



CELCAA comments on the Communication from the Commission on **‘TRADE POLICY REVIEW : AN OPEN, SUSTAINABLE AND ASSERTIVE TRADE POLICY’**

About CELCAA

CELCAA is the European Umbrella association of the European agri-food trade, representing sectoral associations of the trade in main agri-food and commodities’ trade, i.e. grains, arable crops, sugar, agro-supply, wine, meat and meat products, dairy and dairy products, egg and egg products, edible nuts and dried fruits, etc.

Introduction

CELCAA is pleased to share its preliminary remarks on the Commission Communication 'Trade Policy Review - An open, Sustainable and Assertive Trade Policy'.

We first wish to underline the role of trade in the European economy should be rewarded: In the recent years, agricultural trade has contributed to more than 7% of the EU positive trade balance with third countries. Agri-trade plays an important role supporting farmers' income, economic development, vitality of the European rural areas and food security in the European Union and worldwide. Imports into the EU contribute to socio-economic development in many developing or emerging countries while the EU market needs imports to meet its internal demand and complete the offer from EU production. It is important to reiterate again that the EU is the principal trading block worldwide, being the biggest exporting and second biggest importing trading bloc, representing 151.2 EUR billion and 119.3 EUR billion respectively in 2019¹. Any policy shift in the EU trade policy will be scrutinised not only by EU stakeholders but also by the international trade community.

Second, the role of the trade is too often misunderstood. The first function of trade is to move products from surplus areas to areas of deficit. There are growing criticism on the role of international trade with some arguing that local supply chains would be able to replace international trade. CELCAA strongly believe that for the case of agri-food, to secure food supply and food security, international trade has a crucial role to play. Diversification of supply and export markets, being it local, regional and international, contributes to the good functioning of diversified markets, to the EU economic growth and recovery post-Covid-19 and in our sector, to food security.

Third, CELCAA supports the ambition of the EU to become the world leader in sustainability. Some of the policy options put forward could have significant impacts, and could lead to change of trade flows, potentially reducing the presence of the EU on global markets. CELCAA members believe that the EU can lead the way to more sustainability globally, based on collaboration and cooperation but that the EU should remain a key player in agri-food trade.

Open strategic autonomy - Trade policy in support of the EU' geopolitical interest

From lessons to be learned from the Covid-19 pandemic, one is that it has demonstrated the value of the trade. During the crisis, the global agri-food supply chain has worked tirelessly to ensure the supply of high-quality food products to consumers and to maintain food logistics circuits, adapting to the changes in consumption patterns linked to confinement. Although Europe has not experienced a food crisis during the pandemic, the EU has faced protectionist attempts from third countries which introduced quantitative restrictions such as export bans and export quotas. These measures are highly undesirable as they could have serious adverse consequences for food security. Food security in the EU and worldwide is the combination of both local supplies and international trade.

CELCAA therefore encourages the EU to take a leading role in the international scene to stop any unnecessary protectionist attempts on agri-trade that would only worsen and disrupt trade flows. Imports of agri-food are essential for the EU economy, to provide agro-supply for European farmers, products to be further processed by the industry or for end-consumers. Exports are critical as they help the growth in agri-food markets to find new markets.

¹Source : DG AGRI 'Monitoring EU agri-food trade: Developments ii 2019'
https://ec.europa.eu/info/sites/info/files/food-farming-fisheries/trade/documents/monitoring-agri-food-trade_dec2019_en.pdf

The European Union should continue to engage at international level with this in mind, to support its reputation as a champion of open markets and rules of law in international affairs. Again, from a geopolitical angle, the supply of agri-food supply and food is much more resilient when they come from a variety of geographical sources- compared to a single source of supply. Reducing sources of supply for agri-food from rest of the world could lead in turn that the rest of the world would seek to reduce its dependency on EU exports. This would have a significant consequences on the positive trade balance in agri-food of the EU - and in turn on entire sectors of European agriculture driven by international markets.

Strengthen the EU's regulatory impact

The EU should pursue an agenda of collaboration at international level and prevent any attempt to close markets, raise additional red tape or erect barriers. Rather, the EU strategy should be to keep supply lines open and seek for global collaboration. International standards such as OIE; FAO/WHO Codex Alimentarius, IPPC and others are at the core of a well-functioning trading systems. Promoting higher standards in terms of sustainability or environment should be agreed upon at international level to respect the spirit of the WTO agreements. CELCAA warns against any unilateral approach to raising standards that could lead to trade irritants, but rather calls for harmonization at international level.

In that context, **CELCAA supports leveraging the EU's high standards of sustainability in FTAs or regulatory cooperation with third countries.**

Resilience

Self-sufficiency in agri-food products is not possible. No country in the world is self-sufficient. Resilience is met through a variety of supply sources and export destinations - diversification - not the concentration of supply chains.

Assertive trade policy

CELCAA fully supports the ambition of the Commission to make the EU trade policy more assertive. In that context CELCAA welcomed the creation of the position of Chief Trade Enforcement Officer, and supports the intention of the Commission to further work on implementation of FTAs. CELCAA seizes this opportunity to thank the services of DG TRADE for open consultation with business organisations in different meetings on market access issue, and the recent development of the DG TRADE web-portal to include a self-assessment tool for rules of origin - particularly relevant for SMEs. CELCAA looks forward to hearing on the new online tools announced by the Commission to support EU business.

Sustainable value chains

CELCAA supports the ambition of the Commission to promote responsible and sustainable value chains. In particular, CELCAA supports the use of the Generalised System of Preferences (GSP) to leverage the respect of core human and labor rights.

Sustainability is a complex concept and it is important to remind that it encompasses three pillars: economic, social and environmental. When it comes to trade with third countries, this concept should be based on international standards to guarantee the proper implementation. Raising standards globally would guarantee a level playing field amongst trading partners and would protect the competitiveness of European agri-food production and trade.

The Strategy announces that the Commission will propose a chapter on sustainable food systems. CELCAA looks forward to hearing more details on this concept of ‘sustainable food system’ in future trade agreements.

Trade’s role in promoting sustainability

The Commission Communication provides a great emphasis to sustainability. Economic sustainability linked to trade has been documented many times but it is worth quoting the DG Trade Document referring to 36 million jobs in the EU relying on exports- and being more remunerated than average².

CELCAA would like to stress the contribution of the trade in promotion the environmental pillar of sustainability too: Trade’s core function is to balance demand and supply and contributes to the rationalization of production based on the principle of comparative advantage. This leads to the production of agri-food products where it is most efficient to produce, including on the sustainability aspect. Trade also allows valorization of products that would not been used otherwise on the EU market, hence contributing to the circularity and avoiding unnecessary waste.

As stressed on the Communication, trade also promotes the EU standards and values, again contributing to promotion of sustainability globally. Access to the Single Market provides a good incentive for third countries to raise their own sustainability standards.

CELCAA would like to understand better from the Commission the ambition that ‘under certain circumstances as defined by the WTO rules, it is appropriate for the EU to require that imported products comply with certain production requirements’³.

²EU exports to the world: effects on employment, DG TRADE - JRC, 2018
https://trade.ec.europa.eu/doclib/docs/2018/november/tradoc_157516.pdf

³Communication from the Commission- Trade Policy Review- An Open, Sustainable and Assertive Trade Policy- p13

Geographical priorities

CELCAA takes note of the commitments of the EU to reinforce its engagement with countries in Africa, as well as to deepen trade and economic relations with the Western Balkan countries. The USA remains by far the first export market of EU agri-food products, and CELCAA welcomes the commitment of the Commission to reset the trade relations with the USA and to engage towards a positive relationship. That being said, CELCAA urges the Commission to continue the engagement towards the resolution of the so-called steel and aircraft disputes, as the trade retaliations imposed upon EU agri-food products exports continue to negatively impact the competitiveness of EU exports and the EU agricultural sector.

The United-Kingdom/ Great Britain remains a priority market for exports of agri-food products, and implementation of the EU-UK Trade and Cooperation Agreement shall also be a priority of this Commission. Asia, as stressed in the Strategy, is a key market for the EU- as demand and purchasing power are growing. Free Trade Agreements being concluded or in the midst of negotiations should be concluded to guarantee additional market access for EU agri-food products, and contribute to diversification of exports and imports.

The EU is a net importer of agro-food supply and feed. The supply of these goods is much more resilient when they come from a variety of geographical sources - compared to scarce sources of supply. The EU should make sure that sources of supply remain open.

Reform of the WTO

A rules-based international trading system is of core importance for trade to function. There is a broad consensus supporting the reform of the World Trade Organisation, to make the organisation more efficient in the monitoring of the implementation of commitments from its members, more coherent in its negotiating functions and reform its Dispute Settlement Mechanism.

CELCAA supports the ambition of the European Union to take the lead on this file and engage with the USA to bring support to the overhaul of the WTO.

Informed discussion on Trade policy

CELCAA strongly support the Commission's ambition to have an open stakeholder dialogue and deepen the engagement with civil society. In that context, **CELCAA would support the continuation of the DG TRADE expert group on FTAs that was established by the previous Commission and helps exchanges with the Commission' services, the economic and non-economic operators.**

Finally, while the European Commission has not the primary vocation to promote the role of the trade, CELCAA calls on Trade Ministers, DG TRADE and European Parliament to recognise the value of trade and to support businesses in their attempts to explain to the general public and stakeholders the value of the sector to the EU economy.