

TCA02 Constitution, Europe, External Affairs and Culture Committee - Scottish Parliament

Senedd Cymru | Welsh Parliament

Adolygiad o weithrediad y Cytundeb Masnach a Chydweithredu rhwng y DU a'r UE | UK-EU implementation review of the Trade and Cooperation Agreement

Ymateb gan: Constitution, Europe, External Affairs and Culture Committee - Scottish Parliament | Evidence from: Pwyllgor y Cyfansoddiad, Ewrop, Materion Allanol a Diwylliant - Senedd yr Alban



The Scottish Parliament
Pàrlamaid na h-Alba

Constitution, Europe, External Affairs and Culture Committee

Legislation, Justice and Constitution Committee
Welsh Parliament / Senedd Cymru
By e-mail to TradeandCooperationAgreement@senedd.wales

28 October 2024

Dear Chair,

UK-EU implementation review of the Trade and Cooperation Agreement

The Scottish Parliament Constitution, Europe, External Affairs and Culture Committee welcomes the opportunity to provide evidence to the Welsh Parliament cross-committee inquiry on the [UK-EU implementation review of the Trade and Cooperation Agreement](#).

In September 2024 we published our report, [UK-EU Trade and Cooperation Agreement: Barriers to trade in goods and opportunities to improve the UK-EU trading relationship](#). The report considers the challenges experienced by Scottish businesses exporting goods to the EU following Brexit under the terms of the TCA, and then the opportunities for improving the UK-EU trading relationship. It sets out the Committee's recommendations on where such improvements can be made to the trading relationship.

A summary of the findings of our report is attached at **Annexe A**.

While the Committee agreed that the initial focus of this inquiry should be on trade in goods, a number of other significant issues were also raised in evidence, including trade in services and the mobility of people. The Committee will continue to take evidence on these issues in the Autumn and report in due course.

Yours sincerely,

Clare Adamson MSP
Convener

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Email ceeac.committee@parliament.scot. We welcome calls through Relay UK and in BSL through Contact Scotland BSL.

UK-EU Trade and Cooperation Agreement: Barriers to trade in goods and opportunities to improve the UK-EU trading relationship

Impact of non-tariff barriers to trading with the EU

1. Overall, in the Committee's view, it is clear that the UK-EU trading relationship post-Brexit, under the terms of the TCA, has presented significant new challenges for Scottish businesses exporting to the EU. The evidence we received from Scottish businesses, business representative bodies, and stakeholders was overwhelming that although there are zero tariffs and zero quotas on trade in goods between the UK and the EU under the terms of the TCA, the presence of considerable non-tariff barriers post-Brexit has meant that businesses are experiencing significant challenges in exporting goods to the EU.
2. The non-tariff barriers resulting from the agreement, such as the requirement for full customs and regulatory checks on goods, have placed considerable administrative, resource and cost pressures on businesses, and harmed exports, with many withdrawing from the EU market as a result. Businesses are experiencing significant difficulties in navigating and complying with the customs and regulatory requirements of trading with the EU, including the administrative burdens associated with customs and regulatory checks and monitoring divergence to enable compliance with often-changing EU regulations, as well as the associated increased costs of trading with the EU.
3. As the UK is no longer required to observe EU rules, the respective regulations in the UK and EU may therefore diverge over time. The Committee recognises that increasing regulatory divergence between the UK and EU presents challenges for businesses to comply with changing EU regulations in order to export to the EU and could increasingly act as a barrier to future trade as such divergence intensifies.
4. These challenges have been particularly acute for UK exporters of agri-food products, which are required to meet the EU's SPS measures, with additional requirements for veterinary inspections, and particular risk due to the time-sensitive nature of the products if goods are delayed during border checks. The Committee also heard that SMEs, which have been less able to absorb the additional costs and regulatory burdens as larger businesses, have particularly struggled.
5. While goods entering the EU from the UK were subject to full customs and regulatory checks immediately after the UK left the EU's legal order, border checks on goods entering the UK from the EU are only now being phased in. Stakeholders have identified this disparity as having created an uneven playing field for UK businesses and further deepened these challenges. We have invited the new UK Government to provide greater clarity to businesses on their plans for the BTOM, including the timetable for its introduction and how it will interact with

the Windsor Framework, as well as support and guidance for those importing from the EU on what is required from them.

6. The Committee recognises that these challenges are both a consequence of leaving the EU and the type of Brexit which the TCA was intended to deliver. We also recognise that it is unlikely that the EU will be willing to substantially renegotiate the agreement, but that there are nevertheless significant opportunities to improve the trading relationship.

Opportunities to improve the UK-EU trading relationship

7. There is now therefore a need for the UK Government to negotiate improvements to the trading relationship to better facilitate UK-EU trade. The forthcoming review of the TCA in 2026 presents a prime opportunity to negotiate supplementary agreements or adjustments to the TCA.
8. However, negotiations to improve the trading relationship need not be constrained to the confines of the formal review. Effective governance of the TCA will also be necessary to support improvements to the trading relationship through the ongoing implementation of the existing agreement, and negotiation of further adjustments to the TCA. There is a need for ongoing co-operation and collaboration to make continual improvements to the operation of the TCA, an agreement which is still in its infancy and has several unresolved implementation issues.
9. Overall, stakeholders identified that there is a need to seek closer regulatory alignment with the EU in order to address trade barriers. However, the administrative and technical challenges associated with border checks would remain without the UK Government coming to a formal agreement with the EU on dynamic alignment or equivalence of standards. Therefore, supplementary agreements or adjustments to the TCA which the UK Government may wish to seek to reduce non-tariff barriers to trade will likely necessitate greater regulatory alignment for the UK with the EU. The reduction of such barriers will therefore depend on the extent of alignment the new UK Government is prepared to commit to in negotiations with the EU.
10. The Committee considered key areas of possible alignment where the UK Government could seek to negotiate supplementary agreements or adjustments to the TCA. In particular, the Committee recommends that the UK Government should seek a veterinary agreement with the EU to significantly reduce border checks and the administrative burden on exports of agri-foods, given the significant impact it would have on reducing barriers to trade for many Scottish businesses. This could involve dynamic alignment with EU SPS and animal health regulations, or the recognition of the equivalence of respective SPS standards, which would also involve a degree of regulatory alignment with EU.
11. The Committee also considers that there is a need to involve the devolved governments in the process for agreeing a veterinary agreement with the EU—and more broadly in the process for improving relations with the EU—given the extent to which the trading relationship impacts on devolved areas, and within the

context of the new UK Government's commitment to reset its relationship with the devolved governments.

12. The Committee further recommends that the UK Government should seek to further reduce barriers to trade through agreeing a mutual recognition agreement with the EU on conformity assessments, which would allow for UK and EU certifying bodies to confirm that a product made in one territory meets the regulations of the other, and further reduce barriers to trade. This may also require UK-EU regulatory alignment.
13. A further area for potential co-operation in order to facilitate UK-EU trade is the linkage of emissions trading schemes, which cap and impose tariffs on carbon emissions in certain sectors. The Committee recognises that the failure to link the UK and EU emissions trading schemes will create additional trading costs for some Scottish businesses. Given that the TCA already commits both parties to giving serious consideration to linking their respective schemes, the Committee invites the UK Government and European Commission to seek to make significant progress in doing so through the TCA review, which would enable Scottish businesses to be exempted from the charges and administrative burdens of the EU CBAM. The linkage of the schemes may include regulatory alignment.
14. The Committee also encourages the UK Government to continue to seek to negotiate adjustments to the rules of origin on exporting to the EU, as well as ensuring there is full and clear guidance for UK businesses on the evidence needed to comply with the rules.
15. Finally, the Committee believes it is clear that greater support is required from the UK Government and Scottish Government for businesses to manage the complexity of the current trading environment, in particular with regards to monitoring divergence to allow for compliance with changing EU regulations and navigating the customs and regulatory requirements of trading with the EU. The Committee invites the UK Government to explore, in collaboration with the Scottish Government and other devolved administrations, establishing a formal mechanism to monitor relevant changes to EU law and track the emerging and increasing divergence in policy or technical standards between the EU and the UK, including where the extent of divergence or alignment with the EU differs in Scotland from the rest of the UK. This information should be made publicly available as a resource for industry so that this monitoring burden does not sit with individual businesses and business representative bodies.
16. We also heard that there is a need for simpler guidance to be developed for businesses in the UK and EU on customs procedures, rules of origin and other issues relating to UK-EU trade. The Committee invites the UK Government and European Commission to engage with businesses and representative bodies to develop clear guidance which meets their needs.