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NOTE

From: General Secretariat of the Council
To: Special Committee on Agriculture / Council
Subject: Trade-related agricultural issues
- Information from the Commission

With a view to the consideration of the above-mentioned subject by the Special Committee on Agriculture on 6 May 2019 and the exchange of views at the "Agriculture and Fisheries" Council on 14 May 2019, delegations will find attached a background note highlighting ongoing developments.

International trade in agricultural products

The latest EU agricultural **trade figures**, published by the Commission in January 2019¹, confirmed an excellent start to the year for agri-food trade, with the value of EU agri-food exports in January 2019 having increased for the fourth year in a row to reach a new record level of €11.2 billion. For the 12-month period February 2018 to January 2019, EU agri-food exports reached a value of €138.1 billion, corresponding to an increase of 0.1% in value terms compared to the same period one year ago. This represented a reversal of the development of -0.2% recorded in 2018 versus 2017. The most significant gains in annual values were achieved in exports to the USA (+€473 million/+2%), Algeria (+€291 million/+12%) and Ukraine (+€242million/+13%). Spirits and liqueurs, wine and vermouth, and pasta and pastries were the biggest export growth contributors.

These excellent results reflect the Union's continued efforts to open up new world markets and to promote Europe's agri-food products, which is also a means of reducing the gap between supply and demand affecting certain key European agricultural sectors.

Commissioner Hogan continued his series of **diplomatic offensives** to promote European products across the globe. On 14-19 May 2018, he visited China, accompanied by a business delegation of senior representatives from the European agri-food sector. The aim was to facilitate exchange and agreements between European and Chinese businesses active in the agri-food sector. China was the second largest importer of EU agricultural and processed agricultural products in 2018, receiving 8.1% of all EU agricultural exports.

¹ https://ec.europa.eu/info/sites/info/files/food-farming-fisheries/trade/documents/monitoring-agri-food-trade_jan2019_en.pdf

On 10-13 February 2019, Commissioner Hogan made a high-level visit to Australia, where he discussed with key representatives progress in current FTA negotiations, including the issue of geographical indications. The EU is Australia's second largest trading partner and the FTA could see trade in goods increase by 37% and services by 8%, according to a Commission impact assessment. On 14-15 February, just before the third round of current FTA negotiations, Hogan went on to visit New Zealand, where agricultural trade was again a focus, as was sustainability and the future of farming.

From 16 to 19 February 2019, Commissioner Hogan led a business delegation from the EU agri-food sector to the United Arab Emirates. The purpose was to facilitate EU agricultural food and beverage exports to the UAE, which is EU's 14th biggest export market for agri-food products, and is a high-income country with growing and diversified population.

Commissioner Hogan will be visiting Japan on 8-11 May 2019, accompanied again by a business delegation from the EU agri-food sector. The purpose is to facilitate EU agricultural food and beverage exports to benefit from the favourable outcome of the EU-Japan Economic Partnership Agreement, which entered into force on 1 February 2019.

Meanwhile, a total of €191.6 million was allocated to the **promotion** of EU agricultural products throughout the world in 2019, up from €179 million in 2018. Programmes can cover a wide range of issues from general campaigns on healthy eating to specific market sectors. €89 million will be allocated to campaigns in high growth countries such as Canada, China, Colombia, Japan, Korea, Mexico, and the United States. Some of the money will be earmarked to the promotion of specific products, like table olives.

At the same time, the EU continued to pursue a bold agenda of **trade negotiations** with major players. On 21 April 2018, the EU and Mexico reached agreement in principle on the main trade parts of a new association agreement, replacing a previous agreement from 2000. Agricultural exports from the EU are set to benefit the most, such as poultry, cheese, chocolate, pasta, and pork.

On 17 October 2018, the Commission adopted the EU-Vietnam trade and investment agreements, paving the way for their signature and conclusion. EU agri-food producers are set to benefit from the Vietnam's growing market thanks to the progressive elimination of customs duties for many EU agri-food products, including poultry, dairy, beef, wine, spirits, chocolate, pasta, apples, wheat, and olive oil.

The EU-Singapore FTA was signed on 19 October 2018 and received the consent of the European Parliament (EP) on 13 February 2019. Singapore is the EU's largest trading partner in the Southeast Asian region, with a total bilateral trade in goods, including food products, of over €53 billion. Over 10,000 EU companies are established in Singapore and use it as a hub to serve the whole Pacific region.

The 38th negotiation round for the trade agreement between the EU and Mercosur took place on 11-15 March 2019 in Buenos Aires. The future agreement will represent a win-win for both the EU and Mercosur, creating opportunities for growth and jobs for both sides. However, a number of EU Member States have repeatedly expressed serious concerns about the risks an agreement with Mercosur would create for the most sensitive EU agricultural sectors, especially beef, ethanol, sugar and poultry, also recalling the need to maintain high SPS and animal welfare standards.

Negotiations for ambitious and comprehensive trade agreements were launched on 18 June 2018 between the EU and Australia, and on 21 June 2018 between the EU and New Zealand. The EU is Australia's second-biggest and New Zealand's third-biggest trade partner. Bilateral trade in goods with Australia has risen steadily in recent years, reaching almost €48 billion in 2017. The agreement could increase trade in goods, including agri-food, by over a third between the EU and Australia, and by almost 50% between the EU and New Zealand, while also protecting distinctive regional EU food and drink products from imitations.

As shown above and outlined in the attached table, the EU continues to be the global standard-bearer for free, fair and rules-based trade. As Commissioner Hogan explained in a recent speech on global trade: "...recent agreements such as the trade deal between the EU and Japan [...] highlight our position as a global leader and standard-setter in shaping international trade and its rules, and in so doing, they provide a concrete example of how we can harness globalisation to benefit our citizens." The EU will continue to work hard to pursue its agricultural interests within trade agreements, achieving the right balance between offensive and defensive interests, which includes SPS issues and the protection of geographical indications.

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At Council on 14 May 2019, the update by the Commission on international agricultural trade issues will give Ministers the opportunity to exchange views and reflect on the sensitivities of, and priorities and benefits for, EU agriculture in the context of the ongoing and upcoming free trade negotiations undertaken by the EU.

Overview of ongoing and finalised FTAs

	Mercosur	Mexico	India	Indonesia	Malaysia
State of play	Ongoing negotiations	Agreement in principle reached 21/04/2018	Ongoing negotiations	Ongoing negotiations	Negotiations on hold since 2012
Starting date	Suspended in 2004; resumed in 2016	05/2016	6/2007	09/2016	10/2010
Tentative end date	End of 2019			Second half of 2019	
Next steps	Last round: 11-15/03/2019. No new round planned yet.	Parties are currently resolving outstanding technical details. EU ratification cannot be completed until after the EP elections in May 2019.	Negotiations stalled in 2013. A Chief Negotiators' meeting with experts took place in Delhi on 14-15 November 2017, followed by intense discussions in early 2018. No new round planned.	7th round: 11-15/3/2019; no new round planned yet.	A stocktaking exercise took place in 2016-17 to assess the prospect to resume negotiations. The new Malaysian government has yet to take a decision on resuming negotiations.
Negotiating mandate	Based on 1999 negotiation directives: 9340/99		7013/07	Based on 2007 ASEAN directives: 8600/07	Based on 2007 ASEAN directives: 8600/07
Impact assessment	03/2009 ; New IA requested by various MS led by FR . Cumulative IA of ongoing and upcoming FTAs on EU agriculture published on 15/11/2016 ²	12/2015	Yes: 06/2009	The general ASEAN SIA	The general ASEAN SIA ; and 01/2011 annex

² http://publications.jrc.ec.europa.eu/repository/bitstream/JRC103602/lb-na-28206-en-n_full_report_final.pdf

	Thailand	Australia	New Zealand	ASEAN
State of play	Last round in April 2014; no further rounds since military takeover in Thailand in May 2014.	Commission proposed negotiating directives in September 2017.	Commission proposed negotiating directives in September 2017.	Ongoing negotiations
Starting date	02/2013	06/2018	06/2018	07/2007
Tentative end date			End of 2019	
Next steps	EU remains committed to resuming negotiations once a democratically elected civilian government is in place.	3rd round: 25-29/03/2019. Next round: 07/2019	3rd round: 18-22/02/2019. Next round: 05/2019	In March 2017 Ministers tasked the Senior Economic Officials to work out the parameters of a future ASEAN/EU region-to-region agreement and to report back to the next Ministerial meeting in 2018 under the Singapore chairmanship. On 21/1/2019, in a joint statement of the 22nd EU-ASEAN ministerial meeting, Foreign Ministers reaffirmed their commitment to a future EU-ASEAN FTA and to intensify work towards this end, and in this regard noted the progress made in developing a framework setting out the parameters of such an agreement. A EU-ASEAN Working Group on the issue of palm oil was also established at this meeting.
Negotiating mandate	Based on 2007 ASEAN directives: 8600/07	7663/18	7661/18	04/2007
Impact assessment	The general ASEAN SIA	13/09/2017	13/09/2017	The general ASEAN SIA

ABBREVIATIONS:

ASEAN: Association of Southeast Asian Nations

ECJ: European Court of Justice

FTA: Free Trade Agreement

GI: Geographical Indication

GMO: Genetically Modified Organism

GP: Government Procurement

IA: Impact Assessment

ICS: Investment Court System

IPR: Intellectual Property Rights

MA: Market Access

MS: Member State

NTB: Non-Tariff Barriers

PAPs: Processed Agricultural Products

RoO: Rules of Origin

SIA: Sustainable Impact Assessment

SPS: Sanitary and Phytosanitary

TBT: Technical Barriers to Trade

TPC: Trade Policy Committee

TPP: Trans-Pacific Partnership

TRQ: Tariff Rate Quota