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NOTE

From: General Secretariat of the Council
To: Council

Subject: Trade-related agricultural issues
- *Presentation by the Commission*
- *Exchange of views*

With a view to the meeting of the "Agriculture and Fisheries" Council on 21 September 2020, delegations will find attached a background note.

Trade-related agricultural issues

1. As one would expect, the **COVID-19** crisis and the related lockdown affected production and trade in agricultural products on an international scale as a result of the strict hygiene conditions imposed by many countries leading to reduced economic activity and income, lower availability of labour and other factors and, last but not least, disturbances of shipment and transport possibilities. Still, international markets for food products remained largely open despite initial restrictions of exports of certain agricultural products, mainly cereals and rice, from countries such as Russia, Kazakhstan, Ukraine, Vietnam, Cambodia and Egypt thanks to initiatives taken by the EU, the US, Canada, Japan and other trading partners in the framework of G20 and WTO. As a result international trade of agricultural products was affected less than other sectors.
2. Further to the conclusion in 2019 of **free trade agreements** (FTAs) with Vietnam, Singapore, Mercosur as well as the agreement with China on the protection of geographical indications (GI), we had the conclusion of the negotiations with Mexico during the first half of 2020. Similar negotiations continue with Australia, Indonesia and New Zealand. The EU also continues to negotiate the renewal of various association agreements with third countries. Finally, following the UK withdrawal from the EU, negotiations were launched for the conclusion of a partnership agreement with the UK before the end of the transition period.
3. In addition, the application of the FTAs with Japan and Canada (provisional), are in full swing. As expected, initial figures indicate for both of them a significant increase of EU agri-food exports, especially for high-value products such as wine, other alcoholic beverages, processed fruit and nuts, meat and dairy. The updated "Economic study on the cumulative effects of trade agreements on the EU agricultural sector" is expected to be presented by the Commission at the end of the month. In the meantime, 13 MS have already ratified the FTA with Canada which is classified as a mixed agreement.

4. Given the new realities of **Brexit**, which may restrict access to the UK market, the Commission has prioritized the conclusion of the currently ongoing FTA negotiations and the application of those already concluded. Those with Singapore and Vietnam are already applied from 21 November 2019 and 1 August 2020 respectively, whereas the Commission intends to table a proposal to the Council for finalizing the Mercosur and Mexico agreements before the end of the year. The conclusion of the agreement with New Zealand may be achieved before the end of the year, whereas the same appears unlikely in the case of the negotiations with Australia. Concerning the UK, the aim is still the conclusion of a trade agreement by before the end of the year, which means that negotiation would need to be completed in October.
5. Concerning **China**, following the authorisation of the signature of the agreement on the GIs by the last AGRI/FISH Council, this took place on 14 September in Beijing in the margins of the High Level Video Conference between EU-China leaders. The current planning foresees the European Parliament giving its consent by mid-November and for the Council to adopt a Decision on the conclusion soon thereafter. Following exchange of notifications of both parties' internal procedures before the end of the year, the agreement would enter into force on 1 January 2021. In addition, negotiations are continuing on the Comprehensive Agreement on Investment where significant work still remains to be done on the market access and sustainable development issues. During the last High-Level Economic and Trade Dialogue, with the participation of Commission VP Dombrovskis and ex-Commissioner Hogan, the Commission also outlined its concerns about the new Covid-19-related restrictions on, and requirements for, imports of food to China.
6. On **Africa**, following the third joint ministerial conference between AU and EU Agriculture Ministers in Rome in June 2019 which adopted inter alia an ambitious agenda of actions for strengthening cooperation between AU-EU and their MS in the agricultural field, certain actions are already being materialised, for instance the EU support to the establishment of the African Continental Free Trade Area and the support for the African Union Strategy for GIs, African - European Exchange Programmes and the creation of a Pan-African network for Economic Analysis to support policy decision making in Africa's farming and food sectors. Strengthening the sustainability and development of rural areas in Africa while promoting the European model of sustainable agriculture remains a priority for the EU and forms the basis for a fruitful future cooperation.

7. On the **multilateral** front, 2020 saw the continued malfunctioning of the WTO, mainly due to the US position which, among other things, led to the paralysis of the WTO dispute settlement mechanism following the blockage of appointments of Appellate Body members. Although the EU has adopted a plurilateral agreement with, so far, 23 other WTO MS on an appeal mechanism to deal with their trade disputes, the effect of the paralysis on ongoing cases with other WTO MS involving agricultural products, which are presently at a stage prior to the Appeal, cannot be estimated.
8. Indeed the decision of a WTO panel (before the appeal process), to allow the **US** to impose measures on EU exports of a value not exceeding \$7.5 billion annually and the resulting imposition of an ad valorem import duty of 25% on a number of sensitive agricultural products from the EU, constituted the main external factor affecting the EU agricultural sector before COVID-19. An escalation of the dispute and the imposition by the US of an 100% tariff was only avoided at the last moment in February and again this August after Commissioner Hogan signalled the willingness of the EU to discuss other related issues with the US. A first “mini package” of tariff liberalisation was already agreed by Commissioner Hogan and the US States Trade Representative (USTR) Lighthizer on 21 August that includes commitment from the EU to eliminate the tariffs on frozen and live lobsters in return to a commitment by the US side to provide 50% tariff reduction on products such as certain prepared meals, crystal glassware, surface preparations, propellant powders, cigarette lighters and lighter parts. On that occasion, the USTR also indicated US readiness to engage in a “new process with the EU” to resolve the Airbus/Boeing dispute, a prospect however that at this point appears rather remote given the current priorities of the US Administration, the forthcoming elections and the appointment of a new EU Trade Commissioner. Meanwhile the authorization by a WTO panel ruling of EU counter tariffs on a similar Boeing subsidies case is now expected to be delayed at least until the end of 2020.
9. The **Russian ban** on imports of EU food and agricultural products initiated on 6 August 2014 remains the only other major disruption in our bilateral trade relations on agricultural products, covering almost all meat, milk and dairy products, fruit and vegetables as well as fish and crustaceans. This ban continues to be applied and is extended till the end of 2020.

10. Finally, the Twelfth **WTO Ministerial Conference** (MC12) that was scheduled to take place from 8 to 11 June 2020 in Nur-Sultan, Kazakhstan, has been postponed with no new date yet to be announced. Although the outcome of the agricultural segment of the negotiations was not expected to be more than a roadmap for the future, the aim to conclude the negotiations on fisheries subsidies during 2020 remains open.
11. In **conclusion**, while reviewing these and other developments in the agricultural trade area it is important to keep in mind that, although competence for providing political guidance for the application of the Common Commercial Policy lies in principle with the **Foreign Affairs Council** configuration and its preparatory bodies (Trade Policy Committee), it is equally important to continue underlining that the agricultural sector is an important element of EU trade relationships with third countries and that the EU plays a major role on world agricultural markets being the largest agri-food exporter and importer in the world. Further to the general policy decision on trade relations with third countries taken in the FAC configuration, the AGRI/FISH has therefore an important complementary role to play in providing political guidance to the Commission in a number of areas, e.g. in identifying challenges and opportunities in international agricultural markets from possible multilateral and bilateral trade agreements; safeguarding the competitiveness of the sector either by CAP adaptations or by additional measures concerning value added products and GIs where the EU's agricultural sector has an advantage; promoting the European agricultural model of production, while meeting the EU's commitments to the international rules-based system and partner countries, e.g. by ensuring that imported agricultural products comply with European standards; and by providing input for compensatory measures for farmers negatively affected by protectionist measures arising from trade disputes or other foreign policy decisions.
