



European Agriculture: the Global Opportunity

8 December 2016

Cecilia Malmström, *Commissioner for Trade*

Exchange of views with the COPA-COGECA Praesidia, Brussels

Mr Martin Merrild, President of Copa,
Mr Thomas Magnusson, President of Cogeca,
Mr Peka Pesonen, Secretary-General,
Ladies and gentlemen,

In last year's Trade for All strategy, the European Commission set out the benefits of trade policy that is:

... effective ...
...transparent ...
... and based on values.

It means enabling European producers to export to new markets and compete in fair conditions. It means helping the European economy to grow and create jobs, including in the agriculture and farming sector. It means ensuring Europe can shape globalisation, rather than merely submitting to it or letting others fix the rules.

Being "transparent" means publishing more information — such as the negotiation texts we put online during and after negotiations, and making it more readable and understandable for all. Transparency also means dialogue, listening, and debate.

Explaining and engaging with those who are interested in our negotiations, who will benefit or might be affected by them: that includes companies...

...consumers...
...civil society...
...concerned citizens.
And it includes you.

In that context, I am delighted to be able to address you, the representatives of European farming and European agri-cooperatives, today.

Those who produce and process the food we eat - and the products that are exported around the world.

I'd like to outline why the agriculture sector is important to me...

...why trade is an important vehicle for you ...

... and provide you with an overview of the major trade negotiations now underway.

Farming is about more than economics. Farmers are the caretakers of the rural environment; they are the defenders of our food security. As President Juncker put it in his State of the EU speech this year, agriculture is a strong part of our way of life. Europe will always stand by its farmers.

But the economics is compelling. EU agricultural output was 411 billion euros in 2015. And EU agricultural exports were around 129 billion euros...

a 27% increase since 2011...

...now representing almost 7% of all our goods exports.

The EU is the largest importer and exporter of agri/food products. The agricultural trade balance has consistently been positive for 6 years now and has reached a value of €16 billion. The overall trend is positive, with EU exports increasing by 6% over the last 12 months.

That matters to our economy. Agriculture exports support European jobs: exports of agricultural commodities support 1.4 million direct jobs across the Union; exports of processed food, a further 650,000 jobs.

Let me give a concrete example: since our Free Trade Agreement with South Korea, our agricultural exports to Korea increased by 37%. Exports of most processed agricultural products – like sugar confectionery, pasta and other preparations of cereals, or preparations of fruit and vegetables – have doubled. Dairy exports increased by 27%, and meat by 14%.

If you want to be reminded how important trade is to agriculture, you just have to see the impact that comes from trade disruption – like the damage many of you felt and continue to feel from the Russia sanctions.

The fact is, trade is an opportunity for European farmers. I hope you will continue to fill the shopping trolleys of European consumers; and help us with our food security.

But many of the greatest promises, the richest prospects lie beyond our shores.

Other parts of the world are growing fast. And they are hungry and thirsty for the high-value products Europe can supply: cheeses, meats, wines, spirits and more.

But it is not only about expanding exports. We also need *imports* to be able to produce goods higher up the "food chain". Like the animal feed the livestock industry needs; or the raw materials that can be processed to make higher-value food and drink.

Trade is a two-way street: offering access to our single market is a major incentive to partners. This is why they engage in trade negotiations and this is why they accept ... not only opening their markets for our agri-food exports...
...but even going further to amend their national laws and give protection to EU geographical indications, as is now the case in Canada.

This is why we negotiate hard to ensure the result is balanced, and covers both our offensive and defensive interests.

For sensitive sectors, we give limited access via tariff rate quotas, based on a thorough assessment of the growth prospects and conditions, so they do not put producers' livelihoods in danger. Changes can also be phased in gradually. We will not make any commitments that go further than sensitive sectors here can handle.

And then, of course, there are the rights and interests of the European consumer. They want to know that trade deals won't ever lower the food protections people enjoy in Europe. Our trade agreements have not and will not lower product or consumer safety: this is a clear mandate for us.

How do trade negotiations help facilitate and increase your exports? There are at least three ways.

First, tariffs. The places where we are negotiating Free Trade Agreements contain high tariffs for agriculture products: 31% for dairy...
... 36% for beef...
...45% for wheat.

In some cases the tariffs are so high that our products cannot compete. In other cases it reduces your profit margins.

Our objective is to eliminate as much of these agriculture tariffs as we can, as quickly as possible. But for the same reason, just as beef or sugar sectors are sensitive for us, very often the dairy and pork sectors are sensitive for our partners.

Second, we can protect the status of our world-famous geographical indications.

Consumers in Hanoi, Cape Town or Calgary want to be sure the cheese or ham they are enjoying are the real Parmigiano-Reggiano, Roquefort or Serrano. And they are ready to pay a premium for this high-quality product if there is a guarantee that it is authentic. This is only possible if Geographical Indications are protected.

All together, the EU's exports of geographical indications are worth an estimated €11.5 billion. With our continued support through the trade agenda this figure will continue to increase.

That's why our agreements with Ecuador, Colombia and Peru cover over 100 products...

... with Canada around 145 products...

... with Vietnam, 169 ...

... with South Africa, over 250.

We know the importance of export value. The success of our trade agenda will be measured against our success to increase the value of our exports. Increasing exports of milk powder and offal is well and good: but our objective is to focus on the more added-value products.

Third, we can ease trade by ensuring that overseas sanitary and phytosanitary, or SPS, rules do not present an unjustified obstacle.

Each government has the right to regulate in the public interest. But all too often restrictions do not have such noble motivations...

....all too often, they are merely disguised restrictions on trade.

Trade deals can lift these barriers: through ensuring more transparent, non-discriminatory and predictable legal frameworks in our partners.

The Russian embargo was a wake-up call: we launched an action plan to speed up the removal of SPS measures. We have seen some successes since then. We have preserved access to Saudi Arabia for European poultry, in spite of bird flu outbreaks. We have seen the lifting of Chinese and Taiwanese measures on phthalates which held back the spirits trade. We have seen major progress on beef import restrictions – a relic of the BSE crisis that was itself solved long ago, with the first shipments of Irish beef to the US. And we are also pressing Ukraine to reform its framework: I met President Poroshenko just two weeks ago and urged him to solve some of the SPS barriers.

I want to turn to some of our major trade deals, the priorities for the coming months and what they might mean for EU agriculture in practice.

Let's start on the American continent, in Canada. Where EU food and agriculture exports currently face tariffs between 10 and 20%. Our Comprehensive Economic and Trade Agreement - CETA - will get rid of almost 94% of those at an early stage. Including the processed products where the EU is particularly competitive.

Even for Canada's most sensitive product – cheese – we have negotiated a quota of 18,500 tonnes that will allow us to double our existing foothold in Canada.

This achievement would make that market alone worth 5% of our cheese exports.

In return, we have opened our beef market: but with a quota that represents just 0.6% of EU consumption, to be gradually phased over 5 years. As I have said, those imports must respect the EU food safety rules: so beef means hormone-free beef.

I thank COPA-COGECA for their support on the Canada trade agreement and hope you benefit soon through increased market opportunities.

As you will know, getting the deal agreed has been long and complex. For it to provisionally apply requires European Parliament consent: this is now scheduled to be voted in early February.

Let's continue in North America. With 15% of our agri-food exports, the USA is our top export destination, and the appetite for European products like wines and spirits, cheese, olive oil and pasta is growing fast. There is always a normal pause when a new US administration comes in. We have to be realistic that TTIP might remain in the freezer for quite some time. But, of course, the ball is in the court of the Trump administration to resume talks.

Further south, we have also just signed a deal with Ecuador, where the European Parliament is due to vote its consent in December – and where, again, there are great opportunities for sectors like dairy, wine and spirits.

On Mexico, the first full round of talks a couple of weeks ago showed a welcome ambition. Even in the difficult chapter of SPS, where we are going to negotiate a modern and state-of-the-art framework.

And talks with Mercosur countries – the South American nations including Argentina and Brazil – restarted this year after a long pause; we had a second round in October and the next will be in early next year. This is a large market of over 250 million people, with the same gastronomic culture as Europe. They love European food and drink and they recognise our brands and specialities. These markets are highly protected with high tariffs and SPS measures. Each year EU exports pay €4.4bn in tariffs – in drinks, dairy, and olive oil alone, we currently pay over €100 million in tariffs a year.

Mercosur has no FTA with any other country or region in the world; for the EU to be the first to conclude an FTA with Mercosur is a unique opportunity, pioneering access.

And our exports of high-quality products would benefit from legal recognition. We continually remind our Mercosur partners that geographical indications will be an important element in the final agreement.

But the opportunities aren't only for exporters. Of our Mercosur imports, more than half go to supplying European agri-food, for example as animal feed and feed-stock. These products are subject to an export tariffs hike, making protein-based food for our animals more expensive.

In exchange for these benefits, Mercosur in return expects some concessions. But they know well our sensitive sectors like beef, ethanol and sugar.

Let's turn to Asia. I have mentioned our success in South Korea.

And, just over one year ago, we completed negotiations with Vietnam. It's a fast growing market: last year, EU food exports grew 17.3%; for beverages and tobacco, the figure was over 50%.

The proposed Vietnam deal would see tariffs on wines and spirits, frozen pork, beef, chicken, dairy products, and food preparations removed over time.

That is a success I'd like to see replicated in the negotiations ongoing with Indonesia and the Philippines.

In the coming months our efforts will focus on concluding the FTA with Japan. Given what's happening on the Trans-Pacific Partnership — or, should I say, what's not happening —, it is clear that Japan has now a new great interest on the negotiations with the EU. Negotiations are now mature, and we are coming to the stage where we find compromises: the agriculture elements are a top priority for us, from tariffs and non-tariff measures to geographical indications. Japan has made agriculture concessions to the US and others in the

TPP. We have always said our FTA with Japan is more ambitious than the TPP, so we expect agriculture concessions beyond the TPP. The Japanese were ready to open up its agriculture markets and had even prepared support measures to adapt to new competition. So all the factors are now on the table to speed up the negotiations.

And, as you will know, we intend to launch talks with Australia and New Zealand. As we made clear in our Trade for All strategy, they will take account of EU agricultural sensitivities.

Closer to home, we want to increase our agricultural trade with Turkey. It is difficult to understand why you now enjoy better access to South Korea, and soon will with Canada, than you do to Turkey. Hopefully the political conditions will soon be right to proceed with the start of negotiations with Turkey: and access for our agriculture products will figure prominently in the talks.

That is just a brief summary of what EU trade can mean for agriculture.

We will continue to negotiate to ensure the best deal for European farmers, creating the best new opportunities for our competitive and dynamic sector.

And we will continue to do so in the spirit of openness and transparency. So I look forward to hearing your comments and views.

Thank you.