

Draft Report of the Civil Dialogue on international aspects of agriculture held on 15th September 2016

Interpretation is provided in FR, NL, EN, IT, SP, PL, PT. Chair informed the participants that the date of the third meeting will likely take place early 2017.

- 1. Draft agenda is approved.**
- 2. Draft minutes are approved.**
- 3. Agriculture in international for a- OECD, G7 and G20, Maria Angeles Benitez Salas- Deputy Director General – International Bilateral Relations**

Commission made an overview of the recent meetings focusing on agriculture at international level. With the adoption of Agenda 2030 for Sustainable Development, the UN has taken leadership of the international debate on food and agriculture, focusing on:

- Ending poverty in all forms;
- Ending hunger, achieve food security and improved nutrition and promote sustainable agriculture;
- Ensure sustainable consumption and production;
- Strengthen the means of implementation and revitalize the global partnership between all stakeholders to make the above-mentioned possible.

These are part of the 17 Sustainable Development Goals (SDG) which the Commission recalled are universal, applicable to all countries. The Agenda 2030 provides for a new and ambitious framework for action to which other international fora are assessing how to contribute.

The G7 meeting that took place in Japan addressed the issue of rural areas and prevention of population leaving rural areas. An investment forum was also organized at the G7. IT will hold next G7 Presidency, under which special attention will be paid to Africa and migration. As regards G20 (G7 + 13 emerging economies such as China, Brazil, Argentina, Brazil) a Ministerial Agricultural Meeting was held in China. The adopted declaration underlines once more the role of agriculture in achieving SDG and COP21 commitments. Particular attention is given to the promotion of responsible investments in agriculture and technology transfer to poorer countries. The G20 Agriculture Ministers will meet again under G20 German Presidency in January 2017 and discussions will focus particularly on water use and management.

Q & A:

ECVC: the EU policy promoting competition between countries and farmers over the last 20 years and that has led to increased poverty should be questions and discussed.

Commission: social aspects are included in all EU policies – the Commission is well aware of social shortages and work of immigrants in agriculture and Commission is working now on what to do to tackle this issue. Commission is also working in international forum, UN and others, to constructively work on social aspects in agriculture.

EFFAT: is running a project in Europe co-funded by the Commission. A minority of farms uses illegal workers on farms. EFFAT has been calling for some time now for EU aid to limit CAP aid to these companies that do not meet social standards.

4. Update on EU agri-food trade and promotion activities – Diego Cango Fano- see ppt

Commission stressed that the overall picture of surplus of trade is getting better. The structure of exports remain the same but the progress of exports of pig meat is to be noted. Destinations for exports also remain the same with some increase in particular to Morocco and diminishing exports to Algeria and Egypt. Origin of imports remain also the same as previous years with some exceptions, with Ukraine exporting more (due to the trade preferences).

On promotion: in 2016, 111 million EUR for co-financing were budgeted for promotion programme. The result of the tender will be known in two weeks. For 2017, the Commission will pull more budget for China, and destination where there is more appetite from exporters. Commission received application from 21 Member States to participate to high level missions to Vietnam and Indonesia, with a stop in Singapore. There will be a briefing organized in Brussels before the mission. The Commissioner will be present in Vietnam and Indonesia. There will be at the same time at SEAL in Asia. For next year, the Commission will go to Nigeria, North America and Iran and may be some Gulf Countries (tbc).

Copa-Cogeca: thanked 'trade diplomacy' of Commissioner Hogan as Lithuania can now export to China.

Copa-Cogeca: in Ukraine the legislation on chicken is certainly not up to EU standards; this should be tackled in future agreement.

Copa-Cogeca: the pig meat exports helped farmers to mitigate the cereal crisis. But 55 % of exports go to China and there is a need to diversify. Russia has increased its imports of pig meat as there a domestic sanitary issue. That could be the opportunity to discuss the lift of Russian ban on pig meat.

FDE: asked the slides to be amended to include figures for exports of butter and cheeses. Programme for specific features of sustainable aspects of EU agriculture for 2017 has a significant budget -that would need to be discussed.

Commission: will do a report on 2016 promotion programmes; in future years, the Commission will budget much more for multi-programme.

5. Progress in the bilateral negotiations, John Clarke – Director – International Bilateral Relations – see ppt

CETA is the most ambitious agreement that the Commission concluded to date. The adoption by the EU Council is expected in October, and consent by the European Parliament later in the year, with the implementation in January 2017. CETA is an example of FTA that is ambitious but pay attention to sensitive products, which are not liberalized but where TRQs are offered. If CETA was adopted this will provide a strong signal that the EU can negotiate and remain open with their significant trade partners.

On **TTIP** Commission reiterated that the EU standards are not negotiated as there is constant suspicion that these standards are on the table of negotiations. As for other FTAs, for the most sensitive sectors, the Commission will negotiate TRQs. Commission is thinking parallel progress across the board for agriculture including GIs services, goods, regulatory chapter, government procurement etc.

EU-US exchanged the second tariff offers a couple of months ago – EU has not made an offer for 3% of their tariff lines (agriculture products) yet – some dairy products, rice starch sugar ethanol certain fruit and vegetables like prunes and beef and pig sector. The intention here is to negotiate TRQs.

US tariff landscape is very flat with low tariffs with some exceptions (dairy products, sugar and tobacco) but essentially the EU offensive interests in the US market is to remove SPS matters, tax and fiscal regulations, especially in dairy and pig and beef sector.

It is clear that TTIP will not be concluded in 2016 as the EU interests have not been sufficiently taken into account in the negotiations; later this month at Bratislava there will be a stock taking exercise and we will see how best bank and freeze the progress made and pick-up on the negotiations again sometimes in 2017.

On **Mercosur** negotiations have resumed. With the change of government in Argentina, the Commission can see more interests and negotiations are more seriously engaged than for many years. EU -Mercosur exchanged revised market access in May 2016. EU offer is relatively ambitious with TRQs for the most sensitive imports from Mercosur. This is a challenging negotiation when it comes to agriculture for beef and poultry in particular. EU interests are rather defensive overall. On the offensive side, the EU has potential on GIs protection and many SPS issues that should be tackled in the negotiations. The complexity is that Mercosur is not a functioning market union. EU has not made any offer on beef nor ethanol yet – when the time comes, the EU will, but now the time is for Mercosur to make progress on their offer (dairy, olive oil, pasta etc).

On **Japan** more than 200 GIs will be protected through *sui generis* legislation. That will set an important precedent in the region. Commission expect to conclude end of this year or early after.

On TTP that Japan concluded with USA, East Asia and others, some have concerns that it will give head start to USA, Australia and others to the Japanese markets (from pig meats in particular). Commission: TPP process is taking much longer than expected; Japan, while linking the TPP and FTA, does no longer ask for TPP to go first; Japan understands EU concerns about losing advantages and there is negotiations about the time frame to synchronize the concessions on pig-meat.

On **EPAs** Commission knows the potential (growing population and growing middle class). On EU side there is full liberalization while there is a degree of asymmetry from EPAs.

Bilateral negotiations in agri-food is an integral part of the CAP. The EU has a very active FTA policy, as consumption in EU is stagnant and real growth for commodities is to be found in emerging economies. EU cannot exclude agriculture from these negotiations, also because WTO oblige to cover 'substantial all trade' to be legal. Commission stressed that the EU is competitive today on world market so the EU is more able to negotiate with third countries partners today.

On animal welfare: in TTIP negotiations, the liberalization for the egg sector is conditional upon US meeting the Laying hens legislation. This approach is the same for Mercosur. Commission therefore explores opportunities to make FTA beneficial for the promotion of EU standards.

Q & A

Copa-Cogeca: reiterated that beef sector is sensitive so all proposals to import beef meat from US, New Zealand, Mercosur are of concerns for a sector; SADC agreement is also of concern for the sugar sector while the EU is just restructuring.

EFFAT: what is the impact of Brexit and UK negotiations with third countries – what impacts on EU standard?

CEEV: after 16th Round, there has not been any progress on food additives – this is of concern for wine sector.

Commission: is aware of the difficulties of the beef sector and contemplate small TRQs for beef meat. The Commission is also running a study on cumulative impacts of concessions on beef. There are some reasonable export opportunities for EU beef such as Turkey, US market- although not a mass market but for high quality niche beef, while BSE ban will be lifted; Commission is also contemplating Japan market for top quality beef and China and South East Asia.

On the UK and third countries: it is too early to speculate what agreement the UK will negotiate with third countries – as long as UK is in the EU it applies EU legislation. Commission will do a study when the time comes to see the diversion of trade flux.

For the first time Japan is now engaging in a positive way on wine additives as well as protection of wine GIs and tariff, it is reported from the negotiators this week.

Copa-Cogeca: Japan market is important for EU beef. Ractopamine is accepted in Japan while it is not accepted in the EU. EU should get at least the same level of concessions than it was given in TPP.

ECVC: there is a clear challenge to improve production methods as it is asked by consumers and has a sense, but at the same time the Commission is negotiating with countries with different standards- so there is no consistency with International discussions.

Origin: asked clarification on GIs protection process in Japan.

EUWEP: question on TRQs for egg for Mercosur?

Commission: Commission is asking for TPP concessions for pig meat as a minimum and now is negotiating the time frame, for beef the Commission is asking more concessions than the ones granted in TPP.

To ECVC, Commissioner Hogan is concerned about the economic waste of farmers and small farmers. This is a structural problem than we have and this Commission is determined to reverse that trend. In FTA, Commission is not negotiating only for the big companies but also for cooperatives and GIs producers- many times GIs holders are small.

In Japan, GI law has not been modified to include wine and spirits but only GIs for foodstuffs. So GIs for wine and spirits managed by Ministry of Finance will be directly protected through the agreement – there is no need to go through burdensome registration procedure with ministry of finances.

On SADC: citrus black spot affected products cannot be imported in the EU – that has been the source of many complaints by South Africa but Commission is supporting eradication of this disease in SA. So country has been successful to eliminate it. Commission does not compromise on SPS rules. There has been concern voiced at the EP on SADC deal: Commission simply extend the period in which South Africa can export oranges by 6 weeks, at the very end of campaign of SA and represents 1% of their exports.

On animal welfare Commission cannot promise that only TRQs will be offered for egg products – this has to be seen on case-by-case but Commission is exploring the conditionality for exporters to comply with the Laying Hens legislation to be able to access the EU market. On environmental issue, this is more complex than animal standards as it is less easy to identify whether production methods in a third country meet the EU standards for environment and the comparison can be difficult – ie what criteria.

FDE/CEFS: stress the inconsistency from Canada and anti-dumping measures imposed in Canada shall cease especially in the context of end of sugar quota end of 2017 ; on the TRQs granted to Canada for

sugar whatever the origin, this set a very bad precedent. On TTIP: how will the EU and US meet their expectations looking at the difference of views on GIs. Sugar is considered as a sensitive product – as well as starch and ethanol- impact for these three sectors should be looked at. Stressed that Argentina did not liberalise the sugar trade in Mercosur bloc so CEFS oppose any EU concessions on sugar to Mercosur in that context. Asked the Commission to make critical analysis of any support policies provided in third countries to industry, which can oppose all competitive efforts made by the EU industry.

WWF: surprised to hear that it is difficult to include environmental aspects in FTAs- while the EU has developed internal environmental legislation.

Copa-Cogeca: ovine sector will have to implement the greenhouse gaz emission legislation and that will have a great impact. Before negotiating the Commission should have a policy that support local sale and better manage the position of farmers in the food chain.

EFFAT: poultry meat will be the first consumed meat in 2020. Stressed the difference of production methods in different countries, such as use of antibiotics in Mercosur – what is foreseen in different agreement in Mercosur and others FTAs in this sector?

Commission: to CEFS: AD measures are WTO relevant and not in the FTA context. It is regrettable but not trade inconsistent. DG AGRI will take this up with DG TRADE to see AD measures removed. On concessions for sugar-containing products, on the overall balance for the sector, there will be a large interests from EU to have access to Canada. Sugar ethanol and starch are for the moment excluded in TTIP as sensitive products but could imagine TRQs. On Mercosur, EU will have to make concessions on ethanol and bio-ethanol but there is no intention to make concession on sugar. WTO published a paper 6 weeks ago comparing nature and level of domestic support in key economies and key sectors and show that level of farmers is less than we are given to believe especially in Latin America – to put in prospective.

To WWF: we are starting negotiations with Indonesia and key interests is Palm oil where much production is not sustainable. Malaysia is in a similar situation while they are putting efforts to meet the international standards for palm oil. This is an area where the EU could make link – so access to the EU market under the conditions that palm oil is sustainable – this shows it is possible to introduce environmental standards in FTA. In the egg sector, the reality is that the more the EU demands meeting animal welfare requirement, the more the third country will ask a bigger volume or market access. So Commission is trying to find a balance.

SADC is a growing market and will be more opportunities for EU agriculture.

The contribution of the agriculture sector to greenhouse gas emission will not be as great as other sectors such as transport but costs will have to be mitigated for farmers. Commission is open to look closely at impact of production and green gas emissions of production in third countries and see how to include that aspect in the FTA.

SPS requirement for poultry are not for negotiations. There is a political commitment from the major producers to eliminate antibiotics as growth-promoting. Commission is looking at how to translate that into FTA.

6. Study on the cumulative effects of FTA negotiations on the EU agricultural sector- see ppt

Study will consider 12 different agreements amongst the most significant ones.

What is expected from the study: an overall effect of the agreements on EU agriculture, change in trade flows, production and prices. The study will compare the situation with the 12 agreements with respect to the one without the 12 agreements. There will not be an assessment of one specific agreement but of the 12 in total. Commission will only be able to publish results at EU level and not by Member States or regions. The report will not take into account the non-tariff barriers. The study is on-going and results are likely to come out in November.

Q & A

CEPM (sweetcorn producers): thanked the Commission for the study and hope that sweetcorn will be included in the report specifically. Sector is concerned by current negotiations in FTAs for the sector in particular in TTIP and with Mercosur- asked to be considered as sensitive product.

FDE: on study, whether include also other trade agreements such as TPP.

ActAlliance: why environmental aspects are not included in the study?

Commission: Confirmed that sweetcorn has been considered as sensitive products in some trade negotiations. There is no specific details for sweet corn in the study. On the scope of the products covered in the study: every year DG AGRI is publishing a report with projections to 2025 – the report has a list of products that are looked at and the report is taking that list as a model – as the Commission uses the same economic model for both. On the impact of this study for the continuation of the negotiations, Commission is waiting for the release of the report. To FDE: report will look at other agreements to some extent- with a case scenario including the effect of TPP. The study is purely economic.

UECBV: suggest to add in the list Ukraine;

Cogeca: Brexit and its impact should be discussed.

Commission: Ukraine is an agreement already applied, so the impact is already known and included in the medium-term outlook report of the DG AGRI. - As it is already in the baseline, it would not be possible to do otherwise. The study was launched in February 2016, before the UK referendum took place, so the Commission does not have a sub-scenario on Brexit and this is clearly not the objective of the study.

7. OECD monitoring and evaluation of agricultural policies – see ppt

Commission explained the methods used by OECD when monitoring and evaluating agriculture policies.

Copa-Cogeca: some members of the WTO are not up to date in their notifications of their supports; can see those like the EU trying to reform their policies while others do not like EU.

FDE: what is the follow-up for the countries that are above average for domestic support?

Commission: before MS joined the EU they had their individual figure; since they joined there is the aggregated figure. In the latest version there will be some breakdown per Member States as indeed there is a demand from MS and this is being addressed. To note: some investment are now shifted on innovation rather than on farmers' support in some countries;

The process of the OECD is more to evaluate than providing recommendations but there is not much appetite from OECD countries to received too many recommendations; there is an evaluation of the EU starting and report should be released next year, including some recommendations.

8. EU Agri-food export strategy and its impact on the third countries in particular ACP countries- the need for regular CAP monitoring of all side effects

ActAlliance is concerned with the policy focusing on competitiveness, offensive trade policy, and its impact for developing countries.

Paul Goodison: since the food price crisis in 2007-2008 African government have looked at what to do to develop their own food production structure while at the same time EU was trying to promote exports. The issue is then how to manage that tension. African continent is being seen as an attractive market. For example 14% of the EU production of poultry meat is exported to Africa.

In Africa the issue is increasingly significant politically. Under the new trade agreement with the EU, the African countries shall tackle non-tariff barriers on EU exports to Africa. In some countries, some NTM have been used successfully to protect infant industry. In Namibia, which was exclusively dependent on the livestock sector until recently, they wanted to develop their sector to create employment opportunities and develop the value chain and maximize the revenue of farmers. Namibia is allowed to manage their trade regime through TRQs etc to encourage retailers to source as much as possible locally. They had major success (ie produce 40% of horticulture need, meet 70% of domestic demand for poultry or dairy). Issue is that they are very vulnerable to international commodities prices. If they are no longer able to use TRQs for dairy for example, then domestic dairy industry will be destroyed in 6 months. The same is true for horticulture, dairy, poultry meat etc. this is where policy coherence is vital. So there is a need of responsibility in the application of the EU trade policy and from EU agri-food enterprises. There was a good sign in November in the CSR report of EU dairy companies calling for some sort of Code of Conduct in the dairy sector.

Conclusions:

- We need to recognize the tensions between the EU policy and African attempt to feed themselves - this is also long term issue with migration;
- We need a responsible flexible implementation of trade agreement commitments – how to apply removal of TRQs responsively etc – that will be critical to the investment in Africa – EU and indigenous investment;
- Could we explore potential longer term adverse consequences of current export policy.

Commission DG AGRI – Francis Fay

There is the wish from the Commission to boost rural economy in Africa. The choice being made in Africa is towards regional integration. Intention of the Commission is to engage into intensive dialogue through EPAs to look at impact on domestic policy and trade.

In the Agreement there are large number of safeguards designed when necessary, to put safeguard measure for liberalisation of sectors such as dairy and poultry. Other safeguards for infant industry are there in the text. In Nigeria, Friesland Campina have been there for many years to try to develop the dairy industry there and tried to encourage domestic supply.

Commission DG TRADE: Will be a challenge for EPAs to feed themselves; in West Africa there is a lot of discussions about dairy and milk powder and today there is an issue of food security while West Africa is not able to produce milk powder.

DG AGRI: in poultry sector in South Africa: up to 20% of added water in the meat. Sector would like to have no trade so would not face incentive to develop better products. Consumers' voice are stressing the quality issues and ask for some imports.

DG AGRI: ie drought in Southern Africa and there has been change of tariff import duties on wheat to tackle the issue of need. 100 \$/t has been imposed. So there is an opportunity for trade to meet the demand from these countries.

ActAlliance: there is the regional knock-on effect for countries that are also of concern – certainly for Namibia – through SA as it could leave to huge amount of smuggling.

EEB: welcomed the presentation of ActAlliance. Stressed that this presentation is in contradiction of what the Commission is trying to achieve – to export as much as possible without considering impact on third countries. Believe that this model is not sustainable and need to change production in Europe and shift from volume to quality food being animal welfare, social standards etc– Encourages organisers to include more of these presentations in the future CDG.

It was agreed by the group that this issue will be addressed again in the planning of 2017.

9. Social aspects of international trade: creating a fair global trade regime – why trade unions are against TTIP

EFFAT informed the participants that they will start a campaign to raise awareness on trade policy. One of the questions is to protect seasonal workers and impact of bilateral agreement on other countries. EFFAT asked for social partners to be involved in negotiations.

DG AGRI – Mr Trarieux: for the global framework, it is up to WTO to set up the global rules. EU has an offensive agenda to the WTO to promote standards there – in 1994 EU wanted to do more already (such as for animal health standards –) and wanted to have animal standards in Marrakesh agreement.

DG AGRI recalled the Communication ‘Trade for all’ to understand the spirits of the EU trade policy. In the negotiations with the US, the EU continues to maintain the EU standards. Brazil and Thailand are exporting poultry meat to the EU that meet the EU standards.

DG EMPL: Commission shared the goal to protect right to regulate and protect EU workers; Com wants to see the US commit to ratify ILO conventions.

DG TRADE: On public services, Commission wants to maintain diversity of models existing in EU. Mutual recognition of standards is considered in only one sector: cars’ safety standards and it took already three years and could take more time – Commission does not have any intention to do mutual recognition of standards in any other areas.

Q&A

Copa-Cogeca: EU does not have the Capacity of CH to support their farmers; US has taken some progress on TPP and EU should also follow. Take good notes that the mutual recognition does not apply to sanitary norms. Many sectors are strategic beef, starch, sweetcorn etc so agriculture should not be the trade-off in the negotiations.

Copa-Cogeca: agriculture sector would like to have a well negotiated agreement and that has been achieved to some extent with CETA and we should try the same with TTIP-Austria 60 % of farmers have another job – generating jobs is crucial.

EFFAT: strongly opposes negative list concept.

END of meeting.