



HOUSE OF LORDS

International Agreements Committee

2nd Report of Session 2021–22

**Scrutiny of
international
agreements:
Partnership, Trade
and Cooperation
Agreement with
Serbia**

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International Agreements Committee

The International Agreements Committee is appointed by the House of Lords in each session to consider matters relating to the negotiation, conclusion and implementation of international agreements, and to report on treaties laid before Parliament in accordance with Part 2 of the Constitutional Reform and Governance Act 2010.

Membership

The Members of the International Agreements Committee are:

<u>Lord Astor of Hever</u>	<u>Baroness Liddell of Coatdyke</u>
<u>Lord Foster of Bath</u>	<u>Lord Morris of Aberavon</u>
<u>Lord Gold</u>	<u>Lord Oates</u>
<u>Lord Goldsmith</u> (Chair)	<u>Lord Robathan</u>
<u>Lord Kerr of Kinlochard</u>	<u>Lord Sandwich</u>
<u>Lord Lansley</u>	<u>Lord Watts</u>

Declaration of interests

See Appendix 1.

A full list of Members' interests can be found in the Register of Lords' Interests:

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Committee staff

The current staff of the Committee are Jennifer Martin-Kohlmorgen (Clerk), Andrea Ninomiya (Policy Analyst) and Robert Cocks (Committee Operations Officer).

Contact details

All correspondence should be addressed to the International Agreements Committee, Committee Office, House of Lords, London SW1A 0PW. Telephone 020 7219 5791. Email HLIntlAgreements@parliament.uk

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CONTENTS

	<i>Page</i>
Summary	2
Agreement reported for information	3
Partnership, Trade and Cooperation Agreement, done at Belgrade on 16 April 2021, between the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the Republic of Serbia (CP 433, 2021)	3
Entry into force	3
The UK's trade relationship with Serbia	4
Box 1: UK trade with Serbia	4
Territorial scope and consultation	4
Substantial divergences from the EU-Serbia Agreement	5
Appendix : List of Members, declarations of interest and Committee staff	7

SUMMARY

This report addresses the following Agreement, laid before Parliament in accordance with section 20 of the Constitutional Reform and Governance Act 2010 (CRAG), and considered at the meeting of the Committee on 16 June 2021, which we report for information:

- Partnership, Trade and Cooperation Agreement, done at Belgrade on 16 April 2021, between the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the Republic of Serbia (CP 433, 2021)

Scrutiny of international agreements: Partnership, Trade and Cooperation Agreement with Serbia

AGREEMENT REPORTED FOR INFORMATION

Partnership, Trade and Cooperation Agreement, done at Belgrade on 16 April 2021, between the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the Republic of Serbia (CP 433, 2021)¹

1. The Partnership, Trade and Cooperation Agreement between the UK and Serbia (the UK-Serbia Agreement) was laid on 11 May 2021, and the scrutiny period is scheduled to end on 23 June 2021. It was considered by the Committee on 16 June 2021.
2. The precursor agreement to the UK-Serbia Agreement is the Stabilisation and Association Agreement between the European Communities and their Member States, of the one part, and the Republic of Serbia, of the other part (the EU-Serbia Agreement).² The EU-Serbia Agreement fully entered into force in September 2013 and the UK-Serbia Agreement seeks to maintain its effects by replicating it with only minor amendments.
3. The UK-Serbia Agreement covers:
 - trade in goods, including preferential tariff rates and quotas;
 - trade in services;
 - intellectual property, including geographical indications; and
 - government procurement.
4. Like its predecessor, the UK-Serbia Agreement includes provisions on respect for democratic principles, human rights and the rule of law, which are classed as an ‘essential element’ of the Agreement. In the case of a material breach, the Agreement may be suspended.

1 Partnership, Trade and Cooperation Agreement, done at Belgrade on 16 April 2021, between the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the Republic of Serbia: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/984929/CS_Serbia_1.2021_UK_Serbia_Partnership_Trade_and_Cooperation_Agreement.pdf [accessed 7 June 2021]

2 Council and Commission Decision of 22 July 2013 on the conclusion of the Stabilisation and Association Agreement between the European Communities and their Member States, of the one part, and the Republic of Serbia, of the other part, [OJL 278](#) (18 October 2013)

Entry into force

5. The Government's Explanatory Memorandum (EM) published alongside the Agreement on 11 May explained that the Government was discussing with Serbia the possibility of provisional application,³ and DIT officials have confirmed that the Agreement has been provisionally applied since 20 May.
6. UK trade with Serbia operated on quasi-WTO terms between the end of the post-Brexit transition period and provisional application on 20 May: Serbian goods imported into the UK were subject to WTO rules, whereas UK goods exported to Serbia (which is yet to accede to the WTO) were treated in accordance with Serbia's legislation.

The UK's trade relationship with Serbia

7. An overview of UK-Serbia trade is provided in Box 1.

Box 1: UK trade with Serbia

Serbia is the UK's 89th largest trading partner, accounting for less than 0.1% of total UK trade. In 2019, trade in goods and services between the UK and Serbia was worth £682 million.⁴

Trade in goods

Total trade in goods with Serbia was worth £450 million. Top UK goods exports to Serbia were machinery and mechanical appliances, electrical machinery and equipment, and plastics. The UK mainly imported rubber, electrical machinery and equipment, and machinery and mechanical appliances.⁵

Trade in services

Total trade in services with Serbia was worth £232 million. Travel, intellectual property and telecommunications, computer and information services were the top UK services exports to Serbia. The top services import was travel.⁶

Territorial scope and consultation

8. The Agreement applies to the Crown Dependencies and Gibraltar in the same way as the underlying EU Agreement, and the EM explains that they have been consulted.⁷ The Government is working with Gibraltar and the Crown Dependencies to ensure that any necessary changes to legislation to implement the Agreement are made.
9. The EM also indicates that the Government has consulted the Devolved Administrations (DAs) and shared the draft legal text with them once stable.⁸

3 Foreign, Commonwealth and Development Office, *Continuing the United Kingdom's Trade Relationship with the Republic of Serbia* (May 2021), p 8: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/986212/Continuing-the-UKs-Trade-Relationship-with-the-Republic-of-Serbia.pdf [accessed 7 June 2021]

4 *Ibid.*

5 *Ibid.*

6 *Ibid.*, p 9

7 Foreign, Commonwealth and Development Office, *Explanatory Memorandum on the Partnership, Trade and Cooperation Agreement between the United Kingdom of Great Britain and Northern Ireland and the Republic of Serbia* (19 February 2021), p 3: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/984931/EM_CS_Serbia_1.2021_UK_Serbia_Partnership_Trade_and_Cooperation.odt [accessed 7 June 2021]

8 *Ibid.*, p 6

10. **We repeat our previous recommendation that the Government’s EM should include information about any significant issues of concern raised by the Devolved Administrations (and others) and how they have been addressed, or alternatively confirm that no significant concerns have been expressed.**

Substantial divergences from the EU-Serbia Agreement

11. While most provisions in the EU-Serbia Agreement have been replicated, the UK-Serbia Agreement includes the following notable changes:
- References requiring Serbia to meet EU approximation targets and bring its domestic legislation closer to the EU *acquis* have been omitted.
 - The Overseas Territories (OTs) have been excluded from the territorial scope of the Agreement. The Parliamentary Report explains that their original inclusion in the EU Agreement⁹ was due to a small number of provisions relating to civil nuclear trade falling within the competence of the European Atomic Energy Community (EURATOM). The Agreement was therefore extended to encompass EURATOM members, and the OTs were included by virtue of the UK’s membership. The OTs’ exclusion in the UK Agreement therefore rectifies an anomaly in the EU Agreement.
 - Tariff-rate quotas have been resized to reflect the fact that the UK is a smaller market for imports and exports than the EU.
 - EU products have been deleted from the list of geographical indications (GIs), with the exception of those that extend to both Northern Ireland and the Republic of Ireland (Irish Whiskey and Irish Cream), which will continue to be protected.
 - The Agreement introduces an extended cumulation of origin, allowing both Parties to recognise materials from the EU as originating in the UK or Serbia in exports to one another. UK goods that have undergone processing in the EU can also be cumulated in exports to Serbia. The extended cumulation of origin, however, does not apply to UK goods or materials exported to the EU, which, subsequently, may be exported to Serbia (or in reverse). This is because the UK-EU Trade and Cooperation Agreement does not provide for UK content to be recognised as EU content in trade with common trading partners. Some UK businesses trading with Serbia may be adversely affected by this.
 - Provisions of the Regional Convention on pan-Euro-Mediterranean preferential rules of origin (the PEM Convention) have been copied across, with some changes to make them suitable for the bilateral context.¹⁰

⁹ Excluding the UK’s Sovereign Base Areas of Akrotiri and Dhekelia.

¹⁰ The PEM Convention is a multilateral agreement that provides for diagonal cumulation between all 23 contracting parties in the pan-Euro-Med zone, including Serbia. To maintain the effects of the Convention now that the UK is no longer a signatory, a ‘snapshot’ had to be included in the UK-Serbia Agreement.

- The Agreement exempts the Parties from opening their clinical healthcare public procurement markets, in line with a similar exemption included in the UK-EU Trade and Cooperation Agreement. The Parliamentary Report explains that this is not expected to have an impact on trade flows.¹¹
- Article 50(1) of the EU Agreement committing the Parties to preserving or improving upon existing bilateral agreements facilitating the employment for Serbian workers has not been transitioned, as no such bilateral agreements are in place between the UK and Serbia.

Remaining roll-over agreements with countries in the Western Balkans

12. The Explanatory Memorandum explains that the UK's objective is "a stable, secure and prosperous Serbia, contributing to regional stability".¹² We note, in this context, Serbia's relative size and influence in the Western Balkans.
13. The EU secured Stabilisation and Association Agreements with all countries in the Western Balkans, providing for political and economic cooperation. To date, the UK has rolled over the EU's agreements with the Republic of North Macedonia, Albania and Kosovo, and all these agreements have been fully ratified. Although we understand from FCDO officials that negotiations are ongoing, no agreements are yet in place between the UK and Bosnia & Herzegovina, and the UK and Montenegro.
14. **We call on the Government to continue to pursue negotiations with Bosnia & Herzegovina and Montenegro, with a view to rolling over the EU's Stabilisation and Association Agreements.**
15. **We report the Partnership, Trade and Cooperation Agreement between the UK and Serbia to the House for information. In particular, we highlight our comments at paragraphs 10 and 14.**

11 Parliamentary Report, p 24

12 Explanatory Memorandum, p 4

APPENDIX : LIST OF MEMBERS, DECLARATIONS OF INTEREST AND COMMITTEE STAFF

International Agreements Committee Members and staff

Lord Astor of Hever

No relevant interests

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 Robathan

No relevant interests

Earl of Sandwich

No relevant interests

Lord Watts

No relevant interests

The Committee staff are Jennifer Martin-Kohlmorgen (Clerk), Andrea Ninomiya (Policy Analyst), and Robert Cocks (Committee Operations Officer).

A full list of Members' interests can be found in the Register of Lords' Interests: <https://members.parliament.uk/members/lords/interests/register-of-lords-interests>