



# LMC BRUSSELS MONTHLY UPDATE

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**Brexit negotiations**—The UK and the EU negotiating teams reached in March an agreement on the transition period – it will last up to December 2020. During this time, the UK will keep the advantages of being part of the Single Market, the Customs Union and the European policies but will not take part in the EU decision making process. All EU international agreements will apply during the transition period as now. The UK will only be able to sign and ratify new trade deals once the transition period is over. As shown in the [coloured joint draft Withdrawal legal text](#), the entire chapters on citizens’ rights and the financial settlement have been finalised. Good progress has been made on issues such as customs procedures and continued circulation of goods, but progress is still needed in other important ones, such as geographical indications. The Irish border issue also remains unresolved. Both sides have agreed that a backstop solution must form part of the legal text but it will only apply unless and until another solution is found. Following this announcement, the European Council adopted the [guidelines on the framework for a future relationship](#), which will serve as a mandate for the negotiators to start discussing the framework for the future relationship. The European Parliament had also adopted [a resolution](#) earlier this month (13 March) setting MEPs vision for future EU-UK relations. They recommend an association agreement. The EP has no formal role in the negotiations but it will have a binding vote on the final deal.

**Impact of Brexit**— According to a [report](#) by Clifford Chance, in a hard Brexit scenario, 70 percent of the extra costs arising from trade barriers will be incurred by just five sectors in the UK, which include agriculture and food & drink. On the EU side, Belgium is one of the countries most vulnerable to Brexit, according to a Deloitte [report](#). It highlights that in any scenario, the cost of doing business with the UK will rise and it encourages contingency planning for a “hard Brexit”. However, another [study](#) on implications for Dutch Agricultural trade concludes that even a WTO scenario will have relatively modest impacts on Dutch exports. The study also includes some analysis on the impacts of Brexit scenarios on the UK side. Also the European Parliament has carried out an interesting [study](#) on future UK-EU trade relations, which includes an analysis of the effects of Brexit on the UK’s continued participation in the EU trade agreements, finding that it is not automatic but subject to negotiation. Stakeholders are also undergoing preparation measures. One of the latest has been the French employer federation MEDEF, which has published a [guide](#) for business with recommendations on how to face the challenges ahead.

**Mercosur**— [Last round of negotiations](#) finished on 2<sup>nd</sup> March: no substantial progress, mainly due to the lack of concession on the Mercosur automotive sector where the Commission has offensive interests. As the only product for which all 4 Mercosur countries have the same interest is beef, it is basically automotive sector access against beef access, so the final offer for beef will probably be between 77 000 t and 100 000t. Another source of tension is dairy: the Commission has offensive interests for cheese and SMP where Brazil and Uruguay’s interests are mainly defensive. There will be another meeting around the Ascension Day and there is still a chance for a political agreement to be reached in April/May. Medias in Mercosur countries, as well as Commissioner Hogan, are very positive about the chances of a deal but other members of the Commission are much more cautious on this. Anyways, should an agreement be reached by the end of this year, implementation will not happen before 2020.

**Food fraud**— The European Commission (EC) has launched a new [Knowledge Centre for Food Fraud and Quality](#). This network, made up of experts in and outside the EC, will be operated by the EC Joint Research Centre and will provide access to, and sharing up-to-date scientific knowledge on food fraud and food quality issues to support the work of EU policymakers and national authorities. The initiative responds to consumers concerns in relation

with recent cases of food fraud and unfair commercial marketing practices, such as the new meat fraud detected in Brazil this month (Copa and Cogeca reaction [here](#)) or the [meat scandal in Belgium](#), where competent authorities withdrew the approval of the VEVIBA cutting plant and cold store in Bastogne after having identified two products with a potential sanitary risk: minced meat and the cow's tail sold to other companies.

**EU Protein Plan**—Agriculture MEPs adopted [a draft report](#) on the European Strategy for the promotion of Protein Crops urging the EU to do its utmost to increase and improve protein crops production at home and diversify imports from abroad. MEPs want to establish an EU platform to identify protein cultivation areas, determine protein production capabilities and catalogue all research done so far, as well as more investment in research to increase profitability and clear incentives for farmers. This strategy should aim at reducing the Union's major deficit in vegetable protein, which makes its livestock sector dependant on feed imports from third countries. The draft report will be adopted by the Parliament as a whole in April.

**SPS measures**—WTO members [met in March](#) to discuss SPS measures. They adopted a catalogue of instruments that may be used to seek information, initiate consultations and resolve trade frictions on food safety, animal and plant health issues. New trade concerns were raised during the meeting, including the EU concern on the import restrictions imposed by the United States on EU apples and pears, which for many years had taken place under the US Pre-Clearance Inspection System. The EU noted that this situation contravenes the SPS Agreement's prohibition of undue delays in approval procedures and called on the US to allow trade immediately under the systems approach condition. The next meeting of the WTO SPS Committee is tentatively scheduled for the week of 9 July.

**African Swine Fever**— Denmark has announced plans to build a 43.5 mile fence on its border with Germany to keep out wild boar that may be carrying African swine fever. The disease currently exists in Poland, the Czech Republic, Romania, Estonia, Latvia and Lithuania and has recently moved closer to Denmark. An update on the ASF situation in Poland is available [here](#).

**The future of CAP**— EU AGRI Ministers exchanged views on the EC's Communication on the future of the Common Agricultural Policy (CAP) with a view to adopt Council conclusions during their March meeting. However, 5 countries (EE, LV, LT, PL, SK) voted against so the final outcome took the form of [Presidency conclusions](#). The reasons for the negative vote were related to convergence and voluntary coupled aid issues. These conclusions will feed the debate that will lead to the drafting of legislative proposals on the future CAP. The European Court of Auditors (ECA) has also published a [briefing paper](#) highlighting that some aspects of the EC Communication need to be improved, particularly in terms of clarity and quantification of objectives. The ECA has also published a [report](#) on the Basic Payment Scheme (BSP) concluding that it is operationally on track, but its impact on simplification, targeting and the convergence of aid levels is limited.