



DANISH AGRICULTURAL COUNCIL

NOTE

28 July 2008

To whom it may concern

From: The Danish Agricultural Council

Trade issues

Introduction

Ensuring that the European Agro-food industry maintains and increase its competitiveness is the primary purpose of the High Level Group. European companies are dependent on access to markets abroad and fair trading conditions in order to be competitive. Therefore the EU's trade and commercial policy is vital for European companies. . Denmark is a large exporter of food products and we are highly competitive regarding products such as pork and dairy and a number of processed food products. For the Danish agricultural sector competitiveness should be dealt with in a balanced manner embracing the whole value chain – including the primary sector, and with the very clear ambition of being competitive on the internal EU-market as well as the world market.

We therefore welcome the High Level Group and the enhanced focus on the competitiveness of European agro-food industry, and we hope this will be an occasion to continue the work, which was initiated with the Global Europe framework in 2006.

WTO – the best way to regulate international trade

The Danish agricultural sector strongly believe in a rule based multilateral trade agreement. Multilateral agreements make sure that all countries contribute that trade rules are transparent and consequently that the benefits are distributed among all parties. However, it is absolutely essential that any agreement be balanced to ensure that the European agricultural sector is competing on a level playing field in comparison with third countries. This also means that any WTO-agreement must respect the Common Agricultural Policy (CAP).

Export refunds – should be phased out parallel to other types of export subsidies

Export refunds have been an integrated part of the CAP since its initiation. Due to the ongoing reforms of the CAP the importance of the instrument has been gradually reduced, and the EU have made a conditional offer in the Doha-Round to phase-out all refunds by the end of

2013. However, the export refunds should be evaluated together with other forms of export subsidies, such as export credit, certain kinds of food aid and state trading enterprises. We are very concerned that only the EU seems to be respecting the Doha-declaration, which states that the political intention is to reduce *all forms* of export subsidies.

Market access should be increased – but in a balanced manner

Sound and sensible rules for market access are essential for trade in agricultural goods – especially in the present situation with increasing demand on the world market. As a significant exporter of agricultural goods, this is important especially for the Danish agricultural sector. These rules for market access should be based on a multilateral agreement in WTO.

In relation to the proposal for modalities for agriculture, presently being discussed in Geneva, the average import tariffs will be reduced by about 54 %, which is substantially more than the original EU-offer. Consequently, it is very important that the possibility to designate sensitive products assures a real alleviation of an otherwise dramatic increase in import volumes. In this connection we must object to the indication in the WTO-negotiations from the Commission that they will designate cheese as a sensitive product. This is not in the interest of the European dairy industry and dairy farmers.

International standards should be encouraged

The use of international standards should be encouraged as they make goods more comparable – also in terms of things which are not necessarily reflected in the price, such as animal welfare and environmental protection.

Geographical indications should not be a first priority

The Danish agricultural sector is very concerned about the inclusion of the “geographical indications” (GI’s) in agricultural negotiations. The protection of GI’s and the expansion of GI’s from wine and spirits to also include other agricultural products are among the main priorities for the EU. It is expected to be part of the single undertaking of the WTO. It is important to underline that GI’s can have an importance for special traditional products produced in specific regions. But most of the GI-protected products in Europe, such as meat and cheese products are only produced in very limited quantities and therefore not intended for export to third countries. Using a lot of credit on negotiating protection for these products, which will never be sold outside of EU, seems to be inutile. It is important to strengthen the possibilities for the highly competitive European producers, which is not necessarily done by enhancing the protection of GI’s. It must furthermore be evaluated if this approach in the WTO is an approach satisfying all 27 EU Member States, or if the resources of the Commission could be spend in a better way securing the best possible framework for *all* European producers.

Bilateral trade agreements – to deliver market access

EU's first priority is to maintain open markets through the multilateral trading system and the Doha Round. The aim of the EU market access strategy launched in 1996 was to enforce multilateral and bilateral trade agreements in order to ensure market access. It is therefore important to see this two as complementary and continue the bilateral negotiations parallel to the WTO. And at the same time we have seen a number of countries – especially the US – negotiating bilateral free agreements. In order not to be put in a disadvantageous position it is very important that the EU as well negotiate bilateral agreements.

Higher priority to the agro-food industry in bilateral agreements

Therefore, the Danish agricultural sector has noted with satisfaction that the EU is negotiating trade agreements with a number of Asian countries, such as ASEAN, South Korea and India. However, we find it very important that the EU also initiates negotiations with Japan, which is a vital market for the European agro-food industry.

Furthermore, we have seen during the negotiations with South Korea that the European agro-food industry has a number of offensive interests, which are being jeopardized for the defensive interests of other industries. It is important to underline, that the interests of the agro-food industry should be weighted equally with other industries in bilateral negotiations, and that we need equally good access for our agro-food products as USA have gained in their agreement with South Korea.

Technical barriers to trade must be solved in strong partnership

With the expected gradual reduction in import tariffs we will most likely see a substantial increase in the use of discriminating non-tariff barriers. We therefore welcome the Commission's initiative with the communication "Global Europe: A stronger partnership to deliver market access for European exporters" in 2007, where it is proposed to create a Market access Team involving the Commission, Member States and the private sector. During the last years we have encountered a number of technical barriers to trade. The Commission has always been very engaged and helpful, but often these issues are difficult to solve due to lack of clarity in the labor-division between the EU and Member States. A stronger partnership, which is proposed with the "Market Access Teams" is highly needed.

Export promotion is a valuable tool

EU-funded export promotion should be used as a valuable tool for accessing foreign markets. This will be important especially in a number of the emerging economies in Asia.

Recommendations

- The interests of the agro-food industry should weigh equal to other industries in multi-lateral and bilateral trade negotiations.
- Export refunds should be evaluated together with other forms of export subsidies in the WTO negotiations, such as export credit, certain kinds of food aid and state trading enterprises.
- The industry should be consulted before any products are designated as sensitive by the EU in WTO.
- The EU needs the same market access for the agro-food industry as our main international competitors when concluding bilateral trade agreements.
- The need for a more balanced approach to GI's in EU's trade policy, which can profit all 27 Member States.