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NOTE

From: General Secretariat of the Council
To: Council

Subject: Trade-related agricultural issues
- *Exchange of views*

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

Trade-related agricultural issues

1. **Sixty years** after the first implementation of the Common Agriculture Policy (CAP), the European Union is the largest exporter and the third largest importer of agri-food products in the world. This success is clearly linked to the CAP, supporting competitiveness and innovation, and the production of safe, sustainably-produced, nutritious and high-quality products, while, at the same time, constantly adapting itself in order to accomplish this at the least possible cost and in the least trade distorting way, facilitating in this way the adherence of the EU to international development commitments such as the Generalised Scheme of Preferences (GSP) and the "anything but arms" initiatives.
2. These indirect trade-related achievements of the CAP along with the successful handling of recent challenges associated with the COVID pandemic in terms of securing the availability of food to European consumers have demonstrated once more, notably when seen in the context of the recently adopted CAP reform and the joint statement adopted by the European Parliament, Council and Commission in the framework of the reform agreement (14190/21 ADD 1), the important complementary role of the AGRI/FISH Council and its preparatory bodies in formulating the EU's Trade Policy on issues that affect the sectors under its competence. This is especially true when it comes to putting forward win/win solutions for all stakeholders while observing the core priorities of food security, sustainable development and fighting climate change, supporting at the same time -rather than jeopardising- the Union's international commitments and policy initiatives, in particular on trade and sustainable development.
3. In this respect the AGRI/FISH Council repeatedly stressed that, while meeting the EU's commitments under the international rules-based system and towards partner countries is important, it is equally important to safeguard the competitiveness of the agricultural sector against protectionist measures arising from trade disputes or other foreign policy decisions and by ensuring that imported agricultural products comply with European standards.

4. The AGRI/FISH Council was last informed on recent developments in trade-related agricultural issues during its session in November 2021. It is worthwhile mentioning the following developments while recapitulating the old ones.
5. Negotiations on the possible outcome of the **WTO MC12** are continuing following its postponement last November. The four main issues on the table are Trade and Health, Fisheries Subsidies, WTO institutional reform, and Agriculture. A new date has not yet been fixed, although India requested the organisation of a virtual Ministerial Conference to tackle the question of the WTO response to the current pandemic, in particular its Intellectual Property (Trade and Health) component. As regards the agricultural segment, all issues under discussion in November remain on the table, including transparency improvements, domestic support, export competition/ restrictions, public stockholding, and market access. However, given the significant differences in the positions of WTO members, the most likely deliverable of MC12 remains a set of work programmes, which would guide future negotiations without prejudging outcomes. Transparency improvements could be part of such an outcome, alongside with an agreement on an element of export restrictions (essentially the World Food Programme proposal), work programmes on trade distorting domestic support, and possibly on market access, and on the issue of public stockholding. Successful outcomes are possible but not certain, mainly due to divergent positions of some key WTO Members. The EU will continue to engage constructively with other WTO Members in order to build on the progress achieved and to avoid backtracking in the negotiations. Despite the postponement of MC12, a set of WTO plurilateral initiatives was launched on 15 December 2021, including three initiatives on Trade and Environmental Sustainability where the European Union committed to increase the role of trade in the fight against climate change and protecting the environment. Commission Executive Vice-President Dombrovskis' call to build an international coalition of trade ministers to promote trade in green goods and services and to convene a ministerial meeting in 2022 devoted to trade, climate and sustainability is related to this effort.

6. On **WTO TRQ apportionment** between the EU and the UK after Brexit, an agreement was finalised and signed with Australia on the 4th of October 2021. The Agreement with New Zealand was also initialled just before Christmas and will soon be presented to the Council for formal approval. There were no further concrete developments on this front.
7. In terms of bilateral relations and negotiations, following the outcome of the **US-EU Trade and Technology Council** and the G20 meeting in Florence, an administrative arrangement was signed at technical level for cooperation between DG AGRI and USDA to develop collaborative and cooperative efforts for the exchange of knowledge and information and promote mutual understanding related to the global agricultural challenges we both face. This arrangement complements dialogues with other major partners such as China, Japan, Canada and others, all of which will be convened in 2022.
8. On the FTA front, negotiations with **New Zealand** are progressing well, aiming to have them concluded at the earliest possible opportunity, but have not been finalised. COM has indicated that it will be necessary to make some further, albeit modest, concessions on dairy and beef products' market access – via TRQs - on condition that other EU offensive positions are accepted, including the latest requests of MS on GIs. This would be part of the effort to secure a final agreement during the endgame expected later in 2022. The NZ Agreement is also expected to include state of the art provisions on sustainable development, including a reference to the Paris climate change commitments, on food systems and on animal welfare as essential elements of the Agreement, taking account of the outcome of the ongoing Commission review of the 15-point action plan on Sustainable Development chapters of FTAs due to be finalised next June.
9. A review clause based on the review of the 15-point action plan on sustainable development and on the implementation of the Paris agreement has also been included in the negotiations with **Chile**, just finalised at technical level. Concerning the agreed provisions on agricultural market access and GIs in the EU-Chile Agreement, they were presented by the Commission to Member States in ad-hoc technical meetings in late 2021.

10. Other than that, FTA negotiations with **India** based on the existing Council negotiating mandate (which could be revised following relevant political guidance) will restart in early 2022, along with a stand-alone negotiation on an agreement on GIs. On the contrary, no decisive progress was made recently in the negotiations with **Indonesia** while negotiations with **Australia** are proceeding only slowly: a further round will take place in the spring. The approval of the results of the **Mexico** and **Mercosur** FTA negotiations by the Council is still pending.
11. Turning to some bilateral market access questions, COM is also continuing to exert pressure on **Russia** to clarify the application of its new legislation on wine labelling in order not to impact the Union's GIs, including "Champagne", on the Russian market. The Russian ban on a large number of European agricultural products continues. COM will also request consultations with Russia in the context of WTO dispute settlement on wood TRQs, following their recent de facto removal by Russia, thereby increasing the export duties on wood applied to the EU. From the 1st of January 2022, the **Belarussian authorities** have also introduced a ban on selected Union agricultural exports, indirectly restricting further the access to the Russian market, given that a number of European agricultural products were channelled to Russia through Belarus following the 2014 ban.
12. EU agri-food exports to the **United Kingdom** have meanwhile returned to pre-Brexit levels, while this is not the case for EU imports from the UK. The impact of the newly introduced customs procedure on EU exports to the UK, the application in 2022 of full SPS controls and UK agreements with other trading partners such as Australia and New Zealand, which include significant access concessions to the UK market for these countries' agricultural products, remains to be seen. At the same time, COM has been engaging in intensive talks with the UK to identify jointly agreed long-term solutions in relation to the implementation of the Protocol on Ireland/Northern Ireland, without however entering into renegotiation on its provisions nor jeopardising its main political aim. Negotiations have also started with the UK in terms of the relations with Gibraltar.

13. Finally, work in the Commission is progressing on the report requested by the Council and the European Parliament in the framework of the negotiations on the adoption of the CAP reform proposals, on an assessment of “the rationale and legal feasibility of applying EU health and environmental standards (including animal welfare standards as well as processes and production methods) to imported agricultural and agri-food products, as well as identifying concrete initiatives to ensure better consistency in their application in conformity with WTO rules”. COM indicated its readiness to present some preliminary findings during the first three months of the French Presidency. The final report should be ready in June.

Concluding remarks

14. In view of these developments, it would be opportune for the Council to conduct, on the occasion of its first meeting on 2022, a discussion on the direction of EU trade relations with third countries in relation to agriculture, at bilateral and multilateral level.
15. Given the recent adoption of the CAP reform with significantly enhanced sustainability and environmental credentials, Ministers could use this opportunity to comment on the current state of play in bilateral and multilateral negotiations and other Union initiatives regarding, in particular, promoting further Agenda 2030 and international sustainable development while, at the same time, avoiding putting European producers at a comparative disadvantage and promoting the European model of production, exporting in this way the success of the CAP.
