



**House of Commons:**

**INTERNATIONAL TRADE SELECT COMMITTEE**

**CONTINUING APPLICATION OF EU TRADE AGREEMENTS AFTER  
BREXIT**

Call for written evidence:

**Submission from the Agriculture and Horticulture Development Board  
(AHDB)**

**6 December 2017**

## **Executive summary**

AHDB has identified the key areas likely to have the biggest impact on the continuing application of EU trade agreements after Brexit. The submission details:

- Options available to the UK regarding approaches to FTAs and bilateral trade negotiations post-Brexit.
- Cost implications of verifying product origin in a post-Brexit landscape.
- The significance of animal welfare and sanitary and phytosanitary (SPS) standards around the continuing application of EU FTAs.
- AHDB's expertise in supporting Government, including helping to secure market access and ensuring technical criteria are met.
- The rationale behind which FTAs and treaties to prioritise in continuing application.

## **AHDB**

AHDB's purpose is to inspire our farmers, growers and industry to succeed in a rapidly changing world. We are the independent go-to place for trustworthy information and evidence-based research. We equip the industry with easy to use, practical know-how which they can apply straight away to make better decisions and improve their performance.

Through deepening our technical, commercial and market insight, and making this available where, when and how the industry needs it, we aim to enable British agriculture to become truly world class.

We will also strategically align our research funding to six new technical themes to accelerate

We will focus our activities on four strategic priorities:

- Inspiring British farming and growing to be more competitive and resilient.
- Accelerating innovation and productivity growth through coordinated research and development (R&D) and knowledge exchange (KE).
- Helping the industry understand and deliver what consumers will trust and buy.
- Delivering thought leadership and horizon scanning.

## **Inquiry questions and AHDB's response**

- 1. *What would be the potential consequences if the UK ceased to be a party to the Free Trade Agreements (FTAs) and other trade-related treaties to which the EU is a party?***
2. The UK will not inherit FTAs and other trade-related treaties from the EU. By definition, existing FTAs and trade-related treaty arrangements with the EU will exclude the UK as it will no longer be a member state. The EU has 34 bilateral and FTAs in place, which cover 58 partners. If the UK and other countries were to simply continue allowing each other tariff-free market access without a formal new trade agreement, other WTO members might claim they should have the same rights. WTO rules stipulate that countries are not supposed to discriminate among trade partners.
3. There is an option for the UK to 'grandfather' existing arrangements but this is not perfect and presents an opportunity for third parties to re-negotiate more favourable trade terms. Currently, for example, goods arriving from Mexico into the UK can be shipped anywhere in the EU. That would no longer be true if the UK leaves the EU Customs Union. Two separate deals for Mexico would be required, one with the UK and one with the EU, which may not be attractive to Mexico.
4. Within the European Commission, a Trade Commissioner leads negotiations in multilateral and bilateral trade talks on behalf of the EU and its member states. As a result of these, the EU currently has FTAs with 58 countries, including Mexico, South Africa, Chile and South Korea. Trade talks are also ongoing with other parts of the world. For example, trade officials from the European Union and Vietnam are working to finalize the free trade agreement that was agreed to in principle in December 2015. To retain free access to the countries involved, the UK will need to negotiate with them, as well as any other countries it wishes to trade independently with. Past experience suggests that this is likely to be a lengthy process. The UK can only finalise and implement FTAs with non-EU countries once it has left the EU, although talks could take place before that.
5. Both the EU and the UK also have many bilateral agreements in place with a wide variety of countries, which govern aspects of trade. In many cases these will cover technical aspects, such as sanitary and phytosanitary (SPS) measures, export certification or inspection processes, which could present a significant and burdensome hurdle to trade on an ongoing basis. Other examples involve providing access to tariff rate quotas (TRQs) for specific products. The vast majority of such bilateral agreements made by the UK rely on the fact that the UK is subject to EU rules and regulations. Many of these bilateral agreements will require renegotiation to reflect the new situation. This may apply to existing UK bilateral agreements as well as those previously handled at EU level, for example the recently-negotiated Canadian agreement (CETA). Although agreements of this kind are likely to be simpler to implement than full FTAs, failure to do so could close off trade with the countries involved, at least temporarily. While many of these agreements can probably be updated quickly, some are likely to require significant time, for example because of the need for inspection or other assessment of any new regulations.
6. FTA's provide a number of benefits to exporters in the UK. Specifically, referring to meat products, carcasses are broken down into constituent parts and traded globally. From the UK's position a number of these products, particularly offals, have very limited domestic demand and are almost exclusively exported. Loss of the ability to do so would result in these products having zero value domestically or incurring a cost of disposal, significantly driving up the unit cost of production and having a significant knock-on effect across the supply chain.
7. Where the UK is an importer of food under an FTA, this will provide benefits to consumers as the imports will be cheaper than would otherwise be the case. However, this has the potential to have negative consequences on domestic farm production.
- 8. *What particular issues arise in respect of the Regional Convention on Pan-Euro-Mediterranean preferential Rules of origin, Mutual Recognition Agreements and bilateral trade facilitation agreements?***

9. Rules of origin, the criteria used to define where a product was made, will be increasingly important to the UK once it leaves the EU. They form an essential part of trade rules as a number of policies regulate imports on the basis of rules of origin, including quotas, preferential tariffs, anti-dumping actions and countervailing duties. WTO rules can also enable the application of preferential tariffs on the basis of where a product is made.
10. Rules of origin are often a difficult part of FTAs to agree and enforce. While it is relatively straightforward to establish the country of origin of primary agricultural goods, manufactured goods that may be processed in several countries presents a challenge. The EU single market allows free movement of goods within its boundaries once a product has entered that market. The EU has several existing FTAs with other countries that permits freedom of movement within member states once these products have been imported. If a trade agreement is reached between the UK and the EU, this could potentially create a problem for the UK. It would need to ensure that any goods imported from the EU originated from the EU and not one of its trading partners potentially using the EU as a 'back door' to UK markets. The same would apply to any country with whom the UK strikes an FTA post-Brexit. Rules of origin would ensure preferential market access is limited to the beneficiaries of the relevant FTA. Verifying product origin is also costly and would be borne by the UK. Further, the UK enjoys PGI status for a number of products that may be threatened.
- 11. *By what mechanism is it legally possible for the UK to seek continuing application of EU FTAs and other trade-related treaties after Brexit?***
12. AHDB's understanding is that once the UK is no longer a member of the EU, FTAs with third parties will no longer apply to the UK. However, historic patterns of trade may speed up the process for the UK to re-negotiate with third parties if it is in the third party's interest to do so.
- 13. *Which FTAs or other treaties should the UK prioritise in seeking continuing application? Are there any that should be allowed to lapse?***
14. The EU currently has FTA's with 58 countries. In the potatoes sector, seed exports have traditionally been the focus of most UK export development activity. Egypt has long been the main destination for UK seed exports accounts for 50% of product shipped. Egypt is also the main destination for the UK's largest competitor in seed exports, the Netherlands, highlighting the importance of a continuing FTA with Egypt post-Brexit. Meanwhile, Mexico and South Korea present opportunities for the export of livestock products. More detailed analysis of these opportunities can be found in the [AHDB Horizon report Meat and dairy – Our prospects in the global marketplace](#).
- 15. *Which issues are likely to be the most contentious in any negotiations around the continuing application of EU FTAs and other treaties? How should the UK address them?***
16. Non-tariff barriers such as animal welfare and sanitary and phytosanitary (SPS) standards are two major potential issues as food safety and provenance, in particular, resonate with consumers. A prerequisite to being able to conduct trade is to agree equivalent SPS standards with the relevant third countries. This often requires lengthy engagement at official level, including the provision of information and documentation and the hosting of inspection visits etc. AHDB plays a leading role in supporting DEFRA in this work, accompanying official delegations to provide expertise and both coordinating and financially supporting official visits. Market access work is a pre-requisite to any aspiration to export to non-EU markets and can involve length bi-lateral negotiations and inspection visits and AHDB supports the cost of this activity and provides significant expertise.
17. It is unclear as to how animal welfare can be used as a barrier to trade. However, it remains a contentious issue and there has been considerable debate since the Brexit vote as to whether the UK will continue to adopt higher animal welfare standards than those currently employed across the EU. The debate has also raised the notion as to whether the UK could use these higher welfare standards, if adopted, as a barrier to restrict trade in lower standard products.
18. Under WTO rules, animal welfare measures are likely to fall under Technical Barriers to Trade (TBT) or Processes or Production Methods (PPM). The UK could define its own animal welfare standards and

under certain circumstances use these as a technical barrier to trade. However, it could face challenges from other WTO members if these standards did not meet two basic obligations of WTO law – measures would have to be applied consistently to domestic and imported products from all countries and they could not be more trade restrictive than necessary to fulfil a legitimate objective. As the UK has been accepting imports produced to given international standards of animal welfare, any raising of standards could be challenged on the grounds they are more restrictive than necessary, for example the recent decision to implement mandatory CCTV in abattoirs. Raising standards to simply create a barrier would not be considered a legitimate objective in itself.

19. Irrespective of whether the UK strikes a trade deal with the EU or not, it will be bound by WTO rules and regulations for all its international trade. These rules and regulations need to be carefully monitored and understood to better inform UK trade and agricultural policy and the policy of the devolved nations post-Brexit.

**20. *What staff and expertise will the Department for International Trade need to deal with the necessary negotiations in the time available?***

21. Establishing trade deals with other countries is a resource and time-intensive exercise. FTAs typically take five-seven years to establish. Seeking to replicate the EU's FTAs within a couple of years will be challenging.

22. AHDB is a non-department public body (NDPB) and precluded from commenting on government policy. The government can, however, through the Department of International Trade, draw on expert bodies such as AHDB to provide evidence-based information to support negotiations.

23. In order to supply export markets operators will often have to adapt their processes and products to meet requirements. AHDB works with exporters to ensure that export requirements can be met. It works in partnership with DEFRA and the Food Standards Agency (FSA) to secure industry cooperation on standards for export. For example, whenever there is an inspection visit from a third country the failure of one operator to meet standards can potentially threaten the entire trade. Therefore it is essential that, although the businesses are competing commercially, they agree a common approach in this area and AHDB leads this collaborative work.

24. Some sectors face particular challenges and this is especially the case for ruminant meat (beef and lamb) where the legacy of BSE continues to hamper progress. Disease outbreaks in general often cause negotiations to be suspended and the clock re-set in many cases. In 2007, following the FMD 'incident' it was recognised that the workload in terms of re-establishing trade and in particular completing access procedures was beyond the resources available in DEFRA. To resolve this a partnership was formed specifically for the meat sectors between DEFRA and industry called the UK Export Certification Partnership (UKECP).

25. UKECP is a DEFRA/industry partnership that liaises with the UK livestock and livestock products industries to establish export market priorities. It provides a forum to discuss the use of DEFRA agents to negotiate export health certificates on behalf of the UK and assists in the drafting of export health certificates which are generally required before exports can take place.

26. This requires funding and to this end the industry side of the partnership receive contributions from a wide range of organisations across the UK including AHDB, Hybu Cig Cymru (HCC), Livestock and Meat Commission for Northern Ireland (LMC) and Quality Meat Scotland (QMS). The body that coordinates this work is called Export Certification Limited (ECL) to which AHDB is the major contributor, accounting for half of all the funding.

27. In addition to the technical market access work, AHDB runs a commercial programme to provide a platform for exporters in new and existing markets. This includes providing a platform for exporters in markets and bringing buyers to the UK in order to improve understanding of market requirements and show exporters the benefits that can be derived from developing trade. AHDB also runs a programme of trade shows in major markets to connect British exporters with overseas buyers and importers which have a sharp commercial focus. This is aimed at increasing exports, while also providing an opportunity to showcase the unique qualities of British products both in terms of sustainable production, product

quality, food safety and traceability. AHDB's programme currently covers red meat and crops but it is embarking on an export programme for dairy in 2017/18.

**28. *How should the Government approach working with the devolved administrations to implement the elements of these treaties that relate to devolved matters?***

29. The Government needs to examine exactly how each of these treaties affects the devolved administrations. The AHDB Horizon report: Exploring the implications of Brexit for agriculture and horticulture in Scotland, for example, examines examined four key areas – trade, policy, labour and regulation – at the UK level in previous reports. This report takes a specific look at some of the risks and opportunities for Scottish agriculture and horticulture that arise from Brexit. A similar report looking at the potential implications of Brexit for Wales is being planned.