



HOUSE OF LORDS

European Union Committee

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20th Report of Session 2019–21

**Scrutiny of international  
agreements:  
Mutual Recognition  
Agreement on Spirit Drinks  
with Mexico and Partnership  
Agreement with North  
Macedonia**

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### *The European Union Committee*

The European Union Select Committee and its five sub-committees are appointed each session to consider EU documents and draft laws; to consider other matters relating to the UK's relationship with the EU, including the implementation of the UK/EU Withdrawal Agreement, and the Government's conduct of negotiations on the United Kingdom's future relationship with the European Union; and to consider matters relating to the negotiation and conclusion of international agreements generally.

The five Sub-Committees are as follows:

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EU Goods Sub-Committee  
EU Security and Justice Sub-Committee  
EU Services Sub-Committee  
International Agreements Sub-Committee

### *Membership*

The Members of the European Union Select Committee are:

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The Members of the International Agreements Sub-Committee are:

<a href="#"><u>Lord Foster of Bath</u></a>	<a href="#"><u>Lord Lansley</u></a>	<a href="#"><u>Lord Risby</u></a>
<a href="#"><u>Lord Gold</u></a>	<a href="#"><u>Baroness Liddell of Coatdyke</u></a>	<a href="#"><u>Lord Robathan</u></a>
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### *Further information*

Publications, press notices, details of membership, forthcoming meetings and other information is available at <http://www.parliament.uk/hleu>.

General information about the House of Lords and its Committees is available at <http://www.parliament.uk/business/lords>.

### *Sub-Committee staff*

The current staff of the Sub-Committee are Jennifer Martin-Kohlmorgen (Clerk), Andrea Ninomiya (Policy Analyst), Alexander Horne (Legal Adviser) and George Stafford (Committee Assistant).

### *Contact details*

Contact details for individual Sub-Committees are given on the website. General correspondence should be addressed to the Clerk of the European Union Committee, Committee Office, House of Lords, London, SW1A 0PW. Telephone 020 7219 5791. Email [HLIntlAgreements@parliament.uk](mailto:HLIntlAgreements@parliament.uk).

### *Twitter*

You can follow the Committee on Twitter: [@LordsEUCom](https://twitter.com/LordsEUCom).

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## SUMMARY

This is the European Union Committee's thirtieth report on treaties, or international agreements, laid before Parliament in accordance with section 20 of the Constitutional Reform and Governance Act 2010 (CRAG). It is the eighth such report prepared by the International Agreements Sub-Committee, which has taken on responsibility for scrutinising all international agreements laid before Parliament under CRAG.

This report addresses two Agreements, considered at the International Agreements Sub-Committee's meeting on 13 January 2021, on which we report for information:

- Agreement, done at Mexico City on 30 November 2020, between the United Kingdom of Great Britain and Northern Ireland and the United Mexican States on the mutual recognition and protection of designations for spirit drinks (CP 345, 2020)
- Partnership, Trade and Cooperation Agreement, done at Skopje on 3 December 2020, between the United Kingdom of Great Britain and Northern Ireland and the Republic of North Macedonia (CP 348, 2020)

# Scrutiny of international agreements: Mutual Recognition Agreement on Spirit Drinks with Mexico and Partnership Agreement with North Macedonia

## CHAPTER 1: AGREEMENTS REPORTED FOR INFORMATION

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Agreement, done at Mexico City on 30 November 2020, between the United Kingdom of Great Britain and Northern Ireland and the United Mexican States on the mutual recognition and protection of designations for spirit drinks (CP 345, 2020)<sup>1</sup>

1. The Mutual Recognition Agreement on Spirits between the UK and Mexico (the Mutual Recognition Agreement) was laid on 8 December 2020, and the scrutiny period is scheduled to end on 1 February 2021. It was considered by the International Agreements Sub-Committee on 13 January 2021.
2. This short Agreement relates only to the mutual recognition of spirit drinks. After it was agreed, a further, wide-ranging UK-Mexico Trade Continuity Agreement was signed on 15 December 2020 and published on 31 December 2020.<sup>2</sup> The Mutual Recognition Agreement is designed to ensure continuity of the effects of the agreement relating to the mutual recognition and protection of designations for spirit drinks, between the European Community and Mexico (“the EU-Mexico Spirits Agreement”) following the UK’s withdrawal from the European Union and the end of the post-Brexit transition period.
3. The Government’s Explanatory Memorandum (EM) accompanying the Agreement notes that it will commit Mexico to protecting UK designations (in other words, geographical indications or GIs) for ‘Scotch Whisky’, ‘Irish Whiskey’, ‘Uisce Beatha Eireannach/Irish Whiskey’, ‘Irish Cream’ and ‘Irish Poteen/Irish Poitín’. In return the UK will protect Mexican designations for ‘Tequila’, ‘Sotol’, ‘Charanda’, ‘Mezcal’, ‘Bacanora’ and ‘Raicilla’.
4. The EM acknowledges that the Agreement cannot be ratified by the parties by 31 December 2020 and notes that the parties “will seek to do so as soon as possible in 2021”. Neither the Agreement, nor the accompanying EM, make any reference to the possibility of provisional application.<sup>3</sup> Moreover, the EM notes the concerns of the Scotch Whisky Association that:

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1 Agreement, done at Mexico City on 30 November 2020, between the United Kingdom of Great Britain and Northern Ireland and the United Mexican States on the mutual recognition and protection of designations for spirit drinks, CP 345, 2020: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/941543/CS\\_Mexico\\_1.2020\\_Agreement\\_Mutual\\_Recognition\\_Spirit\\_Drinks.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/941543/CS_Mexico_1.2020_Agreement_Mutual_Recognition_Spirit_Drinks.pdf) [accessed 10 December 2020]

2 Trade Continuity Agreement between the United Kingdom of Great Britain and Northern Ireland and the United Mexican States: <https://www.gov.uk/government/publications/ukmexico-trade-continuity-agreement> [accessed 13 January 2021]

3 We understand from correspondence with FCDO officials that Mexico did not agree to provisional application.

- “Whilst they could tolerate a small gap in the application of the Agreement, GI protection under the EU-Mexico Spirits Agreement is the primary method of protection of Scotch Whisky within Mexico, obliging the Mexican authorities to take action against wrongful use of the protected name.”
5. It has been reported that Mexico is the sixth largest market by volume worldwide for Scotch Whisky, and is a top-ten export market by value. Exports to Mexico totalled some £120.9m in 2019.<sup>4</sup>
  6. The EM sets out the consultation that has taken place with the Devolved Administrations, noting that the UK Government “engaged with the Devolved Administrations on the drafting of this Agreement” and that “further engagement with the Devolved Administrations is being carried out to discuss the impact of this Agreement not entering into force immediately after the EU-Mexico Agreement ceases to apply to the UK”. The Agreement will also extend to Gibraltar.
  7. The EM helpfully sets out the two ways in which the Agreement could be amended in the future. Significant amendments would be made by mutual consent and would be subject to the CRAG procedure. However, amendments to the Annex to the Agreement (which contain the list of protected spirit drinks) could be made by a Joint Committee which will be established to “ensure proper functioning of the Agreement and examine any issues regarding implementation”. **It is not immediately clear whether this mechanism could be used to extend the range of spirit drinks subject to protection without further scrutiny, and we therefore call on the Government to clarify the position.**
  8. The Agreement will be implemented via two separate statutory instruments. The EM notes that the Agricultural Products Food and Drink (Amendments etc.) (EU Exit) Regulations 2020 has been laid, and it was in place for 1 January 2021.<sup>5</sup> The second SI, The Agricultural Products, Food and Drink (Amendment) (EU Exit) Regulations 2020 was made under urgent procedures on 29 December.
  9. **It is evident that there are concerns that the late entry into force of the Agreement could have economic implications for the UK drinks industry and we call on the Government to update us as soon as is practicable on the measures it has taken to bring the Agreement into effect, its estimate of when the Agreement will enter into force, and any assessment that it has made of the economic impact of any gap in application.**
  10. **We report the UK-Mexico Mutual Recognition Agreement on Spirits to the House for information.**

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4 Harper, ‘SWA backs Mexico-UK spirits accord’, (1 December 2020): [https://harpers.co.uk/news/fullstory.php/aid/28142/SWA\\_backs\\_Mexico-UK\\_spirits\\_accord.html](https://harpers.co.uk/news/fullstory.php/aid/28142/SWA_backs_Mexico-UK_spirits_accord.html) [accessed 14 January 2021]

5 The Agricultural Products, Food and Drink (Amendment etc.) (EU Exit) Regulations 2020 (SI 2020/1637). This was considered in Grand Committee on 30 November 2020. See: HL Deb [c98GC](#) et seq.

**Partnership, Trade and Cooperation Agreement, done at Skopje on 3 December 2020, between the United Kingdom of Great Britain and Northern Ireland and the Republic of North Macedonia (CP 348, 2020)<sup>6</sup>**

11. The Partnership, Trade and Cooperation Agreement between the UK and North Macedonia (the UK-North Macedonia Agreement) was laid on 10 December 2020, and the scrutiny period is scheduled to end on 3 February 2021. It was considered by the International Agreements Sub-Committee on 13 January 2021.
12. The UK-North Macedonia Agreement seeks to replicate as far as possible the existing Stabilisation and Association Agreement between the EU and North Macedonia (the EU-North Macedonia Agreement) signed on 9 April 2001.<sup>7</sup>
13. As full ratification procedures of the UK-North Macedonia Agreement could not be completed before the end of the post-Brexit transition period on 31 December 2020, the Government has confirmed that the Agreement is being provisionally applied from 1 January 2021.<sup>8</sup>

*The UK's trade relationship with North Macedonia*

14. In 2019, trade in goods and services between the UK and North Macedonia was £1.8 billion, accounting for 0.1% of total UK trade.<sup>9</sup> This consisted of £1.6 billion in UK exports and £200 million in imports from North Macedonia.<sup>10</sup> The largest share of both exports and imports between the two countries was in precious stones and metals.<sup>11</sup>

*The underlying EU Agreement and approximation to the 'acquis'*

15. The vast majority of the EU-North Macedonia Agreement has been replicated by the new UK-North Macedonia Agreement, which incorporates by reference the relevant provisions of the existing agreement. Technical changes, mostly those that refer to the EU or its institutions, have been made in order to ensure the agreement's operability in a bilateral context. Requirements for North Macedonia's approximation with the European *acquis* have been removed. However, the Agreement does provide for the suspension of specific provisions under Title V (regarding trade in services and the movement of workers) in the event of significant divergence from the existing regulatory systems.<sup>12</sup> **We ask the Government to confirm what criteria it will apply to establish that a "necessary level of alignment...**

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6 Partnership, Trade and Cooperation Agreement, done at Skopje on 3 December 2020, between the United Kingdom of Great Britain and Northern Ireland and the Republic of North Macedonia, CP 348, 2020: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/942963/CS\\_N\\_Macedonia\\_1.2020\\_Partnership\\_Trade\\_and\\_Cooperation.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/942963/CS_N_Macedonia_1.2020_Partnership_Trade_and_Cooperation.pdf) [accessed 22 December 2020]

7 The Stabilisation and Association Agreement between the European Communities and their Member States, of the one part, and the Former Yugoslav Republic of Macedonia, of the other part, done at Luxembourg on 9 April 2001 [OJ L84](#) (20 March 2004)

8 HMG Guidance, 'UK trade agreements with non-EU countries': <https://www.gov.uk/guidance/uk-trade-agreements-with-non-eu-countries> [accessed 7 January 2021]

9 ONS, 'UK total trade: all countries, non-seasonally adjusted', (2020): <https://www.ons.gov.uk/businessindustryandtrade/internationaltrade/datasets/uktotaltradeallcountriesnonseasonallyadjusted> [accessed 22 December 2020]

10 *Ibid.*

11 HMRC, 'UK Overseas Trade Data': <https://www.uktradeinfo.com/trade-data/> [accessed 22 December 2020]

12 Article 67A



**is no longer reached”,<sup>13</sup> and how it plans to notify Parliament and the affected sectors of any resulting suspensions.**

*Tariff rate quotas and cumulation*

16. Whereas most provisions from the EU-North Macedonia Agreement have been replicated mutatis mutandis, some substantive changes have also been made. As seen in other agreements, some tariff-rate quotas have been resized to take account of the smaller size of the UK compared to the EU, and tariff preferences granted under a World Trade Organization waiver to the EU have also been incorporated.<sup>14</sup>
17. The UK-North Macedonia Agreement also provides for cumulation of EU material and processing, while the provision for possible future cumulation from other third-party countries has been transferred from the existing agreement.

*Social security*

18. Under the EU Agreement, North Macedonian nationals legally employed in the EU and their families qualify for certain social security benefits. The time spent in any EU country, including the UK, counted towards this, and an amendment has been made to the UK Agreement to allow this arrangement potentially to continue. The parliamentary report explains that “the current policy is to allow workers to accumulate periods of employment in both the UK and different EU Member States for the purposes of social security.”<sup>15</sup> However, for the arrangement to work, both countries will need to have data sharing agreements in place with EU member states.<sup>16</sup> The Agreement’s main governance body, the Council (see below, paragraph 19), will decide whether appropriate data sharing arrangements are in place to enable implementation of the social security provisions in the UK. It will also examine developments on data sharing arrangements between the UK and the EU that could enable the implementation of the social security provisions.

*Governance arrangements and future amendments to the Agreement*

19. The UK-North Macedonia Agreement establishes the Partnership, Trade and Cooperation Council (the Council) and the Partnership, Trade and Cooperation Committee (the Committee) as the governance bodies of the Agreement. Unless otherwise agreed by the Parties, both bodies are deemed to have adopted the decisions made by their predecessors under the EU-North Macedonia Agreement.
20. Article 11 establishes the process by which both Parties may agree in writing amendments to the Agreement. The Parliamentary report specifies that such amendments will be subject to deposit in Parliament under CRAG.<sup>17</sup> The Council may also make amendments to the Annexes and Protocols to the

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13 Article 67A(2)

14 The WTO waiver contains a single tariff rate quota for wine, shared amongst all Western Balkan countries.

15 Paragraph 116.

16 Incorporating Title V, Article 46 of the EU-North Macedonia Agreement

17 Foreign, Commonwealth & Development Office, *Continuing the United Kingdom’s Trade Relationship with the Republic of North Macedonia* (December 2020) para 53: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/943148/CCS1220660608-north-macedonia-trade-parli-report-accessible.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/943148/CCS1220660608-north-macedonia-trade-parli-report-accessible.pdf) [accessed 23 December 2020]



Agreement. The Parliamentary report explains that Council amendments that are not subject to a domestic ratification procedure would not engage CRAG.<sup>18</sup> It is not clear, however, which type of Council amendments would qualify for CRAG scrutiny. We look forward to receiving routine notifications of amendments made within the governance structures of the Agreement, as part of the Government's commitment to ensure that all amendments to treaties are published irrespective of whether they engage CRAG.

### *Human rights*

21. Provisions on human rights have been transferred from the existing EU Agreement, and provide that respect for democratic principles, human rights and the rule of law form an essential element of the new Agreement. Material breach of these commitments may therefore constitute grounds for suspension of the Agreement in accordance with international law.

### *Implementation*

22. The method of the UK's domestic implementation is set out in the Government's Explanatory Memorandum (EM) accompanying the Agreement. The Government intends to implement tariffs and tariff quotas in regulations to be made under the Taxation (Cross-border Trade) Act 2018. Procurement regulations have been amended by both the UK and Scottish Governments under the European Union (Withdrawal) Act 2018 to maintain current EU-derived obligations, until new implementing powers are enacted by Clause 2 of the Trade Bill.<sup>19</sup>

### *Territorial application*

23. The Agreement applies to Gibraltar and the Crown Dependencies to the same extent as provided for under the EU-North Macedonia Agreement: provisions related to tariffs and trade in goods apply to the Crown Dependencies, and those not related to trade in goods and customs apply to Gibraltar. Application to Gibraltar and the Crown Dependencies will take effect from the date of written notification by the UK to North Macedonia. Both Parties agreed to remove reference to the European Atomic Energy Community (EURATOM), which is party to the EU-North Macedonia Agreement. This change amends the territorial scope of the new Agreement by removing the consequential application to the territories covered by the EURATOM treaty.<sup>20</sup> The Government does not expect this to have any material impact.<sup>21</sup>

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18 Foreign, Commonwealth & Development Office, *Continuing the United Kingdom's Trade Relationship with the Republic of North Macedonia* (December 2020) para 54: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/943148/CCS1220660608-north-macedonia-trade-parli-report-accessible.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/943148/CCS1220660608-north-macedonia-trade-parli-report-accessible.pdf) [accessed 23 December 2020]

19 At the time of writing, the Trade Bill had completed the report stage and was awaiting Third Reading in the House of Lords.

20 Foreign, Commonwealth & Development Office, *Continuing the United Kingdom's Trade Relationship with the Republic of North Macedonia* (December 2020) paras 44-46: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/943148/CCS1220660608-north-macedonia-trade-parli-report-accessible.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/943148/CCS1220660608-north-macedonia-trade-parli-report-accessible.pdf) [accessed 23 December 2020]

21 Foreign, Commonwealth & Development Office, *Continuing the United Kingdom's Trade Relationship with the Republic of North Macedonia* (December 2020) para 46: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/943148/CCS1220660608-north-macedonia-trade-parli-report-accessible.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/943148/CCS1220660608-north-macedonia-trade-parli-report-accessible.pdf) [accessed 23 December 2020]

*Consultation*

24. Although the Government's EM states that consultation with Gibraltar, the Crown Dependencies and the Devolved Administrations has taken place, it does not set out whether, and if so what, concerns were raised. **The Committee has raised this several times and we reiterate that in future the Government's EMs should make clear (1) that the devolved administrations have been consulted; (2) whether they have expressed any concerns; and (3) if they have expressed any concerns, what they were and what action has been taken to address them.**<sup>22</sup>
25. **We report the UK-North Macedonia Agreement to the House for information.**

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22 Foreign, Commonwealth & Development Office, *Explanatory memorandum: UK/North Macedonia: Partnership, Trade and Cooperation Agreement* (December 2020): [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/941408/EM\\_CS\\_North\\_Macedonia\\_1.2020\\_Partnership\\_Trade\\_and\\_Cooperation\\_Agreement.odt](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/941408/EM_CS_North_Macedonia_1.2020_Partnership_Trade_and_Cooperation_Agreement.odt) [accessed 23 December 2020]

## APPENDIX 1: LIST OF MEMBERS, DECLARATIONS OF INTEREST AND SUB-COMMITTEE STAFF

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### Members of the European Union Select Committee

The report was approved by the Chair of the EU Select Committee, Lord Kinnoull, as authorised under paragraph 11.55 of *The Companion to the Standing Orders and Guide to the Proceedings of the House of Lords*.

### Declarations of interest

The Earl of Kinnoull (Chair)

*Farming interests as principal and as charitable trustee, in receipt of agricultural subsidy*

*Chairman, Culture Perth and Kinross, in receipt of governmental subsidy*

*Chairman, United Kingdom Squirrel Accord, in receipt of governmental monies*

*Shareholdings as set out in the register*

### International Agreements Sub-Committee Members and staff

Lord Foster of Bath

*No relevant interests*

Lord Gold

*Director, Gold Collins Associates Ltd*

*Principal, David Gold & Associates LLP*

Lord Goldsmith (Chair)

*Partner, Debevoise & Plimpton LLP*

Lord Kerr of Kinlochard

*Chairman, Centre for European Reform*

*Deputy Chairman, Scottish Power plc*

*Member, Scottish Government's Standing Council on Europe*

Lord Lansley

*Director, LOW Associates Ltd*

*Chair, UK-Japan 21st Century Group*

*Trustee, Radix*

Baroness Liddell of Coatdyke

*Adviser, PricewaterhouseCoopers*

*Association Member, Bupa*

*Chair, Annington Ltd*

*Honorary Vice President, Britain-Australia Society Education Trust*

*Trustee, Northcote Educational Trust*

Lord Morris of Aberavon

*No relevant interests*

Lord Oates

*Chair, Advisory Committee, Weber Shandwick UK*

*Non-Executive Director, Centre for Countering Digital Hate*

*Director, H&O Communications Ltd*

Lord Risby

*No relevant interests*

Lord Robathan

*No relevant interests*

Earl of Sandwich

*No relevant interests*

Lord Watts

*No relevant interests*

The Committee staff are Jennifer Martin-Kohlmorgen (Clerk), Alexander Horne (Legal Adviser), Andrea Ninomiya (Policy Analyst), and George Stafford (Committee Assistant).

A full list of Members' interests can be found in the Register of Lords' Interests: <http://www.parliament.uk/mps-lords-and-offices/standards-and-financial-interests/house-of-lords-commissioner-for-standards-/register-of-lords-interests/>