



Council of the
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NOTE

From: General Secretariat of the Council
To: Council

Subject: Trade-related agricultural issues
- Information from the Commission

With a view to the meeting of the Council ("Agriculture and Fisheries") on 29 January 2018, delegations will find attached a note on the above-mentioned subject.

International trade in agricultural products

The latest EU agricultural **trade figures**, published by the Commission in December 2017, confirm the very high level of EU agri-food exports¹. For the 12-month period October 2016 to October 2017, EU agri-food exports reached a value of €137.4 billion, corresponding to a sustained increase of 5.6 % in value terms compared to the same period one year previously. The most significant gains were achieved in exports to the USA (+7%), Russia (+16%) and several Asian markets: China (+6.5%), Japan (+13%) and Korea (+21%). Wine (+11.5 %), milk powder (+25%) and infant food (+13 %) exports performed very well over the last twelve months.

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 is continuing his series of **diplomatic offensives** to promote European products across the globe. On 7-13 November 2017, he visited Saudi Arabia and Iran, with the aim of enhancing cooperation in the field of agriculture and rural development and further developing bilateral trade in agri-food products. For Saudi Arabia, key sectors include poultry and beef, dairy, fresh and frozen fruit and vegetables, olive oil, bakery, confectionery and chocolate products, cereals for human use and fodder/cereals for animal use. For Iran, the key sectors are dairy, meat (particularly beef and sheep meat), olive oil, cereals and oilseeds, food and feed additives, and genetic materials (both of plant and animal origin).

¹ https://ec.europa.eu/agriculture/sites/agriculture/files/trade-analysis/monitoring-agri-food-trade/2017-10_en.pdf

Commissioner Hogan will be visiting China in May 2018, accompanied by a business delegation of senior representatives from the European agri-food sector, with a view to facilitating exchanges 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 2016, receiving 8.7% of all EU agricultural exports. The political purpose of the visit “will be to secure and further improve this export destination by addressing market access irritants and promoting geographical indications, trade in organic produce and building on EU food safety and food quality”, according to the Commissioner.

Meanwhile, the EU will give additional funding of €169 million for the **promotion** of EU agricultural products throughout the world in 2018, €27 million more than in 2017. Two thirds of the available funding is earmarked for promoting EU food products in non-EU countries, in particular those with which there is a large potential for increasing EU agri-food exports such as Canada, Japan, China, Mexico and Colombia. Programmes can cover a wide range of issues from general campaigns on healthy eating to specific market sectors.

At the same time, the EU continues to pursue a bold agenda of **trade negotiations** with major players. A major success was achieved on 8 December 2017, when the EU and Japan concluded negotiations for the EU-Japan Economic Partnership Agreement. The agreement will remove the vast majority of the €1 billion of duties paid annually by EU companies exporting to Japan, as well as a number of long-standing regulatory barriers. It will also open up the Japanese market of 127 million consumers to key EU agricultural exports and will increase EU export opportunities in a range of other sectors.

EU-Mercosur negotiations are approaching the endgame. A new negotiating session took place in Buenos Aires, during the 11th WTO Ministerial Conference (10-13 December 2017), and both parties are strongly determined to finalise the negotiations during the first quarter of 2018. For the EU, the agreement has a very high commercial value - "three times the value of the agreement with Japan and eight times the value of the agreement with Canada" according to Commissioner Malmström. However, a number of EU Member States have repeatedly expressed serious concerns (for example, at the Agriculture/Fisheries Council meeting on 6 November 2017), 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.

EU-Mexico negotiations are also headed towards the endgame. The last round of negotiations took place in Brussels between 12 and 21 December 2017. It was followed by discussions in Mexico City from 8 to 17 January 2018, with significant progress across all chapters. The next round will take place from 12 to 16 February 2018, in Mexico City. Despite lingering difficulties, negotiations might be politically concluded by February 2018, provided that Mexico has the political will to do so. The EU will continue to pursue its offensive interests strongly regarding full liberalisation for dairy products, GI protection, public procurement at the sub-federal level and the investment court system (ICS).

On 13 September 2017, the Commission submitted to Council recommendations to launch negotiations for trade agreements with Australia and New Zealand, together with the respective draft negotiating directives. These are currently being examined. Actual negotiations will be launched once the Council adopts the negotiating directives, and the Commission aims to finalise them before the end of its current term. The EU is the third largest trading partner for both Australia and New Zealand.

On the multilateral side, the 11th WTO Ministerial Conference (Buenos Aires, 10-13 December 2017) ended up with limited results, essentially due to the US blocking a permanent solution to the issue of public stockholding for food security purposes, which in turn prompted India to block decisions on all other subjects. The EU will continue to be a constructive, flexible player and is ready to explore ways to move forward, allowing members to advance on the multilateral track but also to make progress through an open-geometry approach.

As shown above and outlined in the attached table, the EU continues to champion free and fair trade. As Commissioner Hogan explained at the EU Agricultural Outlook Conference 2017, the emphasis of trade negotiations has moved more visibly from multilateral to bilateral deals, requiring a careful balancing of offensive and defensive interests, with due attention paid to certain sensitive sectors. 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 29 January 2018, 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

State of play Starting date	Mercosur			Mexico		India		Indonesia		Malaysia	
	Ongoing negotiations Suspended in 2004; resumed in 2016	Ongoing negotiations 05/2016	Ongoing negotiations 6/2007	Ongoing negotiations 6/2007	Ongoing negotiations 09/2016	Ongoing negotiations 09/2016	Ongoing negotiations 09/2016	Ongoing negotiations 09/2016	Ongoing negotiations 09/2016	Negotiations on hold since 2012 10/2010	
Tentative end date	Political agreement sought by March 2018	Political agreement sought by February 2018									
Next steps	Last round: 10-13/12/2017. Ministerial meeting scheduled on 30/01/2018. No new round planned yet.	7 th round: 12-21/12/2017. Next round planned for 12-16/2/2018	Negotiations stalled in 2013. A Chief Negotiators' meeting with experts took place in Delhi on 14-15 November 2017, to be followed by another one end of 1st quarter 2018.								Both sides currently assessing if enough common ground to re-launch negotiations. Commissioner Malmström/ Malaysian Trade Minister meeting planned on 2/3/2018.
Negotiating mandate	Based on 1999 negotiation directives: 9340/99										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 and 01/2011 annex
Main EU offensive and defensive interests (OI/DI)	OI: MA for GP, motor vehicles, machinery, chemicals, pharmaceuticals, financial services, telecommunications, wheat, beverages, tobacco, SPS, animal welfare, RoO, IPR & GI protection; DI: MA for beef, ethanol, sugar, poultry, rice, SPS protection.	OI: MA for GP including at sub-federal level, financial & maritime transport services, gas, oil & raw materials, living animals, meat, dairy products, investment, construction, IPR & GI protection, NTB removal, SPS, animal welfare, RoO; DI: MA for living animals, meat, dairy, vegetables, cereals, olive oil, sugar, services.	OI: MA for GP, services & investment, transport equipment, motor vehicles, raw materials and energy, processed dairy products, poultry, wines & spirits, fisheries, NTB removal, IPR & GI protection; DI: MA for services, cars, textile and clothing, leather, dairy, fruits & vegetables, sugar, generic drugs, labour mobility.	OI: MA for machinery & appliances, motor vehicles, transport equipment, chemical products, milk powders and whey, GP, NTB removal, IPR & GI protection, SPS; DI: MA for agricultural products (especially palm and palm kernel oils), machinery & appliances, textiles & footwear, plastic & rubber products.	OI: MA for machinery, gas equipment, financial and insurance services, rice, GP; DI: MA for electronic products, textiles, clothing, footwear & leather, motor vehicles and parts.						

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

	Thailand	Philippines	Japan	ASEAN
State of play	Last round in April 2014; no further rounds since military takeover in Thailand in May 2014.	Ongoing negotiations	Finalised 8/12/2017	Ongoing negotiations
Starting date	02/2013	12/2015	11/2012	07/2007
Tentative end date				
Next steps	EU remains committed to resuming negotiations once a democratically elected civilian government is in place.	1st round: 06/2016; 2nd round: 02/2017. No new round scheduled yet.	Legal scrubbing and translation into all EU official languages, approval of EU MS and EP, signature.	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. Since then, a Joint Working Group on the FTA met in October 2017 in the Philippines. The JWG will report to a Ministerial Meeting on 2/3/2018.
Negotiating mandate	Based on 2007 ASEAN directives: 8600/07	Based on 2007 ASEAN directives: 8600/07	15864/12_ADD_1_REV_2	04/2007
Impact assessment	The general ASEAN SIA	The general ASEAN SIA	04/2016	The general ASEAN SIA
Main EU offensive and defensive interests (OI/DI)	OI: MA for spirits and liqueurs, milk powders, cereal preparations, wine, dairy products, pharmaceuticals, GP, IPR & GI protection, SPS; DI: MA for meat, vegetables, fruits & nuts preparations, rice, coffee, tea, fatty acids and alcohols, tropical fruits and spices, fisheries and aquaculture.	OI: MA for machinery and transport equipment, chemicals, cereals, meat and dairy products, beverages, GP, pharmaceuticals, NTB removal, SPS; DI: MA for office and telecommunication equipment, machinery, electronics, textiles, oils and fats (coconut oil), fruits (bananas, pineapple), meat and fish preparations.	OI: MA for food, feed & processed foods, wines & spirits, tobacco, business & financial services, railroad equipment, SPS, GP, NTB removal, GI protection; DI: MA for motor vehicles, machinery, chemicals, pharmaceuticals, transport equipment.	In December 2009, EU MS agreed that the Commission would pursue FTA negotiations in a bilateral format with countries of ASEAN. See main OI/DIs for each bilateral negotiation.

	Australia	New Zealand
State of play	Commission proposed negotiating directives in September 2017.	Commission proposed negotiating directives in September 2017.
Starting date	TBD	TBD
End date		
Next steps	Council discussions on the negotiating directives are ongoing.	Council discussions on the negotiating directives are ongoing.
Negotiating mandate		
Impact assessment	13/09/2017	13/09/2017
Main EU offensive and defensive interests (OI/DI)	<p>OI: MA for motor equipment, machinery, motor vehicles, chemicals, pharmaceuticals, services;</p> <p>DI: MA for rice, cereal, sugar, fruit and vegetables, ruminant meat (i.e. beef and sheep meat) and dairy.</p>	<p>OI: MA for motor equipment, machinery, motor vehicles, chemicals, pharmaceuticals, services;</p> <p>DI: MA for rice, cereal, sugar, fruit and vegetables, ruminant meat (i.e. beef and sheep meat) and dairy.</p>

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