

BATModel

better agri-food trade modelling for policy analysis

Navigating the Economic Impact of the EU Green Deal with Mirror Clauses

Gohin, Alexandre, and Alan Matthews. 2024. "Adding Mirror Clauses Within the European Green Deal: Hype or Hope?" *Applied Economic Perspectives and Policy* 1–24. <https://doi.org/10.1002/aep.13434>

HIGHLIGHTS

- **The EU Green Deal's** sustainability targets could lead to decreased EU agricultural production and income while potentially causing environmental leakages.
- **Mirror clauses**, making market access conditional on compliance with EU standards, could counteract the loss of competitiveness and environmental leakages, but risk retaliation from trade partners.
- A computable general equilibrium model is developed to analyze a potential EU **ban on glyphosate** in vegetable and fruit sectors.
- The addition of mirror clauses to the Green Deal could **marginally improve EU farm income** and the global environmental footprint of food.
- **Foreign producers might gain** from mirror clauses instead of losing, as standard analyses suggest, with European households bearing higher food costs.

Integrating mirror clauses into the Green Deal could offer a balanced approach to achieving environmental goals while minimizing adverse impacts on EU farm incomes. In contrast with standard analysis outcomes, the paper shows there can be circumstances where foreign producers might gain from such clauses.

Policymakers should consider the benefits of mirror clauses on a case-by-case basis and work towards implementing trade policies that align with the EU's sustainability goals, while engaging stakeholders and trade partners to navigate the economic implications of these changes.

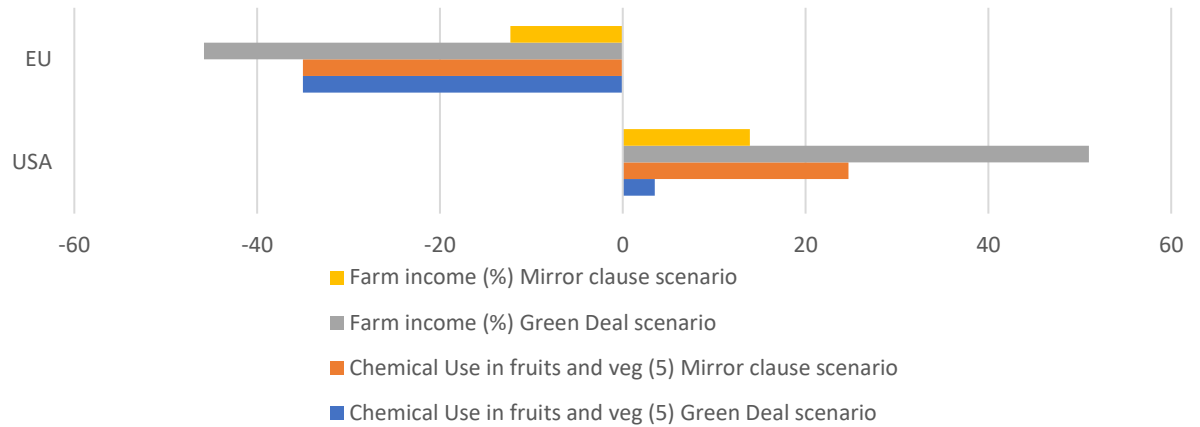
INTRODUCTION

The European Green Deal aims to enhance the sustainability of its food system, but the proposed reductions in farm input use may adversely impact European farm production and incomes. The possibility of environmental leakages to countries with less stringent standards also raises concerns. An alliance between farm organizations and environmental NGOs advocates for more restrictive trade policies incorporating mirror clauses.

This policy brief summarizes a study examining the impact of such clauses, using a potential ban on glyphosate use in fruit and vegetable production as a case study.

The study employs an original computable general equilibrium model with endogenous adoption of EU's production standards by foreign producers. The model considers a potential glyphosate ban in the vegetable and fruit sectors and simulates the impacts on the European economy and global markets. A first scenario, (Green Deal scenario), introduces a ban on glyphosate use by European vegetable and fruit (v&f) producers and an input tax on other chemical inputs used in this sector. A second scenario, the mirror clause scenario, introduces the same two instruments plus an EU import ban on conventional v&f produced using glyphosate. Foreign producers can continue to access the EU market provided they meet the same standard and produce without the use of glyphosate.

Sustainability impacts of the scenarios



MAIN RESULTS

- The application of mirror clauses alongside the Green Deal shows a **marginal improvement in European farm income** and a **slightly positive effect on the global environmental footprint**.
- Foreign producers can benefit from the adoption of mirror clauses, contrary to standard analyses.
- While European household expenditures on food increase due to higher food prices, the **consumption of glyphosate-free vegetables and fruits is ensured**.
- The study's findings challenge the notion that mirror clauses would necessarily lead to losses for foreign producers, suggesting a more **complex interaction** between domestic and international markets.

POLICY RECOMMENDATIONS

1. Support for EU Producers: Implement **mirror clauses** in appropriate cases to mitigate the impact of the Green Deal on EU farm incomes and competitiveness.
2. **Global Environmental Standards**: Encourage foreign producers to adopt EU production standards, potentially leading to global environmental benefits.
3. Consumer Awareness: **Inform European consumers** about the higher costs associated with sustainable food production but also the associated benefits.
4. Trade Policy Flexibility: Adapt trade policies to **incorporate sustainability standards** and mirror clauses, encouraging trade partners to comply with EU environmental regulations where there are global spillovers.
5. Further Research: Conduct comprehensive **cost-benefit analyses of potential new EU production standards** including impacts on trading partners to inform policy decisions.