



# LMC BRUSSELS MONTHLY UPDATE

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**Brexit**—Earlier this month, the UK has published a Technical Note on a Temporary Customs Arrangement, a backstop proposal for customs arrangements with the EU if a new permanent deal is not ready in time. The EU [has examined](#) the proposal and has concluded the document leaves key questions unanswered. Meanwhile, further progress was achieved on the terms of the draft Withdrawal Agreement, as outlined in the [EU-UK Joint Statement](#) released on 19<sup>th</sup> June 2018. However, as EU-27 leaders [concluded](#) during June's European Council, there is still a great deal of work ahead, and the most difficult tasks are still unresolved. At the same time, the EU continues its work on preparedness – the Council has authorised this month opening negotiations with WTO members on how to divide up existing EU tariff rate quotas (TRQs) between the EU-27 and the UK and the new composition of the European Parliament was formally adopted (the size will be reduced from 751 to 705 MEPs). All Brexit preparedness notice for stakeholders are available in the European Commission (EC) [website](#), including a [new one on rules of origin](#).

**Budget for Food Safety**—The EC adopted the legislative proposal for [a new Single Market Programme](#), which includes a specific "Food strand", with a total allocation of €1.68 billion. It will serve as the EU's main financial instrument to maintain a high level of health for humans, animals and plants along the food chain, guaranteeing an efficient and safe environment for citizens and businesses. Actions implemented will cover a wide range of topics, including veterinary and phytosanitary emergency measures to tackle outbreaks (like African swine fever and Xylella), activities to improve animal welfare, training sessions to make sure that officials in charge of the EU's food security are fully knowledgeable and activities to prevent growing challenges like food fraud and food waste.

**Agri-food trade**—The EC has published its [2017 annual agri-food trade report](#), confirming for yet another year the EU position as the largest global exporter and importer of agri-foods products – the EU reached in 2017 a new record agri-food trade value of 255 billion (€138 billion of exports and €117 billion of imports so a net surplus of €21 billion). EU exports to all main partners increased (US, China, Switzerland, Russia and Japan). The concentration of pig meat exports is particularly high with 75% going to the main 5 destinations in 2017. In contrast, exports of wheat declined substantially (€-1.5 billion, -27%). Despite this positive assessment, future risks include increasingly protectionist policy approaches in some important economies, more frequent trade disputes and trade disturbances linked to the decision of the UK to leave the EU. On the positive side, global demand for food is likely to increase with population growth and changes in consumer preferences and Europe's agri-food sector stands to gain from this.

**Trade EU-Australia & New Zealand**—European Commissioner for Trade, Cecilia Malmström, has travelled this month to Australia and New Zealand to launch trade negotiations with both countries. The first formal round of negotiations with Australia will take place from 2 to 6 July in Brussels. In the case of New Zealand, the first formal round of negotiations will take place also in Brussels from 16 to 20 July. The negotiating directives given to the Commission to negotiate these trade agreements with [Australia](#) and [New Zealand](#) were also made public this month.

**Trade EU-Mercosur**—Another round of negotiations was held in Montevideo (Uruguay) this month. According to DG Trade, parties achieved progress on several issues such as services and exchanges were constructive overall but there is still work to be done, notably on cars and car parts, geographical indications, maritime transport and dairy. Meat is not mentioned as an area where work still needs to be done but as cars are, this means that the negotiations on beef quotas are still ongoing (although not yet officially confirmed, the final offer seems to be 99,000 tonnes). According to

some media, the difficulties to get an agreement have discouraged Uruguayans, currently holding the presidency of Mercosur, who would rather focus their efforts in other trading partners, particularly China given the current US-China dispute. Starting negotiations with China would imply a diplomatic problem for Paraguay, as they are a close ally to Taiwan.

**Regulation on Veterinary Medicines**—Representatives of the EU institutions [reached an agreement](#) on the regulation on veterinary medicines to reduce the use of antibiotics on farms. The agreement is expected to be agreed by MEPs in full plenary after the summer break. It will subsequently go back to the Council for adoption. Under the proposed text veterinary medicines must not under any circumstances serve to improve performance or compensate for poor animal husbandry and metaphylactic should happen only where no appropriate alternative exists. In addition, reciprocity of EU standards in the use of antibiotics will be imposed for imported foodstuffs. This proposal has not been notified to WTO as initially it was due to be “internal” only but as they have finally decided to extend it to cover imported products, it is likely to be challenged at WTO SPS committee. For some trade partners, such as the US, the measure is likely to result in a 2 billion dollars loss in trade. It would affect mostly the US poultry and pork sector.

**CAP proposals**—The EC has published the Common Agricultural Policy (CAP) [legislative proposals](#) for the 2021-2027 period. The new delivery model implies greater flexibility and responsibility for Member States to choose how and where to invest their CAP funding. The EU will set common objectives and indicators and Member States will have to elaborate their own CAP Strategic plans to be approved by the EC. Greater focus on small and medium-sized farms through a compulsory capping for payments above €100,000, and specific measures to attract young farmers have also been introduced. Coupled support for some specific sectors is maintained and current provisions on public intervention, private storage, and exceptional measures too. Greening measures did change and the proposals introduce a new system of conditionality linking all farmers’ income support to the application of environmental and climate requirements. Although the EC claims the proposals deliver on the commitment to modernise and simplify the policy, EU farmers complain that the new measures will erode farmers’ incomes and call for a real simplification, a stronger budget and no renationalization, whereas green NGOs consider that environmental, climate and social objectives remain too vague and lack ambition.

**Renewable Energy Directive**—EU institutions have [reached a political agreement](#) on the revision of the Renewable Energy Directive on trilogue meetings. Once it is formally approved, Member States will have to transpose the new elements of the Directive into national law, including a new, binding, renewable energy target for the EU for 2030 of 32% and the “energy-efficiency first” principle, meaning that measures to make energy demand and supply more efficient will be prioritised in all energy planning, policy and investment decisions. EU farmers [have already manifested](#) the agreement goes in the right direction for a long term stable policy but there are still points of concern. They welcome the new overall target and the binding blending obligation on fuel suppliers of at least 14%, without technological restrictions, as well as the maximum accountable share for crop-based biofuels in transport at 7% until 2030. However, they regret the phasing out of the use of palm oil has been postponed and find disappointing that the Directive still contains artificial multipliers “which give the wrong impression of the true environmental impact”