



Brussels, 24th June 2015

POSITION PAPER ON EUROPEAN UNION TRADE POLICY STRATEGY

CELCAA welcomes the consultation launched by EU Trade Commissioner for Trade, Mrs. Cecilia Malmström, on a new European Union Trade Policy Strategy. CELCAA, the European Umbrella organisation representing the trade in agri-food and agricultural commodities, is committed to participate constructively in the debate. In 2013, extra-EU trade in agricultural products accounted for 6.9% of total EU-28 international trade, representing € 120 billion. This share is very similar for imports (7%)¹. CELCAA recommendations for the new EU Trade Strategy are the following:

- Strengthen the European dimension and avoid any policy that would lead to re-nationalisation;
- Strengthen the focus on SMEs to promote growth and jobs in the EU;
- Promote regulatory cooperation to dismantle non-tariff barriers, thereby enhancing exports of value-added EU products and imports of necessary raw materials;
- Recognize the importance of two-way trade and ensure security of supply for EU food processors and consumers;
- Include a comprehensive trade database as well as comprehensive reports on third countries' markets.

In particular at multinational level:

- Strengthen the enforcement of the WTO agreements by WTO members;
- Play an active role in TBT, STS Committees, as well as at *Codex Alimentarius*;
- Maintain 'sensitive products' while promoting level playing field in the areas of food safety, animal welfare and environmental standards;
- Convince third countries' authorities that the EU is one single block and abide to the same food safety standards; promote regionalization;
- Convince third countries' authorities to recognize the EU pre-listing system for the approval of the food establishments, while harmonizing veterinary and sanitary documents whenever possible;

At bilateral level:

- Set a priority list of key trading partners with whom to conclude timely and comprehensive FTA, including on regulatory dialogue;
- Ensure enforcement of trade agreements through monitoring of compliance and use all tools available to guarantee full enforcement when needed;
- Exports destinations such as Russia and China should not be disregarded as they constitute real market opportunities for EU agri-food products.

¹ Eurostat : 'Extra EU trade in agricultural goods'; May 2015.



⇒ **Any new EU trade policy strategy should seek to improve trade conditions through an efficient multilateral framework**

The World Trade Organisation is a cornerstone institutional tool to promote favorable trade conditions worldwide. Any new EU trade strategy should ensure the enforcement of the existing commitments (and to avoid to pay twice for the same commitments in bilateral and multilateral agreements). In parallel, the EU should continue to strengthen the existing multilateral mechanisms such as TBT/SPS notification system; Trade policy review and the Dispute Settlement Body. The EU trade strategy should also include a strong representation of the EU at *Codex Alimentarius*, World Organisation for Animal Health amongst others, so that the EU can drive the agenda to promote transparent, scientifically-based and harmonized standards throughout the world.

The new EU Trade policy strategy should also seek to strike the right balance between the diplomacy approach and the legal approach when considering launching cases to the WTO Dispute Settlement Body. While the legal approach will provide future legal certainty for operators, a diplomatic approach can help breach trade frictions. In these cases, the EU should hold consultations with relevant stakeholders directly impacted by the trade frictions.

⇒ **Any new EU trade policy strategy should recognize the importance of two-way trade and ensure security of supply for EU food processors and consumers**

EU trade policy should recognize the importance of two-way trade to ensure flexibility of supply to provide consumer choice and inputs for the EU's important food processing industry. The EU needs to export, but imports can facilitate this and ensure the EU consumer has access to affordable food supplies.

When discussing import quotas in FTA's the EU should be mindful of the TRQ mechanism chosen ensuring that like in the EU-Canada (beef TRQ) FTA these take into account the need for businesses to plan ahead. These should avoid the first-come-first-served mechanism.

⇒ **Any new EU trade policy strategy should seek to conclude comprehensive trade deals with key trading partners**

The Doha Development Round is expected to be concluded by the end of 2015, with a less ambitious outcome than originally planned. Any new EU trade policy strategy should therefore seek to conclude ambitious and balanced trade deals with a list of priority trading countries.

While the EU has become competitive in many agricultural sectors, EU consumption has tended to stagnate, at the same time as third countries' markets are expanding. Therefore, ambitious FTAs are crucial to support EU agricultural growth. In particular, the dairy, wine and meat sectors share the same ambition in terms of gaining more market access in Japan, Vietnam, the USA, India, Mercosur, Malaysia, Thailand, etc. At the same time, competitors like the USA, New Zealand, Australia, Chile, etc are very active on third countries markets and are increasing their market share, at the expense of European



agricultural products. Any new EU trade policy strategy should therefore set a priority list of trading partners with which an FTA should be concluded in a timely manner.

Exports destinations such as Russia and China should not be disregarded as they constitute real market opportunities for EU agri-food products.

Any new trade policy strategy should seek comprehensive trade deals: tariff cuts are not enough in today's trade environment as non-tariff barriers are on the rise. SPS and TBT trade restrictive measures should be tackled as a priority in any bilateral trade deals, and a priority list of NTBs should be set during the scoping exercise, in collaboration with relevant stakeholders. Full GIs protection should also be included in any trade talks, as well as a framework for a regulatory dialogue. The TTIP negotiations on the regulatory dialogue should be the example for future trade negotiations, including elements such as early regulatory warning, discussions between regulators, consultations with relevant stakeholders from each side, etc. Finally any FTA negotiations should seek simple, transparent and objective customs regime with the partner, including rules of origin.

It is essential to ensure the enforcement of FTA: this requires monitoring the compliance with the commitments and use of all the bilateral/multilateral tools available to guarantee full enforcement, when/if needed. Possible bilateral negotiations should not hamper or uphold the EU ability to challenge issues that are not WTO compatible.

⇒ **Any new EU trade policy strategy should seek to promote a level playing field in environmental, food safety and animal welfare standards while maintaining 'sensitive products' category in trade negotiations**

European producers are required to abide by high standards of food safety, environmental standards or animal welfare standards. These standards have a direct impact by increasing EU production costs. This has two effects by firstly; allowing third country exporters to undercut EU producers on the EU market and secondly; placing EU exporters at a disadvantage compared when competing with third countries for export markets.

The Agricultural Economics Research Institute (LEI) of the Wageningen University in the Netherlands demonstrated in a study for the EU egg sector that the costs to comply with animal welfare, food safety and environmental legislation represented 9% of the total production costs in 2009 and 15% in 2012².

Competitors to the EU (like Brazil, Ukraine, USA, Argentina, India) are gaining market access on the global market to the detriment of the EU, where export markets may not require the same standards as those applying in the EU. This is also true for other agricultural sectors, such as the meat sector. In that context, any new EU trade policy strategy should seek to promote fairer bilateral trade relations.

In light of the above, any new EU trade strategy should maintain a category of 'sensitive products', based on transparent and objective criteria, when discussing free trade agreement with third countries.

² The competitiveness of the egg sector, LEI, Wageningen University, the Netherlands, International comparison base year 20103, commissioned by EUWEP, the EU egg association, member of CELCAA.



Costs of production linked to high standards in the EU should be included amongst these criteria. However, we should also evaluate within the EU whether any of our standards are not justified in terms of the balance of costs against benefits.

In parallel, the EU should guarantee that trading partners, when imposing trade restrictive measures, do it in a legitimate manner and according to WTO rules. Measures imposed in light of environmental, health claims or other, should be duly justified by trading partners and including the EU and should be based on international standards and recommendations (WHO, Codex Alimentarius, OIE, etc).

⇒ **Any new EU trade policy strategy should strengthen the European dimension**

Any new trade policy should emphasise in any trade talks with third countries the European dimension to promote exports of agri-food products from the EU. Indeed some countries do not consider the EU as a single block and still request sanitary inspections in each individual Member State before authorising exports. Any new trade strategy should seek recognition from third countries of the OIE recommendation with regard to regionalization. Services of the Commission should also continue to try convincing third countries' authorities that the EU is a single trading entity, as illustrated by the example of DG Trade continuously informing the Chinese authorities that uniform hygiene and food safety standards apply across all 28 Member States. This initiative is welcomed and should be extended to all major trading partners.

The new EU trade strategy should encourage third countries to recognise the EU pre-listing system for the approval of food establishments. The EU has adopted this principle for third countries' exports of animal products (ie the case of a positive FVO audit, a third country may approve its establishments for export to the EU). The principle of reciprocity should be respected. In cases whereby the EU recognizes the pre-listing system for approval of establishments in a given third country, but that given third country, having done a positive audit, does not recognize the EU pre-listing system, EU recognition should cease. That would give incentive to third countries to accept the pre-listing system and hence promote smooth trade

To the extent possible, veterinary and sanitary documents should be EU harmonized and should be recognised by third countries. In that context, the EU Commission services and the Member States should cooperate to optimize their expertise and human resources. In case of bilateral negotiations for example, such coordination between the Commission and Member States should avoid discrepancy in veterinary and sanitary documents that Member States negotiate with third countries. Our recommendations would be that the Commission provide a common template.

As far as imports are concerned, the new EU trade strategy should strengthen the EU internal market and avoid any policy that would lead to re-nationalisation. The recent Commission proposal allowing national bans of the use of individual GMOs approved at EU level for food & feed would set a bad precedent, and would hinder EU intra-trade. If applied this measure would have an equivalent effect to quantitative restrictions on internal EU movements, prohibited by the EU founding treaties for distorting and partitioning the free movement of food in the EU single market.



- ⇒ **Any new EU trade policy strategy should strengthen the focus on SMEs so as to promote growth and jobs in the EU**

The Juncker Commission has put great emphasis on promoting the inclusion of SMEs in the international market, to support growth and jobs in the EU. This focus should be reflected in the new EU trade policy strategy. The TTIP discussions on a SMEs chapter could set the benchmark for any future FTA.

DG GROW website includes a 'Small Business Portal'. CELCAA welcomes this initiative and would suggest to develop it further. Including in the portal all the information regarding export markets that are currently missing would be very much appreciated – such as organic legislation in third countries; etc.

- ⇒ **Any new EU trade policy strategy should include a timely and comprehensive trade database as well as reports on markets**

Finally, any new EU trade policy strategy should include a timely and comprehensive trade database to promote transparency. The USA has the NASS data from USDA; the EU has Eurostat data, as well as the data provided by the market access database for volume of trade.

Reports on markets provided by USDA are a great source of information for traders due to their complete, timely and regular schedule. CELCAA is of the opinion that the external services of the Commission based in third countries should be involved in elaborating supplementing and complementary reports with any further information picked up by the external services, such as on markets conditions (trends in volume; prices; exchange rates; weather; diseases etc) and regulatory developments. These reports should be made available on the DG TRADE portal on a timely manner. This would certainly help European operators in their business operations in trading with third countries, especially SMEs.

CELCAA is an EU umbrella association representing EU organisations covering the trade in cereals, grains, oil, animal feed, wine, meat and meat products, dairy and dairy products, eggs, egg products, poultry and game, tobacco, spices and general produces. Members include CEEV, CIBC, COCERAL, EUCOLAIT, EUWEP, GAFTA EU, UECEB, FETRATAB. CELCAA's main objectives are to facilitate understanding of European decision-makers and stakeholders on the role played by the European traders in agri-commodities; to act as a platform of dialogue and communication with the European Institutions and to encourage public and general interests in agri-trade issues.