The impact of current EU-Russia relations on the Agri-food sector

The “Various Interests” Group of the European Economic and Social Committee (EESC), in collaboration with the Central Union of Agricultural Producers and Forest Owners (MTK), hosted a seminar entitled “The impact of current EU-Russia relations on the Agri-food sector” on 7 July 2015. The event took place at the Scandic Marina Congress Center in Helsinki (Finland). In the opening session, Paula Lehtomäki, State Secretary at the Prime Minister’s Office, spoke on behalf of the Government of Finland.

The main objective of the seminar was to discuss the current situation in trade and agri-food products following the Russian restrictions on food imports from the European Union. Since Russia banned the import of agricultural goods from the EU, the situation for food producers has been very critical. This has impacted several European countries including: Finland, Lithuania, Latvia and Estonia which exported more than half of their agri-food export to Russia. Additional key exporters affected by the ban include Poland, Germany, the Netherlands, Slovakia, Greece and Belgium amongst others. The seminar provided an opportunity to review and assess thoroughly the consequences of the overall deteriorating political relations between EU and Russia, due to, in part, the crises in the Ukraine.

President Luca JAHIER (IT) delivering his inaugural speech

Report of the Seminar:

The seminar was very successful and presented a clear picture of the altered situation in cooperation in the agricultural sector between the EU and Russia. This event marked the beginning of a relevant and necessary process to discuss openly and analyse thoroughly the consequences of the overall deteriorating political relations between EU and Russia, due to, in part, the crises in the Ukraine.

Group III Member Pirkko RAUNEMAA (FI) intervenes in the debate

Therefore, it is essential that the EU take immediate action and it must be prepared to propose new risk management systems and mechanisms for defending the producers in this type of market crises. The EU has to strive to find new markets by using EU-trade policy instruments and more market promotions in agri-markets in new areas and countries throughout the world. This is an important aspect also in the WTO-negotiations and bilateral negotiations.

Regarding future EU-Russia relations, the EESC has to continue working towards progress and having an open dialogue with its Russian counterparts, though the political situation is very challenging. It is clear from their side that the Russia agriculture sector also needs to restore EU-relations for both economic and political reasons. Russia is also the member of WTO and, as such, is obliged to adhere to international trade rules and cooperation agreements.

Panel of experts

The agri-business has suffered greatly from the Russian embargos, especially in the dairy, vegetables and fruit sectors. The biggest losses in export market share have been in the Baltic Countries, Poland, Finland, but also the negative effects have been felt in some Eastern European and Mediterranean countries. Traditionally, the role of Russian import markets in these regions has been very important in milk sector and especially in relation to cheese and dairy produce. The current situation is particularly devastating for milk producers and the dairy industry in general in Finland and Baltic countries. The dairy market has been destabilised and the whole sector is facing the real market crisis.
The EESC recently adopted an Information Report entitled: “How the media is used to influence social and political processes in the EU and Eastern neighbouring countries” (E/EX.4/32 – EESC opinion 7333/2014). The Rapporteur was Indre Vareikyte (LT). The following is her text explaining the principle reasons for writing the report and some of its main findings and recommendations.

“We must threaten Brussels, Warsaw, Vilnius, so they start digging trenches. Germany is seeking to get back its Third Reich's glory and making preparations to attack Russia and, on the way, other European nations – much like Nazi Germany did during World War II. It’s not Russia that is being aggressive, but rather European Union. The Germans, as well as the French, want to single-handedly divide the world. They are trying to pit against Russia”.

This is how the world looks like through the eyes of the Russian TV channels and these are only several examples of the Russian produced content – you can find many more by following Russian media channels with their satellite beaming of propaganda across the world. For instance, Russian TV, the main Russian international media outlet used in the government's information campaign, has 22 satellites and over 230 broadcast operators, attracts over 700 million viewers in more than 100 countries and is available in almost 3 million hotel rooms throughout the world. It broadcast a budget of $400 million in 2015, it broadcasts in English, Arabic, Spanish, German, French and Russian and is the most watched news channel on the internet in the world. For comparison, the BBC World Service Group, the biggest broadcast news gathering operation in the world, had a budget of $376 million for 2014-2015.

However, fake news is not the only shown on TV, many other tools are used as well: fake video footages with professional actors, who, for example, can appear in one TV report as a German citizen who came to Ukraine to support radical movements, and in another channel he will perform as a Russian speaking Ukrainian who was attacked due to his pro-Russian views. Through various forms, e.g. fake social network accounts and profiles, social networks are also a convenient tool for the rapid spreading other common narratives. Blogs and comments under articles are used very actively as well. Forbes and Guardian editors announced that sometimes new publications related to Russia or Ukraine receives up to 40 thousand comments per day.

**WHAT SHOULD WE DO?**

The EESC's Information Report “How media is used to influence social and political processes in EU and Eastern neighbouring countries” is based on facts, research data provided by academics, civil society organisations, journalists both in Eastern Partnership countries and the EU as a whole. These actions destabilise and provoke confrontations among the societies of the EU. Disinformation can even sow hatred which generates violence and tenor among people – consequences which we see in Russia itself.

**TOOLS OF DISINFORMATION:**

You probably think about niche or small broadcasters, but, for example, the global news network RT is the main Russian international media outlet used in the government’s information campaign. It has 22 satellites and over 230 broadcast operators, attracts over 700 million viewers in more than 100 countries and is available in almost 3 million hotel rooms throughout the world. State-funded, with a budget of $400 million in 2015, it broadcasts in English, Arabic, Spanish, German, French and Russian and is the most watched news channel on the internet in the world. For comparison, the BBC World Service Group, the biggest broadcast news gathering operation in the world, had a budget of $376 million for 2014-2015.

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**WHY DOES THIS MATTER?**

Although Russian content is often aimed at European values and the EU's foreign policies, we shouldn't forget that people in Russia suffer from propaganda as well. The lack of media freedom in Russia works as a supporting factor for these goals. The government of Russia controls over 95% of the national media space and information influence, we should choose the approach of internal partnerships, public, transparency and education instead.

In response to the current situation EU institutions together with the Member states should take these necessary actions: support an EU level network of media regulators, journalists, experts, NGOs and EU institutions; increase the proportion of European works in the Audio-visual Media Services Directive, and ensure broader distribution; establish a position of EU media spokesperson for Russia-related issues; support the establishment of European monitoring initiatives to track false information originating from foreign media outlets; encourage Member States, media and civil society organizations to raise awareness on cases of disinformation; establish a co-funding scheme for reporters from broadcasters in the EU Eastern border countries, Eastern Partnership states and Member States that do not have sufficient resources to report on EU news from Brussels, engage and strengthen independent Russian and Chinese media language media outlets; analyse the impact of disinformation and information manipulation on the public, collect existing UNESCO, Council of Europe and Member States examples on media education and information literacy training, and prepare a list of recommended practices to the Member States; strengthen the promotion of European identity and core values; enhance transparency and integrity in the lobby, think tank and NGO sectors at both EU and national levels.
News from Group III

We warmly congratulate our three Group members who were awarded, on Bastille Day, 14 July 2015, the highest decoration in France, the National Order of the Legion of Honour.

Evelyne PICHONOT
Chevalier de la Légion d'honneur

Joseph Honoré GUIMET
Officier de la Légion d'honneur

Reine-Claude MADER
Commandeur de la Légion d'honneur

You can read more about the history of this award here: https://en.wikipedia.org/wiki/Legion_of_Honour

The programme and presentation are available here: http://www.eesc.europa.eu/?i=portal.en.categories-social-economy-meetings.36269

Quote of the month…

"Start by doing what’s necessary, then do what’s possible, and suddenly you are doing the impossible…"

Saint Francis of Assisi (1181/2-1226)

(First name: Giovanni di Pietro di Bernardone) Italian friar and preacher. Founder of significant Catholic mendicant religious and monastic orders including the Franciscans and the Poor Clares.

https://en.wikipedia.org/wiki/Francis_of_Assisi

The full listing of membership of the study groups for the new work may be consulted here: http://www.eesc.europa.eu/?i=portal.en.group-3-new-study-groups

OU R G R O U P S T R E N G T H

The Social Economy Category met on 8 July 2015. Following some words of welcome from the category Spokesperson, Miguel Ángel CABRA DE LUNA (ES), the members formally adopted the 2015 Work Programme. Next, Professor Lowitzch of the University of Vaihingen in Frankfurt gave a presentation of the Virtual Tool on Employee Financial Participation. Finally, the members had two consecutive debates with representatives of the European Commission: Baudouin Baudouin, Member of Commissioner Thyssen’s Cabinet and Michel Catinar, Head of Unit F2, Clusters, Social Economy and Entrepreneurship, DG GROWTH.

Highlights of the July 2015 EESC Plenary Session

Group III members co-ordinating the work on new opinions

Reine-Claude MADER (FR) is the Rapporteur for the opinion on: “Report on Competition Policy 2014” – INT/771.

Séamus BOLAND (IE) is the Rapporteur for the exploratory opinion on: “CAP simplification” – NAT/672.

Gabriel SARRÓ IPARRAGUIRRE (ES) is the Rapporteur for the opinion on: “Fishing Authorisation Regulation” – NAT/674.

Sorin IONITĂ (RO) is the President of the study group for the opinion on: “Revision of the legislative framework for Emissions Trading (ETS)” – NAT/675.

Bernardo HERNÁNDEZ BATALLER (ES) is the President of the study group for the exploratory opinion on: “The internal market of international road freight: social dumping and cabotage” – TEN/575.

Grace ATTARD (MT) is the President of the study group for the opinion on: “EU Action Plan against migrant smuggling (2015-2020)” – RE/452.

Ranny LANNIO (BE) is the President of the study group for the opinion on: “Better regulation for better results” – SC/41.

RUSSIAN BAN – NO WINNERS THIS TIME!

Russia is highly likely to extend its import embargo on agri-food products from the EU, as member state governments have agreed to continue economic sanctions against Moscow until January 31, 2016. The import ban was imposed in early August 2014, for a period of one year, but the Russian government has stated that it will not be lifted while Western sanctions remain in place. Russia banned imports of fruit, vegetables, meat, poultry, fish, milk and dairy originating from the European Union as a response to Western sanctions over Ukraine’s crisis. The Russian food ban forced the European Commission to use agricultural funds to help EU producers hit by the trade restrictions. Some sectors are affected differently however. The EU is the region which is most affected by the targeted restrictions as 73 per cent of the banned imports come from the EU. This is unsurprising given that the EU represents the vast majority of Russia's total imports, from the countries impacted by the sanctions. Russia is the second most important destination for EU agri-food exports after the United States, representing in total a value of about € 11.8 billion in 2013, or roughly 10% of all EU agri-food exports, according to the Commission. The agri-food products covered by the Russian ban represent a value of € 5.1 billion in 2013 exports or 49% of EU agri-food exports to Russia.

What is the situation today? Total EU agri-food exports to third countries increased by 2.3% from August 2014 to February 2015 compared to the same period the previous year despite Russia's ban on EU agricultural products - although some member states fared much better than others. While EU exports of agri-food products to third countries have risen since the start of the Russian ban on Western agricultural products, intra-EU agri-food trade is down year-on-year, new figures from the European Commission have shown. The new data released by the EU executive shows that while trade with countries outside the EU rose by 5% (to just over €95bn from €91billion) from August 2014 to April 2015 compared to the same period in 2013/14, trade between member states fell by 7%.

What are the main conclusions? We could agree with DG AGRI that the most recent developments from the Russian embargo are:

- Total EU agri-food exports increased
- Exports to Russia down by more than 40%
- Cheese, fruit and vegetables most affected
- Some Member States much stronger affected than others

What is much more important however is what will be the measures that the EU could undertake further and what will be the concrete EU actions to mitigate Russian Embargo? Of course some of the most adequate measures are finding alternative markets, promotion of the EU agri-food products in third countries, diversification of the markets. Here we could underline the role of the instruments of the trade policy - multilateral trade agreements, bilateral/regional agreements and unilateral preferences. And still some crucial questions have no answers. Is the EU prepared for such unpredictable situations as embargos in future? Are we taking the right measures? What could be done more?

EU AGRI-TRADE IN THE CONTEXT OF THE GLOBAL FOOD SECURITY

Agriculture and farming are absolutely vital sectors that are of paramount importance for economic viability, employment and added value in rural areas. Demographic trends in the EU – an ageing and shrinking population – mean that the internal market in agricultural and food products is heading towards saturation point. Moreover, imports are growing and competition intensifying as a result of the liberalisation of agricultural markets.

At the same time, international agricultural trade is growing as demand for food is increasing – particularly in the large emerging countries – due to population growth and rising incomes. With this in mind, it is necessary at EU level to identify the differences between the export of staple foods to less developed countries and the export of high-quality agricultural products to emerging economies where demand for high-quality consumer goods is increasing rapidly. Nowadays hunger is not so much a problem of quantity but of distribution, justice and buying power.

Agricultural trade is sensitive issue in international negotiations. EU is major player in the world agri-trade. The EU is the world’s largest importer and exporter of agri-food products. The EU is a net importer of raw agricultural commodities, and a net exporter of processed foodstuffs. Trade thus allows the food sector to specialise in higher value commodities, increasing the returns received by farmers. Trade allows consumers to benefit from lower prices and a wider range of food commodities. Imports increase the level of competition on food and input markets and help to control market power which is an important policy concern. Trade also helps to drive productivity growth. But trade openness means that agricultural markets are vulnerable to imported price volatility, even as trade helps to stabilise prices in the face of domestic shocks. In these circumstances, the EU should make use of the opportunities to be found in agricultural trade. The achievement of growth, jobs and prosperity is absolutely crucial. Also made clear was that EU high standards in sensitive areas like food safety, environment and consumer protection will be clearly stated in the trade negotiations and greater transparency in the trade negotiations especially in TTIP will increase the confidence in the agreement.

In the NAT Section we try to give agricultural trade a focus – as a specific topic for the EU – and demonstrate its importance and its contribution to global food security. Benjamin Franklin says that “No nation was ever ruined by trade”. So let make EU added value agriculture much more market oriented. It is high time EU politics start strongly supporting the EU agri-trade. Otherwise EU will lose its positions on the world agri-trade markets and the Junker Plan will not be properly implemented.

Our Group III Members in the Spotlight playing a key role

Group III Members

Dilyana SLAVOVA (BG)
President of the NAT Section
Member of the Bureau of the Various Interests Group

Gabriel SARRÓ IPARRAGUIRRE (ES)
Rapporteur for the opinion on: “CAP simplification” – NAT/672.

Evelyne PICHONOT
Chevalier de la Légion d’honneur

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You can read more about the history of this award here: https://en.wikipedia.org/wiki/Legion_of_Honour
For the first time in the history of the CAP, the European Parliament participated – on an equal footing (as co-legislator) with EU agriculture ministers – in the political agreement and implementing the CAP. It should be borne in mind that the political agreement between the European Parliament and the Council, signed on 27 January 2015 (one year before the Official Journal’s deadline and that, given the difficulties in implementation, farmers must submit aid applications one year later than the date initially planned) and that, given the delays and complications, it is impossible to determine the effects and other decisions taken by the Member States when implementing the reform of direct payments. It follows that, in addressing CAP reform, the Parliament and the Council need to ensure that it is able to support stabilisation and democratisation processes; the EESC, on the other hand, remains under an obligation to ensure, pursuant to the Treaty, the safeguarding of the assets of the single market.

An information report does not adopt recommendations, since its purpose is, on the one hand, to map a situation of affairs and, on the other, to provide a knowledge base for a future opinion initiative. Nevertheless, it is possible to distinguish some trends and tendencies.

The lengthy decision-making process has led to delays in reaching political agreement and implementing the CAP. It should be borne in mind that the political agreement between the European Parliament and the Council, signed on 27 January 2015 (one year before the Official Journal’s deadline and that, given the difficulties in implementation, farmers must submit aid applications one year later than the date initially planned) and that, given the delays and complications, it is impossible to determine the effects and other decisions taken by the Member States when implementing the reform of direct payments. It follows that, in addressing CAP reform, the Parliament and the Council need to ensure that it is able to support stabilisation and democratisation processes; the EESC, on the other hand, remains under an obligation to ensure, pursuant to the Treaty, the safeguarding of the assets of the single market.

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