising new crops and foods, received only US\$1.75 billion in 2021, according to the multilateral banks' own estimates (EIB 2021) – compared with US\$5 billion for energy adaptation. For mitigation activities, agriculture received only US\$2.5 billion, compared with US\$24 billion for energy and US\$3 billion for buildings and houses. This is far too small a sum for what the sector needs. Second, it means introducing a series of complementary and supportive policies relating to trade, incomes, employment, technology and other elements that can together bring about a profound difference in the underlying productive capacities and correct the imbalances in the structures of the economy. It is here that the vision of a Green New Deal comes into play with a focus on agriculture and trade policies in agriculture.

8.4.2 A positive trade agenda for sustainable agriculture within the context of climate change

Trade, environment and decent work priorities need to be aligned in order to make the most of the shrinking time available to stabilize the climate and advance the SDGs, including the developmental and employment aspects. Most of the current debate has been about the environmental aspects of the Green New Deal, but the original New Deal, enacted by US President Franklin D. Roosevelt in the 1930s, included efforts to address the impact of environmental degradation, as well as its better-known priority of job creation and distributing income more equitably. This multipurpose element is even more important today, because of the multiple and intersecting impacts and because the world economy is globalized and interconnected through trade in a way that was not imaginable in the 1930s.

In this regard, in 2020 members of the WTO began a series of structured discussions to analyse and advocate for various trade policy proposals that could potentially help the shift to a more sustainable environment. The trade policies under discussion will have a significant impact on trade in all sectors of the economy, including agriculture, and are likely to have knock-on impacts on employment, including the number of jobs in sectors old and new, their financial remuneration and working conditions. These policies include liberalizing trade in environmental goods and services; reforming environmentally harmful subsidies (especially to fossil fuels); a Carbon Border Adjustment Mechanism (CBAM) to reduce carbon trade and use; a global policy to reduce plastic pollution, and other measures to create a “circular economy”; and trade policies to promote biodiversity. The 2021 G7 Trade Ministers’ Communiqué included a commitment to “make trade part of the solution” to climate change (UNCTAD 2021b, 135).²¹ It specifically brought attention to environmentally harmful agricultural practices and the problem of carbon leakage. This refers to instances where industries with high emissions transfer their operations from regions with stringent regulations to areas with lower standards, thus compromising the objective of reducing global greenhouse gas emissions. Additionally, this situation may also give rise to concerning implications for health and workplace safety. Preventing carbon leakage has been high on the agenda of advanced economies; concerned that their higher environmental standards give an unfair trade advantage to countries with lower standards, they have been

²¹ The G7 (Group of Seven) is an informal arrangement of seven leading economies comprising Canada, France, Germany, Italy, Japan, the United Kingdom and the United States, as well as the EU countries.

demanding a “level playing field”. The CBAM, which is already part of the EU’s flagship policy, aims to align trade and climate and achieve neutrality by 2050 (UNCTAD 2021a).

In this context, the remainder of this section sets out some positive developments in the international trading system, including RTAs that take a more comprehensive approach and the positive trade agenda adopted by the United Nations Conference on Trade and Development (UNCTAD).

8.4.2.1 Regional trade agreements: All is not lost

Some regional trade agreements have been more development-oriented, with a focus on the agricultural sector, and include clauses to address structural issues in terms of market access and fair competition. Often these are South–South agreements between countries with more or less similar levels of economic development. It would be useful to discuss here what differentiates such agreements from those discussed in section 8.3.

The Economic Community of West African States

The Economic Community of West African States (ECOWAS) is a regional intergovernmental organization that promotes economic integration and cooperation among countries in West Africa. Encompassing a diverse range of countries from the western region of Africa, it comprises 15 Member States: Benin, Burkina Faso, Cabo Verde, Côte d’Ivoire, The Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone and Togo. It was established on 28 May 1975, with the signing of the Treaty of Lagos in Lagos, Nigeria.

The objectives of ECOWAS include promoting economic cooperation, regional integration and sustainable development among member countries. It aims to create a common market, establish a customs union and coordinate economic policies to enhance the overall economic performance of the region.

Unlike most recent RTAs, ECOWAS has significant clauses in support of sustainable development, with an emphasis on agricultural production, food security and regional cooperation. To start with, there is a whole chapter (IV) entitled “Co-operation in Food and Agriculture”, and Article 25, entitled “Agricultural Development and Food Security”, has very detailed policy clauses addressing production structures at the aggregate level.²² Article 25.1(c), in particular, focuses on local production, while 25.1(d), more

²² ECOWAS, “Revised Treaty”.

importantly, focuses on protection of producers in global markets through a common export subsidy. Article 25.2 addresses production structures through its focus on infrastructure.

The Common Market for Eastern and Southern Africa

The Common Market for Eastern and Southern Africa (COMESA) is a regional economic community established to promote economic integration and cooperation among countries in Eastern and Southern Africa. Formed in December 1994, it consists of 21 Member States: Burundi, Comoros, Democratic Republic of the Congo, Djibouti, Egypt, Eritrea, Eswatini, Ethiopia, Kenya, Libya, Madagascar, Malawi, Mauritius, Rwanda, Seychelles, South Sudan, Sudan, Tunisia, Uganda, Zambia and Zimbabwe.

Like ECOWAS, COMESA has clauses promoting regional infrastructure development, including transport, energy, and information and communication technology (ICT) networks.²³ Improving infrastructure connectivity is crucial for rural markets, which are otherwise disconnected as a result of physical distance.

Given the significance of agriculture in the region, COMESA places emphasis on initiatives related to agricultural development and food security. It aims to enhance agricultural productivity, improve market access for agricultural products and promote food security through regional cooperation. Like ECOWAS, COMESA also has a chapter devoted to cooperation in agriculture and rural development (Chapter 18, Articles 129–137).

The African Continental Free Trade Area

The African Continental Free Trade Area (AfCFTA) agreement is a landmark trade agreement that aims to create the largest single market in the world. It encompasses 1.3 billion people from 55 countries of the African Union and eight Regional Economic Communities, with a combined GDP of US\$3.4 trillion. The AfCFTA agreement entered into force on 30 May 2019, and trading under the agreement began on 1 January 2021.²⁴ The provisions on trade in agricultural products focus on:

- **Tariff reduction and elimination:** The AfCFTA aims to progressively eliminate tariffs on 90 per cent of goods traded between African countries. This includes agricultural products, with the goal of boosting intra-African trade in agricultural goods.

²³ COMESA, “Treaty Establishing the Common Market for Eastern and Southern Africa”.

²⁴ AfCFTA, “About the AfCFTA”.

- ▶ **Rules of origin:** The agreement establishes rules of origin to determine the eligibility of products for preferential treatment under the AfCFTA. These rules specify the criteria that products must meet to be considered to originate from an AfCFTA member country, preventing third-party countries from accessing preferential trade benefits and thereby giving priority to local producers in agriculture to benefit from market access.
- ▶ **Trade facilitation:** The AfCFTA includes provisions to facilitate trade, including simplifying customs procedures, enhancing border efficiency and promoting cooperation among Member States. These measures aim to reduce trade costs and increase the efficiency of agricultural trade across Africa.
- ▶ **Sanitary and phytosanitary (SPS) measures:** The AfCFTA addresses SPS measures, focusing on food safety, animal health and plant health regulations. The agreement promotes the adoption of harmonized SPS standards based on international best practices, facilitating agricultural trade while ensuring the protection of human, animal and plant health.
- ▶ **Technical barriers to trade:** The AfCFTA addresses technical barriers to trade by promoting the harmonization of technical regulations, standards and conformity.

In its design, the AfCFTA is in support of agriculture and regional cooperation, which is a positive development. However, it is important to note that, despite its good intentions, the AfCFTA has a very challenging road ahead to create the promised wealth and well-being in the region, given structural challenges in Africa ranging from inadequate physical infrastructure, limited capital markets and limited human and institutional capacities to lengthy and non-transparent customs transactions and administrative hurdles that increase trade costs (Barka 2012; Allard et al. 2016; UNECA 2018).

8.4.2.2 The United Nations Conference on Trade and Development: The essential, positive agenda for sustainable development

In these (and indeed all) trade and other economic policies on agriculture, it will be imperative to take account of the fact that, while all countries may wish to change to “greener” systems, not all have the same capacity to act. Hence, while trade policies may be very welcome and long overdue from the perspective of health, pollution and climate change, there should also be a

plan to ensure that developing countries are not excessively exposed to the kinds of shock sketched out in figures 8.1 and 8.2 above. The most recent conference of Brazil, the Russian Federation, India, China and South Africa (the BRICS countries), in August 2023, reiterated the message that climate change must not be allowed to trump development needs.

Recognizing the potential complementarities between both, and the concern that development needs are not left behind, the United Nations Conference on Trade and Development (UNCTAD) is arguing for a positive agenda where the goals for trade, the environment and development (including, crucially, employment) are intrinsically linked and supported by integrated policies and strategies. Such a framework addresses the much needed focus on correcting for structural imbalances in agriculture. For example, to ensure that the reforms that all countries have signed up for have the positive effects envisaged in the long run, it is important to implement measures that facilitate open-source and patent-free green technology transfers, and help to build up technical capacities in climate-smart infrastructure, waste management and other aspects of the low-carbon economy. But more importantly, it is necessary to eliminate unfair practices linked to free trade when most of the agriculture in developed countries is heavily subsidized.

Particularly when addressing market access for small farmers, providing adequate public finance will play a major part. This will allow small farmers to access credit to purchase land, technology and other inputs, thereby utilizing their labour more efficiently and producing more agricultural output, and hence addressing employment, environment and food security issues simultaneously. For this, it will be important to ensure that national and regional development banks have specialisms in agriculture and that they have access to sufficient capital, so they can lend, at favourable rates and with long-term maturities, to a broad base of borrowers, thereby allowing productive capacities to expand in line with market access. This will require a significant reappraisal of public banks; they will need both political and financial support if they are to play such a role in supporting the sector (UNCTAD 2019, 2022b, 2023b). At times of crisis, these banks have demonstrated what can be done (Barrowclough and Marois 2022); and today, when problems are slow-burning rather than intense shocks, their role is especially important, given that neither the global multilateral lenders nor the global Green Climate Fund have been successful in raising finance for agriculture (EIB 2021; UNCTAD 2022b, 2023b). This matters because, maybe more than in any other sector, environmentally sustainable transitions are very much needed in agriculture. As discussed above, these are crucial because of the sector's importance not only for developing-country populations in terms of income and employment, but also for food security

and their contribution to reducing greenhouse gas emissions. To achieve this, finance is crucial.

It is only after these structural issues have been addressed that the international trade regime can play its major role in encouraging trade in environmentally sustainable substitutes – agricultural products that can, with the application of new technologies, be targeted at the new and rapidly growing low-carbon markets. For some of these, developing countries may already have comparative advantages in relevant agricultural products that can – with appropriate retooling – become highly profitable, at the same time as creating jobs. In some fossil-fuel replacement markets, such products are already key exports for developing countries, generating important employment and livelihood opportunities, especially for women. A shift towards such products can become an important element of green industrial policies. Trade policy has a part to play here, because many countries currently have an inconsistent policy where tariffs on these increasingly desirable and sustainable products are higher than those on unsustainable ones.

8.4.2.3 Waivers – peace clauses – and differential responsibility

In setting up a positive agenda to achieve the SDGs – especially the goals on food security, employment and environment, including the envisaged reform of agriculture and shift to a low-carbon economy – a key starting point must be the synergies between the trade policy concept of special and differential treatment (SDT) and the UN Framework Convention on Climate Change (UNFCCC) principle of common but differentiated responsibilities (CBDR). SDT is structured to provide developing countries with a broader range of policy options to address the specific challenges they encounter when entering the global trade sphere. Meanwhile, CBDR recognizes that developed economies bear the primary responsibility for historical emissions that have contributed to climate change. As a result, they should bear the greater burden in responding to the impacts of climate change and addressing its fundamental causes. These two concepts are complementary and have the potential to create a beneficial framework for aligning trade and climate objectives. This agenda underscores the importance of broadening the scope for the formulation of green agricultural policies, as well as the need for flexibilities in protecting IP rights and incentives to foster technology transfer for climate- and environment-related agricultural goods. It also involves strengthening support for developing countries in adopting renewable energy and other reforms necessary for the green transition of agriculture. This will necessarily

require a significant expansion of financial support to meet and surpass the US\$100 billion climate finance target agreed in the UNFCCC process. At present, developing countries have been offered only a fraction of the funds pledged to help them meet their climate goals.

In order to effectively provide SDT to developing countries, UNCTAD has recommended that the introduction of a limited climate waiver, combined with a “peace clause” for disputes on trade-related environmental measures, could help to expand the policy space available to developing countries with respect to their agrarian production and trade, climate and development initiatives. Such action would offer countries the reassurance that they will not face disputes regarding initiatives that promote both climate and development objectives. These initiatives encompass priorities such as transitioning to renewable energy, adopting environmentally friendly procurement practices and implementing programmes for creating green jobs. These are all also valued by advanced economies and hold substantial potential for employment benefits in developing countries, but they could be challenged under the WTO dispute mechanism.

The overarching principle underscores the inherent connection between climate objectives, the SDGs and development goals. In this context, international trade assumes a significant role in facilitating the advancement of developing countries on all these fronts. At the same time, however, international trading rules should not undermine the trade competitiveness of developing countries by limiting their market access and their capacity to make progress on their climate and development goals. Instead of punitive actions and further trade liberalization, a positive trade and environment agenda is needed that focuses on correcting the structural imbalances and providing a level playing field for agricultural products in world markets. This would help by creating new green employment and income-generating opportunities, by facilitating green technology transfers, by expanding trade–climate finance and by providing incentives to developing countries – along with adequate policy and fiscal space – to help them design their own integrated trade/environment/development strategies.

Trade policies can also be a way to help finance all that has been discussed above. For example, one way to increase the financing available to developing countries would be to reform the existing proposals for the CBAM and tariff elimination on environmental goods and services. These are going to have a disproportionate impact on resource mobilization in developing countries whose current total output is more carbon-intensive than that of developing countries and for whom tariffs make up a greater part of government revenue. A new “Trade and Environment Fund” would be one way forward, as proposed some years ago by WTO Members (WTO 2011). Such a fund

could help to finance the incremental costs of sourcing critical technologies, provide grants and concessional loans for new technologies, finance joint research and help set up technology transfer centres. Arguably, such a fund could also be used, during the green transition in agrarian sectors, to finance the social and incomes policies needed to buffer some of the labour shocks to employment numbers, wages and precariousness in “sunk” sectors.

► 8.5 Conclusion

This chapter has shown how and why finance and trade policies need to be aligned with each other and with the special and structural needs of agriculture, in order to solve the myriad challenges linked to food insecurity, food waste, precarious labour and environmental issues in a climate-constrained future. It began with a critical overview that showed the limitations of supply-side solutions put forward by current conventional thinking. Subsequent sections introduced the role of trade policies, including some recent regional trade agreements in agriculture, and the virtuous links that need to be in place between finance policies, trade policies and agriculture. The analysis showed the important distinction that needs to be made between financial policies that focus on risk-shedding or risk-sharing and those that focus instead on productive investment – the latter being what is needed for development and transformation of agriculture.

The analysis also showed the need for coherence between the distinct but intersecting aspects of trade, finance and agricultural policy. When such coherence is absent, even crucial development goals are unlikely to be achieved. Food security, for example, cannot be addressed as long as the experimental “solutions” fail to address structural imbalances that govern national and global markets for agriculture, and also for finance. It was also argued that this failure is the result of looking at development issues within the framework of a neoliberal paradigm which lacks understanding of both the macro and the micro factors that affect agrarian production in developing countries. One of the starkest instances of this is the misguided celebration of small farmers as the solution to food security issues. As discussed, small-farmer productivity – that is, per acre productivity – in the developing world is a sign of market failure. Focusing on improving small-farmer productivity through innovation and technology, or education of farmers – rather than on designing policies to correct structural imbalances that lead to market and policy failures – is doomed to fail on all fronts of sustainability. This is

not to say that such interventions are not important – they play a crucial complementary role – but unless structural imbalances are addressed, they are not sustainable.

On a more positive note, a framework or “road map” already exists, in the form of the Global Green New Deal, which does indeed comprehensively address the micro and macro policy levers that need to be utilized together. An important consequence of this approach that is discussed in the chapter concerns the potential to move away from an excessive reliance or focus on risk-based “solutions”, including short-term technological fixes or “de-risking” instruments such as insurance, as these do not address the cause of the problems. It must be acknowledged that addressing risk is not the same as promoting or supporting transformation. It should also be acknowledged that a massive scaling-up is needed to provide adequate supplies of long-term capital, on long and patient terms, and at favourable interest rates. The ideal way to provide this is through development banks or funds, guided by a supportive and development-focused State. The framework of a Green New Deal has all these elements: it brings together trade policy, finance and investment, alongside employment and social incomes policies to support both the transition and the transformation phases of the move to a climate-aligned and decent system of agriculture.

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