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- Fighting Illegal Fishing: EU 'yellow carded' three more countries, delisted Sri Lanka and urged Thailand to take action
- The EU and Indonesia agree to formally launch negotiations of the Comprehensive Economic Partnership Agreement
- Insect meal and the need for reform of EU feed legislation
- Recently Adopted EU Legislation

Fighting Illegal Fishing: EU 'yellow carded' three more countries, delisted Sri Lanka and urged Thailand to take action

On 21 April 2016, the EU Commission expanded its global fight against illegal, unreported and unregulated (hereinafter, IUU) fishing by issuing warnings to Kiribati, Sierra Leone and Trinidad and Tobago. The countries received 'yellow cards', indicating that they risked being listed as non-cooperative countries in the fight against IUU fishing. At the same time, the EU Commission lifted its 'red card' against Sri Lanka and maintained its 'yellow card' against Thailand, issued in April 2015. Sri Lanka joins the list of countries that have reformed their systems in favour of the fight against IUU fishing, following a warning by the EU.

The decision by the EU Commission is based on the EU's IUU Regulation, which entered into force in 2010, and the additional instruments adopted in November 2013 (see *Trade Perspectives*, Issue No. 23 of 13 December 2013). The EU's framework to fight IUU fishing requires the flag State to certify the origin and legality of fishery products in order to trace the fishery products on the EU market. If a country is unable to comply with international rules, the EU Commission will first attempt to assist and improve the legal framework of said country *via* its 'card system'. The first issuance by the EU Commission (i.e., issuance of a 'yellow card') pre-identifies the country as non-cooperative and opens a 6-month formal dialogue to assist the country to improve its system. After the 6-month formal dialogue (which can be extended), the EU Commission evaluates the country's situation and either lifts the pre-identified status (i.e., issues a 'green card') or formally identifies the country as being non-cooperative (i.e., issues a 'red card'). A 'red card' results in the imposition of a ban of all fishery products imported directly or indirectly from the country listed as non-cooperative (see Trade Perspectives, Issue No. 16 of 11 September 2015).

The three new warnings by the EU Commission expand the global engagement against IUU fishing. According to the EU Commission, the warning against Sierra Leone is due to outdated legal texts governing fisheries, whose sanctions fail to deter illegal operators that operate internationally under the flag of Sierra Leone. In addition, Sierra Leone has failed to monitor and control its waters, evidenced by the amount of licensed vessels that exceed the available resources for control. The warning against Kiribati is based on the concern that Kiribati does not have robust traceability systems in place for fishery products. In other words, Kiribati's capacity to control activities by foreign fleets has been questioned by the EU Commission. Moreover, Kiribati's unwillingness to share information on third country vessels operating in its waters hinders the EU Commission's work to improve the transparency and sustainability of tuna resources in the Western and Central Pacific. Trinidad and Tobago has

similar issues as Kiribati. According to the EU Commission, the authorities of Trinidad and Tobago do not have control of, or do not inspect, foreign vessels that operate internationally. Additionally, there is a lack of cooperation with relevant flag States. The risk of 'laundering' fisheries products increases with poor traceability systems. The EU Commission will start a 6-month formal dialogue with each country. The EU Commission is proposing an Action Plan, adjusted to each country specific situation, in order to help put robust fisheries management control systems in place. If identified issues are not solved within 6 months, fisheries products exported from the relevant countries could be prohibited from entering the EU market. Kiribati, Sierra Leone and Trinidad and Tobago, must improve their fisheries management systems immediately, or risk dramatic consequences in terms of their trading opportunities vis-à-vis the EU.

On the list of countries with warnings by the EU Commission, Thailand has received significant attention during the last year. Thailand received a 'yellow card' in April 2015, due to its inadequate legal framework on fisheries and poor monitoring, traceability and control systems. Thailand is supposed to face an evaluation by the EU Commission this month, although, reportedly, a 3-month extension by the EU Commission is expected. In a statement, the EU Commission expressed that the dialogue with Thailand is proving difficult and that there remain concerns about measures taken by Thailand against IUU fishing activities. Thailand has made efforts to improve its system following the warning by the EU Commission. Reportedly due to the slow progress in approaching IUU issues, the Government of Thailand removed, last month, its Chief of the Fisheries Department. Thailand's Department of Fisheries (hereinafter, DOF) also introduced the 2015 Fisheries Act. The law seeks to ensure the sustainability of marine resources and that all fishing activities in Thailand meet global standards. The measure taken by Thailand foresees that: (1) all fishing boats will have a vessel monitoring system installed; (2) every vessel be registered with the DOF; and (3) laws be enforced rigorously. However, the new chief of the DOF stated that the department is facing challenges, especially regarding law enforcement.

On 3 May 2016, the Thai Command Centre for Combating Illegal Fishing (hereinafter, CCCIF) established 3 working committees. The working committees will address the general public's complaints regarding local fishing, commercial fishing and legal implications. In addition, the CCCIF will publish 'issue manuals' as reference and operational guidelines. The CCCIF is also speeding up the national fisheries operation plan to address and solve the issues in a systematic way and in accordance with the EU Commission's advice. Furthermore, related agencies have been appointed to work towards the enforcement of international fisheries laws. The CCCIF has already issued 49 laws, and 4 new laws are in the process of being enacted.

There are reports that Thailand is continuing to work with the EU Commission and making slow progress, but it must be careful not to expect continued extensions by the EU Commission. The issuance of a 'red card' by the EU Commission would be devastating to Thailand's fishing industry. Thailand is the world's third-largest seafood supplier and the EU is Thailand's major trading partner. Thai seafood exports are estimated to be valued at over THB 20 billion annually (approximately EUR 500 million). The ban on Thai seafood would not only harm Thailand's industry, but would also affect countries that export products to the EU whose origins are indirectly linked to Thailand's fisheries. The EU has continued to extend its review of Thailand's fisheries management, opting not to issue a 'red card' yet. However, if Thailand fails to quickly improve its system, especially with respect to enforcement, the issuance of a 'red card' appears likely within the next 3 months. The Government of Thailand must increase its efforts and, likewise, affected businesses should also take action to improve their adherence to relevant regulations and show Government officials evidence of progress.

The EU and Indonesia agree to formally launch negotiations of the Comprehensive Economic Partnership Agreement

On 21 April 2016, the President of the EU Commission, the President of the European Council and the President of the Republic of Indonesia released a joint statement indicating that the parties had concluded the joint 'scoping paper' for a Comprehensive Economic Partnership Agreement (hereinafter, CEPA) between the EU and Indonesia. The parties also announced that the formal launch of negotiations of the CEPA would occur in the coming weeks, once internal procedures have been finalised. The CEPA has the potential to allow both sides to eliminate barriers to trade that have resulted in trade irritants between the two parties for years.

Negotiations to improve trade relations between Member States of the Association of Southeast Asian Nations (hereinafter, ASEAN) and the EU have been ongoing, either between the EU and ASEAN as a whole, or between the EU and individual ASEAN Member States (hereinafter, AMSs), since 2006. As part of the 2006 Global Europe Strategy, the EU shifted its focus from multilateral trade negotiations to bilateral and regional negotiations, including with ASEAN, which was identified as a priority region. In 2007, the EU and ASEAN initiated negotiations to conclude a 'region-to-region' agreement, but in May 2009 the parties agreed to put the discussions on hold, due to the complexity and sensitivity of 'block-to-block' trade negotiations and other more political reasons. Instead, the Council of the EU decided to pursue negotiations with individual AMSs. Negotiations with Singapore and Viet Nam were concluded in 2014 and 2015, respectively, negotiations were launched with the Philippines in December 2015 and negotiations with Malaysia and Thailand are ongoing, but de facto suspended. The entry into force of the EU-Viet Nam FTA is envisaged for early 2018, while the ratification process regarding the EU-Singapore FTA has been suspended as the EU Commission has asked the European Court of Justice to render an opinion on the EU's competence to sign and ratify the FTA due to the inclusion of the investment chapter. The strategic (long-term) objective of a 'region-to-region' agreement has been maintained, insomuch as the individual agreements are to be concluded with a view to eventually use these agreements as 'stepping stones' for an EU-ASEAN FTA (see Trade Perspectives, Issue No. 9 of 4 May 2012). Recent reports indicate that the EU is again interested in pursuing such 'region-to-region' agreement with ASEAN in the near future.

With respect to the joint scoping exercise undertaken by the EU and Indonesia, reports indicate that the agreement will address a number of topics, including trade in goods, customs and trade, technical regulations, trade in services and investment, public procurement, intellectual property rights, competition policy, transparency of regulations, dispute settlement and trade and sustainable development. Specific issues of relevance between the two parties were highlighted in the joint press statement, which recognised the sustainable management of forests, cooperation on sustainable palm oil and Indonesia's 'maritime vision'. As formal negotiations progress, issues relating to fisheries trade (e.g., illegal, unreported and unregulated fishing), trade in timber and timber products (e.g., EU's Forest Law Enforcement, Governance and Trade Action Plan) and the proper regulation of the impact of many EU policies on palm oil (e.g., sustainability requirements, biofuel and renewable energy criteria, 'indirect land use change' and private anti-competitive behaviours such as 'no palm oil' labels) must be addressed and disciplined in the CEPA, and be tabled during negotiations by the party that is most interested or affected by each relevant issue. This is especially true as the EU continues to conclude similar comprehensive trade and investment agreements with other countries and regions.

The joint press statement was quick to highlight the recent agreement between the EU and Indonesia to begin implementation of the licensing scheme pertaining to the EU's Forest Law Enforcement, Governance and Trade (hereinafter, FLEGT) Action Plan. The EU's FLEGT Action Plan was established in 2003, and led to *Council Regulation (EC) No. 2173/2005 of*

20 December 2005 on the establishment of a FLEGT licensing scheme for imports of timber into the European Community (i.e., the FLEGT Regulation) and Regulation (EU) No. 995/2010 of the European Parliament and of the Council of 20 October 2010 laying down the obligations of operators who place timber and timber products on the market (i.e., the Timber Regulation). The EU's Timber Regulation prohibits the placing of illegally harvested timber and products derived from such timber on the EU market and requires EU traders that place timber products on the EU market to exercise 'due diligence'. The EU's FLEGT Regulation is particularly relevant with respect to Indonesia because it allows for the control of the entry of timber into the EU from countries that have concluded bilateral FLEGT Voluntary Partnership Agreements (referred to as VPAs), including the Voluntary Partnership Agreement between the European Union and the Republic of Indonesia on forest law enforcement, governance and trade in timber products into the European Union, published in the EU's Official Journal on 20 May 2014. However, even with the EU's FLEGT Regulation in place, and VPAs signed between the EU and third countries, Indonesia is now set to become the first country to actually certify its timber exports to the EU as legal via the Indonesian Timber Legality Assurance System.

Another area that was recognised during the joint press statement regarding the formal launch of CEPA negotiations, and for which Indonesia has shown its commitment to sustainable development, is palm oil. The joint statement acknowledged "the significance of palm oil for both economies", adding that both parties are "committed to strengthen cooperation on sustainable palm oil". However, this is arguably an area in which Indonesia may emphasise further the need to decrease unjustified barriers to trade affecting palm oil vis-à-vis both individual EU Member States and the EU a whole. The EU and/or its Member States have indeed repeatedly failed to act in that regard, as barriers to trade against palm oil have been proposed, or even implemented, within its borders, such as 'sin' or 'fat' taxes on palm oil (e.g., as repeatedly attempted within the French Parliament, but also by more recent legislative initiatives of other EU countries like Belgium, the Czech Republic, or Bulgaria), and 'no palm oil labels on food products that arguably violate the EU's Food Information Regulation (i.e., Regulation (EU) No. 1169/2011 on the provision of food information to consumers) with 'self-evident' or 'misleading' statements. Moreover, palm oilbased biofuel continues to have difficultly being recognised as 'renewable' under EU law, and is not included in biofuel blending targets or is often subject to anti-dumping duties. Negotiations between the EU and Indonesia on the CEPA provide Indonesia with an opportunity to hone in on these issues and advocate for the termination and/or proper regulation of such impediments. As acknowledged by both parties in the joint statement, the palm oil industry is significant to both economies. It is time for the EU to recognise/incentivise the improved sustainability situation of the palm oil industry and the discrimination caused by the EU's failure to act against unjustified barriers to trade.

The importance of the CEPA to the EU and Indonesia is amplified by the current trade atmosphere in the Asia-Pacific region. In particular, this is due to the conclusion of the Trans-Pacific Partnership agreement between the US and 11 other countries – and to which the EU and Indonesia are not party – as well as the ongoing negotiation of the Regional Comprehensive Economic Partnership (referred to as RCEP) among the AMSs, Australia, China, India, Japan, New Zealand and South Korea. Accordingly, it appears as though the EU may be accelerating its efforts to negotiate and conclude preferential trade and investment agreements with the ASEAN region in order not to lose out to the US 'Asian Pivot' trade policy. At the same time, Indonesia needs to ensure that it does not lose comparatively advantageous market access to the EU vis-à-vis some of its ASEAN neighbours. Indonesia is well-positioned to gain access to the EU by improving upon the agreements already concluded with Singapore and Viet Nam. From a sectoral perspective, Indonesia may also consider the use of dedicated annexes or protocols for key sectors such as those recognised in the joint statement (e.g., timber, palm oil and fisheries), as well as for emerging markets such as coffee, textiles and electronics. Indonesia being the largest

economy in ASEAN, and with the formal launch of negotiations occurring in the coming months, interested parties should already be initiating dialogues with relevant government officials to ensure that their interests are adequately represented in the final agreement.

Insect meal and the need for reform of EU feed legislation

On 27 April 2016, researchers from the EU-funded PROteINSECT project, which aims at exploring the potential of insect protein for feed and food, published the findings of extensive feeding trials with insect-derived meal and called for a review of EU feed legislation to help address the EU's protein deficit. It appears that, when seeking sustainable, long-term solutions, the benefits that the introduction of insects, specifically fly larvae, could have on the content of animal feed must be considered. However, legislative barriers affect the introduction of insect-based animal feed in the EU.

The EU imports more animal feed than it produces, which is referred to as the 'protein deficit'. The EU Parliament resolution of 8 March 2011 on the EU protein deficit states that 70% (42 million tonnes in 2009) of the raw materials rich in plant proteins consumed in the EU, especially soy flour, are imported, mainly from Brazil, Argentina and the USA; whereas approximately 60% of these imports (26 million tonnes) are by-products of vegetable oil production and are used as meals, especially soymeal, for animal feed. According to PROteINSECT, the protein deficit in Europe is a very real risk to social, economic and environmental progress. Already reliant on importing 70% of its protein for animal feed, Europe faces added competition for feed protein from a global population that is set to exceed nine billion by 2050, according to the Food and Agriculture Organisation of the United Nations (hereinafter, FAO).

Over the past three years, PROteINSECT investigated the use of two species of fly larvae (house fly and black soldier fly larvae) in the diets of chicken, pigs and fish, carrying out feeding trials and analysing the quality and safety of rearing farmed flies on organic waste substrates such as manure. Field trials of chicken, pigs and fish fed with insect meal-based feed indicated no significant difference to conventional feed in terms of quality and animal performance. In particular, when compared to piglets reared on a conventional diet, there were no significant differences in body weight, daily gain, feed intake and feed conversion ratios observed in the insect meal fed piglets. Levels of good micro-organisms (*Lactobacilli*) were significantly higher in insect meal-fed piglets. No differences in the levels of negative micro-organisms (*Enterobacteriaceae* and *E.Coli*) were detected. According to the PROteINSECT scientists, insect meal and extracted insect proteins in the piglet feed created a healthy environment within the gastrointestinal tract of the animals.

There also appear to be environmental grounds supporting insect-based feed. Compared to fishmeal, PROteINSECT found that the house fly and black soldier fly production systems have shown more favourable results in terms of their impact on fossil fuel depletion, freshwater and marine eutrophication and ecotoxicity, as well as natural land transformation compared to vegetable-based protein sources. In addition, possible improvements were identified within the systems to further reduce heating related energy usage, labour and water inputs.

However, current EU legislation affecting the use of insects in feed is seen as a major barrier to manufacturers, traders and potential investors. Essentially, (1) Regulation (EC) No. 999/2001 of the European Parliament and of the Council laying down rules for the prevention, control and eradication of certain transmissible spongiform encephalopathies (hereinafter, TSE Regulation) prohibits the use of insects as a source of protein for livestock feed and (2) Regulation (EC) No. 1069/2009 of the European Parliament and of the Council of 21 October 2009 laying down health rules as regards animal by-products and derived

products not intended for human consumption (hereinafter, Regulation (EC) No. 1069/2009) bans the rearing of insects on manure or catering waste.

Firstly, EU law currently prohibits including protein derived from insects in animal feed, with the exception of feed intended for fish or shellfish. The catalogue of feed materials (*i.e.*, *Commission Regulation (EU) No. 68/2013 of 16 January 2013 on the Catalogue of feed materials*) is a non-exhaustive list. Thus, in principle, non-listed products can also be placed on the market. Although 'terrestrial invertebrates' are listed under entry 9.16.1 in part C of its Annex (whole or parts of terrestrial invertebrates, in all their life stages, other than species pathogenic to humans and animals; with or without treatment such as fresh, frozen, dried), there is no specific entry for 'insect meal', for example. Regulation (EC) No. 1069/2009 classifies terrestrial invertebrates other than species pathogenic to humans or animals as Category 3 material (*i.e.*, fit, but not intended for human food chains). As such, they are suitable as feed for livestock, especially fish, poultry and pigs. Therefore, insect meal as processed animal protein (hereinafter, PAP) has to be processed in line with the standards contained in Regulation (EC) No. 1069/2009. However, the TSE Regulation prohibits, in its Annex IV, the feeding of farmed animals with PAPs, with the exception of hydrolysed proteins.

Proteins derived from insects fall within the definition of PAPs (Annex I(5) of Commission Regulation (EU) No. 142/2011 of 25 February 2011 implementing Regulation (EC) No. 1069/2009 defines processed animal proteins as 'animal protein derived entirely from Category 3 material, which have been treated (...) so as to render them suitable for direct use as feed material or for any other use in feedingstuffs, including petfood, or for use in organic fertilisers or soil improvers'). Thus, insect meal cannot currently be used as feed in the EU for food-producing animals and may only be fed to pets. According to the FAO's Forestry Paper No. 171 entitled 'Edible insects: future prospects for food and feed security' and referring to the TSE Regulation, authorities at various levels appear to support a ban on feeding insect protein to farmed animals. However, in its original version, the TSE Regulation only contained a ban on the use of protein from mammals as feed. This is still evident in the preamble of the current version. In January 2013, following an agreement reached between the Commission and technical experts from EU Member States in July 2012, the ban was relaxed by Commission Regulation (EU) No. 56/2013 of 16 January 2013 amending Annexes I and IV to the TSE Regulation to allow such PAPs to be fed to aquaculture species. This change has applied since 1 June 2013. However, the condition for using non-ruminant proteins for feeding non-ruminant farmed animals, as per Annex IV of the TSE Regulation, is the killing of the animals in an official registered slaughterhouse, which appears technically difficult to comply with in the case of insects. Thus, the TSE Regulation de facto prevents the use of insect-based feed in fish farming.

Secondly, according to Regulation (EC) No. 1069/2009, insects are considered as 'farmed animals' and thus, the use of certain substrates such as manure, catering waste or former foodstuff containing meat and fish, is not allowed for purposes of their feeding. With respect to feed/substrate for insects, Annex III to Regulation (EC) No. 767/2009 on the placing on the market and use of feed prohibits the feeding of faeces and separated digestive tract content, even though these materials appear to be used in other parts of the world as substrates in insect production.

The prohibition of the use of insects as a source of protein for livestock feed and the bans on rearing insects on manure or catering waste cannot simply be lifted, but requires a scientific basis. On 8 October 2015, the European Food Safety Authority (hereinafter, EFSA) published a 'Risk profile related to production and consumption of insects as food and feed'. According to PROteINSECT, EFSA also needs to carry out a full risk profile for insects reared on organic waste, to build on last year's risk assessment of insects, because quality

and safety of larvae reared on organic waste substrates is a core scientific output of PROteINSECT.

In conclusion, in order to support and encourage the development of industrial-scale insectrearing plants, the current relevant EU feed legislation must be reviewed. The International Platform of Insects for Food and Feed (IPIFF), a consortium of insect-producing companies from France, Germany and the Netherlands, amongst others, reports that DG SANTE, the EU Commission's Directorate-General for Health and Food Safety, is already starting to review the EU's feed legislation to allow insect-derived meal to be included in the diets of farmed fish. In terms of actual timelines, an EU Commission spokesman reportedly said that a formal decision on the introduction of feed protein from insects reared on feed grade substrates could not be reached, even in a best case scenario, before 2017. This statement did not address the possibility of using certain substrates such as manure, catering waste or former foodstuff containing meat and fish for purposes of feeding the insects. Therefore, there is still a long path to go for feed produced from insects (reared on feed grade substrates or even on manure or catering waste) to be permitted as feed in aquaculture or even for livestock. Interested parties should closely monitor these developments so as to ensure that their legitimate interests are duly taken into account and safeguarded and, in particular, that the scientific and regulatory processes are not unduly delayed and cover all relevant legal and economic aspects. The next steps taken in the EU on animal feed should, therefore, be closely monitored and interested stakeholders should be prepared to participate in shaping upcoming EU legislation by interacting with the relevant EU Institutions, trade associations and other affected stakeholders.

Recently Adopted EU Legislation

Trade Remedies

- Commission Implementing Regulation (EU) 2016/675 of 29 April 2016 amending Implementing Regulation (EU) 2015/1519 imposing definitive countervailing duties on imports of biodiesel originating in the United States of America following an expiry review pursuant to Article 18 of Council Regulation (EC) No. 597/2009
- Commission Implementing Regulation (EU) 2016/676 of 29 April 2016 amending Implementing Regulation (EU) 2015/1518 imposing a definitive antidumping duty on imports of biodiesel originating in the United States of America following an expiry review pursuant to Article 11(2) of Council Regulation (EC) No. 1225/2009

Food and Agricultural Law

- Commission Implementing Decision (EU) 2016/696 of 4 May 2016 amending Decision 2006/473/EC recognising certain third countries and certain areas of third countries as being free from Xanthomonas campestris (all strains pathogenic to Citrus) and Guignardia citricarpa Kiely (all strains pathogenic to Citrus) (notified under document C(2016) 2614)
- Commission Implementing Regulation (EU) 2016/673 of 29 April 2016 amending Regulation (EC) No. 889/2008 laying down detailed rules for the implementation of Council Regulation (EC) No. 834/2007 on organic production

and labelling of organic products with regard to organic production, labelling and control

- Commission Implementing Regulation (EU) 2016/635 of 22 April 2016 amending the Annex to Regulation (EC) No. 2870/2000 as regards certain reference methods for the analysis of spirit drinks
- Commission Regulation (EU) 2016/637 of 22 April 2016 amending Annex I to Regulation (EC) No. 1334/2008 of the European Parliament and of the Council as regards removal from the Union list of certain flavouring substances
- Commission Implementing Regulation (EU) 2016/662 of 1 April 2016 concerning a coordinated multiannual control programme of the Union for 2017, 2018 and 2019 to ensure compliance with maximum residue levels of pesticides and to assess the consumer exposure to pesticide residues in and on food of plant and animal origin

Other

- Commission Implementing Regulation (EU) 2016/670 of 28 April 2016 introducing prior Union surveillance of imports of certain iron and steel products originating in certain third countries
- Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation)
- Commission Regulation (EU) 2016/646 of 20 April 2016 amending Regulation (EC) No. 692/2008 as regards emissions from light passenger and commercial vehicles (Euro 6)

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