



Toms Confectionary Group

Working Group Trade Issues

The External Dimension

Europe faces challenges and opportunities in these years. Globalisation has brought about new division of labour, new investment patterns and consumer preferences. If Europe shall remain competitive in the years to come, internal reforms as well as market openings is essential; the Global Europe strategy addresses important issues for the external dimension. Issues which is also highly relevant for the High Level Group on the Competitiveness of the Agro-Food industry.

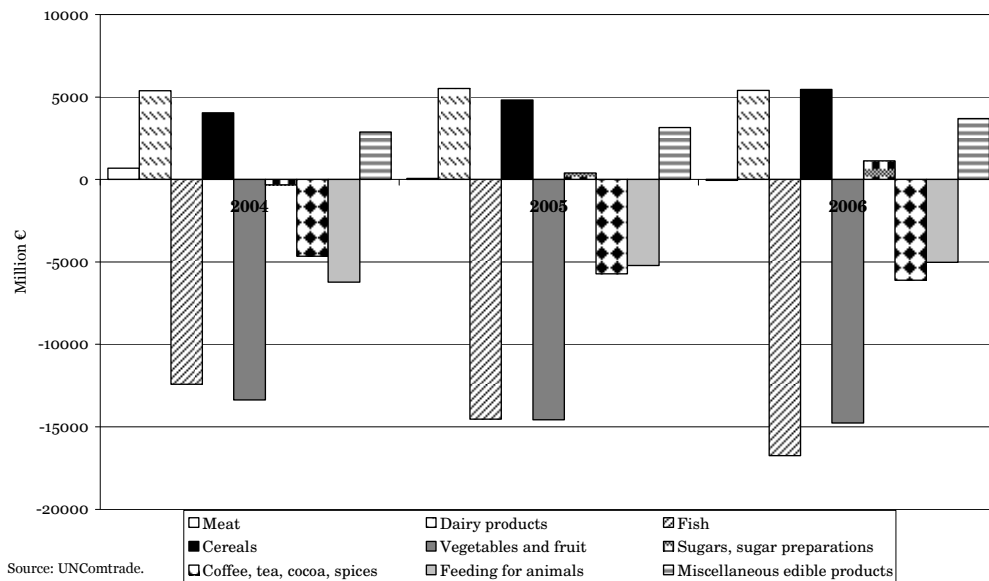
In this light, we would like to use the opportunity to address a number of important matters to the Working Group on Trade Issues.

A highly competitive food industry

The competitiveness of the European food industry is closely linked to open markets - both for export and import. European food producers will benefit from open markets in order to compete globally, have access to raw material and intermediary at competitive prices and finally, exposure to fair competition will secure the continued development of a competitive industry. Therefore, International Trade Policy remains a core element in the strategy, which shall secure a highly competitive food industry in Europe for the future.

While the EU has a trade deficit on its trade with food products, trade statistics also show that the EU is highly competitive in a number of different types of processed food products; e.g. dairy products (milk & cheese), cereal preparations and edible products and preparations. For meat products, the EU has gone from a net-exporter to a balance. These products are clearly strongholds for the European food industry and further market access for these products are needed. The trade balance is weighed down by primary products especially fish, vegetables and fruit, but also coffee, tea, and animal food. While parts of the imported agriculture products and foodstuff go directly to the European consumers, imported agriculture products constitute a vital input to the food-processing industry. Easier access to agriculture products and other raw materials are critical; not least in a situation where shortage of raw material is a serious threat to the competitiveness of the industry. Market access to third countries is important but easier access to raw material is equally important.

EU Trade balance for food products 2004-06



Better market access through bilateral negotiations

With the Commissions strategy, Global Europe from 2006, bilateral trade agreements have become an integrated part of the EU external strategy. With or without a conclusion of the Doha Round, bilateral trade negotiations could cater for new market access in areas where it is difficult to reach agreements on a multilateral level. The agriculture sector and food and beverage industry are typical areas which are regarded as sensitive in trade negotiations. However, the outcome so far from the bilateral negotiations with South Korea suggests that the Commission doesn't prioritise the offensive interests of the food and beverage industry in Europe. Instead, the defensive interest from the Korean side has been used to safeguard defensive interests on the European side (automobiles and consumer electronic). Rather than maintaining trade distorting tariffs, the Commission should pursue the offensive interests of the European industry. The interests of the food and beverage industry should be weighted equally with other industries during negotiations. So far, the results from the negotiations with South Korea suggest that European food producers would enjoy less favourable treatment compared to their US competitors.

While food safety should not be compromised, a level playing field for standards should be established when possible. National standards and regulation can be used as a trade defensive instruments and barriers to trade. During multilateral and bilateral negotiations the EU should work for best practice between the parties, either by adopting international standards or EU-based rules. In some situations, problems implementing or legislating on standards is due to lack of capacity within third countries public administrations. When this is the case, the EU should to a higher degree assist with Capacity Building in third countries in relation to creating standards on food safety - this would be mutually beneficial.

A strategy for all producers

European food products are characterized by tradition, high quality and safety. Features which should be used to promote export of agriculture products, foodstuff and beverage originated in Europe.

One avenue to protect European producers from competition has been Geographical Indications (GI) which is part of WTOs TRIPs-agreement and regulated by the Commission (EC No. 1898/2006 & No. 510/2006). However GI should only be used in cases for special food products originating from specific regions, and in cases where the region has relevance for the products singularity. If the concept of GIs is expanded to foodstuff with a generic character, this could severely hamper export from highly competitive European producers, who for years legally have produced a given product. The Feta case from 2005 is a case in point, where Danish dairies export to Middle East was negatively influenced by a GI ruling on a generic product. The high level group should secure the best possible framework conditions for *all* European food and beverage producers. This is not done by excluding competitive European manufacturers.

In bilateral and multilateral trade negotiations, negotiators should carefully analyse the opportunity costs of GIs, and in cases where the price for a high level of GIs is less market access for other agriculture products or foodstuffs, the Commission should reconsider GI as an effective way to safeguard European interests. Instead, labelling systems such as the PDO (Protected Designation of Origin), PGI (Protected Geographical Indication) and TSG (Traditional Speciality Guaranteed) could be considered to promote and protect European food export.

Recommendations

- EU Trade Policy should take into account that access to raw materials is critical; not least in a situation where shortage of raw material is a serious threat to the competitiveness of the industry. Market access to third countries is important but easier access to raw materials from third countries is equally important.
- The interests of the food and beverage industry should be weighted equally with other industries during bilateral trade negotiations.