

Strategic Workshop on
“Accounting for water scarcity and pollution
in the rules of international trade”
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International Farm Trade: Does it Favour Sustainable Water Use Globally?

Insa Niemeyer and Alberto Garrido

Research Centre for the Management of Agricultural and Environmental
Risks (CEIGRAM), Technical University of Madrid
and Water Observatory

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International Farm Trade: Does it Favour Sustainable Water Use Globally?

1. What does basic theory say?
2. EU Environmental Sustainability Requirements
and Brazilian Biofuel Exports
3. The case of LACs and Spain (food exports and
imports)
4. Policy considerations

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1. What does basic theory say?

Trade has three effects:

- Scale effect (more contamination, because of more trade)
- Technical effect (because of rules, standards and cooperation)
- Composition effect (more contaminant activities increased in developing countries, hotspots)

Empirical work:

- Disputed results
- Trade obeys to endowment and competitiveness, and not so much to hotspots or environmental regulation

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1. What does basic theory say? Resource utilisation:

Chichilnisky (1994): countries with poorly defined property rights will produce too much (overexploitation) and importing countries will consume too much (trade externalities, reduced global welfare)

Brander and Taylor (1998) propose the establishment of import tariffs

World Bank claims less developing countries overexploit resources and see their exchange rates worsened.

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2. EU 2008 Directive on the promotion of the use of renewable resources (compromising solution)

Vs.

European Parliament Industry, Research and Energy Commission (more stringent recommendations)

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2. The case of Brazilian Biofuel Exports to the EU
2008 Directive on the promotion of the use of renewable resources, goals:

- 40 Million TOE by 2020 from biofuels (10%)
- Sustainability criteria:
 - GHG savings 35% (50% 2017)
 - Biodiversity, carbon stock and peatlands (not sustainable)
 - Non-discrimination

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Major issues:

- GHG savings with soybean-based biodiesel (in the borderline)
- What lands in Brazil would be given green-light?
- EP and EC differed primarily on: open forest and savannahs (9-15 of Brazilian land, with huge potential but conflicting environmental considerations).
- EP had biased against first-generation biofuels, and recommended more stringent requirements

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- Brazil's Ambassador (and 7 other countries) required that EU take the less stringent approach based on WTO regulations, threatening to sue the UE.
- The EU yielded, opening huge opportunities for massive exports to the EU, with potentially harmful environmental impacts in the 'cerrado'.

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3. The case of LACs and Spain (food exports and imports)

- Argentina
- Brazil
- Chile
- Mexico
- Perú
- Spain

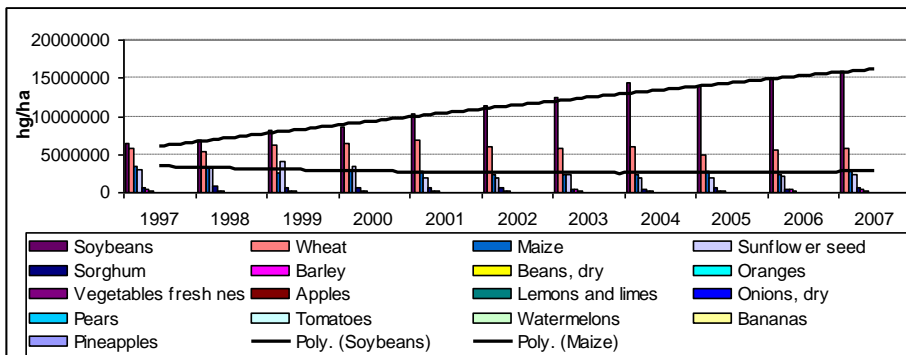
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Argentina (area harvested)



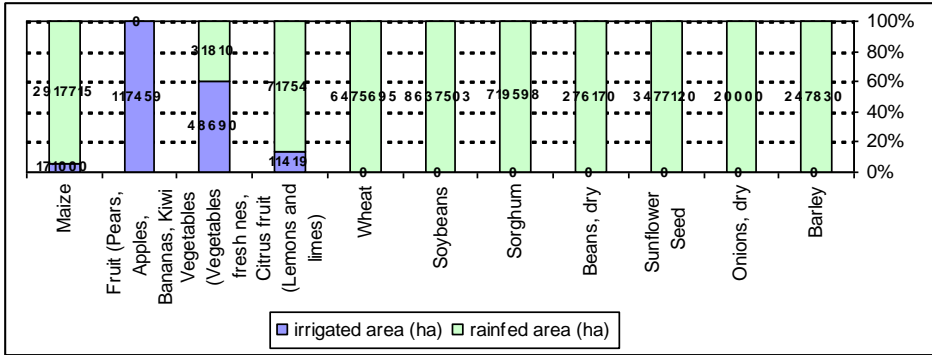
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Argentina (irrig vs rainfed production)



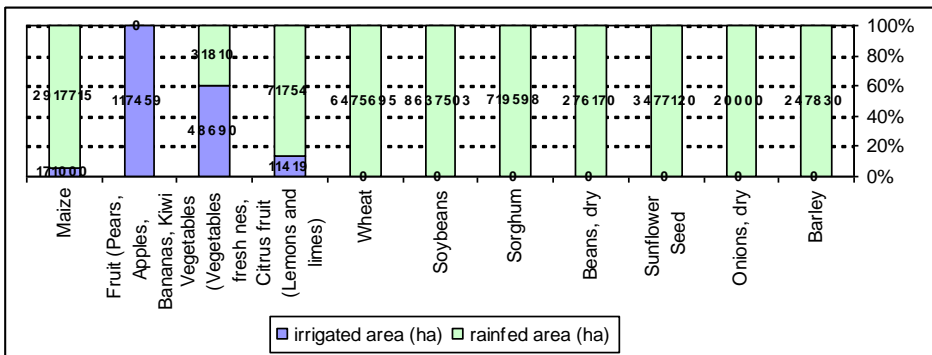
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Argentina (irrig vs rainfed production)



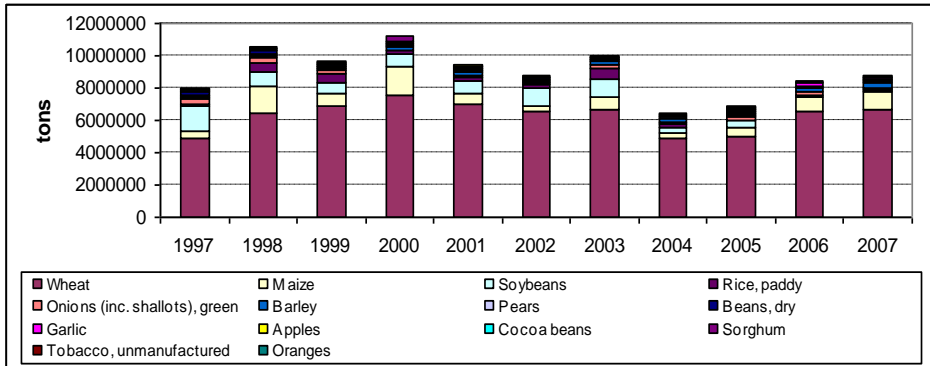
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Brazil (imports)



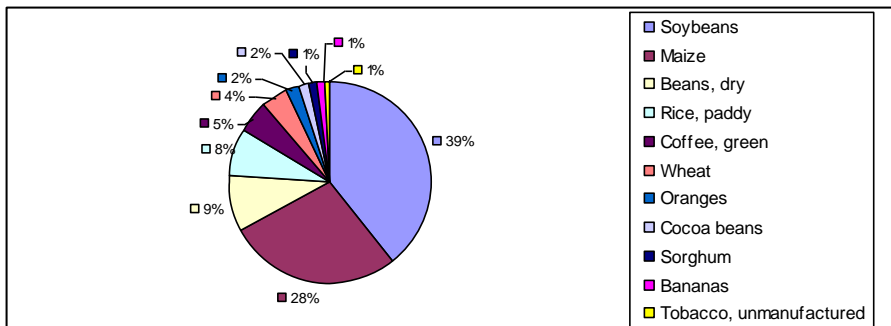
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Brazil (exports)



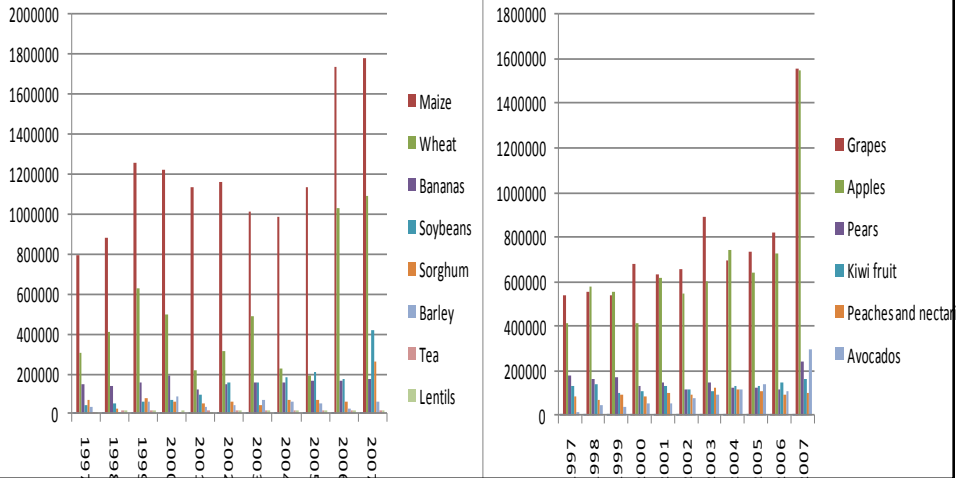
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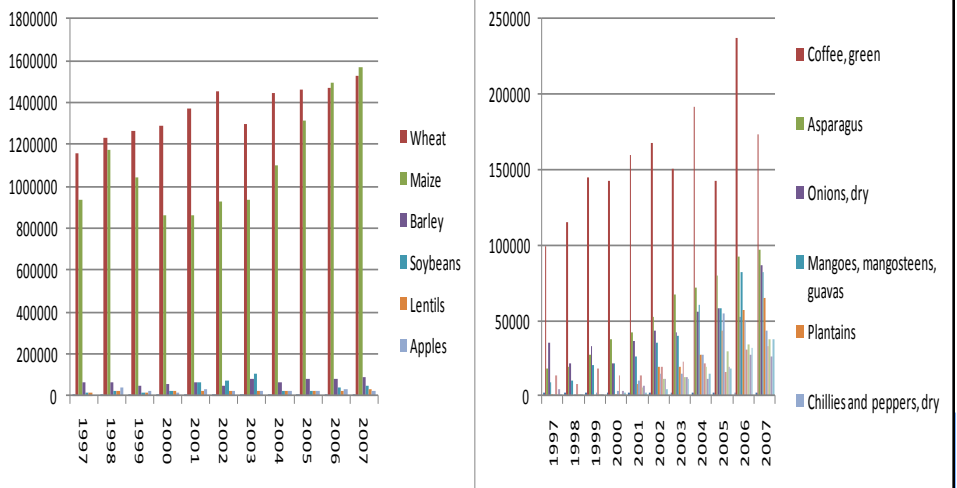
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Chile (imports and exports)



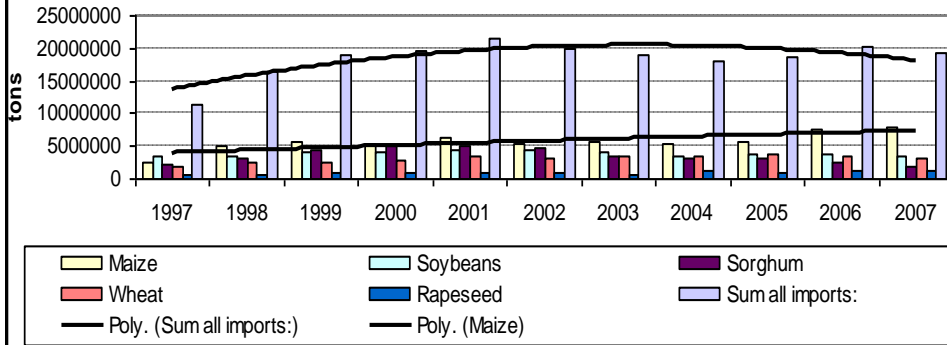
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Peru (imports and exports)



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Mexico (imports)



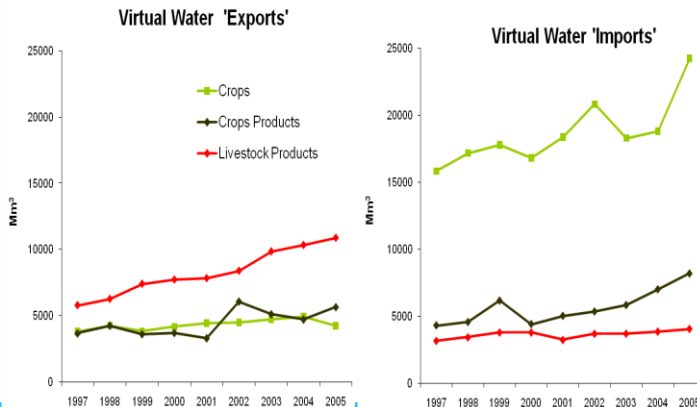
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Spain



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4. Policy considerations

Serious difficulties to have sustainability considerations in WTO rules

Trade will continue expanding

Trade favors specialisation and efficiency

A lot more work is needed to make a case for environmental trade barriers (from a global perspective)

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