

Brussels, 16<sup>th</sup> November 2017

## CELCAA, COPA AND COGECOA AND FOODDRINK EUROPE CONTRIBUTION ON TRADE- RELATED ASPECTS OF BREXIT

Trade in agri-commodities and food and drink products represents 11% of bilateral trade flows between the EU27 and the UK. The value chain between both sides of the channel is highly integrated, with almost half of the value-added in UK's food exports generated outside the UK being produced in the EU27<sup>1</sup>.

As a consequence of Brexit, the EU agri-food and drink chain, a major contributor to growth and jobs across the EU faces unprecedented challenges and a high level of uncertainty.

While phase 1 of the negotiations is expected to be finalised for the European Council meeting in December 2017, the European agri-food and drink chain would like to highlight its priorities to ensure continuity of essential EU27-UK trade in our products to mitigate as much as possible any negative impacts of Brexit on the agri-food and drink sector.

### NEED FOR PREDICTABILITY

An EU-UK trade agreement will take time to negotiate and implement. Until a comprehensive trade deal has been agreed, ratified and enters into force, transitional arrangements will be needed to avoid a 'cliff edge' scenario. This can only be delivered through a **'status quo' transition period that allows existing trade and customs arrangements to continue largely unchanged until a new trade agreement enters into force.** The EU agri-food and drink chain calls on the following principles to be respected:

- To minimise the cost to business, and thereby consumers, **it is imperative that there is only a single point of change for business to enact, at the date of entry into force of the new regime;**
- To avoid legal uncertainty and ensure business confidence, it is essential that
  - there is early confirmation that no substantive changes will be required on day one after the UK leaves the EU and
  - status quo will prevail until the new regime is implemented.

Agri-food and drink business operators are preparing to make decisions at the start of 2018 that could have detrimental consequences for EU-UK trade. Therefore, early clarity on the legal form of the transition is indispensable.

- The period of time required for the transitional arrangements should be determined by the essential needs of businesses and frontier authorities to prepare for the new EU27-UK trade regime and not decided arbitrarily by political requirements.
- The process of transition cannot begin until there is certainty for businesses about the new arrangements in the EU-UK trade agreement. In particular, changes to customs systems can only start when the new EU27-UK trade regime is known and precise specifications are communicated to operators.

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<sup>1</sup> Publication Research for AGRI-Committee : EU-UK Agricultural Trade: state of play and possible impact of Brexit, Study 2017

## **FUTURE EU-UK TRADE REGIME**

### ***Tariffs...***

After Brexit, movements of goods between the UK and the EU27 will no longer be regarded as intra-EU transactions. Without explicit agreement, movements of agri-food and drink products in both directions would be subject to the usual formalities with third countries. On average, agri-commodities and food products imported into the EU are subject to a tariff of 22%, some products facing up to 86% duties. Future tariffs between the EU27 and the UK will be determined during negotiations on a new regime, but in the absence of a Free Trade Agreement, Most Favoured Nation (MFN) duties will apply.

### ***...and non-tariffs measures***

While the issue of tariffs and market access remain a key component of the future EU-UK trade regime, non-tariffs measures and capacity to absorb and deal with trade flows at customs are equally crucial. A recent WTO study concluded that technical barriers add additional cost equating to an ad valorem duty<sup>2</sup> of 5% to 9%. Protection of EU and UK geographical indications to the current level from both sides is also important.

One of the direct impacts of Brexit will be the reintroduction of customs declarations. The volume of traffic both ways across the English Channel is considerable. All goods, and particularly perishable ones, are time sensitive, and any delays at customs will lead to spoilage in transit and increased food waste. None of the ports on either side of the Channel is equipped with sufficient hygienic storage facilities or has the manpower to cope with the examination of each consignment that a hard border and tariffs would require<sup>3</sup>. Without explicit agreement between the EU27 and the UK, further delays would be incurred as a result of food safety and hygiene inspections needed for cross-border trade in both directions. This would risk particularly damaging consequences for movements of goods between Ireland and mainland Europe via the UK.

### ***Republic of Ireland - Northern Ireland border***

Nowhere is this more important than at the Irish border, the EU's only land border with the UK, where more than half of all movements of goods are made up of food and drink. Practical and creative solutions will be required to avoid the introduction of a physical border and restrictions in trade between the Republic of Ireland and Northern Ireland.

The most straightforward means of keeping the current border arrangements on the island of Ireland, and minimising the disruption of trade between the EU and the UK, is to agree an overall trading relationship that avoids or minimises the need for border checks and product inspections. The system should be easy to use but be robust enough to deliver confidence in its operation to businesses.

### ***Rules of origin***

The implementation of new rules of origin in the post-Brexit UK will be a major issue. In addition, the EU is negotiating bilateral trade agreements with third countries which also have trade relations with the UK.

The EU27 and the UK will have to agree on consistent rules of origin that minimise costs for the industry and avoid triangular trade. Early clarification of the general rules that will be applied to rules of origin is needed as a matter of urgency.

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<sup>2</sup> Implications of a UK exit from the EU for British agriculture, Wageningen University and Research, April 2016

<sup>3</sup> Publication Research for AGRI-Committee : Possible transitional arrangements related to agriculture in light of EU-UK Relationship; Study October 2017

## **SPS measures**

A significant volume of food and drink products crossing the EU's external border are subject to a range of sanitary and/or veterinary certification and inspection requirements. Without explicit agreement, EU27-UK trade will face additional checks which would add costs for businesses and consumers.

As the sector that faces the greatest potential impacts of Brexit, **the EU agri-food chain calls on EU and UK negotiators to conclude a comprehensive EU-UK trade deal in a timely manner.** The FTA should include chapters and provisions on customs facilitations; rules of origin; protection of geographical indications' and mutual recognition in terms of food safety legislation, sanitary and phytosanitary certificates and regionalisation.

Celcaa, Copa and Cogeca, and FoodDrinkEurope are committed to providing the expertise needed to the negotiators to help secure the best possible outcomes for a future trading relationship between the EU27 and the UK.



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## About

**CELCAA** is the EU umbrella association representing EU organisations covering the trade in cereals, grains, oils and fats, sugar, fruit and vegetables, olive oil, agro-supply, animal feed, wine, meat and meat products, dairy and dairy products, eggs and egg products, poultry and game, tobacco, spices, cut flowers and plants and general produces. Members include CEEV, CIBC, COCERAL, EUCOLAIT, EUWEP, FETRATAB, GAFTA, SACAR and UECBV. CELCAA's main objectives are to facilitate understanding of European decision-makers and stakeholders on the role played by the European traders in agri-products; to act as a platform of dialogue and communication with the European Institutions and to encourage public and general interests in agri-trade issues. [www.celcaa.eu](http://www.celcaa.eu)

**Copa and Cogeca** are the united voice of farmers and agri-cooperatives in the EU. Together, they ensure that EU agriculture is sustainable, innovative and competitive, guaranteeing food security to half a billion people throughout Europe. Copa represents over 23 million farmers and their families whilst Cogeca represents the interests of 22,000 agricultural cooperatives. They have 66 member organisations from the EU member states. Together, they are one of the biggest and most active lobbying organisations in Brussels. [www.copa-cogeca.eu](http://www.copa-cogeca.eu)

**FoodDrinkEurope** is the organization of Europe's food and drink industry, the largest manufacturing sector and leading employer in the EU and a key contributor to its economy (286 000 companies, 99% SMEs, 4.2 million employees). [www.fooddrinkeurope.eu](http://www.fooddrinkeurope.eu)