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NOTE

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| From: | General Secretariat of the Council |
| To: | Council |
| Subject: | Trade-related agricultural issues - <i>Exchange of views</i> |

With a view to the meeting of the "Agriculture and Fisheries" Council on 17 -18 October 2022, delegations will find attached a background document in order to assist them in their preparation for the discussion of the above point.

Trade-related agricultural issues

1. The EU is a major player in relation to trade in agricultural products, and the AGRI/FISH Council regularly discusses the current situation, including the state of play of bilateral and multilateral trade negotiations. Trade as a horizontal issue was last discussed by the agricultural ministers in January 2022, and since then ministers have also discussed more specific issues related to, for example, WTO MC12, G20 and trade with Ukraine. This note summarizes recent and relevant developments and aims to assist in the preparation for the ministerial discussion.
2. Before the war, **Ukraine was one of the world's largest exporters of many agricultural products**, including sunflower oil (50% of global exports), maize and wheat. 90% of their export of grains and oilseeds went through their Black Sea ports. The Russian aggression and blockade of these ports made exports practically impossible, risking that millions of tonnes of grain would go to waste, and also the shortage of storage capacity for the following harvest. The setting up of the Solidarity Lanes, as well as the "UN Black Sea Grain Initiative" have together made it possible for Ukraine to export more than 18 million tonnes of Ukrainian grain, legumes, oilseeds and processed products by the end of September. The two initiatives do not compete, but complement each other, and the Solidarity Lanes importance is expected to grow with the intensification of bilateral trade and Ukraine's reconstruction. All eyes are currently on the renewal of the Black Sea initiative which the EU fully supports.

3. To further **support Ukraine's economy and Ukrainian producers** hit by the Russian aggression, the EU introduced measures allowing for temporary full trade liberalization and the suspension of trade defence measures. The measures will be in force for one year, until 5 June 2023, and will support Ukrainian farmers and its agri-food sector when other export routes are blocked. Some Member States have expressed concerns that the subsequent increase of imports of certain products, in particular poultry meat and eggs, is having a negative impact on some EU producers. Imports from Ukraine have also increased for goods that were already duty free but where they can no longer export to other countries due to the trade embargo and closure of Black Sea ports. The Commission has committed to keep a close eye on the situation and to report back to the Council as relevant in line with the provisions under Regulation (EU) 2022/870.
4. The cumulative effects and **impact of Free Trade Agreements (FTAs)** have been studied, and the updated JRC study, initiated in 2016, on the cumulative economic effects of ongoing and upcoming trade negotiations on the EU agricultural sector¹, was presented to and discussed by the AGRI ministers during informal videoconferences in January and April 2021.
5. This topic is closely related to the issue of how the **EU is impacted by** FTAs between two third countries with which the EU has FTAs, such as the UK-Australia and UK-New Zealand free trade agreements. Member States have expressed an interest in the impact these agreements might have on the EU. On request during a meeting in the **Special Committee on Agriculture (SCA)**, the Commission committed to investigate whether a deeper analysis of the impact on the EU of such agreements could be performed.

¹ [JRC Publications Repository - Cumulative economic impact of trade agreements on EU agriculture \(europa.eu\)](#)

6. The negotiations for an FTA with **New Zealand** were concluded on 30 June 2022, and will need to be ratified by the Council and accepted by the European Parliament. This Agreement creates a global standard including the commitments on sustainable development resulting from the Paris Climate Agreement, on cooperation to mitigate the climate change, on sustainability of food systems, on animal welfare. It will not only address the concerns of sustainability in trade but will also provide an important reference for the EU with other trading partners.
7. The agreement with **Mercosur** was concluded at political level in 2019, and legal review of the text is ongoing. The negotiations for a modernised FTA with **Mexico** were already concluded in May 2018, and the negotiations for an FTA with **Chile** were finalised at technical level in October 2021. As announced by President von der Leyen in its State of the Union address of 14 September 2022, the Commission will move forward on the conclusion and ratification of these two FTAs.
8. For the FTA negotiations with **India**, the first round took place in New Delhi between 27 June and 1 July 2022, with parallel negotiations taking place on investment protection and geographical indications (GIs). The second round of EU-India FTA negotiations have just taken place.
9. Negotiations with **Australia** have been given a new impetus with the election of a new government and the global political context. The 13th round of the EU-AUS FTA negotiations is planned for October 2022.
10. **Trade with the UK** appears currently to have returned to pre-Brexit levels in terms of EU imports from the UK while the EU exports to the UK increased by 18% in the first 6 months of 2022 compared to 2021 levels.
11. The Council is in its final stage of adopting **Council Conclusions on the Trade and Sustainability Review**².

² ST 13241/22, Draft Council Conclusions on the Trade and Sustainability Review

12. At the **multilateral international level**, discussion remain focused on food security as a result of the war in UA. Harvests in the EU 2022 are slightly down due to unfavourable weather conditions, but food security within the union is not at risk.
13. The 12th WTO Ministerial Conference (MC12) delivered several multilateral outcomes. The **Ministerial Declaration on the Emergency Response to Food Insecurity** was timely in addressing the current food security concerns, by underlining the importance of open food trade and functioning markets and calling on Members to avoid unnecessary export restrictions. The other positive agricultural outcome was the **Decision on the exemption of World Food Programme food purchases for humanitarian purposes from export restrictions**. This decision has both substantive and political value. In preparing for the next Ministerial Conference 13 the EU will continue to engage constructively with other WTO Members in order to maintain the momentum created by MC12. Agriculture will be most likely one of the key files at MC13. A new approach in the negotiations is needed, which on one hand would move the membership away from the stalled discussions, and on the other hand would integrate pressing issues related to food security, poverty, climate, and environment and last but not least sustainable production. The EU sees merit as well in continuing the work on improving transparency in agriculture, in particular in areas such as export restrictions and export competition - of very much relevance in the current discussions on food security. Last but not least, the EU will continue to focus on the need for reforms of trade distorting support. The WTO Director General will organise on the 24 October 2022 an agricultural retreat where the way forward in agricultural negotiations will be addressed.
14. As discussed at the AGRI/FISH Council in June 2022, **the Commission has adopted its “reciprocity” report**, requested by the Council and the European Parliament in the framework of the adoption of the new CAP. In its report, the Commission identifies three areas for action: international organisations (particularly the WTO and Codex Alimentarius), bilateral trade agreements and autonomous EU measures. It notes that the EU should use all three, as appropriate, to promote high environmental and animal welfare standards.

Concluding remarks

15. In view of these developments, it would be opportune for the Council to conduct a discussion on the direction of EU trade relations with third countries in relation to agriculture, at bilateral and multilateral level.
 16. The need to avoid trade restrictions and to safeguard the sustainability and environmental credentials of EU agriculture in conjunction with the Union's international commitments, and the importance of other EU priorities, in particular concerning the promotion of the Agenda 2030 Sustainable Development Goals and Paris Agreement principles, must be taken in to account.
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