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FoodDrinkEurope contribution to the European Commission's public consultation on "A renewed trade policy for a stronger Europe"

FoodDrinkEurope, the organisation representing Europe's food and drink industry, welcomes the opportunity to contribute to the European Commission's public consultation on "A renewed trade policy for a stronger Europe".

The food and drink industry is the largest manufacturing sector and leading employer in the EU with 294,000 companies (99% SMEs) and 4.7 million employees. The EU is moreover the world's largest exporter and second largest importer of food and drinks in the world. In 2019, food and drink exports reached a value of €120 billion, generated by businesses of all sizes.

While the industry processes about 70% of the EU's agricultural output, manufacturers also rely on imports of some key ingredients from safe, secure and traceable supply chains that are not produced in the EU or at least not in sufficient quantities, and which play a complementary role in the production of many value-added products. The industry is furthermore characterised by diversified food supply chains, which contribute to the industry's ability to deliver safe, affordable, and quality food and drink products to consumers worldwide.

FoodDrinkEurope supports an ambitious EU trade policy, which seeks to establish a more stable and predictable rules-based international trade environment, improve market access conditions in both traditional and emerging markets, maintain fair terms of competition, strengthen the implementation and enforcement of trade agreements, and contribute to sustainable development.

Question 1: How can trade policy help to improve the EU's resilience and build a model of open strategic autonomy?

The COVID-19 pandemic has triggered one of the worst global crises in recent history, with serious consequences for people and the global economy.

DG Trade's, Chief Economist Unit¹:

- *latest forecasts show that the EU economy will contract by -7.4% in 2020 while global GDP will fall by -3.5%.*
- *estimates a decrease of between 10%-16% in global trade for 2020. For the EU27, the predicted reduction is expected to be between 9%-15% for extra-EU27 exports and 11%-14% for extra-EU27 imports (goods and services combined).*

¹ https://trade.ec.europa.eu/doclib/docs/2020/july/tradoc_158859.07.01%20Chief%20Economist%20Note%20202020%20Final.pdf

The lockdown measures have a significant impact on supply chains and companies are continuously doing their best to adapt to the 'new reality'.

The crisis has acted as an unprecedented stress test and exposed specific vulnerabilities in the supply of certain critical products (medicine and personal protective equipment). These specific vulnerabilities should be addressed in a WTO compliant way, to avoid giving rise to new trade disputes or retaliation by third countries, and without losing track of the importance of an open trade environment for jobs and growth creation in Europe. We believe that the EU's resilience and our economic recovery will be best secured through a fully functional Single Market, the promotion of rules-based international trade, and mutually beneficial trade agreements and partnerships in support of sustainable development. Trade policy should therefore play an integral part in the economic recovery from the COVID-19 pandemic, foster closer cooperation between trade partners on risk mitigation and recovery strategies, and support efforts by relevant international organisations (WTO, FAO, OECD etc.) to monitor and coordinate COVID-19 related policy measures.

Europe's food and drink industry is characterised by diversified food supply chains, which span across the continent and beyond, contributing to the industry's ability to deliver safe, high quality, value-added innovative products to consumers. The EU is the world's largest exporter of food and drinks and a major importer of agri-food products and ingredients, with products exported to nearly all countries around the globe generating a value of €120 billion in 2019.

The industry processes about 70% of the EU's agricultural output. At the same time, manufacturers rely on imports of some key ingredients from safe, secure and traceable supply chains that are not produced in the EU or at least not in sufficient quantities, and which play a complementary role in the production of many value-added products. Trade supports EU food and drink manufacturing jobs, businesses of all sizes (small, medium-sized and large), and many linked up- and downstream activities across supply chains. EU food and drink industry exports support about 1.6 million EU jobs and many more in agri-food activities outside the EU. One in ten EU food and drink companies export directly outside the EU, of which 90% are small and medium-sized enterprises (SMEs).² Many of the food and drink products exported are protected by geographical indications, which are not only a guarantee of quality but also support jobs and growth in rural areas. The success of these flagship European products, which support local communities, largely depends on smooth access to key markets around the world. Preserving this access is of critical importance to our sector and, in turn, to our ability to create jobs and growth in Europe.

Diversification is thus fundamental, both in terms of access to export markets and from a security of supply point of view, which includes imports of certain raw materials not traditionally produced within the EU. To ensure policy coherence, this aspect should be reflected in the future work of the EU's Farm to Fork strategy and any possible initiatives linked to the resilience of European food systems.

We reiterate the importance of resisting unjustified protectionism and "gastro-nationalism", both within the Single Market and with our trading partners, which jeopardises consumers' access to diverse and affordable food and drink products. We also emphasise the strengths of varied food system models, both short and long-chain, local and international.

² https://www.fooddrinkeurope.eu/uploads/publications_documents/FoodDrinkEurope_-_International_Trade_Matters_DIGITAL.pdf

Question 2: What initiatives should the EU take – alone or with other trading partners - to support businesses, including SMEs, to assess risks as well as solidifying and diversifying supply chains?

The EU should continue to pursue an ambitious trade agenda, building on the *Trade for All* strategy. Rules-based international trade and the EU's network of FTAs provide EU food and drink companies with significant opportunities to internationalise and diversify, as well as the necessary legal certainty and predictability to take effective trade and investment decisions.

While 'solidifying and diversifying' supply chains should essentially remain in companies own hands, we recommend that the EU involve trade partners and stakeholders in any future dialogue or initiative on critical supply chain issues. Similar to other policy areas, public-private sector collaboration could make a valuable contribution to better-informed policy making in this field and help raise companies' awareness about the impact and possible mitigation strategies to deal with crisis-induced supply chain disruptions.

For instance, the European Commission's *Farm to Fork Strategy*, which sets out the regulatory and non-regulatory measures to deliver more sustainable food systems, mentions the intention to develop a contingency plan to ensure food supply and food security in times of crisis. Building on our effective collaboration during the COVID-19 crisis, we look forward to working with the Commission and all partners in the food chain to strengthen our common preparedness against any future shocks. Here, we would like to stress that well-functioning international agri-food supply chains and the continuation of trade flows remain key for food security and the resilience of our sector. It is crucial to have the right infrastructure in place, such as digital tools at all levels of the supply chain including at ports and roads, in order to keep trade safely flowing during a pandemic. Lessons from the implementation of current measures, such as the 'green lanes', should also be identified, assessed, and used to improve future efforts to maintain a resilient food chain.

At the same time, the European Commission should carry on addressing protectionist tendencies, trade barriers, trade disputes and the rise of illicit trade, which all represent risks to EU jobs and growth. Continued efforts in this direction are furthermore expected to support a swift and successful economic recovery.

Question 3: How should the multilateral trade framework (WTO) be strengthened to ensure stability, predictability and a rules-based environment for fair and sustainable trade and investment?

FoodDrinkEurope is a strong supporter of the rules-based multilateral trading system and the WTO. The system provides the private sector, including Europe's food and drink industry, with the necessary legal certainty and stability to trade and invest internationally. For over two decades, the WTO has played a vital role in maintaining a predictable international rules-based trading system and has promoted an orderly development of global trade through the administration of binding rules and dispute resolution.

The international trade context has significantly shifted over time with the emergence of new global players, rising protectionist tendencies, and the proliferation of unilateral trade measures

and countermeasures. The WTO Appellate Body impasse³ is, furthermore, unprecedented and has brought the level of risk and uncertainty associated with unregulated trade to a new level.

In order to revive the rules-based trading system, we urgently call on the EU and other WTO members to agree on a way forward on WTO reform and to work towards key deliverables at the 12th WTO Ministerial Conference (MC12).

Top 3 priorities:

1. Agree on tangible outcomes on agriculture at MC12 (domestic support, applied tariffs, etc.)
2. Give increased attention to the regular work of the WTO and consider suggested improvements (transparency and accountability, functioning of committees, implementation of decisions and agreements, etc.)
3. Dispute settlement system reform

Moreover, considering the EU's imperative to incorporate Trade and Sustainable Development Chapters into its bilateral free trade agreements, we encourage the EU to consult WTO members on the possibility of negotiating a Trade and Sustainable Development Framework at WTO level. This would reflect the EU's environmental ambitions set out by the European Green Deal and create a level playing field for European producers.⁴

We particularly welcome the WTO's continued efforts to enhance transparency in COVID-19 related trade measures, provide timely information on relevant WTO notifications and estimates on the impact of the pandemic on exports and imports. We hope this will generate further visibility and reinvigorate support for the organisation as an essential institution and facilitator of global trade.

Question 4: How can we use our broad network of existing FTAs or new FTAs to improve market access for EU exporters and investors, and promote international regulatory cooperation – particularly in relation to digital and green technologies and standards in order to maximise their potential?

Market access could be improved in several ways:

- i) swift ratification of new FTAs, better implementation and enforcement of current and future FTAs
- ii) progressively update 'older generation' FTAs to enhance trade liberalisation, integrate more recent trade policy ambitions and governance structures
- iii) promote high food safety standards, cooperate on food regulatory issues, reduce burdensome customs procedures, improve protection of intellectual property rights (including GIs)
- iv) enhance the Market Access Strategy (MAAC and SPS MAWG) and structured dialogues between the Commission, Member States and industry to address barriers to trade in third countries, under the leadership of the EU Chief Trade Enforcement Officer
- v) develop the evidence-base of trade preference utilisation rates and solutions for improvement

³ https://www.wto.org/english/news_e/news19_e/gc_09dec19_e.htm

⁴ "Priorities for the multilateral trading system and the WTO", FoodDrinkEurope Position Paper, 6 March 2020

- vi) take a holistic view: if tariffs are removed, but EU food and drink exports continue to face behind the border barriers in third countries, European companies might not see a significant improvement in a given market

Moreover, we welcome the recent announcement of the EU's Chief Trade Enforcement Officer (CTEO) and support the continuation of a close dialogue between policy makers, industry and civil society (e.g. Civil Society Dialogues, Domestic Advisory Groups, Expert Group on EU Trade Agreements).

Question 5: With which partners and regions should the EU prioritise its engagement? In particular, how can we strengthen our trade and investment relationships with the neighbouring countries and Africa to our mutual benefit?

The EU should continue to deploy economic diplomacy to engage with both traditional and emerging partners and regions, essentially building partnerships with like-minded trade partners.

UK

The EU and the UK food and drink industry supply chains are deeply integrated. With the UK's withdrawal from the EU, the UK will become our largest food and drink industry trade partner in terms of exports and imports, ahead of the US and China. We strongly encourage both sides to conclude and ratify a comprehensive and ambitious zero-tariff, zero-quota FTA in time for the new relationship to take effect, as of 1 January 2021. Otherwise, our trade relationship and supply chains could face significant disruptions through tariffs, regulatory divergences, and customs controls. We welcome the EU's efforts to engage with stakeholders throughout the negotiating process, the publication of preparedness notices, and encourage the EU and Member States to provide continued support to the private sector in the transition towards the future EU-UK relationship.

US

In 2019, EU food and drink exports to the US exceeded €22 billion and the US remains a critical source of agricultural commodities and ingredients. Considering the recent tensions in EU-US relations, including the damaging US retaliatory tariffs on EU agri-food products as a result of the WTO Airbus dispute, we encourage both sides to focus on a positive trade agenda and issues of mutual interest that will improve our long-standing transatlantic trade relations, building on the agreement reached on 21 August 2020⁵.

China

In 2019, EU food and drink exports reached close to €14 billion, despite the absence of a bilateral trade agreement. EU exports are diversified and include, amongst others: meat products, dairy products, infant food, alcoholic and non-alcoholic drinks, olive oil, biscuits, chocolate, and confectionery. We welcome the recent Council decision to authorise the signature of the EU-China agreement on geographical indications (GIs)⁶, the first agreement of its kind between the EU and China, which will soon ensure the mutual protection of 100 GIs on the Chinese and EU market. Meanwhile, European operators have to deal with China's rapidly evolving food regulatory environment and import regulations with consequences for

⁵ https://ec.europa.eu/commission/presscorner/detail/en/statement_20_1512

⁶ <https://www.consilium.europa.eu/en/press/press-releases/2020/07/20/eu-china-council-authorises-signature-of-the-agreement-on-geographical-indications/>

supply chains. For this reason, we encourage close bilateral cooperation on regulatory issues, and via relevant international fora (e.g. WTO, Codex etc.), to promote alignment for the benefit of more stable and predictable trade relations.

Generally speaking, we would like the EU's efforts to concentrate on opening up high-growth markets and those where we see the most potential to improve market access and reduce barriers to trade for the European food and drink sector.

Other partners and regions of interest

- Russia
- Eastern Partnership countries
- Turkey
- India
- Australia, New Zealand
- Mercosur
- ASEAN (Indonesia, Thailand, Malaysia)
- GCC
- Africa

The EU and Africa are continental neighbours and major trade and investment partners. Two-way trade in agri-food reached €33.8 billion in 2019 and is largely complimentary. The EU exports mostly value-added manufactured products to Africa and mainly imports agricultural commodities from Africa (cocoa, fresh fruits and vegetables, coffee, tea, etc.). Besides the Economic Partnership Agreements (EPAs) between the EU and African regional blocks, there is room to expand this relationship and strengthen cooperation in support of sustainable development. For instance, EU exporters and producers report difficulties caused by regulatory fragmentation across Africa, burdensome customs and administrative procedures, as well as problems linked to illicit trade in certain markets (e.g. alcoholic beverage sector). At the same time, private sector investment which could help tackle some of Africa's structural challenges (e.g. agricultural productivity, growth and employment) remains constrained by a challenging business climate and significant investment risk. Hence, we welcome the EU and African Union's commitment to *a stronger partnership in agriculture, food and farming*⁷ and dialogue, where these and other important aspects can be addressed involving government representatives and stakeholders.

While trade agreements are helpful in addressing market access barriers and related costs, the European Commission should continue to address market access issues faced by European exporters even in countries where no such agreements are in place, and the recent appointment of the EU Chief Trade Enforcement Officer should help greatly in this respect.

Question 6: How can trade policy support the European renewed industrial policy?

We agree with the fact that trade policy should support the EU's industrial policy in building a more prosperous, resilient, and sustainable EU. Nonetheless, the objective of reinforcing

⁷ https://ec.europa.eu/info/news/africa-europe-alliance-political-declaration-stronger-partnership-agriculture-food-and-farming-2019-jun-21_en

Europe's industrial and strategic autonomy, highlighted in the EU industrial strategy and visible in many post-COVID policies, should not translate into less openness or protectionism.

International trade is key for the competitiveness of the European food and drink industry, and for jobs and growth. Industry relies on the EU to establish a favourable trade policy framework, which (a) improves access to third country markets, (b) facilitates security of supply of some raw materials and key ingredients not produced in the EU or not in sufficient quantities, and which play a complementary role in the production of many value-added products, and (c) promotes investments. Nonetheless, trade openness must go hand-in-hand with fair terms of competition and a level playing field for domestic EU producers. Policy coherence is essential to uphold the integrity of the Single Market and should be complemented by EU efforts to raise standards globally.

In November 2019, the Industry4Europe coalition, of which we are a part, issued its "A LONG-TERM STRATEGY FOR EUROPE'S INDUSTRIAL FUTURE FROM WORDS TO ACTION", which includes several recommendations on "Trade and International Market Access" (see weblink p. 24 - 26)

Question 7: What more can be done to help SMEs benefit from the opportunities of international trade and investment? Where do they have specific needs or particular challenges that could be addressed by trade and investment policy measures and support?

The European food and drink industry consists of 294,000 companies (99% SMEs).⁸ While more than 22,000 EU food and drink companies export directly outside the EU (91% SMEs)⁹, there remains significant untapped potential to boost the internationalisation of SMEs and hence the growth and employment impact of trade policy.

Studies suggest that an SME's decision to internationalise can lead to better performance in terms of profitability, productivity, innovation and growth. It is important for food and drink SMEs to benefit from the EU's strong international reputation for safe, high-quality and innovative products, not to mention the growing international demand.

At the same time, the financial and human resource constraints that many SMEs face are very real. Such constraints make it challenging to explore new markets and take advantage of overseas business opportunities. Access to finance, information and expertise on third country markets, geographical and cultural considerations, and complex import/export regulations are often limiting factors in SMEs' participation in international trade. Divergent product requirements and technical regulations may also result in burdensome trade barriers and higher market entry costs to which SMEs are particularly sensitive.¹⁰

We support policy makers' efforts to:

- enhance SME's access to third country markets (e.g. through coherence of rules of origins across FTAs; simplification of customs procedures)

⁸ Data & Trends of the European Food and Drink Industry 2019

https://www.fooddrinkeurope.eu/uploads/publications_documents/FoodDrinkEurope_-_Data_Trends_2019.pdf

⁹ https://www.fooddrinkeurope.eu/uploads/publications_documents/FoodDrinkEurope_-_International_Trade_Matters_DIGITAL.pdf

¹⁰ Priorities for a Policy Framework to Support SMEs

https://www.fooddrinkeurope.eu/uploads/publications_documents/SME_White_Paper.pdf

- include dedicated SME Chapters in EU FTAs, which reflect SME specific needs
- involve SME's in EU high-level trade missions and dialogues with partner countries
- facilitate SMEs' access to information in relation to regulatory requirements and market intelligence (e.g. EU Market Access Database to become Access2Markets; CHAFEA – Market Entry Handbooks; specific SME web portals; assistance provided by EU Delegations)
- ensure the market opportunities created by EU FTAs are supported by other complementary and supportive Commission initiatives such as the EU's promotion policy (involving SMEs in trade missions, promotion of the high quality and excellent food safety standards of EU products in third countries, facilitating market access)

Question 8: How can trade policy facilitate the transition to a greener, fairer and more responsible economy at home and abroad? How can trade policy further promote the UN Sustainable Development Goals (SDGs)? How should implementation and enforcement support these objectives?

Trade plays a crucial role in supporting the UN Sustainable Development Goals. EU exports to non-EU countries generate local growth and jobs in these countries too, for instance in distribution. Improving trading conditions for European companies fuels this virtuous cycle: a small but significant change such as the elimination of tariffs or non-tariff barriers can be a decisive step in encouraging companies to reinvest and grow their business at home and abroad. Trade in food and drinks can help support several SDGs, such as SDG 2 (Zero Hunger), SDG 3 (Good health & wellbeing), SDG 8 (Decent work and economic growth), SDG 9 (Industry, innovation & infrastructure), and SDG 12 (Responsible consumption and production).

Trade policy can indeed “*facilitate the transition to a greener, fairer and more responsible economy at home and abroad*”. We see here a number of concrete initiatives and opportunities:

- we support the EU's commitment to include Trade and Sustainable Development chapters in all EU Free Trade Agreements. Such chapters should serve as a means for trading partners to agree on shared sustainability principles (e.g. protection of biodiversity, climate change mitigation) and to achieve progress in a collaborative manner, through dialogue and cooperation. The EU's development policy could further support the process by considering partner countries' needs for technical assistance and capacity-building, notably in areas of relevance to a common sustainability agenda. We also encourage the EU to consult WTO members on the possibility of negotiating a Trade and Sustainable Development Framework at WTO level.
- considering the global dimension of trade and sustainable development, we see potential to strengthen cooperation between international organisations such as the WTO, relevant United Nations' bodies and stakeholders, including the private sector
- the possibility to align the EU's GSP trade preference scheme with current environmental ambitions

All these efforts should reflect the EU's sustainability ambitions, as laid out by the European Green Deal, and should support the global transition towards more resilient and sustainable food systems, in line with the SDGs. At the same time, EU policies on sustainability must avoid diminishing the competitiveness of EU industry vis à vis importing countries and the disruption

of global supply chains since food manufacturers rely on imports of some key ingredients that are not produced in the EU or at least not in sufficient quantities.

In relation to the implementation and enforcement of sustainable development objectives, which now fall under the remit of the EU CTEO, we support the EU's commitment for 'a more assertive partnership on TSD'. The EU and its trading partners should make best use of existing monitoring and implementation mechanisms and, if necessary, consider future improvements to the functioning of Domestic Advisory Groups and involvement of stakeholders, on how to deal with non-compliance issues, and strengthen the cooperation with international organisations. At the same time, we caution any attempts to turn EU FTAs into a quick fix for a complex issue such as sustainable development, which relies on a broader set of policy measures.

Question 9: How can trade policy help to foster more responsible business conduct? What role should trade policy play in promoting transparent, responsible and sustainable supply chains?

EU TSD Chapters should continue to foster more responsible business conduct, as well as encourage closer collaboration and dialogue between trade partners and stakeholders on specific supply chain issues.

As mentioned in the "FoodDrinkEurope Recommendations on the implementation of the EU 2030 Biodiversity strategy"¹¹:

We share the Commission's objectives to minimise the EU's contribution to deforestation and forest degradation worldwide and to promote the consumption of products from deforestation-free supply chains in the EU. The EU should leverage its trade policy and diplomacy efforts to establish and encourage measures aiming to tackle deforestation of rainforests in producer countries.¹² EU trade policy should help promote forest-friendly imports and foster long-term partnerships between the EU and producer countries at both government and business level. It should aim to create an enabling environment for more sustainable value chains that reach into the EU market.

The European food and drink industry subscribes to the highest standards of environmental and social sustainability throughout the entire value chain, including human and labour rights and animal health and welfare. We support ongoing political initiatives to explore human rights and environmental due diligence requirements amongst all actors and as part of a smart mix of actions to promote more sustainable and responsible business practices. By conducting due diligence, businesses can assess their impacts on human rights and the environment, address the most relevant ones and report in a transparent manner. Due diligence should apply to all actors in the supply chain to level the playing field and be very clear on the issues that it covers to ensure proper implementation and avoid unintended consequences.

¹¹ https://www.fooddrinkeurope.eu/uploads/publications_documents/FoodDrinkEurope_recommendations_on_the_implementation_of_the_EU_Biodiversity_Strategy_2030.pdf

¹² "We believe it is important to build upon existing EU instruments, such as Forest Law Enforcement, Governance and Trade Action Plan (FLEGT) including its voluntary partnership agreements (VPA), and the EU Timber

In this context, we reiterate¹³ our call for the establishment of an EU-wide harmonised framework on sustainable corporate governance that encourages all actors of the food value chain to adopt due diligence practices in particular for human rights and environment. Such framework should aim to enhance economic operators' awareness in these areas and promote collaborative, impactful and effective actions on the ground.

Question 10: How can digital trade rules benefit EU businesses, including SMEs? How could the digital transition, within the EU but also in developing country trade partners, be supported by trade policy, in particular when it comes to key digital technologies and major developments (e.g. block chain, artificial intelligence, big data flows)?

The digital transition can support trade in several ways:

- i) by making it easier for companies to reach new markets and consumers, through the greater use of e-commerce. E-commerce is still not widely used in every market for every product, which reduces opportunities for EU companies at a time when digital sales channels are more important than ever against the backdrop of a global pandemic and widespread lockdown measures
- ii) by cutting red tape for industry and governments alike, through a more widespread uptake of digital documents and processes for customs and, in a more distant future, regulatory issues
- iii) by avoiding barriers to trade that would reduce the efficiencies gained from technologies such as blockchain

Aside from cutting costs and red tape for all involved, the greater use of e-customs and e-formalities, as well as automatic online payment, can play a significant role in the fight against illicit trade and corruption.

Question 12: In addition to existing instruments, such as trade defence, how should the EU address coercive, distortive and unfair trading practices by third countries? Should existing instruments be further improved or additional instruments be considered?

Any trade defence instruments should be developed in close consultation with European stakeholders, not least as part of the process of development of a product list subject to retaliation tariffs. Whilst we acknowledge that the EU needs to react in a swift manner to be effective, this should not be at the expense of meaningful consultation with the European industry who may suffer the consequences. Allowing more time for a written consultation, followed by a public hearing, would allow the European Commission to better take into account the impact of proposed retaliation measures on affected sectors and to give a stronger voice to stakeholders in this process.

¹³ Regulation (EUTR), through bolstering their implementation at national level." See [FoodDrinkEurope contribution paper on forest protection & restoration](#)