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## **The role of agri-food trade in the “Vision on the future of agriculture”**

Agri-food trade is essential to both EU and global food systems, operating within a complex, globalized environment. Expected shifts in agricultural production due to climate change and geopolitical challenges will further deepen this integration. Therefore, it is crucial to position agri-food trade as a key element in the "Vision for the Future of Agriculture," grounded in the recommendations from the "Promoting the Global Transition" chapter of the Strategic Dialogue (SD) Report.

### **1. How to achieve progress on the “level playing field” / “diverging standards debate”**

DG Trade plays a central role in aligning sustainability in agricultural production with competitiveness in agri-food trade. However, the mission letter of the designated Commissioner for Trade and Economic Security lacks a clear mandate in this area, reflecting a continued shortcoming and overlooking DG Trade’s critical role in sustainability initiatives. In particular, the “level-playing field” debate requires conceptual and systemic solutions, which takes into account all concerns. This includes actors who are occupied by the impact of diverging standards on competitiveness, the global sustainability endeavours of the EU’s agri-food trading partners and the unique geographic and climatic context in which EU operate.

The SD has come to a clear conviction, that the concept of “mirror clause” is not the right answer to challenges which are highly complex and sensitive. Moving away from simplistic answers, the SD has provided a set of recommendations, which now needs new further conceptualisation. Diverging standards and the accompanying allegation of “unfair” trading behaviour needs a more dedicated and in-depth review and the development of a multi-layer toolbox. Therefore, we are calling the European Commission, to build on following reflections suggested in the SD:

1. More coherence of trade and sustainability policies
2. More transparency/comparability
3. A strong urge, to use the multilateral toolbox to solve these issues

#### **1.1. More coherence of trade and sustainability policies / how to achieve level playing field:**

The SD has highlighted the need to review the current institutional design for import and export trade policies. Presently, DG Trade primarily oversees exports, while other DGs handle fragmented aspects of import-related or sensitive trade policies. This division has created a disconnect between agricultural, trade, sustainability, and SPS policies, fuelling continued polarization and opposition to trade negotiations. CELCAA highly recommends, to urgently review the task distribution and institutional approach and to consider potentially reorganising responsibilities (examples of potential pathways)

- **A dedicated agri-food trade coherence unit/cluster:** this unit should be composed by an interdisciplinary team covering classic trade policy elements, SPS, sustainability and agricultural policies and should be tasked to ensure greater coherence of export/import

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policies as well as stronger alignment of trade/sustainability policies in future policy designs. This could be linked to either the new DG Agriculture and Food or as a capacity building exercise within DG TRADE's agricultural team. This team should also oversee the design of impact assessments ahead of trade negotiations and be tasked with the further evolution of concepts such as reciprocity, mutual recognition, equivalence etc.

- **A dedicated envoy / special advisor on agri-food trade:** overlooking coherence, competitiveness, fairness, elements within the Commission, but also ensuring also further alignment at multilateral level.

In all scenarios, it will be crucial for the different services of the Commission to be involved in all stages of policy development to ensure coherent trade negotiations and assess the impact of regulatory changes on EU competitiveness and feasibility for operators inside and outside the EU. It should further explore the complex relationships among the factors affecting sustainable agri-food trade globally, including positive/negative externalities as well as trade-offs related to emissions, water impact, biodiversity, etc.

## **1.2. Transparency / Comparability**

It will be important to apply a systematic approach towards the comparability and improved transparency of standards.

The Benchmarking System could position itself as a new approach with trading partners, as this will lead agricultural production away from a straightforward compliance approach towards a more flexible and outcome-based system, which could be the baseline for discussion with trading partners. The benchmarking system could also allow improved comparison of the performance EU and competitor farming sectors respectively using scientific benchmarks. Building on the lessons learned from the shortcomings of sustainability-related regulations in the last legislative period and its unforeseen repercussion for agri-food trade, urge DG TRADE to ensure conceptual involvement in the operational parts, and to ensure simple and effortless compliance systems, which would allow foreign traders to easily apply "proof systems" through a unified and digitalized management and certification system.

However, it is needs to be recognized, that cases of larger divergences of standards will remain, given the unique geographic, climatic and socio-economic conditions of both FTA and non-FTA trading partners. Therefore, the EC must step up their toolbox to build transparency and allow for economic evidence to be demonstrated.

An accelerated effort will be needed to continuously identify trading partners and key areas of interest and to explain and assess different approaches:

- **Impact assessments prior to trade negotiations:** The SD calls for more concrete impact assessments; which include concrete and scientific comparison and mapping of production methods and standards as well as conclusions for agricultural producers. These impact assessments should further explain the specific or regional agricultural production circumstances in partner countries and within their own agri-food chain. Stepping up towards more concrete comparisons prior to the conclusion of trade agreements, will also help to demystify sensitive sectors, allow for better understanding of third parties' approach towards sustainability or identify areas which need more attention in FTA negotiations.

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- **At WTO level:** The EU must make more assertive use of the “Implementation and Monitoring” pillar of the WTO. Current agreements provide already tangible substance to accelerate reporting and review of agricultural / environmental “sustainability” standards (without the need to negotiate new agreements). The EU should set up a dedicated “sustainability” standards monitoring/inventory group with its WTO partners with the help of experts of the FAO and the already established context of the TESSD. This group would ideally meet on a regular basis to collect and compare advancing standards in the agricultural context. Once a year a public conference should present the results of this work to the agri-food stakeholders and policy makers.
- **Domestic Advisory Groups in existing FTA’s:** must be used more efficiently to continuously work on the unbundling of different approaches and its potential impact. This would also help to involve stakeholders into the fact-finding process, create additional and systematic resources comparisons.

### **1.3. A strong urge, to use the multilateral toolbox to solve this issue and to focus on international standard setting**

New concepts to mute or address the accusation of unfair competition will take time and in-depth dedication, which the SD could not deliver in its limited period. With reference to a new institutional approach through a trade-coherence unit or envoy, as highlighted above, a structural assessment process needs to be set up to develop reciprocity, mutual recognition and equivalence approaches as well as its operationalization in the practical field.

It will further be essential to dedicate more resources to international standard setting in the field of “sustainability”. The focus of this should be on agri-trade critical priority namely 1. the creation of a common methodology to build common standards, where this has not yet taken place: e.g. methodology of emission counting, animal welfare, water usage, biodiversity and 2. Taking a step to develop common approaches and standards, to avoid trade frictions.

## **2. A new approach towards international trade in the “post-FTA agenda”**

Open, fair and diversified market access is a prerequisite to sustainable food systems. In that regard the strategic relevance of agriculture and food products in trade negotiations must be better recognized. The approach of solely measuring agri-food by its economic weight in trade negotiations or “leaving agriculture as a last bargaining chip” at the end of negotiations disregards the strategic importance agri-food has for European producers as well as in the broader global context. Retaliation measures have been a stable fixture in the last decade, therefore it is time to seek new and innovative approaches, to build new markets and to sustain established ones.

With stagnating trade negotiations and a changing geopolitical landscape, it is time to invest into diversified and dedicated agri-food market access, through different, more targeted, needs-based agreements. This could be sector-specific agreements or agreements which build on the agri-food/trade/sustainability nexus – which effectively decouple agriculture from other sectors, to advance faster and be more targeted.

Building on the prerogatives of the WTO Trade Facilitation Agreement, it is essential to extend its mandate to take a more proactive role for trade facilitation policies and innovations. This includes the improved usage of the potential of digitalization, AI and technologies for improving the sustainability of agri-food trade. The use of new technologies will help to create more efficient and, hence, more sustainable food trade operations by creating digital ecosystems for farmers, traders, and retailers to improve the management of sourcing and trade flows. Electronic certification has already proven its contribution to the resilience of the agri-food chain during the acute COVID pandemic but has not been advanced enough. Further connectivity as well as the advancement of second-mile infrastructure (AI, blockchain, apps, and usage of big data) within the Single Market but also with third countries will be essential to strengthening the resilience of the EU and global food systems. Therefore, investments in digital infrastructure for agri-food production and trade should become an essential part of future EU trade negotiations.

Infrastructural and transport policies should be prioritizing the greening of agri-food storage, transport and logistics. This could involve a review of the value chain in a systematic manner by creating, e.g., strategic corridors for green agri-food trade, reviewing (cold) storage infrastructure, and continuing to focus on incentives for the adoption of regenerative fuels, rather than fossil fuels or any kind of new transport opportunity. Moreover, increased reflection will be needed regarding climate-resilient infrastructure, ensuring the safe storage and transport of agri-food under changing climatic conditions.

It is crucial to strengthen DG Trade's mandate as an operational oversight body to ensure that both exporters and importers can operate under optimal, frictionless conditions. This should include proactive efforts to clarify agri-food trade operations within the sustainability context, particularly regarding the interconnected relationship of emissions, water, biodiversity and other sustainability elements.

### **3. A proactive and positive approach towards cost-competitiveness and dependencies:**

While trade defence is an important structural element of trade policies, a more proactive position on the continuous cost-competitiveness challenge as well as the debate around dependencies on inputs is also needed.

The SD in that regard requests the European Commission to conduct strategic mapping and contingency planning, to understand the structural shifts (systemic, geographic) in EU and global agri-food production and in its trade. This would include mapping an overview of future competitive advantages in agri-food production and inputs, with the intention to better understand, where unused potential in the EU Single Market exists, as well as to better navigate critical investments. This must result in an action plan identifying investment and facility needs across the EU.

We encourage the European Commission, to do this substantial homework, as positive and proactive approaches beyond trade defence considerations will be needed, to continuously and systematically evolve the EU and ultimately the global food system towards openness, resilience, fairness and sustainability.

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