

The Russian Embargo: Impact on the Economic and Employment Situation in the EU

KEY FINDINGS

- **Russia is the second most important destination for EU agricultural products** after the USA (EU volume EUR 11.3 billion in 2013, EUR 5.1 billion affected by the embargo), and the EU is most affected (73 % of imports banned). Those EU countries most concerned are the Baltic States (above all Lithuania), Finland and Poland (share GDP in 2013), Germany and the Netherlands (absolute values). However, the share of agriculture in EU GDP (1.7 %) and in EU exports (6.6 %) is relatively low.
- To which extent economic damage and job losses will occur depends on the **capacity to redirect the banned products to alternative sales markets**. For example, in the case of the pork ban by Russia in January 2014, only a part of exports had found other destinations by September 2014.
- Given the high share of domestic consumption (90 % and more) **farmers and producers** are suffering above all from **income losses due to a fall in market prices** in a situation of sudden oversupply.
- The **sources analysed** (eurostat unemployment data for August, country information, press reviews until October 2014) **do not highlight a large number of job losses**, and according to first macro-economic estimations, they will presumably be too small in number to be visible at aggregate European or national level. The damage in certain regions and sectors may nevertheless be considerable.
- To assess the exact **economic and employment impact would require a differentiated in-depth analysis of affected sectors and regions** taking account of the specific characteristics of employment in agriculture (combined activity of farmers as self-employed and employees, high contribution of family members). The **Employment and Social Affairs Committee** might consider **further European monitoring** in December 2014.

1. POLITICAL SITUATION IN THE UKRAINE AND EP RESOLUTIONS

Since March 2014, the European Union has decided upon the adoption and gradual extension of sanctions towards Russia, thus reacting to the violation of Ukraine's sovereignty and territorial integrity as well as the continuing destabilisation of the country. The 'unification' of the Crimea with Russia is considered by the European Council¹ to be an illegal annexation, because it was based upon a referendum (16 March 2014), which was incompatible with the Ukrainian constitution. Russian separatists continue their attacks in eastern Ukraine, which the EU accuses Moscow of supporting. Relations further deteriorated after the Malaysian Airlines flight MH 17 crashed in eastern Ukraine (Donetsk oblast) in July 2014: it is presumed to have been shot down, yet the Russian government has shown a distinct lack of willingness to cooperate with any investigations. Although a ceasefire agreement² was reached on

5 September 2014, repeated violations thereof highlight the fragility of the current situation³. The summer was marked by an increasing escalation of violence: according to the UN, 3,000 people have lost their lives since April 2014.

The EU is currently focusing on a combined strategy⁴ of de-escalation, stepping-up its support for Ukraine's economic and political reforms while imposing sanctions on Russia. In April 2014, a package of economic and financial support measures was adopted by the Commission, and on 27 June 2014, the EU signed Association Agreements with Ukraine, Moldova and Georgia.

In a **number of resolutions** (06.02.2014⁵, 13.03.2014⁶, 17.04.2014⁷), the **European Parliament** expressed its concerns and supported the adoption and extension of sanctions. It endorsed the process of association and called on the Commission to provide financial and technical assistance to Ukraine.

Following Russia's EU food ban, the European Parliament in its Resolution adopted on 18.09.2014⁸ called on the Commission to "*closely monitor the impact of the Russian 'counter-sanctions' and to take swift measures to support producers that are hit by the Russian trade restrictions*". Furthermore, the Resolution calls on the Commission to increase the EUR 125 million budget for market measures, to promote medium-term measures in order to strengthen the EU's presence on third-country markets and to consider the possibility of **drawing on EU funds other than agricultural funds**, since the crisis is first and foremost of a political nature and not the result of a market failure or adverse weather conditions.

So far, MEPs have submitted 25 written questions⁹ to the Commission on the Russian embargo. Most were from Greece and Italy on compensation mechanisms for different products, a few were dedicated to compensation for transport following a precedent case of an embargo on Yugoslavia and one question focused on the potential use of EGF (ALDE, EPP, Greens, 07.10.2014).

2. THE RUSSIAN FOOD BAN

EU expands sanctions in the absence of de-escalatory steps by Russia

Within the framework of the Common Foreign and Security Policy (CFSP)¹⁰, the European Union applies **restrictive measures** (or sanctions) of a diplomatic or economic nature with the aim of bringing about a change in policies, which violate international law or human rights, or policies which are disrespectful of the rule of law or democratic principles. The Council imposes these EU restrictive measures through a CFSP Council decision adopted by unanimity. While this decision contains all measures imposed, additional legislation may be needed to give full legal effect to the sanctions.

In the absence of de-escalatory steps by Russia the EU has imposed a **series of sanctions**¹¹ since March 2014, **progressing in three stages**:

1. **Diplomatic measures** against 18 individuals accused of embezzlement of Ukrainian state funds (Council, 6 March 2014)
2. Asset freezing and visa bans for an expanded list of individuals (Council, 17 March 2014)
3. **Financial and economic sanctions** targeting sectoral and economic cooperation with Russia (Council, 25 and 30 July 2014).

Since 1 August 2014, Russia's access to EU capital markets for Russian state-owned financial institutions has been limited. In addition, the EU imposed an embargo on the trade in arms and an export ban for dual use goods for military end users. Russia's access to sensitive technologies was curtailed, with a total ban on equipment for deep water, Arctic or shale production activities (Council Regulation 833/2014).

Further restrictive measures¹² were adopted on 8 September 2014 (entering into force on 12 September 2014), due to the influx of fighters and weapons from Russia into eastern Ukraine, namely: Russia's access to EU capital markets; trade; exporting of dual use goods; and provision of services for oil exploration and production. Currently 119 persons are subject to sanctions, and 23 entities are subject to a freeze of their assets in the EU.

To achieve a consensus, a number of **exemptions** are worth mentioning: First, *gas* has been exempted from sanctioning as many EU members heavily depend on Russian gas supplies. Second, with regard to financial sanctions, **EU subsidiaries** of (blacklisted) Russian banks operating in at least seven Member States including France, Germany, Austria and Cyprus are exempted (more than EUR 20 billion of assets at the end of 2013). Third, an exemption is made for activities under pre-existing contracts, thereby opening considerable loopholes¹³.

The situation is being regularly reviewed by the EEAS¹⁴ and the Commission. In light of the results, restrictive measures will be amended, suspended or repealed.

According to some estimates, EU sanctions could hurt the Russian economy by EUR 23 billion in 2014 (1.4 % of Russia's GDP) and EUR 75 billion in 2015, however, these forecasts must be interpreted with caution¹⁵.

... the Russian Federation adopts retaliatory measures

In response to Western economic sanctions, the Russian Federation decreed a ban on agricultural products¹⁶ and foodstuffs from the EU, US, Norway, Canada and Australia on 6 August 2014 for a period of one year. The list of products¹⁷ issued by the Russian government on 7 August 2014 covers:

- **Vegetables and fruits:** except prepared vegetables and fruits.
- **Dairy products:** milk, dairy products (notably cheese, skimmed-milk powder, butter, whey powder, fresh products, whole-milk powder, condensed milk) and some food preparations containing milk components.
- **Meat:** meat of bovine animals, swine and poultry (whether fresh, chilled or frozen), as well as meat salted, in brine, dried or smoked, sausages and similar products.

Exemptions were made for baby food, certain animal products (fat, meat offal) and live animals, as well as preparations in the fruit and vegetables sector (such as fruit juices, canned fruit or prepared vegetables). Since 20 August 2014, lactose-free milk and milk products, seed potatoes, onion sets, hybrid sweet corn and nutritional supplements are also exempted from the ban.

Even prior to these sanctions, trade relations in agriculture had already deteriorated, thereby reflecting increasing political tensions between EU and the Russian Federation over the Ukraine. At the end of July, the Russian Federation imposed an unexpected embargo¹⁸ on fruit and vegetable import from Poland for sanitary reasons, and this a few days after the EU and United States imposed financial and economic sanctions on Russia.

Even earlier still, in January 2014, Russia had banned EU fresh and frozen pork from 1 February 2014, because African Swine Fever (ASF) had been detected in wild boars in four isolated cases coming from Lithuania and Poland. The Commission resorted to the WTO¹⁹ dispute settlement procedure in April 2014, as it considered the ban to be disproportionate and against WTO rules.

3. IMPACT OF THE RUSSIAN FOOD EMBARGO ON ECONOMY AND EMPLOYMENT

In its information note²⁰, the Directorate General for Agriculture of the European Commission states that "*the restrictions put a serious pressure to our agriculture and food markets*" due to a temporary loss of a significant commercial market and because of possible cascade effects leading to oversupply, price collapses and income losses for the producers.

EU most affected, with highest risk for short-term economic damage in perishable products

To conclude from data for 2013, the EU will be hit hardest among all countries targeted by the Russian embargo, as 73 % of banned imports come from the EU. According to an initial assessment by the Food and Agriculture Organization²¹ of the United Nations (FAO) this holds true for all sanctioned categories except fish, where Norway ranks higher:

Table 1: Shares of imports from the countries affected by the ban in Russia's total imports of the product in 2013, percentage

| Products | Beef | Pork | Poultry | Fish and seafood | Milk and milk products | Vegetables | Fruits |
|-------------------------|--------------|--------------|--------------|------------------|------------------------|--------------|--------------|
| Australia | 4.1 | 0.0 | 0.0 | 0.0 | 0.9 | 0.0 | 0.1 |
| Canada | 0.0 | 11.1 | 0.0 | 4.1 | 0.0 | 0.1 | 0.0 |
| EU | 4.6 | 58.9 | 10.6 | 7.5 | 37.4 | 31.9 | 23.5 |
| Norway | 0.0 | 0.0 | 0.0 | 39.0 | 0.1 | 0.0 | 0.0 |
| USA | 0.0 | 0.9 | 37.7 | 2.6 | 0.0 | 0.3 | 3.6 |
| Total sanctioned | 8.7 | 70.9 | 48.3 | 53.2 | 38.4 | 32.3 | 27.3 |
| World | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

Source: UN Comtrade

Note: Russia does not report imports from Belarus or Kazakhstan. Russia's imports from Belarus were calculated as Belarus' exports to Russia, however imports from Kazakhstan due to data limitations.

Russia is the second most important destination for EU agricultural products (after the USA), representing in total a value of about EUR 11.8 billion in 2013, i.e. 10 % of all EU agricultural food exports. The food ban affects a value of EUR 5.2 billion. The picture varies with regards to sectors and countries.

The **sectors** potentially worst affected in terms of **absolute value** are:

- dairy products (EUR 1,35 billion in 2013);
- fruit (EUR 1,26 billion);
- meat and sausages (EUR 1.26 billion, see graph below).

The **sectors**²² potentially worst affected with regards to the **proportion of exports** are:

- **fruit and vegetables** (29 % of European exports used to go to Russia);
- **cheeses** (33 % of European exports were for Russia);
- **butter** (28 % of EU exports went to Russia).

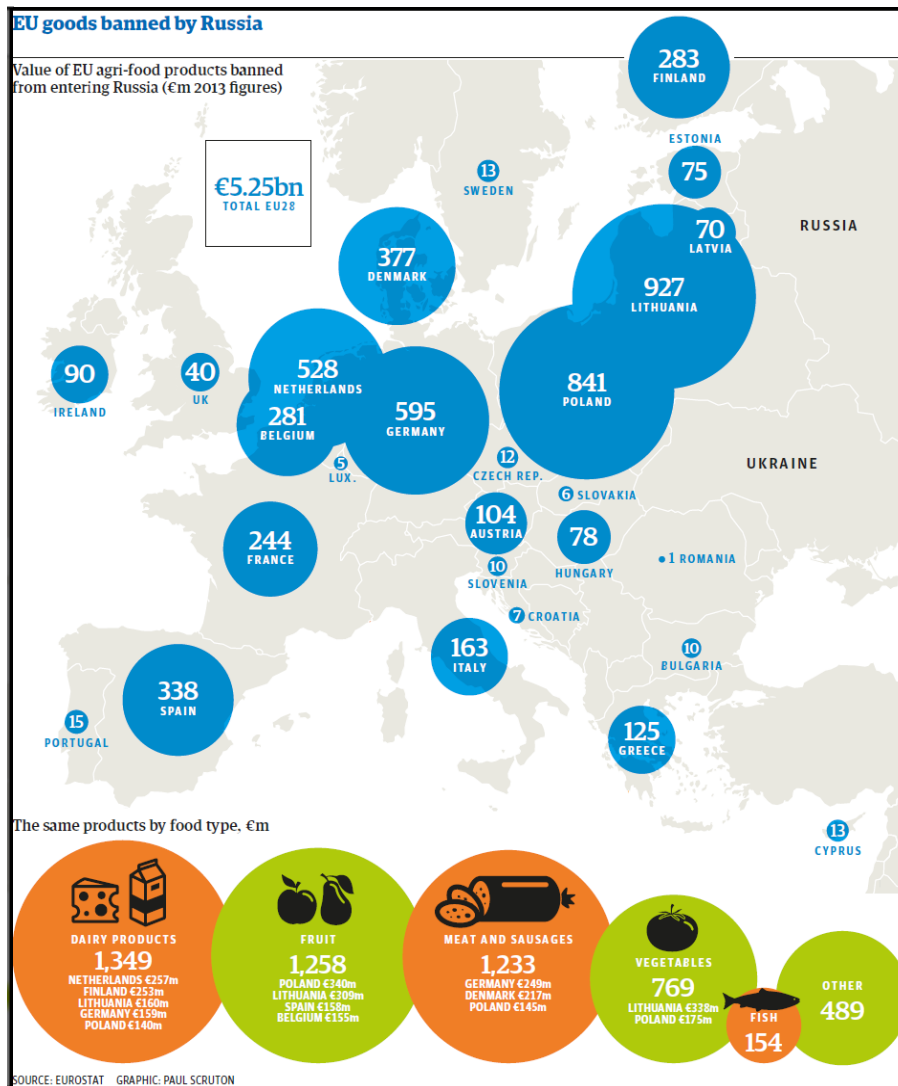
In the short term, economic damage is most severe in the **perishable products sector** as harvest was ongoing for many fruits and vegetables when the Russian food ban entered into force. According to the Commission²³, the main products (and related processing industries, transport) concerned are apples, tomatoes, peaches, nectarines, pears but also mushrooms, cucumbers, sweet peppers and cabbage among others. Even for those products for which alternative market opportunities exist, it will take time to reroute products.

Countries²⁴ potentially worst affected are:

- Lithuania (vegetables, fruit, dairy products);
- Latvia (fruit and vegetables, dairy products);
- Cyprus (fruit and fish);
- Poland (fruit and vegetables);
- Belgium (fruit and meat);
- Spain (fruit and vegetables);
- Greece (fruit and vegetables, cheese);
- Denmark (dairy products, fruit and vegetables, meat);
- Estonia (dairy products);
- Finland (dairy products);
- United Kingdom (fisheries products/mackerel).

Countries potentially worst affected in terms of **absolute value** are (see graph overleaf):

- Lithuania (EUR 927 million in 2013);
- Poland (EUR 841 million);
- Germany (EUR 595 million);
- the Netherlands (EUR 528 million).



Source: The Guardian, 15.08.2014

Risk of a negative impact on GDP low overall - apart from in Baltic States and Poland

Despite considerable values affected by the food ban, the impact on GDP is supposed to be modest for almost all EU-countries, as agriculture accounts for a **decreasing and low part of the EU's GDP (1.7 % in the EU 27, OECD 2012)**²⁵.

Against this background, the risk of a negative macroeconomic impact is highest for **Lithuania (2.6 % share of exports to Russia in GDP 2013)** followed by **Estonia (0.4 %) and Latvia (0.3 %)**; assuming that no alternative markets can be found. For seven further EU-countries, the share of exports in GDP was 0.1 % in 2013 (Belgium, Finland, Greece, Hungary, Ireland, Netherlands and Cyprus).

Even if the national overall share in national GDP is zero, in countries showing a **considerable absolute value of food exports to Russia**, certain regions with a high concentration of agriculture may be affected as well as the related exporters and transport services.

Overall, **Nordic and Baltic states are particularly exposed** to both the potential backlash of EU-imposed sanctions on their economies and the direct consequences of Russian retaliatory measures. They are heavily if not entirely dependent on Russian gas and have more developed trade relations with Russia. However, also Southern Member States, which are slowly recovering from the crisis, are concerned about the consequences of sanctions for their economies.

Table 2 : Exports in 2013 in product categories falling under the Russian food import ban

| | Value of Exports, EUR million | Share in total goods exports, % | Share in GDP, % |
|----------------|----------------------------------|------------------------------------|--------------------|
| Lithuania | 910 | 3.7 | 2.6 |
| Norway | 838 | 0.7 | 0.2 |
| Poland | 832 | 0.5 | 0.2 |
| Germany | 554 | 0.1 | 0 |
| United States | 545 | 0 | 0 |
| Netherlands | 525 | 0.1 | 0.1 |
| Denmark | 366 | 0.4 | 0.1 |
| Spain | 338 | 0.1 | 0 |
| Finland | 283 | 0.5 | 0.1 |
| Belgium | 280 | 0.1 | 0.1 |
| France | 234 | 0.1 | 0 |
| Italy | 161 | 0 | 0 |
| Greece | 125 | 0.5 | 0.1 |
| Austria | 102 | 0.1 | 0 |
| Ireland | 89 | 0.1 | 0.1 |
| Hungary | 76 | 0.1 | 0.1 |
| Estonia | 72 | 0.6 | 0.4 |
| Latvia | 67 | 0.6 | 0.3 |
| United Kingdom | 40 | 0 | 0 |
| Cyprus | 13 | 0.9 | 0.1 |

Source: Bank of Finland Policy Brief 9/2014²⁶. For the remaining Member States (BG, CZ, HR, LU, MT, PT, RO, SI, SK and SE) values are low (< 15 m Euro), the share in GDP = 0).

Short-term losses will be considerable and a full compensation is not very probable within the one-year period for which the food embargo has been imposed. Experience from²⁷ the pork ban by Russia introduced in January 2014 shows that until September 2014 it was possible to increase sales to many other relevant destinations, in particular to Japan, South Korea, Philippines, the United States and Taiwan. The overall increase counterbalanced roughly one third of the lower sales to Russia, the Belarus and Ukraine.

In addition to the loss of external markets, producers are suffering even more from **income losses due to falling prices on the internal market** as banned (perishable) agricultural products are being offered for domestic use. According to the European Farmers/European Agri-Cooperatives²⁸ (Copa-Cogeca) prices in the EU fruit and vegetable and dairy sectors have plummeted by over 50 % in some Member States in early September, and milk prices²⁹ were down by up to 30 %. Price development is a key factor for the economic situation of farmers in Europe: **90 % and more³⁰ of EU production is used domestically** (ranging from 90 % for fruit and vegetables, pigmeat and poultry meat to 95-96 % for butter and beef).

Employment situation: Scarce data show little impact on employment

To assess the real impact on employment two months after the food ban was imposed may still be too early and is challenging given a **lack of specific data at European and national level**. The following sources were used to find out whether changes in the employment situation can be detected, which may have been caused by the Russian food ban:

- Eurostat's most recent unemployment statistics (August 2013)
- Available country information from research, press reviews by the Commission (DG AGRI) and responses from 9 public employment services (13 public employment services (PES), which are at risk according to the share of affected exports to Russia in GDP or absolute values, were contacted directly on 6 October 2014.

In the first month after the food embargo came into force, aggregate and national unemployment data do not show any negative change in the employment situation: Unemployment is stable or has decreased in most Member States including those most affected by the Russian food ban (Lithuania, Poland, Spain, Italy, Cyprus, Ireland, Netherlands, Germany, see graph below):

Seasonally adjusted unemployment, totals

| | Rates (%) | | | | | Number of persons (in thousands) | | | | |
|-----------------------------|-----------|--------|--------|--------|--------|----------------------------------|--------|--------|--------|--------|
| | Aug 13 | May 14 | Jun 14 | Jul 14 | Aug 14 | Aug 13 | May 14 | Jun 14 | Jul 14 | Aug 14 |
| EA18 | 12.0 | 11.6 | 11.5 | 11.5 | 11.5 | 19 160 | 18 553 | 18 424 | 18 463 | 18 326 |
| EU28 | 10.8 | 10.3 | 10.2 | 10.2 | 10.1 | 26 387 | 24 982 | 24 779 | 24 776 | 24 642 |
| Belgium | 8.5 | 8.5 | 8.5 | 8.5 | 8.5 | 421 | 420 | 421 | 423 | 423 |
| Bulgaria | 12.8 | 11.5 | 11.4 | 11.3 | 11.3 | 431 | 387 | 381 | 379 | 377 |
| Czech Republic | 6.9 | 6.1 | 6.1 | 6.1 | 6.3 | 368 | 322 | 320 | 319 | 334 |
| Denmark ⁵ | 7.2 | 6.4 | 6.5 | 6.6 | 6.7 | 208 | 185 | 188 | 192 | 194 |
| Germany ⁷ | 5.3 | 5.0 | 5.0 | 4.9 | 4.9 | 2 252 | 2 147 | 2 129 | 2 113 | 2 101 |
| Estonia ⁶ | 8.1** | 7.3 | 7.3 | 7.4 | : | 55** | 49 | 49 | 50 | : |
| Ireland | 12.8 | 11.7 | 11.6 | 11.5 | 11.4 | 275 | 251 | 248 | 247 | 246 |
| Greece | 27.6* | 27.1 | 27.0 | : | : | 1 347* | 1 308 | 1 304 | : | : |
| Spain | 26.1 | 24.7 | 24.6 | 24.5 | 24.4 | 6 048 | 5 674 | 5 632 | 5 611 | 5 581 |
| France | 10.2 | 10.2 | 10.4 | 10.5 | 10.5 | 2 988 | 2 993 | 3 052 | 3 091 | 3 093 |
| Croatia | 18.2 | 16.9 | 16.7 | 16.6 | 16.5 | 337 | 320 | 313 | 308 | 304 |
| Italy | 12.4 | 12.6 | 12.3 | 12.6 | 12.3 | 3 162 | 3 229 | 3 147 | 3 216 | 3 134 |
| Cyprus | 16.6 | 15.9 | 15.8 | 15.7 | 15.4 | 72 | 68 | 68 | 68 | 67 |
| Latvia ⁶ | 11.8*** | 10.8 | 10.8 | : | : | 118*** | 108 | 108 | : | : |
| Lithuania | 11.4 | 11.4 | 11.4 | 11.5 | 11.4 | 165 | 169 | 169 | 169 | 167 |
| Luxembourg | 5.9 | 6.2 | 6.1 | 6.2 | 6.1 | 15 | 16 | 16 | 16 | 16 |
| Hungary ⁸ | 10.2** | 8.1 | 8.1 | 7.8 | : | 449** | 363 | 361 | 349 | : |
| Malta | 6.4 | 6.0 | 5.9 | 6.0 | 5.9 | 12 | 11 | 11 | 11 | 11 |
| Netherlands ⁷ | 7.0 | 7.0 | 6.8 | 6.7 | 6.6 | 629 | 623 | 605 | 594 | 585 |
| Austria ⁷ | 5.0 | 5.0 | 5.0 | 4.8 | 4.7 | 219 | 219 | 221 | 214 | 210 |
| Poland | 10.3 | 9.2 | 9.1 | 9.0 | 8.8 | 1 782 | 1 603 | 1 574 | 1 549 | 1 527 |
| Portugal | 16.1 | 14.4 | 14.1 | 14.0 | 14.0 | 836 | 744 | 731 | 722 | 725 |
| Romania | 7.0 | 6.9 | 7.0 | 7.1 | 7.1 | 647 | 638 | 641 | 651 | 654 |
| Slovenia | 9.9 | 9.5 | 9.3 | 9.1 | 9.1 | 100 | 96 | 95 | 93 | 93 |
| Slovakia | 14.4 | 13.4 | 13.3 | 13.3 | 13.3 | 389 | 365 | 361 | 360 | 360 |
| Finland ⁷ | 8.1 | 8.6 | 8.6 | 8.6 | 8.6 | 216 | 229 | 230 | 229 | 229 |
| Sweden ⁷ | 8.0 | 8.0 | 8.0 | 7.9 | 7.9 | 409 | 413 | 412 | 412 | 411 |
| United Kingdom ⁸ | 7.7* | 6.3 | 6.2 | : | : | 2 469* | 2 040 | 1 994 | : | : |
| Iceland ⁷ | 5.6** | 5.0 | 5.0 | 4.9 | : | 10** | 9 | 9 | 9 | : |
| Norway ⁸ | 3.6** | 3.2 | 3.3 | 3.4 | : | 92** | 87 | 91 | 94 | : |
| United States | 7.2 | 6.3 | 6.1 | 6.2 | 6.1 | 11 307 | 9 836 | 9 507 | 9 689 | 9 636 |

: Data not available * June 2013 ** July 2013 *** Q2 2013

Source: eurostat

Country information is currently scattered, scarce and rather anecdotic. It suggests that **until now no spectacular larger dismissals** or failures of larger companies have taken place to raise the attention of public employment services or national media. However, there are no data available on the situation in most affected regions or on specific sectors concerned:

- According to **information received from 9 public employment services** (namely: DE, EE, IE, IT, CY, LV, LT, PL and FI), **in Lithuania alone around 300 job losses had been reported** in milk-processing, meat-processing and cargo-transportation companies by September 2014. For the other countries, either specific data are not available or labour market statistics do not indicate relevant changes. A few PES do not exclude that effects might occur later on.
- According to press reviews from the Commission, the only case reported was in the Netherlands³¹ (1 October 2014), where **two exporters have gone bankrupt**; another twelve are in trouble. A spokesman of the Ministry of Economic Affairs announced a measure that should enable affected companies to get extra bank loans.
- A number of countries consider job losses as probable, while **there is, so far, no evidence to corroborate this. For example: in Belgium, the Meat association³² estimates 500/5000 job losses due to the Russian embargo**; for Greece³³, economists state that the food ban will hit Greek farmers hard and that **seasonal workers** will need alternative employment.

The current picture can be explained by a number of **factors** which have implications for the **future monitoring** of changes in the employment situation due to the Russian food embargo:

- **Timing:** As it has only been two months since the food ban came into force, it is still too early to assess any effects.
- **Low share of agriculture in GDP, total exports and employment:** even if the loss of the Russian market will cause job losses in the future, **numbers** may be too **small to be reflected in national aggregate labour market statistics, as the share of agriculture in GDP is low in most countries.** Agricultural and food products only count for **1.7 % of GDP, 6.6 % of all EU exports and 4.5 % of employment** (2012³⁴).

This is illustrated by estimations for the EU and Finland, and evidence from Lithuania: According to initial estimates by ING Groep NV from 22 August 2014, the Russian food ban could cost the EU³⁵ 130,000 jobs corresponding to an increased unemployment rate of approximately 0.1 %.

The weakening of Russia's growth is assumed to reduce Finland's³⁶ total output in 2014–2015 by a total of around 0.5 per cent and the unemployment rate will increase by the end of 2015 by around 0.2 percentage points relative to the December 2013 forecast. The effect of the food ban alone (0.1 share in GDP 2013) will be considerably lower with a few thousand persons affected.

- Lithuania³⁷ exports 25-30 % of their dairy products to Russia. However, the proportion of producers affected is comparatively low.
- **Specific characteristics of employment:** Most farm work in the EU³⁸ is carried out by the farmers and members of their family, mainly spouses (92.2 %), whilst many farmers combine farm work as minor activity with work as employee. To analyse changes in the employment situation would therefore require an appropriate methodology as changes in the employment situation will rather be reflected in increasing underemployment, giving up farming and taking up a full-time job and hiring less seasonal or other workers (7.8 % of regular farm work).

Overall, the review of accessible European and national information within the scope of this briefing note shows that a **targeted in-depth analysis of affected sectors and regions in the months to come would be necessary** to detect the real impact of the Russian food ban on the employment situation, which might be limited to certain regions and specialised exporters.

4. MONITORING AND EMERGENCY MEASURES AT EUROPEAN LEVEL

As the current damage cannot be neglected, above all in perishable products, the last section gives an overview of actions taken by the Commission.

The Commission can make use of various market management tools (Regulation 1308/2013³⁹) to stabilise markets in times of disturbances: automatic intervention; "implementing acts", voted by Member States in the Regulatory Committee; and "exceptional measures", i.e. "delegated acts" empowering the Commission to act (Art. 290 TFEU) without having to consult Member States (Council and European Parliament have the right to object within two months). The latter was supported by the European Parliament as part of the reform of the Common Agricultural Policy⁴⁰ (CAP) adopted in December 2013. Financial assistance approved is defined in Regulation (EU) No 1306/2013⁴¹ on "Horizontal issues", *Article 25: reserve for crises in the agricultural sector*.

To assess whether compensation measures are necessary the European Commission **weekly monitors** market developments and prices for all agricultural and food products concerned in close cooperation with Member States. However, there are currently **no indications that labour market effects of the food embargo are being monitored**.

Since August, the European Commission has introduced a number of **measures for the compensation, storage and promotion of sales market diversification** for EU agricultural products:

Market measures (market withdrawals especially for free distribution and compensation for non-harvesting and green harvesting):

- 11.08.2014⁴²: Exceptional measures to assist peach and nectarine producers (EUR 32.7 million).
- 18.08.2014⁴³: Emergency market measures to support EU producers of perishable fruit & vegetables (up to EUR 125 million to fund withdrawals for free distribution or other destinations), green harvesting and non-harvesting of perishable fruit and vegetable most immediately impacted by the Russian measures, with a ceiling of EUR 82 million for apples & pears and EUR 43 million for the other fruit & vegetables).

Suspended on 10.09.2014, due to application problems and abuse (e.g. Poland). It is to be replaced by a more targeted and coordinated scheme.

- 29.09.2014⁴⁴: Announcement of a EUR 165 million package for perishable fruit and vegetable market support.

Private storage aid for milk and milk products:

- 28.08.2014⁴⁵: Emergency market support measures for the milk sector (butter, skimmed milk powder and cheese).

Suspended for cheese on 23.09.2014⁴⁶, due to abuses.

Promotion of EU agricultural products:

- 03.09.2014⁴⁷: An additional EUR 30 million of EU funding for CAP promotion programmes (2015).

At an extraordinary Council meeting on agriculture and fisheries⁴⁸ (Brussels, 5 September 2014), many delegations⁴⁹ (e.g. Baltic States, Poland, Greece, Spain and Cyprus) called for an extension of the scope of the measures and the diversification of tools (e.g. fisheries). Views were conflicting on whether new resources should be made available for farmers in addition to those agreed under the agricultural budget.

Parliament calls for intensive monitoring, more resources and use of EU funds other than agricultural funds

In its Resolution⁵⁰ adopted on 18.09.2014, the European Parliament calls for intensive monitoring of market developments and an increase of the EUR 125 million budget.

The Resolution reacts, moreover, to problems and the subsequent suspension of market and storage measures adopted by the European Commission in August. The European Parliament regrets the suspension of the emergency market measures for perishable fruit and vegetable markets, and condemns any abuse of the support.

Another point of the Resolution needs further exploration and discussion: whether and if so under which conditions it is possible to draw on EU funds other than agricultural funds, given the political nature of the crisis. At a press conference in Milan⁵¹ at the end of September 2014, Commissioner Cioloş rejected this possibility and said "*that this is out of the question*".

Were considerable job losses due to the Russian embargo to be detected, it would be necessary to explore which type of EU programme would apply. Whether the **European Globalisation Fund (EGF)** would be applicable is questionable. According to the Regulation⁵², the EGF is targeted to supporting individuals made redundant due to structural changes in world trade patterns and (after an extension of scope) to a global financial and economic crisis. In addition, it would be difficult to comply with the criteria for intervention (dismissal of over 500 workers by a single company and suppliers) given the production and employment structure in agriculture.

As a next step, the Employment and Social Affairs Committee might consider further monitoring by the end of 2014 followed by regular monitoring, if considered necessary.

- 1 http://eeas.europa.eu/statements/docs/2014/140514_02_en.pdf.
- 2 http://eeas.europa.eu/statements/docs/2014/140905_04_en.pdf.
- 3 <http://www.bbc.com/news/world-europe-29154488>.
- 4 http://eeas.europa.eu/statements/docs/2014/140514_02_en.pdf.
- 5 [http://www.europarl.europa.eu/oeil/popups/ficheprocedure.do?lang=en&reference=2014/2547\(RSP\)](http://www.europarl.europa.eu/oeil/popups/ficheprocedure.do?lang=en&reference=2014/2547(RSP)).
- 6 <http://www.europarl.europa.eu/sides/getDoc.do?type=TA&reference=P7-TA-2014-0248&language=EN>.
- 7 <http://www.europarl.europa.eu/sides/getDoc.do?type=TA&reference=P7-TA-2014-0457&language=GA>.
- 8 <http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P8-TA-2014-0025+0+DOC+XML+V0//EN&language=EN>.
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