

UK-EU seafood trade under World Trade Organisation conditions

This note provides a description of World Trade Organisation (WTO) trade conditions, which has been highlighted as a potential trading situation for the UK under a no deal EU exit.

Of the various models for the UK outside the EU, there are relatively few permutations (scenarios) of the UK's post-Brexit trade model. Scenarios are useful to explore the implications of changing trade arrangements for UK seafood.

1.1 WTO conditions

Assuming no major changes in EU trade rules, UK-EU trade relations under a No deal/WTO scenario is summarised in table 1.1 where WTO conditions are set alongside Single market conditions¹. Key aspects include; access to the single market in goods, free movement of persons, EU budget contributions, trade policy independence, and means for resolving disputes.

	Single Market (UK as EU Member)	WTO (UK as non-EU member)
Access to EU Single Market in goods and Customs Union	Tariff free trade	Based on EU/UK schedules of concession at WTO (MFN basis)
	Customs union (external tariff)	
	Level playing field (non-tariff barriers)	
Free movement of persons	Free movement	
EU budget contributions	Budget contribution	
Independent trade policy	No independent trade policy	
Dispute Resolution	European Court of Justice (ECJ)	WTO dispute settlement process

Legend

Key aspects fully available to UK

Key aspects not available to UK

From a trade perspective, the key aspects of interest are those that are directly related to day-to-day trade i.e. 'Access to EU Single Market in goods' and 'Independent trade policy'. Under WTO conditions major changes would include, amongst others:

¹ See HM Government (2016) *Alternatives to membership: possible models for the United Kingdom outside the European Union*. March 2016.

- **Access to the EU Single Market** (UK-EU tariff changes, EU external tariff and non-tariff barriers);
- **EU 3rd party agreements** (changes to tariffs/quotas set by EU-3rd country trade agreements, including non-EU countries in the EEA);
- **Independent trade policy** (UK-Rest of world external tariff - the UK could set tariffs lower than the current EU Most Favoured Nation tariff, or set zero tariffs on any imported category).

More specifically, a *No deal (WTO) scenario* would involve:

- “Default option” based on WTO rules.
- Single Market access based on:
 - The least advantageous terms (no preferential trade agreement). UK “access” the same as any other country without an EU trade agreement.
 - Exports of UK goods to the EU would be subject to the schedules of concessions (maximum tariff levels, tariff rate quotas, and subsidies) for the EU and vice versa.
 - EU or UK cannot levy discriminatory tariffs – the maximum tariff would be that applied to the Most Favoured Nation (MFN).
 - No requirement to implement EU legislation; compliance limited to those exporting to the single market.
- No free movement of people.
- No financial contribution to the EU budget.
- Violation of trade rules referred to WTO’s multilateral system for handling disputes (including WTO Dispute Settlement Body).
- The setting of import tariffs below the WTO’s MFN will be under the UK’s control.

1.2 Opportunities and threats to existing UK seafood trade portfolio

Although highly uncertain, broad pathways for trade arrangements can be described under WTO conditions. UK-EU trade relations operating under WTO conditions, in which seafood is traded with the EU at world prices, would generate benefits and drawbacks. The arrangement would result in new trade tariffs, non-tariff measures, and enforcement arrangements.

Opting for trade under WTO conditions would mean key parties determining trade tariffs and non-tariff measures. The key parties for:

- Imported seafood from the EU, or other third countries, would be the UK.
- Exported seafood to the EU single market, would be the EU.
- Exported seafood to other third countries, would be those third countries.

WTO conditions would mean direct near term changes for certain UK seafood trades (table 1.2). Of the main UK seafood trades, key trades – those with an important (moderate to major) share of trade volumes and values - are shown with suggested opportunities (●) and threats (●). For exporters to the EU, tariff changes would increase from current zero tariffs towards EU MFN tariffs, non-tariff measures would require additional documentation, and additional checks by enforcement agencies².

² The Seafish document *NTMs and enforcement in UK export supply chains to the EU* provides an illustration of the measures and enforcement operations for those exporting seafood products from the UK (as a non-EU country) to the EU.

Table 1.2 Seafood trades, current trade relationship affected by a WTO based trade arrangement, and range of EU MFN tariffs

Key UK seafood trades 2015 (volumes, value, trade type, trading country)		Current trade relationship			EU MFN Tariff Range 2016 across all product formats (%)
		SM	3rd	NTA	
Exports	Whitefish exports (65,600t, £102m)				
	Cod <i>primary products</i> to the EU	●			7.5 - 18
	Plaice <i>landed product</i> to the EU	●			7.5 - 18
	Saithe <i>primary products</i> to the EU	●			7.5 - 18
	Monkfish <i>landed product, and primary product</i> , to the EU	●			7.5 - 18
	Pelagic exports (191,000t, £119m)				
	Mackerel <i>landed product</i> to Norway (EEA country)		● ●		15 - 20
	Herring <i>landed product, and primary product</i> , to the EU	●			15 - 18
	Tuna <i>secondary (final) products</i> to the EU	●			24
	Shellfish exports (85,200t, £236m)				
	Nephrops <i>primary products</i> to the EU	●			12
	Brown crab <i>landed product and primary products</i> to the EU	●			7.5
	Scallops <i>primary products</i> to the EU	●			8
	Salmonids exports (63,280t, £194m)				
Salmon <i>primary products</i> to the EU	●			2 - 8	
Imports	Whitefish imports (298,700t, £431m)				
	Cod <i>primary product</i> originating from Iceland and Norway (EEA countries)		● ●		7.5 - 18
	Haddock <i>primary product</i> originating from Iceland and Norway (EEA countries)		● ●		7.5
	Alaskan Pollock <i>primary product</i> from the USA and Russia			● ●	7.5 - 15
	Pangasius <i>primary product</i> from Vietnam			● ●	8 - 9
	“Fish” – a whitefish <i>secondary product</i> from the EU	● ●			n/a
	“Deep frozen fish fillets” - a whitefish <i>secondary product</i> from the EU	● ●			7.5 - 20
	Pelagic imports (168,000t, £246m)				
	Tuna <i>secondary (final product)</i> from the EU	● ●			24
	Tuna <i>secondary (final product)</i> from Mauritius, Seychelles, Ecuador		● ●		24
	Mackerel <i>secondary (final) products</i> from the EU	● ●			25
	Sardines <i>secondary (final) products</i> from Morocco		● ●		12.5
	Shellfish imports (74,000t, £320m)				
	Cold water prawn <i>secondary (final) products</i> from the EU	● ●			12 - 20
	Cold water prawn <i>secondary (final) products</i> from Canada		● ●		12 - 20
	Warm water prawn <i>secondary (final) products</i> from Vietnam/India			● ●	12 - 20
	Scallops <i>primary products</i> from the EU	● ●			8
	Scallops <i>primary products</i> from the USA			● ●	8
Salmonids imports (58,000t, £215m)					
Salmon <i>transit trade</i> with Norway (EEA country)		● ●		2	
Salmon <i>transit trade</i> with Faroes		● ●		2	

SM=EU Single Market, 3rd = EU-3rd country agreements (including EEA), NTA = No trade agreement.

1.3 Changes in trade tariffs and implications

Under current trading conditions there are no tariffs for exports to / imports from the EU, whilst tariffs on trade with non-EU countries is either set by EU-third country trade agreements, or on the basis of EU and third country MFN tariffs. These arrangements would change under WTO conditions. In exporting to the EU, the UK could face EU MFN tariffs on UK exports whilst setting or negotiating much lower/higher UK tariffs with third countries. Such an arrangement could impact:

- **UK exporters.** Those operators selling to the EU would face a new EU MFN tariff. Those selling to non-EU countries would face the MFN tariffs of those countries; these would be new MFN tariffs where UK trade agreements did not replace existing EU-third country trade agreements. These changes could place UK exporters at a cost disadvantage relative to others in the market. The disadvantage would depend on how easily the material could be sourced from non-UK suppliers. If not easily sourced from elsewhere then some of the cost might be borne by the customer in EU and non-EU countries, otherwise the additional cost would fall on the UK supplier. In situations where tariffs make exporting unprofitable, the alternatives would be to seek alternative export destinations or to not export at all, which could result in additional supply to the UK market.
- **UK importers.** Those operators sourcing from the EU would face new UK-set tariffs. Those sourcing from non-EU countries would also apply the new UK tariff instead of the EU tariffs. Lower prices could be secured for seafood supplies that meet UK standards if the UK offers more favourable tariffs.
- **Domestic seafood processors,** reliant on UK caught seafood and serving the UK market. These operators could suffer more intense price competition for particular species from lower price imports of those species or conversely be protected by higher UK import tariffs.

Table 1.2 shows the range of most favoured nation (MFN) tariffs in place for the EU in 2016 relevant to key trades in the UK seafood trade portfolio. This is an indication of the potential tariffs faced by:

1. UK exporters to the EU (these are tariff levels set by the EU).
2. UK importers (if the UK was to replicate the existing EU tariffs for these imported products. The UK would be free to reduce/increase these as part of an independent trade policy).

1.4 Changes in non-tariff measures and implications

Under current trading conditions there are a range of non-tariff measures (NTMs) relevant for seafood trade³. Requirements vary depending on trade agreements, but are minimal for EU trade. This would change under WTO conditions.

Under WTO conditions, exporters and importers engaging in trade with EU countries would face additional non-tariff measures, paperwork and procedures. Recent UK Government guidance⁴, highlights additional requirements for:

³ See the Seafish document *Non-tariff measures relevant to seafood* for more information.

⁴ <https://www.gov.uk/guidance/exporting-and-importing-fish-if-theres-no-brexit-deal>

- All UK operators trading with the EU:
 - UK Economic Operator Registration and Identification (EORI) number⁵ - UK businesses trading with the EU will need such a number if they are a business established in the UK, and will import or export goods with the EU from 11pm GMT on 29 March 2019.
- Exporters:
 - Listing as an approved exporter to the EU⁶ - Operators exporting fish or other products of animal origin to the EU will need to ensure that hygiene standards meet EU requirements. Operators need to liaise with Food Standards Agency to ensure their health standards are approved as EU equivalent (so that they are included on an EU list of approved operators exporting to the EU).
 - Catch certificate - a new digital catch certificate service (beta version) from Defra is now live; exporters are encouraged to register now in preparation for a no-deal situation⁷.
 - Export Health Certificate (EHC)⁸ – this would be required for all consignments due to arrive in the EU after 11pm 29th March 2019. Exporters need to understand the purpose and content of an EHC and any accompanying documentation. An EHC application form can be easily downloaded through GOV.UK and sent to the relevant authority.
 - Requirements for trade to countries outwith EU agreements would not change.
- Importers:
 - Importers will require an import catch certificate. Import catch certificates will continue to be processed through the current paper-based system.

Furthermore, there may be additional requirement for transport and haulage. In the absence of a transport agreement after EU exit, the EU will no longer recognise transport authorisations, certificates of competence, or vehicle approval certificates issued by the UK. Technical guidance and advice is available from UK Government⁹ and the Road Haulage Association¹⁰.

⁵ <https://www.gov.uk/guidance/get-a-uk-eori-number-to-trade-within-the-eu>

⁶ <https://www.seafish.org/article/action-required-by-exporters-of-fish-and-animal-products-to-the-european-union-post-brexit>

⁷ <https://www.gov.uk/guidance/create-a-uk-catch-certificate>

⁸ <https://www.gov.uk/guidance/exporting-animals-animal-products-fish-and-fishery-products-to-the-eu-after-eu-exit#ehc>

⁹ Exporting animals and animal products if there's no Brexit deal. UK Government. Updated 19 December 2018 (<https://www.gov.uk/government/publications/exporting-animals-and-animal-products-if-theres-no-brexit-deal/exporting-animals-and-animal-products-if-theres-no-brexit-deal>)

¹⁰ Brexit and the UK haulage industry – what's next. Road Haulage Association. (<https://www.rha.uk.net/policy-campaigning/brexit-and-the-uk-haulage-industry>)

1.5 Changes in enforcement and implications

Under current trading conditions, seafood operators work to well established procedures developed in the context of UK and EU requirements. Because of this underlying regulatory compliance, operators are able to export to the EU without the need to provide guarantees of food safety, or of the legality of the catch and so on. This situation is expected to remain unchanged after the UK leaves the EU.

Under WTO rules, changes to enforcement are likely to be experienced as increased interventions at the border. This will affect both importers and exporters trading directly or indirectly with the EU. Importers of seafood from the EU will be expected to provide IUU catch certificates (where appropriate). Importers that are bringing in seafood from outside the EU but transiting through the EU will also have to present health certificates and the consignment will be subject to documentary, identity and physical checks at the border.

UK operators who are exporting to the EU will be expected to provide catch certificates and export health certificates. These will be checked at the port of destination in the EU as part of the documentary check. The consignment will also undergo identity and physical checks in the EU member state. Increased delays can be expected at the border, and these are discussed below.

1.5.1 Relevant competent authorities involved in day-to-day issuing and checking of documentation.

Currently, operators exporting to the EU must submit paperwork to:

- Defra/Marine Scotland etc (landing information), and
- HMRC (export declaration).

Under WTO conditions, exporters and importers would face additional enforcement procedures¹¹. These include checks by:

- Local Authority (Environmental health)
- UK Port (customs and health checks)
- EU Port (customs, health checks)
- EU National Customs Authorities (food safety and hygiene)

Recent UK Government guidance⁴, highlights additional requirements for:

- Exporters
 - The new requirement for an Export Health Certificate (EHC) will need to be signed by an authorised signatory following an inspection of the consignment. A list of authorised signatories in England and Wales will be available on GOV.UK in February 2019.
 - Fish exports from the UK to the EU would need to travel through a Border Inspection Post (BIP) within the EU designated for their specific consignment.

¹¹ The Seafish document *Enforcement authorities relevant to UK-EU seafood trade* contains a list of authorities in EU member states responsible for veterinary checks and catch certificate checks.

- Requirements for trade to countries outside of the EU would not change.
- Importers:
 - Importers will have to submit an import catch certificate to the Port Health Authorities or relevant fisheries authority to be checked before the estimated arrival time into the UK. Import catch certificates will continue to be processed through the current paper-based system.

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