

How do we link local and national level measures with international policy and private initiatives on sustainable trade for agricultural commodities?

International Trade: The Good, the Bad, and the Sustainable

Trade helps us to produce goods and services in a more efficient way. It connects regions and sectors with a comparative advantage in the production of certain goods, with regions and sectors that have a strong demand for those specific goods and services, and a comparative advantage in producing other products. While trade matches demand and supplies of commodities and services across the globe, it also creates a strong ‘displacement effect’. This trade-induced [displacement effect](#) is such that the [negative environmental externalities](#) of trade, but also the social and economic ones, are distributed across communities, jurisdictions, and ecosystems as agricultural commodities move along global supply chains. This makes it difficult to track and address some of the unintended consequences of international trade.

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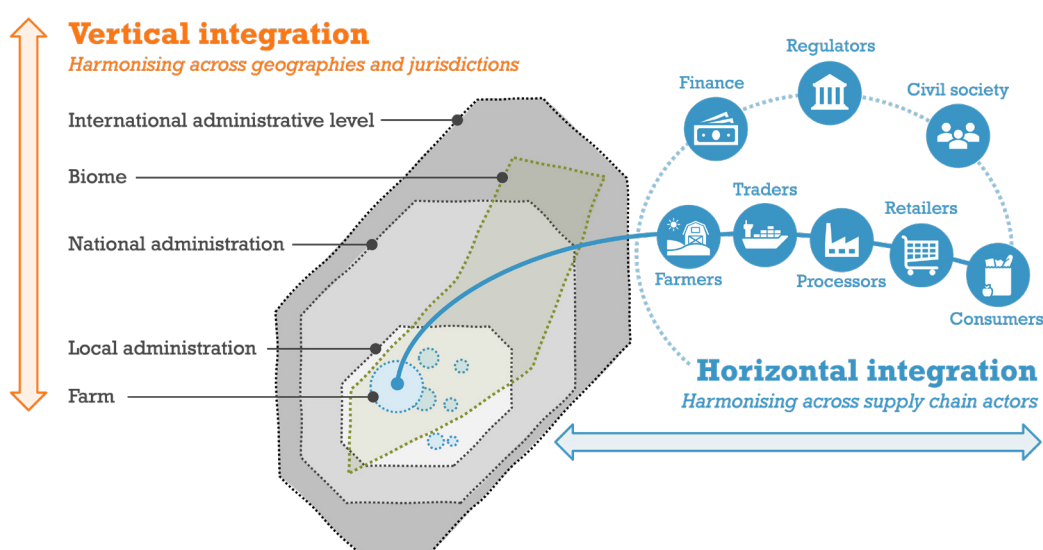
The focus of discussions around further liberalisation of international trade is shifting toward the necessity of building [a more sustainable and resilient trade system](#). Sustainable trade is more than the simple sum of economic gains and losses across global value chains. It also considers the magnitude and the distribution of social and environmental impacts, as well as the [complex interactions](#) across different dimensions, timescales, communities, habitats, and institutions.

More Than a Simple Sum: Integrating Different Policies and Tools for Sustainable Trade

As the range of public, private, and civil-society-led commitments and interventions for sustainable trade continue to grow and diversify, the question of how to better coordinate efforts and resources – effectively delivering on [Sustainable Development Goal 17](#) focusing on ‘Partnerships’ – remains open. Taking the requirement for better harmonisation across the spectrum of existing policy instruments for sustainable trade as the starting point, we borrow the [concepts of vertical and horizontal policy integration](#), and readapt them to the wide range of sustainable trade tools.

Here, vertical integration refers to the harmonisation of one or more interventions across different administrative levels and jurisdictions, from the household or municipality to global accords. Horizontal integration refers to the integration across global value chains, and particularly across the different players that participate into different stages of production, consumption, and trade.

Figure 1 – Vertical and horizontal integration in global agri-food value chains: a stylised representation



Vertical Integration: Harmonising Geographic Scales and Jurisdictions

While international trade operates globally, its benefits are normally concentrated on the recipient or user side, while the negative impacts are often unevenly distributed. Similarly, the intended (and unintended) effects of local, national, and international interventions for sustainable trade are subject to [geographic displacement](#), both within and across national boundaries. In this sense, vertical integration is crucial, as it contributes to rebalance the impact of policies and initiatives in space, across different jurisdictions and administrative levels.

The case of the Soy Moratorium – launched in 2006 to reduce soybean and trade-led deforestation in the Amazon – suggests that a low level of vertical integration can erode positive sustainability outcomes. Having on board public authorities, society actors, and about 90% of the companies operating in the Amazon soy market, the Moratorium reduced soy-led deforestation in the Amazon, but it contributed to shift the frontier of soybean expansion elsewhere, endangering biodiversity hotspots like the Cerrado. This led to calls to [extend the coverage of the Moratorium to the Cerrado](#), highlighting the importance of a better vertical integration across geographies.

Vertical integration is difficult to achieve when transcending the boundaries of national jurisdictions, but there are some encouraging signals. Sustainability certifications and Voluntary Sustainability Standards (VSS) have the potential for greater harmonisation across different national and international regulatory environments, as shown for instance by the [growing cooperation efforts between the Roundtable on Sustainable Palm Oil \(RSPO\) and the Indonesian Sustainable Palm Oil \(ISPO\)](#).

International trade agreements are also important tools to promote vertical integration. The inclusion of Trade and Sustainable Development (TSD) chapters in the text of Free Trade Agreements is becoming a common practice. For instance, TSD Chapter has been an integral – and controversial – point of the negotiations for the EU-Mercosur Trade Agreement and the Comprehensive Economic Partnership Agreement (CEPA) between Indonesia and the European Free Trade Association (EFTA), although it is probably still too early to assess the actual outcomes of TSD chapter.

Horizontal Integration: Coordinating and Engaging with Different Stakeholders

New partnerships between private actors, civil society, NGOs, research institutes, and governments are reshaping the global governance of natural resources and the response to sustainable development challenges, as argued for instance in a recent [paper by Lambin](#) and Thorlakson. In this sense, horizontal integration is crucial, as it focuses on to the level of coordination and engagement of different stakeholders involved in – and affected by – the operations of global value chains, as well as on the alignment of measures across the public and the private spheres.

A number of roundtables and multistakeholder platforms – although different in shape, aim and composition (see for instance this [CEBRAP working paper](#) for a comparison of beef and soy roundtables) – have been created over time to better coordinate the efforts of different actors, to facilitate the participation of underrepresented groups, and to provide a space to balance conflicting interests towards common sustainability goals. In addition, certification schemes such as FairTrade and UTZ contributed to promote a better integration of local farmers in value chains for agricultural commodities. For instance, [UTZ certifications have successfully supported cocoa farmers](#) in facilitating their access to better markets and better prices by shortening the value chain – an element that could also be read in terms of vertical integration – and by increasing the level of cooperation among smallholders, cocoa companies and institutions. UTZ and FairTrade certifications have also supported horizontal integration in other ways, promoting the use of [cooperatives' premiums for investments in public infrastructures](#) such as schools and healthcare facilities for the wider benefit of local communities, and [supporting women](#) by ensuring mechanisms to guarantee their participation and increase their decision-making power within the cooperative.

Concluding Remarks

As suggested by [Ostrom \(2010\)](#) and more recently in the [Dasgupta Review](#), effective governance of complex socio-economic and environmental systems – such as the current global agri-food supply chains – requires polycentric institutions. Vertical and horizontal integration of measures for sustainable trade are complementary and necessary tools to ensure that different policies, commitments, and initiatives act in synergy, producing the desired results, limiting unsolicited leakage effects across various administrative levels and societal groups, reducing risk and uncertainty, and increasing the level of trust among different stakeholders. Many of the examples discussed here relies on certification schemes and VSS, but these tools alone are unlikely to reach sufficient scale to successfully transition to a sustainable trade system. However, with a better vertical and horizontal integration with other existing public and private instruments at the local, national, and international level, they could contribute to create the institutional enabling conditions to bring sustainable trade within our reach.

This discussion paper is a part of a series highlighting the insights and findings from ongoing research across the GCRF TRADE Hub. It is intended to encourage dialogue. This discussion paper is led by Marcello De Maria, Chris West, Ilda Dreoni, Elena Antoni, Sharon Brooks, Giacomo Zanella, and Thiago Uehara and if you need to know more please contact marcello.demaria@reading.ac.uk.