



**NAT/792**

**Introduction of safeguard measures for agricultural products in trade agreements**

## **OPINION**

European Economic and Social Committee

**Introduction of safeguard measures for agricultural products in trade agreements**

(own-initiative opinion)

Rapporteur: **Arnold Puech d'Alissac (FR-I)**

Plenary Assembly decision	20/02/2020
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Section responsible	Agriculture, Rural Development and the Environment
Adopted in section	29/06/2020
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Outcome of vote (for/against/abstentions)	204/2/3

## 1. **Conclusions and recommendations**

1.1 Enhanced international cooperation is a prerequisite for effective safeguard clauses.

1.1.1 The EESC stresses that the food supply for the global population will continue to be a major challenge until at least 2050. In order to feed nine to ten billion people, we will need all the farmers in the world. The FAO estimates that global production will need to increase by 70% between 2007 and 2050. It is therefore necessary to protect the production capacity of each country by promoting agricultural and trade policies adapted for this purpose, while guaranteeing international trade that can cope both with production fluctuations and with the perennial shortcomings of certain geographical areas.

1.1.2 The EESC feels that it is essential to harmonise production standards to avoid distortions of competition and to enable each country to produce staple foods.

1.2 Market transparency must still be improved.

1.2.1 Launched in 2011 by the G20 Agriculture Ministers' meeting, the AMIS (Agricultural Market Information System) initiative, which brings together the main global producers and importers of cereal crops and oilseeds, makes it possible to understand the actual situation of the markets and is also a forum for dialogue and coordination between government officials in times of considerable volatility on agricultural markets. This initiative has proven to be valuable, but needs to be developed further in terms of the number of participating countries and its scope to also cover other products traded on world markets.

1.3 The WTO's agricultural safeguard clauses, both the general clauses and those in bilateral agreements, must be improved according to various criteria, which the EESC lists in this opinion. The aim is to ensure fair competition and the sustainability of European agri-food sectors, guaranteeing food sovereignty for everyone – producers and consumers alike. The COVID-19 pandemic has shone a light on the need for food sovereignty.

1.3.1 A rapid response

The current clauses are ineffective because the time needed to implement them is too long. However, thanks to the digitalisation of the economy, data can be available within a few hours. Volumes and prices can now be monitored effectively, allowing for a rapid response.

1.3.2 An automatic response

Trade flows can be regulated easily with a solid knowledge of trade. Coordinated implementation by exporters and importers could be done automatically as soon as a 10% increase in trade volume is recorded for a set period, for example, one year. If the increase is justified on the basis of an unforeseen event which has led to lower production, the clause would not be activated. On the other hand, if the increase is not justified, an additional customs duty would be applied to limit this increase.

1.3.3 A proportionate response

Depending on the nature and origin of the increase in trade flows, the response must be proportionate so as to reduce this increase or ensure effective suspension of destabilising flows for the sectors affected.

#### 1.3.4 A comprehensive response

All import flows must be taken into account, regardless of their status and without prior notification. It is precisely for sensitive products that reduced rate quotas are granted in free trade agreements (FTA), and these are the sectors that are most rapidly destabilised. They must therefore also be subject to the safeguard clauses.

#### 1.3.5 Mirror measures

The introduction of mirror measures in EU rules on imports should, on the one hand, ensure the same protection for consumers regardless of the origin of the products and, on the other hand, limit economic distortions for European operators.

#### 1.3.6 Taking the implementation of the Paris Agreement into account

Commitments to reducing greenhouse gas emissions are a major international challenge. If some countries do not respect them, they should not benefit from them in terms of trade. A carbon border adjustment mechanism should be put in place in the agri-food sector. Due to its complexity, and pending its approval, safeguard clauses specific to the Paris Agreement should be obtained from the WTO and included in all free trade agreements negotiated by the European Commission.

#### 1.3.7 Taking Sustainable Development Goals into account

As in the case of the Paris Agreement, safeguard clauses must be obtained from the WTO and included in all agreements signed by the European Union.

## 2. **Concept and history of safeguard clauses**

### 2.1 The WTO provides for specific clauses for the agricultural sector, but limits their use.

2.1.1 Safeguard measures are defined as "emergency measures" relating to the increase of imports of specific products, where such imports cause or threaten to cause serious damage to the domestic industry of the importing country. These measures, which broadly take the form of suspension of concessions or obligations, may consist of applying quantitative restrictions on imports or increasing customs duties on imports.

2.1.2 In agriculture, the application of higher safeguard tariffs can be triggered automatically when the volume of imports exceeds a certain level or prices fall below a certain level, without having to demonstrate that serious damage has been caused to national industry.

2.1.3 However, the special safeguard clause for agriculture can only be invoked for products for which rates have been fixed and on the condition that the government has reserved the right to do so in its schedule of commitments relating to agriculture. In addition, it cannot be invoked for imports that fall under tariff quotas.

### 2.2 Bilateral free trade agreements make it possible to go further.

2.2.1 FTAs must cover the bulk of trade flows and they need to foster the liberalisation of trade between signatory countries without creating barriers to trade with the rest of the world. In view

of the difficulties of the multilateral negotiation process with the WTO, many FTAs have been negotiated in recent years.

2.2.2 The European Union promotes this option to provide an impetus for trade liberalisation and move forward on issues where an agreement has not been reached, such as the sustainable development chapters. However, the latest agreements have revealed the limitations of this system and the difficulties in having a common approach or taking other international agreements such as the Paris Agreement into account.

2.3 International agri-food trade is still essential.

2.3.1 The quest for food self-sufficiency faces many obstacles, starting with demographic expansion, which often makes it essential to use imports. Trade therefore makes a crucial contribution to global food security. The challenge for countries is to find the right balance between development of their own agricultural production and openness to trade. However, it is also necessary to ensure, where possible and under conditions that do not unduly distort competition, that their agriculture is able to meet international demand and export food to countries that are unable to produce enough to meet their needs.

2.3.2 A prospective study by the National Research Institute for Agriculture, Food and Environment shows that by 2050 the concentration of global agricultural exports could increase even further. This would mainly benefit a small number of countries or regions where climate change would have a positive impact on agriculture and could thus increase the amount of land cultivated, as well as crop yields.

2.4 Agricultural trade is not used for good in diplomacy. The agricultural sector is the victim of unrelated political negotiations: whether it is the conflict between China and America, between Boeing and Airbus or in the final phase of trade negotiations, the agricultural sector is regularly subject to retaliatory measures and bargaining in negotiations.

### 3. **Shortcomings in the current safeguard clauses**

3.1 The safeguard procedures are too long and cumbersome.

3.1.1 Implementation of safeguard clauses has been long and cumbersome in the past, thus rendering them inefficient. If the European Union is one of the members of the WTO that has reserved the right to invoke this clause on many projects, it almost never applies them in practice. Thus, in the case of "mishandling" by Brazil of frozen-brined chicken (if it is brined, it does not have to be frozen), the lower customs duty applied allowed for very significant increases in the import of poultry meat between 1996 and 2001, without the safeguard clauses being applied.

3.2 The current procedures do not guarantee fair competition.

3.2.1 The competitive advantage of third country producers which are not required to comply strictly with European standards is significant. Thus, in the last agreement signed with Canada, the Canadian producers had the possibility to apply a quarantine for phytosanitary products banned in the EU, such as atrazine, which significantly reduces their production cost. Countries in

North and South America use genetically modified seeds authorised for marketing in the EU but not for production, particularly for vegetable proteins such as soya.

- 3.2.2 The consequence of these shortcomings is an increase in imports of agricultural products, particularly raw agricultural goods. This can call Europe's food sovereignty into question. According to the latest publication from the European Commission, *Agri-food trade statistical factsheet*<sup>1</sup>, the EU's trade balance deficit for raw agricultural goods in 2019 exceeded EUR 20 billion.
- 3.3 These shortcomings also negatively affect consumers. The lack of regulation leads to excessive price volatility, which has increased in recent years. Speculation on agricultural markets further increases this volatility, making access to food difficult for many low-income consumers. Furthermore, destabilisation of the supply chain leads to a reduction in production capacity, which makes supply less secure for consumers.
- 3.4 COVID-19 has tragically highlighted that agricultural trade is necessary and food sovereignty is essential. In terms of international trade, the European Union must therefore equip itself to increase its resilience towards economic shocks in order to restore confidence, stability and shared prosperity for all Europeans.

Brussels, 15 July 2020

Luca Jahier

The president of the European Economic and Social Committee

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<sup>1</sup> [European Commission: Agri-food trade statistical factsheet.](#)