

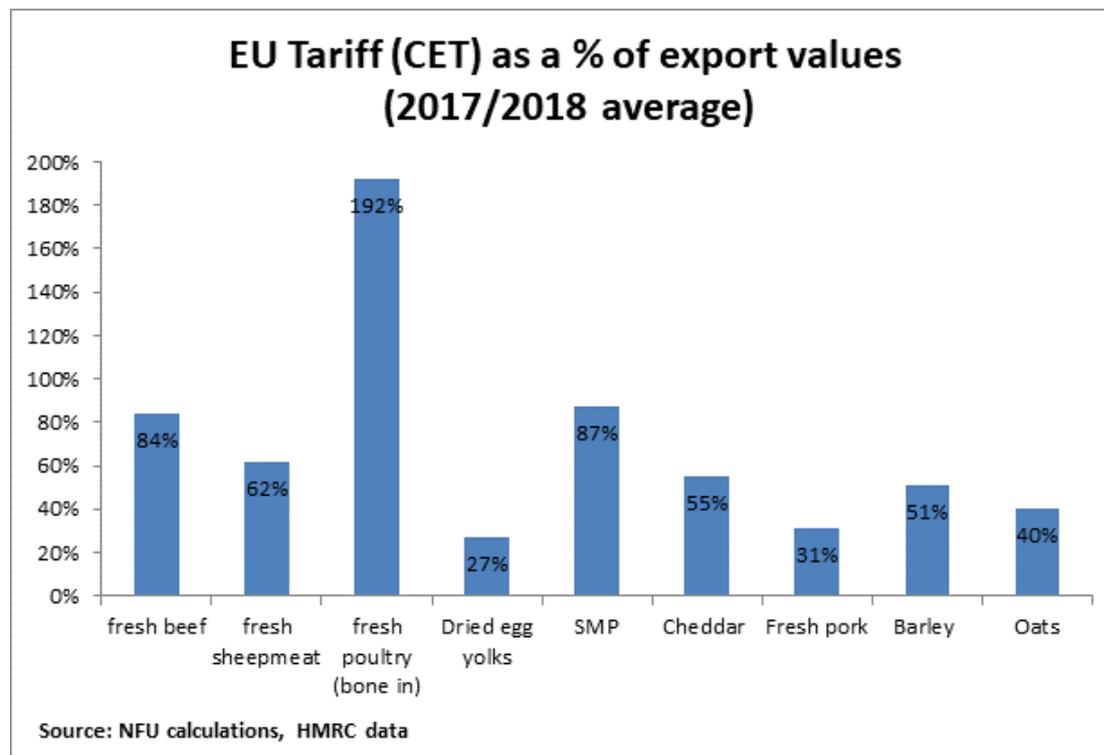
Why are UFU calling for Free Trade Agreement with the EU?

The UK is a net importer of food and agri-food products; in 2018 the UK was 61% self-sufficient in all food and 75% for indigenous type food. The EU is the key source of imported food to the UK, with 28% of food consumed in the UK in 2018 coming from the EU.

The EU, as a single trading bloc, is the most important international trading partner for UK farming and given its size and proximity will continue to be so in the future. In 2018, 62% of UK Food Feed and Drink (FFD) exports were to the EU (rising to 74% when alcoholic beverages are excluded) and 70% UK FFD imports (71% excluding alcoholic beverages) were from the EU. This is why the UFU continues to call for a future trading relationship between the UK and the EU which is free and frictionless as possible. The UFU supports the UK Government's and the EU's common objective of securing a free trade agreement that involves no tariffs, fees, charges and quantitative restrictions on each other's goods.

Without a trade agreement in place between the EU and the UK at the end of 2020, trade between the EU and UK will revert to very unsatisfactory default WTO terms, including application of the EU's full common external tariff (CET) on UK agri-food products destined for the EU market. This would be a new tax equivalent to at least £1.36bn* on exports of UK beef, lamb, pork, dairy products, poultry meat, arable crops, flour, malt. (*based on value of trade in 2017) and place considerable strain on the viability of certain sectors heavily geared towards the EU market, or reliant on that market for carcase balance. If EU consumers are not to pay more to continue enjoying those Great British products, this additional cost will ultimately come off UK farmers' bottom line in order to maintain sales. In the extreme, tariffs could mean British product simply no longer being sold to EU customers as it is priced out of the market.

Examples of EU tariffs that would apply to UK products exported to the EU market without a negotiated outcome on the future relationship:



The UFU believes that if a negotiated agreement between the EU and UK is not agreed by the end of the year, there must be no delay in implementing the UK Global Tariff in full as announced in May 2020 as of January 1st 2021 and apply it on imports from the EU. The UFU disagreed profoundly with the approach of the Temporary Tariff Regime (TTR) proposed last year by the UK that would have created an uneven playing field with regard to the tariffs to be applied on trade between the UK and the EU and left agriculture exposed. Government policy in the absence of a negotiated agreement must ensure such an imbalance does not arise.

Unfortunately, even with “free” trade there is still scope for “friction” between the UK and EU and this too must be addressed by negotiators. However, the EU conditions this privileged access to the Single Market on the implementation of level-playing field provisions in the areas of competition, state aid, climate change, Sanitary and Phytosanitary issues (SPS), labour standards and taxation. The UK Government has made clear repeatedly that it will not accept conditions that interfere on its sovereign right to take its own decisions on these issues after the Transition Period.

Standards

The UFU accepts that the terms of the future relationship between the EU and UK should acknowledge the UK as an independent, sovereign nation that has control of its own rules and regulations. Attempting to restrict the UK by requiring it to agree to regulatory alignment and specific non-regression clauses, but at the same time excluding the UK from the decision making process, restrains the UK from determining its own domestic policies and priorities. However, the UFU believes that there is a balance to be struck between:

- maintaining the high levels of environmental, climate change, social and employment protection we currently enjoy, alongside appropriate levels of regulatory equivalence with trading partners in the EU to maintain the smooth flow of trade in agri-food products, and
- ensuring a degree of regulatory autonomy so that our regulations are designed to take into account the specific conditions and challenges of the UK’s unique circumstances, which may in some instances mean that priorities differ to those which are applied at EU level.

The UK Government has underlined that it has no intention of entering a race to the bottom on UK domestic standards for its farmers. What is vital to the UFU is that the government does not simply reserve the right to diverge on regulations with the EU in order to make space for greater imports of food from elsewhere in the world produced to lower standards than those required of our own farmers.

Trade and Standards Commission

After intense lobbying from the four Farming UK Unions, the government has finally agreed to the establishment of a Trade and Agriculture Commission under the auspices of the Department for International Trade (DIT), subject to agreement on terms of reference.

UFU president Victor Chesnutt has been officially appointed as a member of the Commission, giving the UFU direct involvement in this Commission to ensure that the dedication of Northern Ireland’s farmers, who take pride in upholding the UK’s high-production standards and producing quality food for the nation, is not undermined in future trade deals.

With a full membership now in place, the next step for the Commission is to provide clear and detailed recommendations for Government so that the UK can meet the aspirations of our public and farmers, to achieve an outward looking UK.

As trade negotiations continue, the UFU will remain committed to analysing the progress with all countries in great detail as well as proceeding with the Commission's work so that our future trade deals benefit UK farmers and consumers, and allow the Northern Ireland agriculture industry to flourish. The support of Parliament is a vital aspect of achieving this

Managing divergence in standards over time

From an agriculture perspective, our concerns revolve around the impact of potential regulatory divergence when it comes to SPS and Technical Barriers to Trade (TBT) issues. We accept that the government does not wish the UK to remain fully aligned to all EU rules and regulations once we leave the current transition period and that it has categorically rejected any arrangements requiring the UK to remain aligned with EU. However, the reality is that on day 1 post the transition period, and until such time as the UK Parliament or the EU institutions decide to legislate change, the UK rule book will continue to be aligned with the EU acquis. If divergence does occur over time (following a full economic assessment of the consequences) - then and only then - should any additional arrangements that might increase friction come into effect, for instance additional checks and documentary requirements.

We therefore urge the government (and the EU) to recognise the unique starting point between the UK and EU, and commit to keeping friction as minimal as possible by negotiating advanced equivalence mechanisms that allow for the recognition of each other's standards and continued close alignment to keep trade flowing as freely as possible from administrative burdens.

Existing SPS agreements based on precedent do not provide the right template for the UK-EU relationship and a bespoke solution must be developed which covers all food made of animal products and controlled plant materials, ensuring the least level of friction achievable and reduces the costs associated with compliance. The challenge for the future lies in minimizing the negative effect on trade if regulatory standards were to start to diverge and/or if the UK signs up to trade deals that allow imported product of a non-equivalent standard to domestic production to circulate on the UK market. We believe negotiators should agree an up-front process and set of principles on how to deal with the potential divergence of standards over time, for example through an FTA committee structure and, if necessary, by dispute settlement.

The UFU believes that parties should observe the following key principles for minimising friction:

1. In the first instance maintain the existing "EU retained legislation" in the areas of SPS – with mutual recognition of each-others rules and adapt to reflect acceptable technical changes.
2. If, and where divergence occurs – manage this on a case by case basis through enhanced equivalence agreements.
3. Where enhanced equivalence is not granted, the exporting country should provide additional guarantees in order to meet the standards of the importing country (for example as per the EU / New Zealand Veterinary Agreement).
4. Where additional guarantees are not granted, trade could revert to a non-preferential basis.
5. Recognition of limitations to established equivalence models, for example in the area of processed agricultural products and with phytosanitary measures where negotiators will need to develop bespoke solutions to minimise friction and damage to UK / EU integrated supply chains.