CONSTITUTION, EUROPE, EXTERNAL AFFAIRS AND CULTURE COMMITTEE

9th Meeting, 2024, Session 6

28 March 2024

Review of the EU-UK Trade and Cooperation Agreement inquiry

- 1. The Committee is conducting an inquiry into the <u>Review of the EU-UK Trade</u> and <u>Cooperation Agreement (TCA)</u>. The focus of the inquiry is on how trade in goods and services between the EU and UK is currently working, if there are areas where it can be improved, and whether there is an interest in developing the trading relationship further.
- 2. A call for views opened on 29 September and closed on 30 November. It received 16 submissions which are available to view <u>online</u>.
- 3. At its meeting on <u>8 February</u> the Committee held a scene-setter for the inquiry, a roundtable session with members of the Scottish Advisory Forum on Europe. On <u>7 March</u> we heard from a panel of representatives of NFU Scotland, Quality Meat Scotland and Agricultural Industries Confederation. On <u>14 March</u> we took evidence from the UK in a Changing Europe. Last week (21 March) we hosted a roundtable with a half dozen businesses who were members of either Food and Drink Federation Scotland or Agricultural Industries Confederation.
- 4. At this week's meeting the Committee will take evidence from-
 - Fiona Burnett, Technical Director, Scottish Quality Crops
 - Donna Fordyce, Chief Executive, Seafood Scotland
 - Scott Walker, Executive Manager, Scottish Meat Wholesalers Association
 - Tavish Scott, Chief Executive, Salmon Scotland
- 5. A SPICe briefing is attached at **Annexe A**.
- 6. Submissions from three of the witnesses are included at **Annexe B**. Seafood Scotland had also provided a <u>response</u> to the Committee's call for views.

CEEAC Committee Clerks March 2024

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Constitution, Europe, External Affairs and Culture Committee

9th Meeting, 2024 (Session 6), Thursday, 28 March

Inquiry into the review of the EU-UK Trade and Cooperation Agreement

Background

The UK's relationship with the European Union (EU) is governed by the Trade and Cooperation Agreement (TCA). The TCA entered into force on 1 May 2021 and there is provision in the agreement for a joint review of the implementation of the Agreement five years after its entry into force. The Committee is looking at the TCA now so that it can contribute to the discussions at the UK and EU level that may take place in the run up to such a review.

Today's evidence session with fisheries and food representative bodies on how trade in animal goods between the EU and UK is currently working under the TCA and if there are areas where it can be improved. This evidence session will build on the evidence the Committee <u>took on 7 March 2024</u> (from the National Farmers Union Scotland, Quality Meat Scotland and the Agricultural Industries Confederation) and 21 March 2024 (from food and plant businesses).

Food and Drink Federation Scotland submission

The key issues raised by Food and Drink Federation Scotland in its <u>written evidence</u> are:

- Tariffs and Trade Barriers non-tariff barriers, such as customs checks and regulatory differences, continue to pose challenges for food producers
- Rules of Origin meeting rules of origin requirements to benefit from tariff free access to the EU can be complex for industries with global supply chains, potentially affecting the cost and efficiency of production.
- Regulatory Compliance maintaining access to the EU market requires compliance with EU regulations. For food producers, this involves meeting specific food safety and quality standards, which may differ from UK standards.

• Customs Procedures - customs procedures, including documentation and checks, can create delays and additional administrative burdens for food producers which is a particular issue for perishable goods.

• Supply Chain Disruptions - changes in customs procedures and regulatory requirements can disrupt established supply chains impacting on the timely delivery of raw materials and finished products, affecting production schedules and overall efficiency.

• Certification and Labelling - food producers must ensure that their packaging and labelling continue to meet EU standards to maintain access to this market

• Services and Labour Mobility - changes in the free movement of labour can impact the availability of skilled workers in the food production industry.

Issues previously raised in the committee evidence sessions

The evidence the Committee has received in previous evidence sessions has focussed on issues linked to the export of goods to the EU within the framework of the Trade and Cooperation Agreement. To inform today's evidence session, a summary of some of the issues previously raised is provided below along with references to the written evidence the Committee has received where that is relevant to today's roundtable.

Increased complexity of exporting

A key focus for witnesses has been on the increased complexity of exporting goods to the EU from the UK. In its submission to the call for views, <u>Seafood Scotland</u> wrote:

"There are a number of additional trade barriers as a result of EU exit which, in the early stages, hampered trade significantly and which still represent costs and challenges for the seafood sector, albeit traders have generally adapted to a "new normal" over time.

Additional processes, certification and documentation, mainly to ensure customs compliance (including meeting rules of origin) as well as complying with SPS requirements under the TCA and as a third country to the EU, have added a considerable time and cost burden for Scottish seafood traders."

Sanitary and Phytosanitary (SPS) checks and a veterinary agreement

Sanitary and phytosanitary (SPS) requirements are measures designed to protect humans, animals, and plants from diseases, pests, or contaminants. Goods subject to these measures are food products, live animals, products of animal origin, animal feed as well as plants and plant products. Following Brexit, UK exporters of agri-food products are now required to meet the EU's SPS requirements. These exports are subject to checks at the EU border and where appropriate will require the checking of export health certificates. More information on export health certificates is provided in a SPICe blog.

A veterinary agreement would potentially allow the EU and UK to recognise each other's standards, such as the EU has with New Zealand – as explained in a <u>House</u> of <u>Commons Library briefing</u>:

"The EU-NZ agreement is an "equivalence agreement", in which both sides certify their rules and regulations are equivalent to each other, allowing them to reduce border processes for agri-food."

Alternatively, the EU's veterinary agreement with Switzerland has led to the removal of:

"all documentary and identity checks, and most physical checks, as well as most veterinary certificates. However, it requires Switzerland to largely align to the EU's food and plant safety and animal health rules."

During evidence sessions on 7 and 21 March, the Committee has heard from witnesses about the new requirements to provide compliance with EU SPS and animal health rules. Witnesses have suggested some sort of mutual recognition of standards or UK alignment with EU standards would be an approach which might reduce the new requirements placed on exporters of food and plant goods.

A number of witnesses have suggested that the possibility of a veterinary agreement between the UK and the EU should be explored. In its submission to the call for views, Seafood Scotland wrote:

"There is certainly an interest in developing the trading relationship further through an agreement on SPS measures, whether that be based on existing agreements the EU has with other third countries (eg Switzerland, New Zealand) or a bespoke UK-EU agreement which reflects our unique trade relationship.

Any measure which reduces trade-related bureaucracy and, ultimately, costs for Scottish seafood traders is something we would be very keen to explore."

In contrast, in its written evidence, the Scottish Fishermen's Federation expressed concern that the negotiation of an SPS or veterinary agreement could be at the expense of fisheries allocations:

"The content of the fisheries heading is a long way from the autonomy normally expected by independent coastal States and does not reflect the types of fisheries arrangements the EU has with any other fishing nations in the north-east Atlantic.

The most egregious aspect of this is that the UK does not have full control over access to its Exclusive Economic Zone (EEZ) for EU fishing vessels.

Further, the UK's share of fishing opportunities (quota shares) under the TCA falls far short of zonal attachment – allocation of fishing opportunities based on the resources in a coastal State's waters.

For these reasons, we could not support a veterinary agreement between the UK and EU that compromised any further the UK's status as an independent coastal state. SFF would oppose fishing opportunities or any aspect of fisheries management being linked either directly or indirectly with negotiations for any veterinary agreement between the Parties."

Regulatory Compliance

A big issue during the recent evidence session has centred on the need for Scottish businesses to follow EU rules to continue to export to EU countries and the challenge of ensuring continued awareness and compliance with those rules.

Witnesses have suggested that whilst regulations are often specific to each industry or product, more could be done at a UK or Scottish Government level to support awareness of the changing EU regulatory environment for UK exporters.

UK Border Operating Model

A number of witnesses have highlighted the lack of checks taking place on EU goods coming into the UK in contrast to the checks being carried out at the EU border on UK exports.

Witnesses suggested this has led to the lack of a level playing field and expressed hope that the new UK Government Border Operating Model which was introduced on a phased basis from the end of January 2024 will begin to address this issue. In its written evidence, the Scottish Fishermen's Federation wrote:

"Clearly as the UK is no longer a member of the EU Customs Union or the Single Market, there are additional costs and administrative requirements for UK exporters that are not reciprocated for imports from the EU to UK.

It is imperative that the UK government puts in place effective border controls so that consumers in the UK are properly protected, and that UK seafood exports don't continue to be at a competitive disadvantage."

EU Border checks

During previous evidence sessions, witnesses have expressed concerns about both the procedures and paperwork required at EU border checks along with different requirements being in place at different border points highlighting a lack of consistency.

In its submission to the call for views, Seafood Scotland has suggested that it would be helpful to explore whether lessons could be learned from the implementation of the Windsor Framework: "If it would be politically and legally feasible to build on elements of the Windsor Framework in order to encourage flexible and simple conditions for trade, this is something we would be keen to explore...

...Measures such as greater sharing of information, cooperation and close working between officials across jurisdictions, as well as more alignment and integration between IT systems used to manage trade between jurisdictions could, in our view, be applied at UK-EU level to support simpler and easier trade. The adoption of "light touch" and risk-based surveillance, inspection and enforcement, as well as reduced certification requirements, would also help to minimise costs and challenges for traders from the rest of the UK if the terms and principles of the Windsor Framework were extended to the wider UK-EU relationship."

An issue raised by all the witnesses during previous evidence sessions focussed on the ability of bigger businesses to absorb the costs and challenges of exporting to the EU post Brexit. All the witnesses highlighted that new technical barriers to trade were more difficult for smaller businesses to adapt to. Examples of this include the increased challenges in terms of checks and paperwork of sending food and plants to the EU market.

Guidance and support

Witnesses have told the Committee that the Scottish and/or the UK Government could helpfully provide guidance to exporters on the rules and requirements to export to the EU/other countries. This guidance could set out all the different requirements which exporters need to comply with to successfully export their produce to EU countries.

Services and Labour Mobility

The end of free movement between the EU and the UK has meant that it is more difficult for EU nationals to come and work in the UK such as in the food industry.

This has led to some witnesses highlighting shortages in available workforce including seasonal workers. For example, the National Farmers Union Scotland (NFUS) explained to the committee how the end of free movement has affected some farmers who rely on seasonal workers:

"The sector is crucial and is reliant on seasonal workers. We know there have been challenges and issues with that for producers, which is, arguably, forcing their hand, to a degree, in respect of what else they might do. It would be relatively easy—because of uncertainty around movement of people—simply to stop producing high-value fruit and veg and to grow grain instead, for example. Therefore, there are some inherent risks that we are aware of."

Themes to discuss today

Today's evidence session with food and seafood representatives is an opportunity to discuss how exporting goods under the framework of the Trade and Cooperation

Agreement is operating and how it might be improved from a UK exporter perspective.

Specifically, Members may wish to discuss with the witnesses what sanitary and phytosanitary (SPS) requirements are now placed on businesses exporting to the EU, the costs of these and how they are complied with. In addition, Members may wish to discuss in what ways the trading environment could be smoothed to facilitate better trading conditions between the UK and the EU.

Members may also wish to discuss with the witnesses how they ensure they are keeping track of changes to EU rules (to allow them to export to EU countries) and how divergence between the UK and EU or within the UK itself affects them.

Finally, Members may wish to discuss with the witnesses what checks on EU goods coming into the UK are taking place and whether these will provide for a level playing field when compared to the checks on UK exports to the EU.

lain McIver SPICe Research

Review of the EU-UK Trade and Cooperation Agreement

Brief for Constitution, Europe, External Affairs and Culture Committee meeting Thursday 28 March 2024

Background

Scottish salmon production is a major contributor to the Scottish marine economy, with an economic contribution second only behind support for oil and gasⁱ.

Every year we harvest over 150,000 tonnes of Scottish salmon, making Scotland the third largest producer of Atlantic salmon globally. Beyond the domestic market, which remains the most important in terms of harvesting and added value further processing, exports are an integral part of the Scottish salmon supply chain, with exports directly reaching more than 50 markets every year.

Scottish salmon was the UK's biggest food export in 2023, according to official HMRC figures. Sales of the nutritious fish reached £581 million in the calendar year, with France and the US leading the global demand. Scottish salmon was exported to 54 countries, and sales outperformed all the UK's other main food exports including bakery goods, chocolate, cheese, cereals and lamb. Salmon is also the most popular fish among UK consumers, with sales of all salmon in UK retailers running at around £1.2 billion-a-year at retail.

The European Union is the most significant region for Scottish salmon exports in both value and volume terms, accounting for more than 60 per cent of our exports.

Efficient supply chains: critical for international competitiveness

In 2019, there were over 53,000 tonnes of Scottish salmon exported to the EU. In 2023, volumes were nearer 44,000 tonnes (a reduction of 9,600 tonnes) leading to a loss in export value to the EU in the region of £80-£100 million.

In advance of post-Brexit trade, the sector invested significantly in practices and resource so that exports to the EU could continue. Without this, the situation could be much worse. The investment made by companies and organisations has increased burden on what was a highly efficient and effective supply chain.

Facilitating improvements to the trade conditions with the EU will improve our international competitiveness and return some of the competitive advantage, reduce costs and increase efficiencies which will help underpin future development and success of the sector among our coastal and rural communities.

Existing challenges and solutions

- We ask the UK and EU to create a bespoke and mutually convenient Sanitary and Phytosanitary (SPS) agreement which returns efficiencies to supply chains on both sides of the Short Straits to help consumers and businesses in both territories. Salmon Scotland has been engaged with the SPS Certification Working Groupⁱⁱ to provide some key recommendations:
 - 1. Improve current systems to remove archaic bureaucracy, reducing time, error and costs;
 - 2. Review requirements for inspection and certification;



salmonscotland.co.uk

3. Negotiate a form of mutual veterinary agreement with the EU which would ease problems trading food and feed between Great Britain (GB) and the EU and GB to NI, and from EU to GB when import controls take effect.

- Competitive dis-advantage: there is still **significant paperwork and processes** which can lead to delays which may have knock-on impacts if consignments are delayed.
- The lack of a **new eCertification**, and issues with the current outdated system, is costing salmon farmers millions of pounds every year. Improving the certification programme should be an urgent priority for Defra.
- Costs on imports (processes and procedures) the development and understanding of new processes and requirements for raw material and supply chain imports has been costly as well as time- and resource-consuming. The development of BCPs and their implementation for our feed suppliers has increased costs and risks to a regular supply.
- We are still challenged with exporting new, improved technology into the EU now that we are trading as a third country (bulk bins). The opportunity to reduce packaging and increase efficiencies and make use of domestic transport solutions to the EU would be beneficial for the supply chain to both producers and customers.
- **Sampling regimes**, which are not unwarranted, but the consistency and reporting on sampling can be disruptive and unclear.

Opportunities for developing the UK-EU relationship

- **Documentation alignment**: an effective and efficient system (electronic or otherwise) to integrate with the European Union to provide the relevant paperwork in a much more streamlined process.
- **Bulk exports**: improved technologies which are openly in use across the UK would benefit EU customers and consumers through reduced costs and environmental emissions via the use of larger bulk packaging. In an attempt to progress both UK and EU objectives to reduce emissions there is an opportunity to ask for a derogation or agreement between the UK and EU on processes and practices to allow product into EU. This would improve quality and reduce environmental/carbon impacts and would not necessitate EU regulatory change which can be cumbersome and length in enacting.
- **Sampling**: further improve the coordination and understanding between the EC & Member States' officials and feedback through UK channels.
- **CVO and SPS agreement**: an agreement across official channels from health professionals to allow product to access EU market.





Scotland's Marine Economic Statistics 2021; Marine Directorate, Scottish Government – published
December 2023 - <u>https://www.gov.scot/publications/scotlands-marine-economic-statistics-2021/pages/3/</u>

ⁱⁱ Minimising SPS Friction in EU Trade; A new process design for the new relationship with the EU; A paper from the SPS Certification Working Group <u>https://www.chilledfood.org/brexit/</u>



SUBMISSION

Review of the EU-UK Trade and Cooperation Agreement

SQC Briefing ahead of Evidence Session – 28 March 2024

Introduction

The SQC assurance scheme was founded in 1994 as Scottish Quality Cereals, to give cereal producers the opportunity to place Scotland's cereals at the premium end of the UK and European markets. Changing its name to Scottish Quality Crops in 2007 to encompass all combinable crops, in 2020, the company became a stakeholder co-operative to maximise sector expertise and collaboration opportunities across the sector – whilst still placing the farmer at the heart of the organisation.

SQC now assures c3200 growers across Scotland – which equates to over 90% of Scotland's combinable crops.

Our standards are formed by and for growers and grain buyers. Our crop quality and traceability scheme ensures safe and environmentally friendly production of arable crops in Scotland. Our aim is to make sure that the mechanics are in place to allow easy access to the widest available and most lucrative markets.

Theme 1 - How trade in goods and services between the EU and UK is currently working and if there are areas where it can be improved.

SQC response – Within food assurance and the agricultural sector, there are ongoing concerns around assurance standards applied to imported grain. A key area which could enhance improved relations and trade would be to provide greater transparency in all assurance schemes and a benchmarking of all schemes and standards – both within the UK and the EU. In addition, this transparency could allow for recognition of scheme equivalence for the SQC scheme in Europe with expanded markets and the simplification of paperwork through growers not having to conform to multiple Quality Assurance schemes.

Theme 2 - Where there are challenges and how these could be resolved

SQC response – In terms of SQC and challenges faced by our assured growers – since Brexit, SQC are concerned around future changes / development of EU policy and legislation and potential impact of this on UK policy and legislation. For example, the United Kingdom Accreditation Services (UKAS) is the National Accreditation Body (NAB) for the United Kingdom to which SQC and our Certification Body, Food Integrity Assurance (FIA Ltd) are accredited. UKAS are appointed by UK government, to assess and accredit organisations that provide services including certification, testing, inspection and calibration. However, UKAS is no longer recognised by the EU as a NAB. This has significantly impacted progress in our application to continue UK recognition to the EU Renewable Energy Directive (RED II). Without this recognition, SQC assured growers would lose the opportunity to access the European biofuels market, and further that this drop in market demand would decrease the local grain price.

With regards to sanitary and phytosanitary (SPS) measures, the SQC scheme ensures food safety and environmental protection – for example through the safe use of pesticides and safe storage to prevent mycotoxins. As such, we would be concerned about any drift from European technical standards and legislation that complicate the ability to trade, or to gain scheme equivalence and access to EU markets. We are not aware of any mechanism to track divergence, and this is a concern.

The high health status of Scottish crops, is an asset and allows for reduced reliance on pesticides. While we recognise that SPS measures are useful in protecting the health of Scottish crops against exotic incursions, there needs to be a balance with ease of trade, and so a single area that recognises equivalence in SPS standards across EU and GB borders would seem positive.

We are aware of issues with the timely transport of crop samples, for example, in terms of monitoring and surveillance of pests and diseases of concern to Scottish crops, there are great difficulties in getting samples through to European testing laboratories and so intelligence on things such as fungicide resistance in crop pathogens is much reduced. This would be another advantage to agreement on SPS measures between GB and the EU.

Theme 3 - Opportunities for further developing the UK-EU relationship

SQC response – SQC believes there should be opportunities for improved partnership working and collaboration between the EU and UK businesses. For example, through RED II, there is now a requirement for provision of data to a new EU UDB (database). However, as we were not asked to engage at the outset, SQC are struggling to work with the EU to provide the data required (without significant cost to SQC and its members). Had we been involved in project planning discussions at the outset, the system could have been developed to accept data in its current format (rather than having to look at costly and time consuming changes to our own systems in order to meet EU requirements). It would be beneficial to include all relevant stakeholders in project specification discussions prior to commencement. This could help to mitigate issues in delivery further down the process.

With regards to sanitary and phytosanitary (SPS) measures, there are many core agencies such as EPPO and EFSA which do useful work in aligning protocols and testing methods – for example in important areas such as seed health. Again, our worry about any divergence from EU technical standards is pertinent here and we would like UK agencies to develop and retain close working relationships with agencies such as these.

Seafood Scotland Briefing Paper

Review of the EU-UK Trade and Cooperation Agreement – March 2024

The Scottish Parliament – Constitution, Europe, External Affairs and Culture Committee

<u>Seafood Scotland</u> is the national trade and marketing body for the Scottish seafood industry.

The export value of the Scottish seafood sector in **2022** was **£1.041 billion**, with Scottish vessels landing **429,000 tonnes** of fish and shellfish and **4,117** fishers working on Scottish vessels. In the same year, there were some 113 fish processors operating in Scotland with some **7,630** employees. Meanwhile, more than **2,500** people were directly employed in salmon farming throughout Scotland, with **10,000** jobs across the UK dependent on the sector.

Scottish salmon was the UK's top food export in **2023**, with overseas sales of £581 million. Annual sales of salmon in the UK in 2023, meanwhile, were around £1.25 billion.

In January **2024**, Scotland accounted for 84.6% of the UK value and 86.8% of the tonnage of fish landed for the month. Peterhead is by far the busiest fishing port in the UK, accounting for 67% of the total Scottish value and 57% of the total UK value in January, with tonnage shares of 66% of the Scottish total and 57% of the UK.

Trade with the EU

Access to EU markets is critical to the seafood industry in Scotland. Seven out of the top ten export markets for Scottish seafood are EU member states, accounting for 70% of Scottish seafood exports (by value).

Customs and SPS checks, required under the TCA, are matters of considerable concern given their potential to cause delays at ports/borders/points of entry to the EU market. Delays can be very damaging, leading to goods being delivered late to customers and/or spoiling of fresh/live products.

Given the nature of seafood, freshness is key to seafood's appeal to consumers and therefore it must be delivered to market in as pristine a condition as possible, as swiftly as possible. There is a diminution in achievable market price as each day of this shelf life passes. Delays, therefore, can ultimately undermine the profitability (and, in some cases, viability) of the aquaculture, fisheries and fish processing sectors in the UK, particularly in Scotland, which has a higher proportion of its economy centred on seafood than other parts of the UK.

Scottish seafood enters the EU27 market via a number of routes. However, a very considerable proportion arrives via the Channel Tunnel and this volume of produce needs to be cleared for free circulation within the EU by undergoing checks and formalities at the Border Control Post (BCP) at Boulogne-sur-Mer in France.

As well as operating as a BCP, the seafood markets and distribution hubs at Boulogne-sur-Mer are some of the largest in continental Europe and supply much of the continent with Scottish seafood. They are critical to the exporting success of the Scottish seafood sector. The market in Boulogne closes

at midday and missed connections in the haulage process can mean that any delivery cannot happen until the following day, if at all. There are, therefore, very tight timescales to work within once

seafood consignments are dispatched from the UK. This is particularly so the further the relative point of dispatch is from the point of destination, as is the case for most Scottish seafood within the context of UK/GB geography.

Post-Brexit trade under the TCA

Trade in seafood between the EU and UK is manageable but sub-optimal at present. There are a number of additional trade barriers as a result of EU exit which hampered trade significantly in the early stages and which still represent costs and challenges for the sector, albeit these have reduced over time.

Additional processes, certification and documentation, mainly to ensure compliance with customs rules of origin and SPS requirements under the TCA and to meet EU official controls for third countries, have added a considerable time and cost burden for Scottish seafood traders. The Scottish seafood sector has worked very hard to adapt to the new post-EU exit trading relationship but, in many ways, this effort has been directed to merely "standing still" as regards EU trade, and maintaining trade flows and relationships with EU businesses and customers, rather than growing or improving them from the position prior to EU exit.

Any UK-EU agreements to further reduce trade-related bureaucracy would be welcomed, as would efforts and initiatives on the UK side to bring forward programmes to digitise and streamline trade/border systems and processes (eg the Single Trade Window and eEHCs).

There is certainly also an interest in developing the UK-EU trading relationship further through an agreement on SPS measures, whether that be based on existing agreements the EU has with other third countries (eg Switzerland, New Zealand) or a bespoke UK-EU agreement which reflects our unique trade relationship.

Measures such as greater sharing of information, cooperation and close working between officials across jurisdictions, as well as more alignment and integration between IT systems used to manage trade between jurisdictions could, in our view, be applied at UK-EU level to support simpler and easier trade. The adoption of "light touch" and risk-based surveillance, inspection and enforcement, as well as reduced certification requirements, would also help to minimise costs and challenges for traders from the rest of the UK if the terms and principles of the Windsor Framework, applicable to Northern Ireland, were extended to the wider UK-EU relationship.

It should also be noted that, of particular importance to the Scottish seafood sector, the TCA provides for the gradual transfer of quota shares to the UK up to **30 June 2026**. We will continue to monitor and, where appropriate, seek to influence these and other fisheries stocks arrangements alongside our monitoring of the operations of the trade-related aspects of the TCA up to and beyond the first review date.