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- EU-UK Trade Negotiations
- Coronavirus: Seasonal Workers & Borders
- EU-US Trade Dispute
- EU Trade Deal & Enforcement
- EU-China Relations
- Agricultural Outlook 2020-2029
- EU Long-Term Budget & Recovery Fund
- German Priorities for the EU

**EU-UK Trade Negotiations**

As agreed by Prime Minister Johnson and the Presidents of the European Institutions during their High-Level Meeting last month, the EU and the UK have intensified negotiations during the month of July. Two full rounds of negotiations, together with shorter rounds – covering only a restricted number of topics – and additional informal talks took place alternatively in Brussels and London, as the meetings were in person for the first time since the coronavirus outbreak. While the objective of reaching an early understanding by the end of July has not been met, both parties had shown some flexibility in some particularly contentious areas. However, positions remain far apart in the issue of fisheries and level playing field. In addition, both sides have had “useful” discussion in the area of transport, with the EU tabling an additional legal text on road transport, including provision covering the transport of goods by road haulage. Discussions will continue during the months of August and September, with the aim of having a deal at the latest by the 31 October. At the same time, the EU is asking stakeholders to get prepared for the changes that will take place on 1 January 2021 regardless of the outcome of the trade negotiations. To that aim, they have published a Communication on readiness at the end of the transition period which sets out an overview of the main areas where there will be changes.

**Coronavirus: Seasonal Workers & Borders**

The European Commission has issued guidelines to ensure the protection of seasonal workers in the EU in the context of the coronavirus pandemic to guide actions to guarantee the rights, health and safety of seasonal workers. While the EC monitors the situation, the responsibility for application of the rules belongs to national authorities, so these guidelines call on Member States to take all necessary measures to ensure the right of seasonal workers to work in the EU regardless of whether they are EU nationals or not; to suitable living and working conditions, and to clear communication to workers of their rights. The guidelines also cover social security aspects and a call to Member States to address undeclared work. The EU, for its part, has also planned a series of actions including studies to better understand the challenges and an awareness-raising campaign targeting sectors more exposed to seasonal work. The EU has also updated its recommendations on the list of countries for which travel restrictions should be lifted. However, implementation of these recommendations continues to vary greatly among different Member States. The latest state of play of restrictions in each country can be consulted in the Re-open EU website. The OECD has also developed a tool to track the policies countries are putting in place in response to the pandemic.

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## EU-US Trade Dispute

In an attempt to end the EU-US trade dispute on the Airbus case, the governments of France and Spain have agreed with Airbus to remove the subsidies that had been deemed illegal by the WTO, hence removing any grounds for the US to maintain its countermeasures on EU exports, which include punitive tariffs in products such as British pork. The EU has welcomed this latest development and has insisted that the US lifts the now unjustified tariffs immediately. However, the US have argued this announcement cannot be taken “seriously” given that the EU has not provided any details of these supposed amendments to the WTO or the US, nor has it addressed the remaining six WTO-inconsistent launch aid measures. While the EU is strongly committed to a negotiated solution for this long-running dispute, the EU’s Trade Commissioner Phil Hogan also said that in the absence of a settlement, the EU would be ready to fully avail itself of its own sanctions, as the WTO is expected to issue a decision in a parallel case of the EU against the US on certain unlawful subsidies to Boeing soon.

## EU Trade Deal & Enforcement

The EU-Vietnam trade agreement has entered into force on the 1 August 2020, meaning the EU has now trade agreements in place with 77 countries around the world. This new agreement means a progressive but complete elimination of tariffs on 99% of goods, including agri-food products such as fresh pork and offal, frozen pork, beef and lamb, dairy products, wheat and malt. In order to make sure this and other trade agreements signed by the EU are properly implemented and enforced so European SMEs can get maximum value from EU trade deals, the European Commission has just appointed the first Chief Trade Enforcement Officer, Mr Denis Redonnet. He will monitor and improve the compliance of trade deals and will report regularly on the state of play to keep the European parliament and the Council abreast of all developments.

## EU-China Relations

The Council of the EU has adopted decision to authorise the signature of an agreement between China and the EU to ensure that 100 EU agri-food Geographical Indications (GIs) get protection on the Chinese market. It also grants protection to 100 Chinese products in the EU. Once signed, it will be for the European Parliament to give its consent so the agreement can subsequently enter into force. Four years after its entry into force, the scope of the agreement will expand to cover an additional 175 GIs from both sides. This is the first significant bilateral trade agreement signed between the EU and China. In addition, both parties met earlier this month for their 8th High-Level Trade and Economic Dialogue, which focused mainly on the response to coronavirus and the global economic governance issues, but also covered some bilateral trade concerns, with the EU recalling its request to China to authorise Member States’ exports of agricultural products currently awaiting export authorisation, with specific mention to the beef and poultry sector. The EU has also outlined its concerns about new restrictions introduced on food exports on the ground of controlling the pandemic that “has led to an increased number of unjustified inspections, controls and request for certificates”.

## Agricultural Outlook 2020-2029

The OECD and FAO have published their joint Agricultural Outlook report providing an assessment of the ten-year prospects for agricultural commodity markets at global levels. According to this Outlook, over the coming decade, the relative importance of food, feed and biofuel use will not change significantly and the expanding global population will remain the main growth factor, although the consumption profiles and projected trends vary depending on the development status of individual countries. Per-capita food expenditure expands globally but falls as a share of income. By far the highest growth rate is projected for fats at 9% over the coming decade. The share of

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staples in the food basket is projected to decline by 2029, especially in middle-income countries where consumers are expected to use their additional income to transform their diets from staples to higher value products. Environmental and health concerns in high-income countries are expected to support a transition from animal-based protein towards alternative sources, as well as a substitution away from red meat, notably beef, towards poultry and fish. The report also includes an initial scenario simulation to examine the immediate implication of the pandemic for global agricultural markets, illustrating how it could create a historically significant market shock. Looking specifically to Europe, the EC has also published a short-term outlook presenting a more detailed overview of the latest trends and further prospects for each agri-food sector in 2020/2021.

#### EU Long-Term Budget & Recovery Fund

The EU Heads of State and Government reached an agreement on a €1,074 billion EU long-term budget for the period 2021-2027, together with a €750 billion Covid-19 Recovery Fund to tackle the fallout of the pandemic. The Recovery Fund will comprise €390 billion for non-payable grants and €360 on repayable loans. The deal was reached after a ninety-hour long summit, one of the longest-lasting summits in the European Council history, which gives an idea of the difficulty of these negotiations where the EU agreed for the first time to issue debt to fund the stimulus package. As regards the CAP, the agreed budget amounts to a total of €343.95 billion (in 2018 constant euros), with €258.594 billion for the 1st Pillar, and €77.85 billion for the 2nd Pillar. Although some additional €7.5 billion will be added to the 2nd Pillar under the Recovery budget, the total budget, expressed in 2018 constant euros, is down by 10%, according to Farm Europe figures. However, if expressed in current euros, and assuming inflation at 2%/year, the CAP 2021-2027 budget is broadly stable compared to the previous period (2014-2020). The EU budget also includes a new special €5 billion Brexit Adjustment Reserve to counter unforeseen and adverse consequences in Member States and sectors worst affected. The next step now is for the European Parliament to vote on the agreement, probably in September. While it is very likely to pass, the Members of the European Parliament will probably ask for some concessions.

#### German Priorities for the EU

Germany has taken over the rotating presidency of the Council of the EU at the beginning of July, with the measures to overcome the COVID-19 pandemic unsurprisingly placed at the centre of their efforts. During the next six months (the Council's presidency changes every semester) Germany will lead the work of the Council and their priorities will strongly focus on reaching a swift agreement on the recovery fund and the EU's budget 2021-2027. Climate protection, through the European Green Deal, and economic and social digitalisation are other key areas where the Germans are hoping to achieve significant progress. The EU-UK relationship occupies an outstanding place among their geostrategic priorities, with Germany looking at playing "an active role" to ensure a successful outcome of the ongoing negotiations. Relations with China and Africa will also be on top of the presidency's agenda. In terms of agriculture, the presidency will aim at reaching a general approach on the future (and greener) Common Agricultural Policy by October, and we can also expect to see particular attention being paid to the Farm to Fork Strategy, and to standardized EU-wide animal welfare and food nutrition labelling during the next six months.