

High Level Group (HLG) on the Competitiveness of the Agro-Food Industry

CIAA submission and contribution to the discussions of the Working Group: “Trade Issues”

Background and issue

The long-term market share of EU food and drink products in general on the global market is overall decreasing, although at a lower rate than US products' market share. Emerging economies and large agricultural exporters, such as Brazil and China have overall benefited from this by increasingly adding value to their own agricultural raw materials at the expense of food product imports. At the same time, EU manufacturers are facing higher prices for their agricultural raw materials than their competitors, rising prices, increased bureaucracy and red tape.

EU exporters face a number of barriers when trying to access third country markets with their products, such as tariffs, followed by complex systems of non-tariff barriers, often due to diverging regulations in the food safety and food regulatory area.

CIAA Priority Objectives and Recommendations

WTO and the DDA

The multilateral approach remains the key objective for improving international trade and reaching a balanced WTO agreement remains a priority. There remains much to gain from a multilateral agreement for the EU food and drink industry, such as a better framework to ensure:

- disciplined agricultural support;
- a single, clearer set of rules; and
- increased trade opportunities for food and drink industry products.

Over the last few years, considerable progress has been achieved under the Doha Development Agenda negotiations. However, it is essential that the political impetus continues among trading partners in order to bring the negotiation process to a timely conclusion and to reach a balanced agriculture agreement.

To reach a balanced agreement, the current draft modalities' text on agriculture must take into account particular EU food and drink industry requirements, in particular:

- maintain coherence between the three pillars;
- maintain specific duties as tariff simplification towards ad valorem tariff would penalize exporters of high value added goods;
- the tropical products list should not include duty-free access for non-tropical

- products;
- special products should not be so broad as to negate the objective of opening up markets;
- export competition should be balanced for all trading partners and should not include quantitative commitments on export refunds;
- differential export taxes should be addressed in the modalities text.

Bilateral Trade Negotiations

Bilateral Trade Agreements are complementary to the multilateral process. The bilateral process needs to be pursued in key regions where the EU has particular interests, where markets register strong growth and where trade agreements with other trade partners risk putting the EU at a disadvantage. Bilateral negotiations need to address the many non-tariff barriers faced by food and drink products, including regulatory and standard issues that are not solved at multilateral level.

- Free trade agreements with South Korea, India and ASEAN countries need to be pushed forward to reach an ambitious conclusion and interests of the food and drink industry must be given the same weight as other industries.
- Trade relations with China, Mercosur, Russia and Ukraine constitute particular opportunities as well as challenges that need to be addressed.
- Trade relations with the U.S. deserve particular attention, considering the similar level of development, the linkages of both economies and the importance of trade between both entities. More efforts need to be put on addressing and preventing trade barriers and in particular regulatory issues that develop as trade barriers. A key example is the case of equivalence sought for grade A milk or the US' proposed Dingell Bill which will affect EU exporters to the US.

For products with offensive interests free trade agreements represent an opportunity and import duties and charges should be dismantled on the basis of reciprocity. However, sector-specific treatment (for example limited number of tariff line exclusions, longer lead-in times for specific products, etc...) may have to be provided in order to respond to particular sensitive and defensive interests in FTAs.

Removing trade barriers: tariff and non-tariff barriers

Food and drink products face numerous trade barriers when trying to enter third country markets. Trade barriers can take different forms such as tariff barriers (e.g. import duties, import quotas, voluntary export restraints) or non-tariff barriers. With the general reduction of tariffs, countries in the past years have become inventive in setting up non-tariff barriers. Sanitary and phyto-sanitary provisions, regulatory constraints, additional taxes, issues related to intellectual property rights are among the particularly sensitive issues agri-food industries have difficulties to overcome by their own means. Trade barriers need to be actively addressed in a coordinated way, in cooperation with business involved, using all available instruments of bilateral dialogue, as developed within the Market Access Strategy.

Promoting International Standards

Much stronger focus needs to be put on standards as a means to open trade opportunities. This can include food safety, environment, trade security. There is need to strongly promote the up-take and the respect of international standards, to create a better level playing field. In the absence of any meaningful inclusion of such consideration in the multilateral approach, there is need to progress this through bilateral agreements.

Export promotion and export strategy

Any EU food and drink export strategy must include a more ambitious export promotion activity. The core objective of the EU promotion policy to support the image of European agri-food products and to emphasise their ability to meet different consumers' requirements, remains totally valid. This policy has a clear role to play in communicating the key assets of European agri-food products, i.e. diversity, tradition, high quality and safety standards, towards consumers and trade (importers and retailers) in non-EU countries.

Export promotion should be considered as a strong instrument to support SMEs and to complement their general lack of finances and human resources to develop and sustain export activity which is a long term investment for SMEs. However, contractors are hampered by numerous procedures and bureaucratic monitoring from European and national officials. Real improvements in the regulation regarding export promotion are necessary to make promotion programmes attractive and user-friendly. These include:

- the possibilities to show branded products in fairs and exhibitions,
- the facilitation of the management of cross-country programmes,
- the simplification of a number of procedures, such as the amendment of the initial programme, the monitoring and payments
- the extension of the scheme to all processed products and fish products.

Operators need an efficient, flexible and market-oriented instrument that will help them to stay competitive in non-EU countries.

CIAA views on other issues**Counterfeiting**

In 2006, customs authorities claimed to seize 130 million of counterfeited goods, among which 1.2 million were foodstuff and beverages products. Counterfeiting is a serious problem for European food and drink companies who are suffering the violation of intellectual property rights. The strong connection consumers have with certain brands is vital for a successful company. Counterfeit food and drink products threaten to destroy a brand's reputation through lower sanitary and qualitative standards, which more importantly can endanger consumer health. Branded products have the right to protection on the global market. European trade policy, particularly through its bilateral trade agreements, must consider necessary mechanisms to ensure that third countries adhere to brand registration and protection regulation. Existing Intellectual Property Rights need to be effectively implemented.

Geographical indications

The existing WTO TRIPS agreement framework should be improved in order to enhance protection of geographical indications. This should include the setting up of a multilateral register for wines and spirits, which would provide sufficient legal certainty. This should also cover a possible extension of the additional protection, currently only applicable to wines and spirits, to other foodstuffs for which the specific character is closely associated to a determined region.