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CIUS URGENTLY CALLS FOR AN EXTENSION OF THE BREXIT TRANSITION PERIOD to provide certainty that free trade between the UK and EU will continue

CIUS, represents the European Sugar Users in the food and drink sector – more than 15 000 companies, ranging from artisan, small and medium sized enterprises to large multinational manufacturers, employing more than 700 000 people across the EU and UK. Overall, our sector is a net exporter and depends on complex just-in-time supply chains across the UK, Europe and the world.

Dealing with the disruptions caused by the COVID-19 crisis is a huge challenge. We cannot afford the additional uncertainty, costs and disruption that introduction of customs and trade barriers between the UK and EU on January 1st 2021 will cause.

We believe that the best course of action at this point would be for the EU and UK authorities to extend the transition period as provided for in the withdrawal agreement. This would provide:

- **Certainty** that free trade between the UK and EU would continue for the next 2 years while everyone deals with the COVID-19 crisis;
- **Time for negotiators** to catch up on precious lost time, take stock of COVID-19 paradigm change, and have the face to face meetings that are needed to reach a good deal;
- **Time for stakeholders** to prepare for implementation, once it is clear what the new conditions of trade will be. (Ideally an agreement would be reached within one year and stakeholders would have one year to make the necessary adjustments to comply with the new conditions.)

A NO DEAL (WTO MFN conditions) as of 2021 would be hugely detrimental to our industry, and the whole food supply chain. It will disrupt free trade in food ingredients and products both between the EU and the UK and in international trade, and contribute to further losses in trade, revenue and jobs, especially for small- and medium sized enterprises.

Both sides have already shown commitment towards negotiating a **trade agreement that delivers tariff- and quota free trade.** This needs to be the case for all agri-food products without exceptions. **White sugar trade must also continue to be traded freely in order to secure the supplies of both UK and EU sugar users.**

We require good quality sugar from reliable, sustainable sources. At present 20% of sugar consumed in the UK comes from a variety of suppliers in the EU. 30% is cane mostly refined in the UK by a single sugar refinery, from raw sugar imported from the world's least developed countries (LDCs) or countries benefiting from existing preferential trade agreements or Tariff Rate Quotas. The other 50 % comes from beet grown in the UK and processed by one UK sugar beet manufacturer.

In the event of a No Deal with the EU, prohibitively high tariffs - equivalent to approximately 100% - would apply to sugar traded between the EU and the UK. Some sugar users would be forced to change suppliers at a time when they need stability. **The costs of doing business would increase in the UK due to the combination of high tariffs, extra bureaucracy, possible shortages in the short term and the effect of duopoly control of the market in the medium- to long term.** This would add to **food inflationary pressures.**

Exports of sugar-containing products would be put at risk.

In the event of an EU-UK trade agreement, many businesses and consumers in the food and drinks sector will not be able to benefit from free trade unless the right product-specific rules of origin are in place.



To give fair competitive conditions to both UK and EU manufacturers and in order to avoid administrative complexities, **the preferential rules of origin for sugar containing product categories should be based on the well-established value criteria for non-originating sugar.**

Our industries on both sides of the channel face a unique challenge in terms of seasonality and climatic conditions which mean from one year to the next, sourcing arrangements are frequently adapted. For producers of value-added food and drink products the new models of rules of origin proposed by the EU, **based on the weight of the final product, fail to address these challenges. If applied in future trade between the EU and the UK they will inhibit rather than promote exchanges, to the detriment of our industries and crucially, consumers and shoppers.** Manufacturers on both sides would face the unwelcome prospect of either a costly restructuring of supply chains or a de facto barrier that blocks valuable trade links between the EU and UK.

CIUS strongly recommends taking the following elements into consideration:

- ✦ Rules of Origin for sugar-containing food and drink products based **on the value criteria**. This makes the application of preferential treatment legislation easier, especially for small and medium-sized enterprises. These rules currently apply to the movement of goods within the European Economic Area (EEA), with Switzerland and in the Pan-Euro-Mediterranean region, reducing the load of new administrative tasks on companies and keeping their liability risk at a manageable level.
- ✦ **Full bilateral and diagonal cumulation between the UK, the EU and shared preferential trade partners** to protect the close and integrated supply chains between UK and EU food and drink producers have built over the last decades.
- ✦ **A joint EU-UK exemption for all inputs originating from least developed countries (LDCs)**. It is the morally correct thing to do to ensure exporters from these countries are not inadvertently disadvantaged by changes in the EU-UK trading relationship.
