



HFMA UPDATE

by Graham Keen,
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New year, same issues

With my usual 'a week is a long time in politics' caveat in mind, and recognising that things may well have moved on by the time you read this, I thought it might be worth relating to you the general content of a Brexit update provided to me by our Parliamentary Affairs advisers, Cicero Group. This was the first one of the New Year, and just served to show that a), the wheels were still grinding on over the festive period, and b), we still have a very long way to go before any light appears at the end of the tunnel.

In the first week of January, the Treasury Select Committee published letters between Committee Chair, Nicky Morgan MP, and the Chancellor of the Exchequer, Philip Hammond MP. In the correspondence, the Chancellor confirmed to the Committee that the Government would not rule out the UK participating in a future Customs arrangement with the European Union as part of a future UK-EU relationship. However, the Chancellor confirmed that the UK would nevertheless be leaving the EU Customs Union. Brexit Secretary, David Davis MP, wrote an article in the *Daily Telegraph*, further laying out the Government's negotiating stance ahead of the second phase of the Brexit negotiations. In his article, Davis wrote that the UK wanted "the full sweep of economic cooperation" with the EU, which would include a deep and comprehensive trade agreement.

Former Prime Minister, Tony Blair, entered the fray with yet another Brexit intervention last week, calling for the Labour Party to be strident in its opposition towards Brexit, arguing that the Labour leadership should back calls for a second EU Referendum. Stating that Brexit was currently serving as a distraction for the

Government, making them unable to tackle pressing economic and social problems, Blair commented that "if Labour continues to go along with Brexit and insists on leaving the single market, the handmaiden of Brexit will have been the timidity of Labour". Shadow Cabinet Ministers anonymously briefed against Blair, with one remarking that the former Prime Minister was out of step with many leave-backing Labour voters.

Following sustained criticism of the Government's Brexit policy over Christmas, staunch Remainer (and former Labour Peer) Lord Adonis (making similar arguments to Tony Blair) resigned as Chair of the Government's National Infrastructure Commission. In his resignation letter, Adonis attacked the Government's Brexit policy, stating that Brexit would lead to the "rupturing of Britain's key trading



and political alliances", leading to significant economic damage for the UK.

Meanwhile in Brussels, work on the Brexit negotiations has resumed. Both the EU and UK will spend most of the month developing their negotiating positions on transition arrangements and their future relationship. EU chief negotiator, Michel Barnier, presented the Council with a set of guidelines on the transition period in the week before Christmas, and over the course of January, these are being turned into a negotiating mandate for the Commission,

which is expected to be adopted by the General Affairs Council at the end of January. This would clear the way for the UK and the EU to begin negotiations on transition arrangements, and an agreement on the transition could be reached as early as the Council Summit on March 22-23. Once approved, the EU and UK will only commence exploratory talks with a view to reaching a common political understanding by the time the Withdrawal Agreement is finalised in October. The Council is then expected to approve the start of the ratification process to allow for the timely completion of the process when the UK leaves the EU in March 2019.

It is worth noting that it may be more difficult for the remaining Member States to maintain unity in the second phase of negotiations, with Chancellor, Angela Merkel, warning that it will be more challenging than phase one. President Emmanuel Macron warned other leaders this week that they should not fall for the "prisoner's dilemma" and harm their collective interest by driving in different directions. While disunity may lead to a more favourable relationship, it could also dangerously delay an agreement if the EU fails in being able to adopt a position at all.

The question of how our industry will deal with Brexit, and how it may be impacted, positively or negatively, is something that a lot of us are thinking about. The list of fairly fundamental questions is extensive and, to give some context to this, in the last 48 hours, we have been thinking about a couple of these that have recently arisen. In the first of these, there have been stories emerging in the press this week that around 130,000 UK companies may face a significant new VAT burden after Brexit, potentially being

required to pay VAT upfront for the first time on goods, including food supplements, imported from the EU if no trade agreement is forthcoming.

The second relates to the practical application of EU law following completion of the 'cut and paste' procedure, as the Commission continues with its plans to publish a new Implementing Act relating to Country of Origin labelling under the food information to consumers Regulation (FICR). This states that the country of origin or the place of provenance of a food is given and where it is not the same as that of its primary ingredient, the country of origin or place of provenance of the primary ingredient in question must also be given or indicated as being different to that of the food. This is significant because 'Made in' statements are often provided on food supplements without the expectation that consumers will base their purchasing decision upon the country of manufacture. And, unlike other foodstuffs, the consumer decision to purchase food supplements tends not to relate to its place of provenance or country of origin, but rather on attributes such as the active ingredients the product provides, the cost, the brand and any associated claims. The origin of the ingredients is often irrelevant to consumers of food supplements.

We will be watching closely as to how these issues, and many more, will likely be resolved. **hfb**

Our strength as an industry comes from speaking with one voice and presenting a united front. So, to help us in our efforts to protect this industry and benefit from the gold-standard advice we provide, join the HFMA at the earliest opportunity. To learn more about our activities, please contact me at graham@hfma.co.uk, or visit www.hfma.co.uk

HFMA membership is vital to ensure that your company keeps abreast of the fast-changing regulatory environment. The HFMA is the UK's best source of information and most effective defender of our industry's interests. To help the HFMA defend your business at this most critical time contact hfma@hfma.co.uk or call 020 8481 7100.

