



## EU-Trade Agreements and the Agri-Food Sector

29 November 2016

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*Exchange of views with the INTA and AGRI Committees, Brussels*

Ladies and gentlemen,

Thank you to the International Trade and Agriculture Committees for the initiative to meet today.

Commissioner Hogan and I coordinate our work closely, but I don't often get to meet the agriculture community in Parliament.

So it's great to have that chance today...

... first, because I know you take a great interest in trade policy, and have given opinions on many trade files such as trade relations with the United States, Tunisia as well as on the overarching *Trade for All* strategy...

... and, second, because the agriculture sector is fundamental to European identity and European prosperity, as President Juncker highlighted in his State of the Union address in September.

Farmers are economic actors; they are also caretakers of the rural environment and defenders of our food security.

That's why EU policy on agriculture has always been about more than just economics. It's also been about these kinds of broader values.

That mirrors the way the EU approaches trade policy today.

Our first goal is to open markets in order to create economic opportunities for European consumers, workers and entrepreneurs.

But we also believe that trade policy should be grounded in broader European values - like protecting the rural environment, and consistent with the EU's wider foreign policy objectives - like food security.

It's because of this shared starting point that that EU's trade and agriculture policies are so consistent. Both share the objective of a strong European agricultural sector. And both recognise the need to protect sensitive products, alongside the imperative to open markets for our exporters.

But just as in domestic agricultural policy, EU's approach to trade in agricultural products has adapted with the times.

And in today's times the balance of the EU's interests between offensive and defensive concerns has changed.

Exports are increasingly important for the agri-food sector, as we remove barriers around the world, and in line with faster growing demand for our products outside our borders. Last year again, the sector had a positive trade balance, and the average growth rate in our exports has been more than 8% over the last ten years.

This means that farm exports are also of greater importance for the wider EU economy:

- EU exports to the world of primary agricultural goods support 1.4 million jobs across our continent.
- Our processed foods exports support a further 650,000 jobs.
- And, in 2015, agri-food exports represented almost 7% of all our exports, a figure that is growing every year.

All of this means that if the EU wants to serve the interests of the agriculture sector in particular, as well as the rest of our economy, then we need to work hard to access new markets. That's the first aim of our broad agenda of bilateral and regional free trade agreements.

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We use those agreements to address three types of barriers that our exporters face.

First, we use trade agreements to address the traditional market access barriers like tariffs.

Tariffs are often the most significant barriers to our agricultural exports to the rest of the world.

The new study on the cumulative impact of EU trade agreements on the agricultural sector shows this very clearly.

EU exports on wheat, for example, face average tariffs in the 12 countries the study examines, of some 45%. The figure for sugar is over 20% and for beef it's as much as 35%.

The EU's trade deals tackle these barriers. Take the case of Canada. EU food and agricultural exports there face tariffs of between 10 and 20%.

Our Comprehensive Economic and Trade Agreement with Canada - or CETA - will get rid of almost 94% of these tariffs. And that includes almost all processed agricultural 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 exports.

Another excellent example of the results we can achieve on tariffs is our agreement with Vietnam. It will see the removal over time of tariffs on wines and spirits, frozen pork meat, beef, chicken, dairy products and food preparations.

Or look at our ongoing negotiations with Japan. The average tariff our food and beverage exports face in Japan is just under 35%, with several products facing rates above 500%. We expect to see significant improvements for products like pork, cheese and dairy products, vegetable preparations, as well more processed products like wines and spirits, pasta, chocolates and candies.

Finally, even with a partner like Mercosur, where we have to keep a laser focus on our defensive concerns, there is still potential for improved access for products like dairy, pork, olive oil, potatoes, beverages, food preparations, canned peaches and others.

So there are huge gains to be made on improving market access via tariff liberalisation.

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But that is certainly not enough. We also need to address the sanitary and phytosanitary barriers - or SPS barriers as we say - that all too often block access even when tariffs are removed. And EU trade agreements do just that.

Of course, the EU is always mindful of the right of governments to regulate in the public interest. We defend that right at home and we respect it in our relations with our partners. Governments must guarantee food safety and protect the environment.

But it's also clear that partners do not always have such noble motivations. Too often, SPS rules are disguised restrictions on trade. In other cases, it's possible to achieve the same high quality regulatory result in a more efficient way. In both of these situations, trade negotiations can help facilitate trade.

Often this happens indirectly. Negotiations foster trust between the regulatory authorities on both sides, making it easier to find mutually beneficial solutions.

The restrictions on our beef exports linked to our long-solved BSE crisis are a good example of this. We have made major progress with Japan, the USA, Canada and Ukraine - all FTA negotiation partners.

Negotiations have also allowed us to make progress on systemic issues like the acceptance of the EU regionalisation approach in case of outbreaks of animal diseases...  
... or promoting the concept of the EU as a single entity.

In other cases, trade agreements themselves help make trade easier.

CETA, for instance, brings our existing veterinary agreement with Canada under the enforcement disciplines of the trade agreement, giving it teeth.

It also sets up new procedures that will facilitate the approval process of plants, fruit and vegetables by Canada.

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The third agri-food objective of EU trade negotiations is securing protection for European geographical indications like Parmigiano Reggiano cheese, Roquefort cheese or Scotch Whisky.

That's why our FTA with Canada covers 145 products...  
... why the FTA with South Korea covers 160 products...  
... and why the deal with Vietnam covers 169 products.

Our agreements with Singapore, Central America, Colombia, Peru and also with South Africa make very significant progress on the protection of GIs.

This is highly important, since the EU's GI exports are worth an estimated at 11.5 billion euros.

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To achieve all of these gains of course, the EU also needs to offer our partners something in return.

For some countries, the major motivation of an agreement with the EU is improved and guaranteed access to the Single Market for industrial goods and for services.

But most also want better access for agricultural products, and often for products that are highly sensitive, since these are the most protected.

This interest is understandable. For many of our trading partners exports of a few agricultural commodities are among their major exports worldwide.

But how do we square this with our stated commitment to defend those same products?

We work by giving limited access via tariff rate quotas, wherever a partner's demand coincides with a sensitive sector in the EU. Those quotas are based on a thorough assessment of the growth prospects and conditions in the sectors concerned. And that is why they do not put producers' livelihoods in danger.

We are particularly careful when it comes to negotiations with partners who are strong exporters of our sensitive products.

That's how we are approaching the Mercosur negotiations and the question of beef exports in particular.

These countries are highly valuable trading partners for the EU, including, as I've mentioned, when it comes to many agricultural products.

But let me be clear, we will not make any commitments that go further than sensitive sectors here can handle.

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A final word on the study on the cumulative impact of 12 EU free trade agreement negotiations released earlier in the month.

Let me start by saying this, the EU approach to trade agreements - ambitious on the export side and cautious on sensitive imports - works.

If we look at the example of the Korea free trade agreement, we can see clearly that since it entered into force in 2011, our agricultural exports increased by nearly 40%. Exports doubled for most processed agricultural products – like confectionery, pasta and preparations of fruit and vegetables. Dairy exports increased by almost 30% and meat exports increased by almost 15%.

The study is largely in line with this positive picture. The economic models used in the study suggest that the sector as a whole will benefit in the specific scenarios examined. Significant gains are anticipated for the EU dairy and pigmeat sectors, which have struggled in recent years and are now showing signs of strong recovery.

But the models also give results that may be of concern for other sectors, including beef.

Those results must give us pause for thought. And they must inform our work as we continue to negotiate.

But we also need to put them into context. Economic models can only by definition give an incomplete picture. We make very clear in this study that its findings do not constitute predictions about what will happen.

After all, prediction, as Niels Bohr famously said, is very difficult, especially about the future!

So while I congratulate the authors of the study on their excellent work, I think they would also be the first to point out its unavoidable limitations:

For instance, it doesn't model the value of removing SPS barriers or protecting geographical indications. That's because we don't have a robust way of measuring those gains. It just doesn't exist. And we would rather avoid putting out unreliable figures, even if that means understating the possible gains for the EU.

Moreover, the detailed results don't include processed agricultural products. many of which have significant growth potential.

Neither are wine, olive oil or fruits and vegetables analysed, and they make up 70% of EU exports.

Finally, the study doesn't model the way we actually deal with sensitive products. It assumes tariff cuts of up to 50% which is a significantly greater liberalisation than the TRQ system I've been describing.

For all these reasons we need to treat the results with caution and avoid overreaction.

Instead we need to examine the findings carefully...

... to inform and adjust our negotiating strategies as needed...

... and continue to work on creating new opportunities for the EU's competitive and dynamic agricultural sector.

I know that's what Commissioner Hogan and I intend to do and I hope the European Parliament will join us.

Thank you very much for your attention.