

# UK Seafood Industry Alliance – Written evidence (EEH0024)

## Fisheries

### Introduction

1. This response is submitted on behalf of the UK Seafood Industry Alliance (SIA), representing processors and traders in a range of fishery products sourced from UK, EU and international supply chains. We do not represent the UK catching sector.
2. The SIA brings together companies belonging to two long established trade associations – the Provision Trade Federation (PTF) and the Food and Drink Federation (FDF) – in order to provide a clear and compelling voice for UK seafood processors and traders in response to the challenges of determining the best possible future framework for the industry outside the EU.
3. Alliance members represent around 80% of the major suppliers of own label and branded seafood to retailers, caterers and restaurants, a total market worth over £6 billion a year. We employ more people than the entire UK catching sector and have a turnover roughly four and a half times the total value of UK fish landings - adding value, creating jobs and innovating to provide consumers with attractive affordable, easy to use products to meet growing demand for sustainable, healthy and nutritious food.

### Background

4. It is a well-known feature of the UK seafood market that we import most of what we eat and export most of what we catch. Two thirds of fish consumed here come from waters outside EU or UK fishing limits. But a very substantial majority of fish currently caught in UK waters are exported to other markets, mostly in the EU.
5. This is the result of a variety of factors. Species like mackerel, herring and shellfish which predominate in UK waters are not in great demand on our domestic market. And the UK has traditionally relied on imports from countries like Iceland, Norway, the USA, Russia and Canada for the most popular whitefish species like cod, haddock and pollock, where total EU stocks have always fallen well short of market needs. The UK alone imports more than three and half times the total volume of cod landed by EU registered vessels from all waters.
6. Even with total control of all stocks out to 200 miles, the UK would remain in very substantial deficit for all the top selling sectors of the market.

### Relevant provisions of TCA

7. There are two distinct elements of the TCA directly relevant to fisheries: the provisions related to **trade in goods** in Heading 1, Title 1 of Part 2 of the agreement; and those covering **access to waters** and **fishing**

**opportunities** under Title 5 of the same Heading. There are a further 4 Annexes specific to fish as well as two further Annexes dealing with **rules of origin**.

8. The trade provisions essentially provide for zero tariffs or quotas, where goods meet the relevant rules of origin. The fish specific provisions in Title 5 reflect the UK's new status as an independent sovereign coastal state, subject to a range of agreed limitations, particularly during an initial 5 ½ year adjustment period set out in Annex 4 (Protocol on Access to Waters).
9. This response primarily addresses the provisions relating to trade (including rules of origin). But, at the Committee's request, it also includes comments on the quota increases for the UK fleet and potential compensation measures (including the imposition of tariffs) should access levels materially change after the adjustment period and on the role of the Specialised Committee in Article 16.

### **Overall assessment of relevant provisions**

10. Prior to EU exit, bilateral trade was both free (in respect of tariffs) and frictionless (in terms of customs and other official controls – often known as SPS measures). As a full member of the EU Single Market, there was also no need for either imports or exports to be subject to IUU (Illegal, Unregulated and Unreported) catch certificates – an instrument which the UK helped put in place – in order to protect the integrity of third country supply chains. Access to waters, quota allocations and fishery management objectives and policies were wholly subject to the provisions of the Common Fisheries Policy.
11. Under the UN Convention of the Law of the Sea (UNCLOS), leaving the EU gives the UK full entitlement to a 200 mile Exclusive Economic Zone, extinguishing other national rights, subject to provisions relating to the management of shared stocks and wider conservation principles.
12. The catching sector had hoped that this would lead to a fundamental redistribution of fishing opportunities in favour of UK vessels, together with significantly restricted access to UK waters for the EU fleet. Instead, the agreement provides for a much smaller rebalancing of quotas and no real changes to access to waters for at least the duration of the adjustment period.
13. Although there is scope for more radical change thereafter, the counterpart for this could be new limits on the UK's access to EU markets, which currently account for about 80% of UK exports.
14. In addition, the new customs and SPS procedures (including IUU catch certification requirements) have led to major disruption to established supply routes to the EU, particularly for live and fresh products.
15. The new arrangements also alter UK and EU relationships with third parties such as Norway and with a range of international fishery management bodies, giving rise to further short term difficulties in relation to external fishing opportunities for the remainder of 2021.
16. The new Specialised Committee is therefore likely to have a very full agenda from the outset – and risks becoming a forum for ongoing

negotiation rather than simple joint management decisions. Of itself, that is likely to add to current uncertainties and dissatisfaction.

17. The Committee will no doubt be receiving detailed evidence on this from those directly affected. From an SIA perspective, we are much more concerned with the implications for imports and the wider effects on trade flows, as set out in more detail below.
18. But we fully understand and share the disappointment of the catching sector at the compromises that were made – and the implications that these will have on their short to medium term prospects, despite the transitional and structural aid measures which the Government has subsequently announced. We are also concerned at the market disturbance that is likely to result, especially at a time when the sector is uniquely placed to capitalise on its strengths as a supplier of highly nutritious, low impact protein foods for consumers in the UK and elsewhere.
19. A 25% aggregate uplift in UK quotas over 5 years is not in itself a transformational change, for the catching sector or the UK market, not least because of the limited opportunities for import substitution. And it raises major issues in relation to individual species and sectors of the fleet, especially where some of that uplift will include quotas which are currently underfished, while failing to address others where availability is rapidly exhausted, inhibiting related fisheries (the choke species issue).

### **Specific impacts on SIA members**

20. As explained above, the UK is heavily reliant on imported raw materials to meet domestic demand – and likely to remain so for very many years to come. We therefore **welcome** the **trade in goods** chapters of the Agreement as they apply to supplies originating in the EU. But a majority of our key raw materials do not in fact originate there but are currently routed via EU member states. Our previous membership of the EU's single market meant that once these goods were cleared for free circulation at the common external frontier, movement to the UK within the single market was completely frictionless. Processors' business models had evolved to take advantage of this, with different stages of the processing operation taking place in different countries.
21. The UK's departure from the single market and the customs union has introduced new frictions at the UK border because of customs declarations and new checks on products of animal origin.
22. In addition to this additional border friction, two further aspects of the UK's new trading relationship are impacting on the fish processing industry.
23. The first relates to **rules of origin**. The seafood industry had developed highly integrated supply chains with different stages of processing being carried out at scale in different parts of the EU. In many cases the products imported into the UK originate from outside the EU and have already gone through various processing stages by the time they arrive here for manufacture into products for the final consumer.

24. These products are classified under Chapter 03 of the customs code, and they do not meet the TCA's definition of "wholly obtained" within the EU. They are therefore subject to tariffs of up to 18% on entry into the UK and for one of our member companies this means a new tariff cost of over £1 million p.a. Our other members will be similarly affected.
25. Without fundamental change to the TCA's rules of origin provisions in relation to fish, there is no obvious way in which these impacts can be mitigated. These substantial additional costs will therefore lead to businesses re-evaluating their business models which could ultimately mean result in additional costs from less efficient supply chains or the transfer of some operations outside the UK.
26. The other area of concern relates to **IUU certification requirements**. Under provisions implementing the original Withdrawal Agreement, these were wholly transposed into national legislation as part of retained EU law. But the EU regime was originally designed to apply at the EU's common external frontier where imports largely consist of basic raw materials (from relatively remote suppliers) and where it is relatively easy to link products back to the catching vessel. They were never intended to be applied to products which have already gone through various processing stages and where each consignment consists of products from a number of sources to achieve the necessary consistency of product specification.
27. While we fully support the continuing need to prevent products from IUU activities from entering both EU and UK supply chains, simply applying the full requirements of the previous (external facing) EU system to imports of highly processed products from the EU is virtually unworkable in practice. For example, the legislation requires non-EU origin fish processed in an EU country to be accompanied by an officially endorsed processing statement from the authorities of the country in which the processing took place. In many cases this will involve the mixing of products from a number of sources - and tracing this back to the original documentation from when it first entered the EU Single Market creates considerable additional administration costs for businesses. Some products will also be manufactured in one member state and stored in another before being distributed across the EU and to the UK. At the time of manufacture, the product's final destination may well be unknown and it is impossible to provide processing statements for entire production batches, only part of which may be sent to the UK.
28. We are not looking to undermine the effectiveness of the efforts to combat IUU fishing but a long-term workable solution to these issues needs to be found quickly to avoid substantial additional costs to businesses.

### **Other issues**

29. As processors and traders, and in the context of the free trade provisions of the TCA, we do not have a direct interest in the redistribution of catching opportunities or access to waters as between UK and EU vessels. But we fully recognise the economic implications of these questions for both - and for the supply chains of which they are part. We are also

aware that reduced export opportunities to the EU for the UK fleet – either as a result of the frictions currently being experienced, or the potential imposition of tariffs in the future – could result in product being diverted to the domestic market and/or to the contraction of the directly affected parts of the fleet. Either of these outcomes could have consequential effects on prices and possibly also on consumer perceptions of the sector, to the detriment of all suppliers.

30. From a purely commercial perspective market access and total supply to the market are much more important than control of fishing rights or quota shares. Fish and seafood are in direct competition with other protein foods in the consumer market, where image and reputation are key. They are also the most internationally traded of all food products and the UK and the EU are both large net importers. It is essential to ensure that our new relationship with the EU builds on the industry's hard won reputation for responsible sourcing and ensures continued international cooperation for the optimal science-based management of shared stocks, as well as supporting joint efforts to drive up conservation, environmental and ethical standards in global supply chains.
31. Sustainably managed fisheries are a renewable, natural and low carbon source of high-quality protein – with enormous potential to make an even greater contribution to global food security in future as land-based production systems come under ever increasing resource pressures. The UK can be a genuine world leader in furthering these aims through continued cooperation with EU and other international partners.
32. The Specialised Committee has a potentially vital role to play in this, provided it can focus on shared strategic objectives and avoid becoming a forum for an extended negotiating process.