

Minister for Business, Trade, Tourism and Enterprise  
Ivan McKee MSP



Scottish Government  
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gov.scot

T: 0300 244 4000  
E: [scottish.ministers@gov.scot](mailto:scottish.ministers@gov.scot)

Angus Brendan MacNeil MP  
Chair, International Trade Committee  
House of Commons  
LONDON  
SW1A 0AA

By email to: [tradecom@parliament.uk](mailto:tradecom@parliament.uk)

01 April 2022

Dear Angus

### UK-New Zealand Free Trade Agreement

I am writing in response to the International Trade Committee's Call for Evidence as part of its scrutiny of the UK-New Zealand Free Trade Agreement, which was signed on 28 February 2022. It is vital that trade deals reflect the interests and priorities of all four nations, so I am keen that the Committee is aware of the Scottish Government's engagement in the process and our views on how this agreement will affect people and businesses across Scotland. The points below detail the main issues that we have raised with the UK Government.

### Engagement

1. As with other trade agreement negotiations, the involvement of devolved administrations has been limited. Scottish Government officials have been in contact with officials from the UK Department for International Trade (DIT) throughout the process to represent Scotland's interests, priorities and concerns, and have articulated these through detailed written comments. However information sharing has been constrained and we have only seen sections of the draft mandate, or draft chapter text prior to agreement, in areas that DIT consider directly relevant to devolved competence.
2. Scottish Government officials received regular briefings from DIT on the progress of negotiations, which were useful. We appreciated the regularity of these briefings on this occasion in particular. However, as I have made clear to the UK Government, exchanging information is not the same as proper involvement. We had no say in the decisions taken by the UK Government throughout the negotiations, and saw no detail on key parts of the agreement - such as tariffs and tariff rate quotas (TRQs) - until

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after they were agreed. We were not provided with the underpinning analysis or rationale behind the decisions taken on these by the UK Government.

3. I have consistently made the case to the UK Government that reserved matters such as tariffs impact significantly on devolved responsibilities, such as agriculture. This interaction between the reserved and the devolved means that it is crucial that devolved administrations have a meaningful and influential role in decisions made in these areas. We will continue to argue for greater involvement to ensure that Scotland's interests are taken into account.

#### Agri-food imports

4. The committee asks about the likely impact of the deal on particular sectors of the UK economy. The Scottish Government has significant concerns about the implications of this agreement on farming communities in Scotland. Quality Meat Scotland has said that farmgate prices for beef are 25-30% higher in Scotland than in New Zealand<sup>1</sup>. Likewise, New Zealand sheepmeat farmgate prices are 10% lower than their Scottish equivalents. This is a significant cost advantage due to, amongst other factors, differences in animal welfare and environmental standards between our two countries.
5. The agreement grants significantly increased agri-food market access to New Zealand's producers. For example, New Zealand beef exporters will benefit from duty-free quotas of 12,000 tonnes at the agreement's entry into force, rising in equal instalments to 38,820 tonnes at year 10 of the agreement. In years 11-15, New Zealand duty-free beef quotas will rise in equal instalments to 60,000 tonnes. After year 15 of the agreement, New Zealand beef exporters will enjoy unfettered (duty and quota free) access to the UK agriculture market. As a comparison, in 2019, New Zealand beef producers had access to UK export quotas of only 454 tonnes, with a 20% tariff attached. New Zealand duty-free quota in year 1 of the agreement represents a 26 fold increase on its quota in 2019.
6. By providing New Zealand exporters with unfettered access to the UK market following the transitional period, despite operating to lower cost and regulatory standards, we are concerned that this trade deal will lead to domestic agri-food producers being undercut. This concern is shared by stakeholders such as the National Farmers Union, whose president, Minette Batters has said: "*The government is now asking British farmers to go toe-to-toe with some of the most export-orientated farmers in the world*"<sup>2</sup>.
7. The UK Government's impact assessment also shows that the deal is expected to reduce output in the UK agriculture and semi-processed food sectors, a similar finding to the UK-Australia FTA impact assessment. This comes at a time when farming and food producing sectors have already been hit hard by inflation, increasing energy costs, labour and skills shortages and the challenges of the ongoing recovery from the

<sup>1</sup> [Commenting on the recent trade deal between the UK and New Zealand, Quality Meat Scotland Chief Executive, Alan Clarke | Quality Meat Scotland \(qmscotland.co.uk\)](#): 21 October 2021

<sup>2</sup> [NFU responds to finalised UK-New Zealand trade deal](#): 1 March 2022

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COVID-19 pandemic. We expect this impact to be felt disproportionately in Scotland, where these sectors represent a larger share of the economy than they do for the UK as a whole.

#### Animal Welfare and Antimicrobial Resistance

8. The agreement contains a chapter on cooperation on animal welfare, which will promote cooperation between the New Zealand and the UK on the welfare of farmed animals. It also includes a non-regression clause which recognises it is 'inappropriate' to encourage bilateral trade or investment that will 'materially' affect trade between the parties by weakening or reducing the protection afforded to the treatment of farmed animals.
9. While cooperation on animal welfare provisions is welcome, the Scottish Government called for these provisions to go further, and for preferential market access granted to New Zealand agri-food exporters to be contingent on producing to equivalent animal welfare and environmental standards as domestic producers are obliged to meet, as a means of ensuring a level playing field for Scottish producers. We are also disappointed that the non-regression clause is based upon 'best endeavours' and that the agreement's dispute settlement arrangements are dis-applied to this clause. As a result, the impact of the non-regression clause in protecting Scottish food producers is likely to be limited.
10. The agreement also contains an article on cooperation on antimicrobial resistance (AMR) within the SPS chapter, which recognises the serious global threat AMR poses to human and animal health, and promotes cooperation between the UK and New Zealand Government's to tackling it.
11. Whilst such an article is to be welcomed, it is disappointing that it does not go further. For example, the UK and New Zealand Government are only obliged to 'explore initiatives' to promote the reduction of antimicrobials in food production.

#### Goods exports

12. The elimination of tariffs on UK exports will be welcomed by those companies that will benefit, such as bus manufacturers, who will benefit from the removal of the 5% tariff on bus exports. Where tariffs have been reduced, such as for gin and sweet biscuits and industrial goods, we are keen to work closely with DIT to ensure that Scottish companies can take full advantage of the terms of the agreement.
13. However, such gains need to be put into context, when considering the benefits delivered by this agreement. New Zealand's average tariff is currently 2% and for many key exports, including Scotch whisky, tariffs are already zero.

#### Services exports

14. Scotland is a world-class exporter of financial and professional services and I recognise the new opportunities made available to our companies through the

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additional access to the New Zealand market secured through this agreement. However, it remains the case that the size of the New Zealand market and geographical distance from the UK are likely to be limiting factors and that these measures will not compensate for the loss of market access that Scottish companies have faced as a result of the UK leaving the EU.

15. The UK Government has highlighted gains in international maritime transport and express delivery services. These are both positives, as UK vessels will be able to dock and UK express delivery services will be able to operate, without any discrimination. However, these are small sectors, and so benefits will be limited.
16. We welcome provisions that support the mobility of people between the UK and New Zealand, and we note that a separate dialogue on youth mobility will take place outside of the agreement. We hope this might offer greater ease of mobility, including for those working in sectors in which there are currently labour shortages in Scotland.

### Environment

17. The Scottish Government already has an ambitious target to meet net-zero by 2045 and *Scotland's Vision for Trade*<sup>3</sup> (*the Vision*) makes clear that trade must support this goal.
18. We note that this agreement contains some of the strongest provisions on climate and environment that we have seen in a UK FTA. The text is comparatively comprehensive, precedent-setting in some areas, and in alignment with *the Vision*.
19. We welcome the stronger text on climate change in this agreement, compared to the agreement with Australia, with provisions reaffirming each party's commitment to implementing the United Nations Framework Convention on Climate Change (UNFCCC) treaty and Paris Agreement, including a specific reference to temperature goals. We also welcome the comparatively detailed and ambitious commitments to increase trade and investment in environmental goods and services. In addition, there are robust environmental provisions, relating to sustainable fishing, agriculture and forest management, as well as commitments on biological conservation, air quality, protection of marine environments and ozone depleting substances.
20. Whilst we welcome the inclusion of these environmental aspects in the agreement, we remain concerned by the projections in the impact assessment that transport-related carbon emissions arising from trade with New Zealand could increase by 48-50%, as a result of the agreement.

### UK Government Impact Assessment

21. The UK Government estimates that, by 2035, the overall increase in UK GDP as a result of the agreement will be 0.03%. This is equivalent to an increase of £800 million in cash terms. Overall, the estimated economy-wide impact in the UK Government's final modelling of the agreement is negligible, in no way compensating for the impact

<sup>3</sup> [Scotland's Vision for Trade \(www.gov.scot\)](http://www.gov.scot)  
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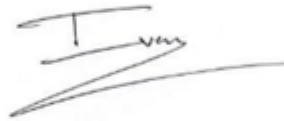


of EU-exit. In Scotland we have estimated our GDP will be 6.1% lower by 2030 than it would have been with full EU membership.

22. It is regrettable that the focus on long run impacts means that we have no analysis of the short and medium term impacts of this deal, important for understanding impacts on particular sectors or groups of individuals. The Scottish Government calls on the UK Government to make clear what measures of support it will make available to those impacted by the agreement in Scotland.

23. I have also raised the issue of cumulative impact with the UK Government and called on them to provide detailed analysis of how all the FTAs that are currently being negotiated, as well as CPTPP accession, will impact on the UK and Scottish economies.

24. I hope these comments are helpful to the Committee's consideration of the agreement and I would be happy to answer any further questions the Committee may have. I shall also be writing in similar terms to the House of Lords International Agreements Committee to help inform their scrutiny of this trade agreement.



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