



LMC Monthly Update - March 2019

Brexit

The 12th April is the new 29th March. The efforts of the EU and the UK government to provide [clarifications](#) and [legal guarantees](#) on the nature of the backstop were not enough for UK MPs. Following the negative result of the second meaningful vote (MV) in the House of Commons, PM May requested an extension of Article 50 until the 30th June 2019. EU leaders [agreed](#) on an extension, but two different deadlines were provided: should the Withdrawal Agreement (WA) be approved in a third MV, the extension would last until the 22nd May 2019. In case the WA was rejected, as it was finally the case, it would last until the 12th of April. This third negative vote was deeply regretted in Brussels, as a no-deal scenario is more likely than ever, though all options (including a longer extension and UK participation in European Parliament elections) are still possible. The EU position is clear: it is now for the UK to indicate the way forward but whatever happens the EU will remain united and sectoral mini-deals are not an option. Another [European Council](#) meeting will take place on the 10th April to discuss the latest developments. In the meantime, the European Commission (EC) has [completed its no-deal preparations](#), including a new Brexit [webpage](#) on Agriculture. These measures were welcomed by the EU Agri-food sector, but additional support is needed, as highlighted in a [letter](#) sent by agri-food representatives to the EC.

High Quality Beef Tariff Rate Quota

The EU and the United States (US) have reached an agreement in principle on the US concerns regarding the implementation of the EU-US Memorandum of Understanding on the importation of beef to the EU. European Member States have already endorsed it unanimously, but before formally adopting it the EC will enter into talks with other supplying countries which have already protested, as this would lead to a restriction in their access to the quota. Under the deal, 35,000 tons out of the 45,000 tons currently available under the EU High Quality (non-hormone) Beef TRQ would be allocated to the US alone. Imports would be scaled up over a period of 7 years starting with an amount of 18,500 tons in the first year.

EU-US Trade

The European Parliament (EP) has failed to approve a [non-binding resolution](#) on recommendations for opening trade negotiations between the EU and the US. While the draft text welcomed the potential negotiations as a way to avoid an escalation of trade tensions, it also called for a more prominent role of the EP in the process, particularly by requesting the Council not to endorse the negotiating directives before

the EP had adopted its position. Specific recommendations included ensuring the EU mandate excludes agriculture. The text was rejected by 223 votes to 198 (37 abstentions). Being a non-binding text, the negative vote does not have a direct impact on the process of approval of the EU mandate (it is for the Council to do so) but it is indicative of existing divisions, worsening the prospects of a deal.

EU Meat Market Situation

EU Ministers [discussed](#) the situation of the EU Meat Markets considering new trade challenges during this month's Agriculture Council. The topic was raised by the [Polish delegation](#), which requested the EC to refrain from making commitments in relation to the meat sector in ongoing trade negotiations that could aggravate negative trends on the EU markets. They have also requested the EC to consider Brexit consequences in trade negotiations, and to ensure that new free trade agreements include safeguard measures in the event of disturbances on the EU markets caused by excessive imports on preferential terms. Many delegations shared these concerns. Commissioner Hogan's answer focused on highlighting the EC's contingency planning, while also attacking the UK's proposed tariff regime pointing that it is illegal under WTO terms. A trilateral meeting between EU Health Commissioner Andriukaitis and the Czech and Polish delegations was held in the margins of the Council for the Polish to present the measures adopted so far following recent scandals in their beef sector. The EC welcomed the actions triggered and the Czech Republic agreed to lift the checks they had imposed on Polish meat.

Italian pork exports to China

Italian and Chinese authorities have signed a [veterinary protocol](#) for the export of Italian frozen pig meat to China. Conditions include that the pork comes from pigs born, raised and slaughtered in Italy, and cut, processed and stored in establishments approved by China. The protocol also includes some provisions regarding animal diseases and in particular African Swine Fever (ASF), recognising that Italy is free from the disease (except from the region of Sardinia). These provisions can be understood as a sign that Chinese authorities are more open to the concept of regionalisation for ASF. A protocol for the export of bovine semen was also agreed, and the [Italian Ministry](#) has informed that protocols for beef and poultry are in advanced stages of negotiations.

Circular economy

The EC has adopted a [report](#) on the implementation of the Circular Economy Action Plan (adopted in 2015), concluding it can be considered fully completed, with its [54 actions](#) having been delivered or being implemented. However, it also points to areas where efforts will need to be increased. The Action Plan identifies food waste

as one of the priority sectors. As part of its work to tackle this priority, the EC has published this month a [draft legal act](#) establishing an EU harmonized measurement methodology to help Member States quantify food waste at each stage of the food supply chain. This is a key step towards a coherent monitoring and reporting, and a coordinated EU level policy including the setting of possible quantitative targets on reduction of food waste. Another priority sector in the Action Plan is plastics. The EP has [approved](#) this month a proposal to ban a wide range of single-use plastics, including single use cutler and plates, as well as oxo-degradable plastics, food containers and expanded polystyrene cups.

EU control system for organic products

The European Court of Auditors (ECA) has published a [report](#) assessing the EU's control system for the production, processing, distribution and import of organic products as a follow-up to a previous audit back in 2012. This time, auditors have found that the control system had improved and their recommendations had generally been implemented, but that some challenges remain. Weaknesses in Member States control systems and reporting (including lack of harmonisation in the use of enforcement measures across the EU and slow and incomplete communication of non-compliances) were identified and need to be addressed. Supervision over imports should be also improved and more complete traceability checks for organic products need to be carried out.

Unfair Trade Practices (UTPs)

The European Parliament (EP) has [approved](#) new [EU rules](#) against UTPs by 589 votes in favour to 72 against and 9 abstentions. The new directive will cover agricultural and food products traded in the food supply chain, banning for the first time up to 16 unfair trading practices imposed unilaterally by one trading partner to another. Other practices will only be permitted if subject to a clear and unambiguous upfront agreement between the parties. The new rules will apply to anyone involved in the food supply chain with an annual turnover below €350 million, including retailers, food processors, wholesalers, cooperatives or producers' organisations, or single producers. These suppliers will be divided into five sub-categories according to their level of turnover, with the most extensive protection given to the smallest ones. This directive will enter into force once formally endorsed by the Council. EU Member States will then have 24 months to introduce it to national laws and the new rules should be applied 30 months after entering into force.

Geographical Indications protection

The EP, the Council and the EC have reached a [political agreement](#) on the rules that lay down how the EU will operate as a member of the Geneva Act – a multilateral treaty for the protection of geographical indications (GIs) managed by the World

Intellectual Property Organizations. The Geneva Act (2015) modernises the 1958 Lisbon Agreement for the Protection of Appellations of Origin and their International Registration, and allows accession for international organisations such as the EU. Being a member of the Geneva Act, EU GIs will have improved protection at multilateral level, complementary to the protection already granted through bilateral agreements signed by the EU with third countries. Once the political agreement is formally endorsed by the EP and the Council, the EU will be ready to formally join the Geneva Act through a separate decision.

Summary of the Workshop on how to trade with the EU from the outside



There are still massive amounts of uncertainty surrounding Brexit and the future trade relationship between the EU and the UK. Only one thing is certain: whatever happens, the UK will still need to somehow engage with the EU. The AHDB Brussels office has organised this month an International Meat Dinner, to strengthen our Brussels-based network of contacts, and a workshop on “How to trade with the EU from the outside”, aiming at contributing to the organisation’s work on preparedness by shedding some light on the possible options for the future trade relationship.

While the European Council was deciding in Brussels on whether or not to grant an extension of Article 50 to the UK and the EEA (European Economic Area) countries were celebrating the 25th anniversary of the EEA agreement, we invited speakers from the US, Canada and Iceland to our Brussels office to get a first-hand view of the main features and challenges of three different models that have been often suggested as possible outcomes (trading under WTO terms, agreeing a free trade deal, and becoming part of the EEA). We finished our session covering customs and transit matters in the event of a no-deal Brexit with representatives from the European Commission.

One clear outcome of the conversations was that regardless of the shape and level of integration of the future relationship with the EU, the key challenges are not tariffs but non-tariff barriers (sanitary and phytosanitary – SPS – issues and technical barriers to trade). Even when specific quotas for a certain product and country are allocated, all too often operators do not take full advantage of them due to this SPS barriers and the excessive administrative burden they imply. Therefore, getting some

level of regulatory alignment does make a difference in easing trade.

Getting equivalence is a very heavy lifting and time consuming process. In addition, when trading under no free trade agreement (FTA), conversations with the EU are on an ad hoc basis, focusing on specific topics which are just pieces that do not solve all the issues, and eventually most of their time is spent on trying to avoid losing market share (given new EU regulations and FTAs signed with other partners) instead of focusing on opening new opportunities.

One of the main benefits of having an FTA is it creates a platform for conversations through the establishment of specific committees between the EU and the specific third country. These committees must meet on a regular basis to deal with issues such as SPS barriers, creating very valuable opportunities to directly deal with the EU on specific concerns. However, an FTA does not solve all barriers affecting trade in agriculture, as this is usually a very sensitive sector, particularly for a big regulator such as the EU. It does build trust though, which is key for trade.

The EEA countries have the highest degree of regulatory alignment with the EU, including in the field of food safety requirements. This is key to make the EEA work and although the “democratic deficit” problem is raised from time to time in these countries, it is a price they are willing to pay as it opens up other opportunities, not only in terms of trade but also in terms of freedom of movement, which is particularly relevant for the younger generations and it is not questioned because it is a two-way benefit. Worth noting they do get some level of involvement in decision making thanks to their participation in some working groups and agencies, and through traditional lobbying – making their presence in Brussels key. In addition, EU legislation is not automatically transposed into national law, but it has to go through a process.

The UK withdrawal from the EU is an unprecedented event creating challenges in both sides. A hard Brexit cannot be ruled out as of yet but whatever the final outcome of Brexit is, both the EU and the UK will need from day one a complete revisiting of export procedures to see what is the best way of trading with each other.