



## PFP REPLY TO COMMISSION PUBLIC CONSULTATION ON “FUTURE TRADE POLICY”

28.7.2010

### **2. Given the importance of boosting growth, creating more jobs and ensuring a more resource efficient and greener economy, how can EU trade policy help? What should the new trade priorities be in the light of the Europe 2020 Strategy?**

#### **A.**

- *The Lisbon Treaty considers EU trade policy as an integral part of the Union's overall external action. In this context it must contribute to the different EU policies, such as the development, environmental, social ones as well respect the objectives of Common Agriculture Policy (CAP) set out in the Treaty on the European Union. The objectives of the CAP confirmed in the Lisbon Treaty (article 39) should be given high value in the future of EU Trade policy in the context of the Europe 2020 strategy.*
- *The EU Council conclusions of 17 June on “A new strategy for jobs and growth- Finalising and implementing the Europe 2020 Strategy” refer to the agriculture sector underlining that “A sustainable, productive and competitive agricultural sector will make an important contribution to the new strategy”.*

*Primary Food Processors ([www.pfp-eu.org](http://www.pfp-eu.org)) represent the first-processing sectors of agricultural raw materials. Industries in these sectors transform agricultural raw materials into vital ingredients to be sold to the second transformation sectors in food, feed and non-food applications.*

*Annually, the Primary Food Processors use some 220 million tonnes of agricultural raw materials of cereals, sugar beet, oilseeds, vegetable oils, starch potatoes etc. and employ over 120 000 people in Europe.*

*Primary Food Processors Primary Food Processors is composed of five trade associations (AAF, CEFS, FEDIOL, European Flour Millers, EUVEPRO) representing manufacturers of flour, starch, sugar, vegetable protein, vegetable oil and protein meal products.*

In this respect the priorities of the Primary Food Processors are:

1. *Sustainable raw materials availability and supply is the main concern of PFP members, who must secure constant and regular access to quality and safe raw materials in sufficient quantities. High-quality and safe raw materials are essential for achieving high-quality end products and European primary food processors are keen to use EU raw materials whenever possible - the vegetable oils sector in particular has a structural need for imports of raw materials from third countries however.*
2. *Ensuring consistency between the objectives of the various EU policies, in particular regarding internal and external matters taking into consideration the agricultural policy reforms and the consequences on employment. This is particularly relevant for the relationship between the CAP and the EU's agendas on trade, development, the*

*environment and climate change. Coherence should be respected also in multilateral and bilateral negotiations.*

3. *The implementation of a true level playing field and the eradication of distortive trade practices.*

**3. In addition to continuing to push for a successful conclusion to the Doha Round, how can the EU best pursue overall EU trade policy objectives in the WTO?**

**A.**

- *PFP members favour multilateralism over the myriad of bilateral agreements which are currently being negotiated with all parts of the world. In this respect, significant concessions have been granted to our multilateral partners already.*
- *Issues such as Differential Export Taxes are a systemic problem and should ideally be dealt with in the framework of multilateral trade negotiations. In the absence of an agreement at WTO level however, it is essential that the EU, which has repeatedly voiced its opposition to Differential Export Taxes, works to eliminate this practice on a bilateral level.*

**4. Do our current FTA negotiations provide the right geographic and substantive focus for our bilateral trade relationships in the context of the Europe 2020 strategy?**

**A.**

- *The EU has engaged in negotiations with a number of countries of the world particularly in the very recent period. Agreements with Peru/Colombia and Central America have just been concluded with concessions on agriculture.*
- *The EU should evaluate the implementation and assessment of the bilateral trade agreements concluded before engaging in new ones.*
- *Our industries see with very much concern the EU decision of resuming Mercosur negotiations which represent a major challenge and could have important harmful consequences on the competitiveness and sustainability of PFP sectors and on employment.*

**7. How can the EU, and in particular trade policy, help to secure a reliable and sustainable supply of raw materials by third countries?**

**A.**

- *Sustainable raw materials availability and supply is the main concern of PFP members. Currently, our industries are mainly supplied with European agricultural raw materials and many rely on the local availability of the agricultural raw materials they process. However, over time and after substantial EU agricultural reforms initiated in the 90's, the EU has increased its imports of raw material from third countries and is no longer self-sufficient for a range of commodities (sugar, oilseeds for example). Whereas the EU sugar and flour milling sectors supply approximately 80% of EU food needs with domestic production, in the EU Oilseed sector the figure amounts to 63% and depends on non EU countries for 37% of its supply. In case of shortages of agriculture raw materials (maize for example), access to imports is vital for certain EU areas, regions or countries.*

**10. How can trade policy best support green and inclusive growth around the globe including through Sustainability Impact Assessments?**

**A.**

- *Generally speaking, environmental constraints are not as stringent in other world countries. For example many PFP companies are covered by the Emission Trading Scheme Directive. The Emission Trading Scheme aims at reducing greenhouse gas emissions generated by industrial sectors drastically over the next decade. Primary Food Processors companies will incur significant costs in paying for greenhouse emissions from 2013 onwards creating a real risk of carbon leakage, i.e. the relocation of polluting activities to third countries where environmental constraints are not as stringent. Ultimately, this will affect the primary food processing industry and also impact on the development of rural areas since many PFP companies - even entire sectors, such as the sugar beet processing sector and the starch industry- have established their processing units in rural areas, near the agricultural raw material. While saving transport fuel emissions and contributing to the economic development of rural areas, those factories often face the typical infrastructure shortcomings of those areas. The Commission used the concepts of Gross Value Added in relation to the CO<sub>2</sub>-cost and that of trade intensity in assessing the risk of carbon leakage and identified most of the activities of the Primary Food Processors as being at risk. Trade policies leading to increasing the trade intensity of the related products may therefore increase the risk of carbon leakage of the Primary Food Processors factories.*
- *Detailed impact assessment are necessary and must be available to concerned stakeholders before any exchange of offers both in bilateral and multilateral negotiations takes place. The EU Commission should provide a detailed analysis of the social, economic and environmental impacts on the anticipated outcome of the negotiations (see reply to question 19).*

**11. Given the forthcoming revision of the Common Agricultural Policy and the continuing need to foster a sustainable agricultural sector in Europe, how should EU trade policy develop in this area consistently with the overall objectives of the Lisbon Treaty**

**A.** *The Common Agriculture Policy should be given high consideration in the future trade policy(see reply to question 2).*

*Among the priorities indicated by PFP for the CAP we can underline:*

- *A level playing field. When supplying the EU market, regardless of the origin of the raw material, EU competitors and the EU first processing industry should be on a level playing field. Competitiveness and sustainability are linked. Sustainability within the EU requires meeting very strict standards socially, environmentally and economically.*
- *EU supply management and safety nets. PFP believes that appropriate supply management systems are needed. Safety nets should be maintained to deal with increasingly unpredictable and volatile EU market conditions.*
- *The EU should consider how best to contribute to stabilising markets and avoiding extreme price volatility.*
- *EU Market balance. Depending on the net balance of each market- be it in structural deficit or in time of crisis- it is essential to maintain an imports management policy which enables the EU to achieve its objectives for food security and sustainability, as well as accommodating the balance of past EU reforms outcome. In conjunction with other trading blocs, the EU should pursue a*

*responsible imports policy in the WTO negotiations, including a sustainable level of import tariffs and adequate protection against extreme volatility.*

**14. How can the EU best strengthen the issue of trade and development in its trade policy? Should the EU pursue a more differentiated approach in its trade relations to reflect the level of development of particular partners? How should the EU approach the issue of trade preferences in relation to the generally low level of EU Most Favoured Nation (MFN) tariffs, which will further be eroded following the possible conclusion of the Doha Round?**

*The EU already largely contributes to development policy through a number of policy choices which have made the EU the first importer of the world from developing countries.*

*The Everything But Arms (EBA) arrangement, provides Duty-Free, Quota-Free access for all products for the 49 Least Developed Countries (LDCs). In this context we note that other trade partners such as the US have not taken this decision. With the Economic Partnership Agreements, ACP countries have the same duty free quota free access to all products.*

*ACP/LDCs countries have longstanding preferences on the EU Market. DDA negotiations should maintain these preferences.*

*Additionally, a distinction among developing countries is necessary.*

**19. What more should the Commission do to ensure that trade policy becomes more transparent and to ensure that a wide variety of views and opinions is heard in the policy-making process?**

*The DG Trade's Civil Society meetings and the meetings organised with stakeholders by Commission services are very helpful. Given the particularity of trade negotiations the terms of the negotiating offers are not made public to the concerned stakeholders. The offers in trade negotiations from both EU and counterparts should be made available to the concerned EU sectors who ask for it. This would enable them to assess the impact on a given sector of the EU offer and policy choice. Additionally, with the aim to improve the method of negotiating technical follow up should be done by Commission with MS and stakeholders in all steps of negotiations: more comprehensive impact assessments, different studies at different stages and particularly after the agreement is reached to assess the consequences on a sector.*

The Primary Food Processors of the EU (PFP) is composed by:

**European Starch Industry Association (AAF)**  
**European Committee of sugar manufacturers (CEFS)**  
**European Flour milling association (The European flour millers)**  
**European Vegetable Protein Federation (EUVEPRO)**  
**European Oil and Proteinmeal Industry (FEDIOL)**

PFP members process approximately 220 Mio tons of raw materials (cereals, sugar beet, rapeseeds, soybeans, sunflower seeds, crude vegetable oil, starch potatoes...) employing over 120 000 people in the European Union.

[www.pfp-eu.org](http://www.pfp-eu.org)