

USDBC Monthly Report

Europe, Middle East and North Africa June 2020

Upcoming Event Update: Includes month, date, title and updated brief description of 2020 market development activities.

- August 2020 - Webinar with Heinz.
 - COVID-19 procurement implications.
 - UK government consultation on 25% tariff.
- Ongoing – Reprogramming of 2020 UES
 - Rollout of Legumechef marketing campaign in selected Northern European markets.
 - Legumechef is an existing marketing campaign aimed at professional chefs and consumers in Italy, Spain, Portugal and Greece.
 - Market research programme to assess consumption and demand expectations in selected EU markets.

Market/Production/Competitive/Trade Policy Developments:

EU – US: Members of the European Parliament (EP) [overwhelmingly backed](#) a proposal on 6 July to allow the EU to retaliate more quickly in trade disputes, with a clear eye on the tariffs imposed by US President Donald Trump. The proposal could be watered down after negotiations with EU governments, but clearly signals a willingness in Brussels to get tougher on trade. The European Commission’s proposal to revise the EU’s Trade Enforcement Regulation is designed to allow the EU to take unilateral counter measures if another country imposes illegal trade measures and then blocks settlement of the dispute. Under the lawmakers’ proposal, the EU would be able to retaliate even before an initial WTO panel ruling, earlier than envisaged in the initial European Commission proposal.

Trade negotiations with the US have [yet again stalled](#) over the inclusion of agriculture, due to EU concerns over the safety standards of U.S. food products. US Trade Representative, Robert Lighthizer, however, has accused the Europeans of “thinly veiled protectionism” and has vowed that there would be no compromise regarding US agricultural exports. Meanwhile, the Airbus-Boeing dispute continues, with the US threatening [new tariffs on EU goods](#) such as beer, chocolate and olives. The US Trade Representative said it was considering duties on 30 products worth \$3.1bn (£2.5bn) in trade every year. It has already put 15% to 25% tariffs on \$7.5bn worth of other EU goods as part of the dispute. The US said pastry and cakes, gin, cashmere clothes and hardware products could all be in the firing line for new tariffs, affecting exporters across the continent.

Lastly, the EU has decided push ahead with a [digital tax](#), despite US resistance and threats, with the European Commission planning to put forward a proposal for a digital tax, before the end of 2020, if international efforts at the OECD fail.

This comes after the US withdrew from the OECD-led efforts to agree on a new tax on digital services. Washington has threatened retaliatory action against those countries that impose a digital tax, described by the U.S. Administration as "discriminatory", but many European countries remain determined to push ahead, including France, Italy, Spain, and the UK.

Grayling view: The EU/US trade relationship continues to deteriorate at the political level, and the EU is increasingly showing its willingness to flex its trade defence muscles. The divergence of the two partners across policy sectors, in addition to the US's continued withdrawal from the multilateral order, indicates systemic differences between the two, complicating efforts to reach an agreement on any topic.

Grayling recommendation: As always, the USDBC should continue to push for more positive EU/US trade relations whenever possible, although the increasing tensions makes a reconsideration to exclude dry beans from the 25% counter measures more difficult.

US – UK: UK Trade Minister Elizabeth Truss stated that the UK has [no deadline](#) to strike a trade deal with the U.S., and simultaneously criticised the U.S. administration for talking a good game on free trade while restricting import access. Truss cited U.S. tariffs on British steel, the threat of further tariffs on cars, U.S.-centric procurement schemes which restrict access to government contracts, and a U.S. ban on lamb exports. She made it clear that there would be no deal with the U.S., unless all these points are dealt with, saying that "No deal is better than a bad deal."

The chance of quickly clinching a deal has been dealt a further blow, as the UK Department for International Trade (DIT) has bowed to pressure from the National Farmers' Union (NFU), NGOs, and rebellious Conservative MPs to set up an [independent commission](#) to advise on post-Brexit agriculture trade policy. Although its opinions are only advisory, the independent commission aims to ensure UK farmers do not face unfair competition and that their high animal welfare and production standards are not undermined. There is also resistance from within the government, with George Eustice, secretary of state at the Department for the Environment, Food and Rural Affairs (DEFRA), taking the side of UK farmers, with the Prime Minister apparently also lending his support to DEFRA.

Two rounds of negotiations have taken place, with the third set to take place at the end of July.

Grayling view: The fact that the UK is now stressing that they will not rush into a deal with the U.S., having in the past talked up the possibility of a speedy conclusion, may indicate a dawning on the UK's side that its pulls less weight in the negotiations and will have to make difficult political decisions in order to achieve a deal, most notably on agriculture.

Grayling recommendation: As dry beans will face a 0% tariff under the UK's future Global Tariff regime difficulties in the EU/US negotiations on a trade agreement do not directly affect them. However, progress in the negotiations would likely see the U.S. steel and aluminum tariffs cease to apply in the UK and thus the UK would remove the 25% counter measures on dry beans.

The USDBC should continue to promote the general interests of U.S. agriculture in the context of the negotiations.

EU/Mercosur: The ratification of the EU/Mercosur trade agreement is looking [increasingly difficult](#), as the national parliaments of the Netherlands, Austria, Belgium, Ireland and Luxembourg, plus some factions in the European Parliament, have indicated that they will not vote in favour.

Further, 265 European and Latin American organizations sent a letter to German Chancellor Angela Merkel and to the 28 EU member-states asking them to reject the Mercosur agreement. The main cause of this resistance is the EU's strong dissatisfaction over Brazil's environmental policies and the rapidly rising deforestation rate under President Jair Bolsonaro. One of the biggest opponents of the trade agreement to date is the French government of Emmanuel Macron, who has suspended negotiations with the EU/Mercosur bloc until the abovementioned issues are resolved. France's word weighs heavy, as it is one of the largest international investors in Brazil, with French companies having invested 23.7 billion euros in Brazil in 2018.

Last month, Client Earth and the International Federation of Human Rights (FIDH), among other non-profit entities, filed a formal complaint with the European Commission for the ratification process to be suspended. In addition, the European Ombudsman has [opened an inquiry](#) into the Commission's handling of the trade negotiations with Mercosur, citing the Commission's "failure to finalize an updated Sustainability Impact Assessment before concluding Mercosur-EU trade negotiations". The impact of a deal is likely to be [high](#), as livestock farming is the main source of deforestation in these countries, accounting for 80% of deforestation in Brazil, and a trade deal would stimulate production. Another issue is pesticides, as 74% of the products used in Brazil are banned in Europe, with an additional 240 molecules banned from Europe having been authorised in Brazil since Bolsonaro came to power.

Lastly, [Human Rights Watch](#) have called for the EU/Mercosur deal not to be ratified unless Brazil demonstrates progress in ending impunity for violence linked to illegal deforestation and progress in reducing rates of deforestation in the Amazon sufficient to put the country on track to meet its target under the Paris Agreement of eliminating all illegal deforestation by 2030.

Grayling view: The final ratification of the EU/Mercosur deal remains incredibly unlikely in the near future. Multiple of the EU-27 Member States are already opposed to the agreement and the European Ombudsman's inquiry ongoing there is a possibility that its conclusions will further complicate ratification.

Grayling recommendation: Grayling will continue to monitor developments on EU/Mercosur ratification.

COVID-19: The European Commission published its [Summer 2020 Economic Forecast](#) last week, predicting a more serious economic contraction than before. The forecast predicts the Eurozone to contract by 8.7% in 2020 and grow by 6.1% in 2021, while the EU as a whole is forecast to contract by 8.3% and grow by 5.8%. Pressure is thus mounting on European leaders to reach a deal over the Commission's proposed €750 billion recovery blueprint, known as NextGenerationEU. However, early data for May and June suggest that the worst may have passed, with the recovery expected to gain traction in H2 2020.

Trade is considered a central component of the EU's recovery. Indeed, the Commission is conducting a review of EU trade policy with a view to driving forward a new concept known as "open strategic autonomy". Eu Trade Commissioner Phil Hogan has repeatedly stressed the importance of trade to the recovery, underlining that trade represents 35% of the EU GDP, 25 million jobs depend on exports, and 16 million jobs depend on foreign investment. The COVID-19 crisis has seen global trade fall by 10-16%, while the political climate has seen the escalation of some trends that were already on the rise before the pandemic, including calls for protectionism, economic nationalism and the rejection of global institutions. An important part of the trade review is thus how to ensure greater resilience in EU supply chains, via supplier diversification, while making sure that any restrictions adopted in the context of the COVID-19 crisis are lifted as soon as possible, how best to support the economic recovery and long-term growth, how to pursue the EU's green, sustainability and digital objectives.

Grayling view: The resilience and extent of the recovery in Europe will depend heavily on the nature of a predicted second wave. Demand and consumption are thus uncertain. However, the research produced by Rose Research on behalf of the USDBC shows that the purchasing of dried beans in Europe increased during first lockdowns. The threat for the USDBC is that with the EU already aware of its dependency on imported plant-based protein, particularly from certain sources. Following the trade policy review the EU could look to introduce policy to increase domestic product and to foster diversification of origin. Such moves would threaten USDBC members business.

Grayling recommendation: The USDBC should contribute to the public consultation opportunity under the trade policy review, which closes on 15 September 2020.

Common Agricultural Policy & European Climate Law: In a recent exchange with the European Parliament, Agriculture Commissioner Wojciechowski underlined the important role the reform of the Common Agricultural Policy (CAP) will have in supporting the EU's Green Deal climate change ambitions, particularly the Farm-to-Fork (F2F) Strategy and the Biodiversity Strategy. He underlined that farming needs to be eco-friendly and must take animal welfare into account. A priority of the reform will be to shorten the transport routes

between farmer and consumer. Another will be to make farming sustainable while maintaining the competitiveness of EU farming to ensure food security.

Simultaneously, the EU is raising its climate ambitions and plans to enshrine the target into a so called 'Climate Law'. Recent amendments by the European Parliament call on the Commission to propose by December 2021, at both Union and national level, an ambitious target of 60% CO₂ reduction target for 2030. Agriculture as with all policy areas will be required to significantly reduce emissions.

Grayling view: The final reform of the CAP is still a long way off, with difficult negotiations ahead both between the Member States and the Parliament and between the Member States themselves. Once realized, the new CAP is likely to have more stringent conditionality regarding environmental standards and agricultural sustainability. This will likely see increased support to EU farmers, also considering that the EU is increasingly concerned about food security and sovereignty, and the links between the CAP and reducing import dependency. The Climate Law will cement the environmental aspects of the CAP, and may in the future create difficulties for any imported products which do not meet these standards, in respect to carbon leakage.

Grayling recommendation: The USDBC should keep a close eye on the developments on the issue, as it will eventually have an effect on the EU's agricultural self-sufficiency and therefore trade balance.

Biodiversity +(De)Forestry: The European Parliament has told the Commission that the Biodiversity strategy and other sustainability measures must not undermine farmers' ability to produce affordable food for all but must be designed and implemented together with farmers. Members of the Agriculture and Rural Affairs (AGRI) Committee have criticized the strategy for being overly ambitious, inflexible, difficult to implement and potentially risky for food security in the EU. They further warned that some targets of the new strategy could lead to cuts in production and increase the EU dependence on food imports. A [report](#) by the European Parliamentary Research Service underlined that international trade has a direct impact on both EU and global biodiversity, through trade with countries with laxer environmental standards. They thus called on the EU to include more binding biodiversity-related non-trade provisions in trade agreements.

A recent position paper by [EuropaBio](#) has further pointed out changes in land and sea use as the biggest contributor to biodiversity loss, making reducing their uses the most effective means to combat biodiversity loss. The AGRI Committee also [pointed out](#) that the deforestation of rain forests driven by land-use change reduces carbon sequestration potential. Given that most of the land used by humanity is used for agriculture, growing more food on less land is essential, with plant science being vital to increasing crop yields. EuropaBio further argues that biotechnology could decrease the use of pesticides and offer a variety of options for different farming systems, and that biostimulants could be used to increase enhance plant nutrition and soil health.

Deforestation is also an important contributor to biodiversity loss, and a recent paper by [amfori](#) underlined the issue of "imported deforestation" - deforestation caused by commodities destined for European consumers. The European Parliament's Environment, Public Health and Food Safety (ENVI) Committee has [proposed](#) a Regulation specifically tackling deforestation through due diligence requirements in the supply chains, creating a mandatory due diligence obligation for all companies placing a product on the EU market.

Grayling view: U.S. dry beans may benefit from the EU's move towards decreased land use and mandatory deforestation supply chain due diligence, as this decreases the likelihood of new land being used to cultivate beans in Europe. The U.S. would thus benefit from its already well-established position as a bean producer and exporter. However, other elements of EU biodiversity policy could harm the position of U.S. dry beans in respect to pesticides use.

Grayling recommendation: Grayling will continue to monitor developments on EU biodiversity policy.

Farm-to-Fork: In a presentation in the European Parliament, the European Commission reminded lawmakers that the F2F strategy and the wider Green Deal is on the main priorities of the Commission, and the beginning of the recovery process from the COVID-19 crisis. Its main focus will be on the percentage of land that should be under the organic farming, the reduction of the use of pesticides with a focus on hazardous pesticides, and the inefficient use of fertilizers. Other targets include the reduction of food waste and reversing the rise in dietary disease and obesity.

The American Chamber of Commerce to the EU published its [position](#) on the F2F strategy last month. AmCham EU recognises the importance of accelerating the transition towards more sustainable food systems and welcomes the Farm to Fork (F2F) Strategy. They emphasize the need to include all actors in the food and feed supply chain, both in the EU and abroad. They make a range of recommendations on the topics of Sustainable production, Packaging, Sustainable consumption, Sustainable trade and international cooperation, Research and innovation, and Better regulation.

An article by the [Ellen MacArthur Foundation](#) shows that the agriculture and grocery retail sectors have weathered the crisis better than others as people have prioritised spending on food. However, it also reveals that food supply chains have been hugely impacted by the slump in 'dining out' caused by the government-imposed lockdowns, with growers, notably in the U.S., having had to destroy their crops at a time when increasingly longer queues were forming outside food banks. The article further details some of the more positive trends, such as the increase in organic food sales and local and small-scale production systems gaining a lot of traction from governments and international agencies.

Grayling view: The effect on U.S. dry beans will depend on the extent to which the EU chooses to implement the targets of F2F on imported products, while the

aim to reverse the rise in dietary disease and obesity should benefit bean consumption. The fact that AmCham EU has taken a position towards the F2F strategy is a good signal of US interest in the matter, and the USDBC could look to cooperate with them on the issue.

Grayling recommendation: As part of the strategy and to promote its goals, various legislative measures, recommendations, and guidelines will be published by the end of 2023. Grayling will monitor these and advise the USDBC as to making use of relevant public consultation opportunities.

Pesticides: In an exchange with the European Parliament, the European Commission explained that the evaluation of the Regulation on the placing of plant protection products on the market (PPP Regulation) showed that it has been largely effective in protecting human health and the environment due to the stringency of the approval criteria, although implementation can be further improved. However, the evaluation also found that Member States often do not meet deadlines and are making increasing use of emergency authorisations of products, which undermine the EU system. The Commission is now in the process of amending the Regulation governing the process for the renewal of approval and maximum residue levels of active substances, which imported products will also have to comply with.

European lawmakers have backed the requirement of an [impact assessment](#) before any potential reduction of the use of glyphosate in the EU, exploring the consequences for farmers. Glyphosate is one of the most widely used active substances in Europe but its approval in the EU will expire on 15 December 2022.

The Pesticide Action Network (PAN) Europe has further published a set of [recommendations](#) for the EU's current revision of the Sustainable Use of Pesticides (SUP) Directive. Amongst other things, they call for more evidence gathering and the involvement of more stakeholders, for the Commission to strengthen its enforcement capabilities, and the creation of a system of taxes/levies on pesticide use.

Grayling view: The new targets and their impact remain to be seen and will depend on the revision of SUP, planned for Q1 2022. It seems likely that the targets will be stricter than before, and that the Commission will receive stronger enforcement capabilities. The real danger here for the USDBC stems from the fact that imported products will have to comply with the same rules as domestic products, especially if a pesticide tax was to be introduced, for example. This will be especially problematic depending on the outcome of the glyphosate question, as one of the most used products.

Grayling recommendation: The USDBC should participate in the [public consultation](#) on the revision of the Sustainable Use of Pesticides Directive, making the case for the safe and sustainable use of pesticides. Grayling will also continue to monitor developments on the renewal of glyphosate.

Trade Policy Review + Industrial Strategy: As mentioned above, the Commission is currently reviewing the EU's trade policy and the Commission explained this in greater detail during a presentation in the European Parliament. The intention of the review is to combine the results of the public consultation and the views of the European Parliament, Member States, and stakeholders into a strategy document to be adopted by the end of the year. The objective is twofold:

- Ensuring that trade policy contributes to a swift and sustainable socio-economic recovery, reinforcing competitiveness and addressing the challenges that the EU will face.
- Assessing how trade policy can help build a stronger EU on the basis of a model of open strategic autonomy.

Trade policy could play this role via a policy of "provide and protect". "Provide" refers to market access, competitiveness, jobs creation. "Protect" means that the EU must have the means to protect itself against predatory practices and policies, e.g. dumping and subsidised non-market investments. The EU's preference remains with multilateralism, levelling up the playing field by agreeing on effective and up-to-date rules at the level of both FTAs and the WTO. The Commission underlined that the EU stands ready to use its trade defence instruments to ensure that the economic recovery takes place on a level playing field as far as imports are concerned. The Commission has also adopted a White Paper on Foreign Subsidies, to further beef up its trade defence tools.

The EU is currently implementing a New Industrial Strategy, and the European Parliament's International Trade (INTA) Committee recently made a series of [recommendations](#) to the strategy. One of the recommendations is to focus domestic production within Europe, to reduce dependence on vulnerable supply chains in critical industry sectors. They also called for the reinforcement of trade defence tools to protect European industry and to correct market distortions.

Grayling view: EU trade policy seems certain to become more protectionist, also considering that the New Industrial Strategy pushing in the same direction. Though the EU says it is committed to "open strategic autonomy", this "openness" is likely to be very selective and where it benefits the EU. This is especially so now, as re-evaluating trade is seen as an integral part of the recovery from COVID-19. However, the EU does remain committed to the multilateral order and will remain a committed trading partner.

Grayling recommendation: The USDBC should participate in the public consultation (see [consultation note](#)), making the case for continued free trade and the benefits of diversified supply chains. Comments must be submitted by 15 September 2020.

WTO: Trade Commissioner Hogan recently repeated the EU's commitment to work constructively with like-minded countries to achieve the objectives of a more effective and efficient WTO, to ensure free, fair, and sustainable trade. He

emphasised that the next Director-General of the WTO must therefore be appointed without delay. Hogan further outlined the EU's current trade priorities:

- The post Covid 19 economic recovery.
- The descalation of trade rhetoric and the unnecessary imposition of tariffs on EU goods by the U.S. rather than negotiating solutions to trade disputes is unacceptable and requires ongoing focus.
- The need to provide a level playing field with China as part of the negotiations towards an Investment Agreement in 2020 is essential for EU companies.
- The recent confirmation of the ambitious October 2020 timeline for the Brexit negotiations will require our attention.
- The implementation and enforcement of our EU Free Trade Agreements in 76 countries around the world requires new impetus for EU businesses and stakeholders.

To be able to focus on the above priorities, Commissioner Hogan also announced that he had decided not to run for post of WTO Director-General.

WTO members have stressed the importance of [facilitating safe agri-food trade](#) in times of crisis, such as the COVID-19 pandemic, during a meeting of the Committee on Sanitary and Phytosanitary (SPS) Measures on 24 June. Members of the Committee noted that respecting the key principles of the SPS Agreement is needed now more than ever, promoting transparency and ensuring that trade measures have a sufficient scientific basis. They also noted that the pandemic provides a clear reminder of the ease and speed at which the inter-connectedness of global supply chains can break down, underscoring the importance of building food safety and animal and plant health capacity.

Grayling view: The EU commitment to the WTO comes as no surprise, and the withdrawal of Commissioner Hogan's application will strengthen the EU's position again. The fact that Hogan point out the US as one of the EU's main issues is problematic, however, as it raises a more combative tone from the EU. The SPS Committee's emphasis on facilitating safe agri-food trade is beneficial for the USDBC and shows the commitment of most WTO member to open trade.

Work Accomplished This Month: (Include pictures and especially highlight completed activities and successes)

- IPC Summer Board meeting EU food labelling developments.

USDBC Head Office Follow up Needed:

Trade Statistics Report:

EU imports of HS 07133390 from US: March to May 2020 and year-on-year with 2019.

	Quantity (MT)		Quantity (MT)		Quantity (MT)	
	Mar. 2020	Mar. 2019	Apr. 2020	Apr. 2019	May. 2020	May. 2019
EU27	3923	4434	3263	6095	2898	6327
Belgium	54	60	161	1084	<i>No data</i>	1381
France	150	421	79	297	74	371
Germany	363	100	299	280	200	142
Italy	3037	3118	2313	3803	2313	3821
Spain	280	554	410	304	311	354