

INTERNATIONAL TRADE COMMITTEE SUBMISSION ON UK-NEW ZEALAND AiP

Summary

The Government has a manifesto commitment not to lower standards in any trade agreement but has ruled out the TAC's proposal of using equivalence conditionality measures as a method of achieving this aim but is developing a set of core animal welfare standards. The New Zealand AiP gave the greatest opportunity for a landmark FTA on animal welfare as New Zealand is the one country globally to be adjudged to have better farm animal welfare standards than the UK. The AiP appears to grasp this opportunity by agreeing an Animal Welfare Chapter with non derogation and non regression language in it but details are sparse on how this is measured. It also incorporates animal output measurements into a FTA for the first time indicating a new method of assessing equivalence on standards. The AiP incorporates similar language as Australia AiP on cooperation on the global stage to progress animal welfare standards. The AiP accepts the UK's animal health import bans such as on beef-hormone. It is unclear how the large tariff increases in lamb and beef TRQs will be utilised as New Zealand is already operating at capacity and exports mostly to existing markets in East Asia and USA. The AiP will be used as an entry into the CPTPP but all the other Trans Pacific members such as Mexico and Canada, with whom the UK is also negotiating trade agreement, will see it as an opportunity to replicate its tariff reductions in sensitive agrifood products without the need for any conditionality on animal welfare. This remains the biggest challenge for the UK in seeking new FTAs.

Introduction

1. The RSPCA welcomes the opportunity to respond to this inquiry by the House of Commons International Trade Committee into the UK-New Zealand trade negotiations and Agreement in Principle. We have responded to the questions which are relevant to animal welfare and environmental standards, as set out below. The RSPCA welcomes the opportunity to set out the implications for animal welfare as the Government negotiates entry to the CPTPP. The RSPCA has been working on trade issues for 25 years, advising the European Commission on six FTAs that the EU has or is negotiating that include animal welfare elements (Chile, South Korea, Canada, Japan, Mercosur and Mexico). The RSPCA also develops the higher welfare farm animal standards for the UK's only welfare-focussed farm assurance and food labelling scheme, RSPCA Assured, which has over 3,000 members and assures over half the UK's laying hens and a fifth of its pigs. As any trade negotiation will impact on the UK's animal welfare standards, the RSPCA has a public policy and commercial role on this issue.

How good a deal does the AiP represent for the UK?

2. On 20 October 2021, the Governments of the UK and New Zealand signed an Agreement in Principle (AiP) on trading arrangements. Some details have been announced, but the full text is not expected to be released until the end of the year. The Government has a manifesto commitment not to lower such standards in any Free Trade Agreements (FTAs) and the Department of International Trade (DiT) has confirmed that it would not lower food, animal welfare or environmental standards after the UK left the EU and that, when undertaking trade deals, any imported product would have to meet UK standards¹. However, the Government has not yet set out its principles on how to assess and measure this or what its core animal welfare

¹ Minister of State HC Deb c914 21 October 2021

standards are. In its response to the Trade and Agriculture Commission report, which asked the Government to lower tariffs where equivalence can be demonstrated², the Government ruled out using equivalence on animal welfare standards as a measure to lower tariffs in trade negotiations, but work to raise standards internationally instead. It referred to the Australia AiP as a model of animal welfare commitments³. The Australia AiP is not a model of equivalence on the UK's animal welfare standards, as it permits: imports of beef from cattle that have been transported for twice as long as UK legal standards permit; imports of lamb from mulesed sheep - a procedure prohibited in the UK; and, imports of beef from feedlots on cleared forest land.

3. Agreeing trade deals without tariff and non-tariff protection would undercut UK producers that are producing to higher standards, potentially putting them out of business and leading to a race to the bottom. It also promotes unsustainable agriculture practices, which is in contravention to the G7 Carbis Bay goals set in 2021⁴. The UK has over 40 specific animal health and welfare standards set out in legislation, though only the animal health standards, such as the ban on the use of hormones in beef production, have import or marketing prohibitions. The animal *welfare* standards have no import or trade prohibitions, so these standards can be undermined by cheaper products produced to lower welfare standards that have been allowed in under reduced tariffs in FTAs.
4. Unlike Australia, the UK has similar legal animal welfare standards to New Zealand, which means that the New Zealand FTA is, aside from the Trade and Cooperation Agreement (TCA) with the EU, the only FTA the UK is negotiating where animal welfare standards are broadly equivalent, but with some areas of discrepancy. World Animal Protection's Animal Protection Index has rated New Zealand 'C' (ratings are A - G with A being the highest) for animal welfare in general and 'C' specifically for farm animal welfare standards, compared to the UK ratings of 'B' and 'D' respectively⁵. The conventional battery cage will be prohibited for use in New Zealand in 2022, whereas this was phased out in the UK in 2012, with caged egg production representing around 45% in both countries. New Zealand has banned the live export of farm animals for slaughter, a measure currently being legislated in Great Britain. The UK has banned the use of sow stalls for pigs, a measure still permitted for the first four weeks of pregnancy in New Zealand. So there are real opportunities for the UK and New Zealand to agree a model FTA on animal welfare standards.
5. The RSPCA is pleased to see that the following have been included in the AiP. Under SPS issues, the FTA permits recognition of each other's SPS measures - this means the legislation on beef hormone and chlorine chicken will not change. This is positive, as is the commitment by the UK Government to audit and monitor how New Zealand will separate hormone and non-hormone beef for export.
6. The RSPCA is pleased to see that the UK Government has confirmed it will approve slaughterhouses in New Zealand to ensure that the standards are equivalent to the UK's and ensure the import ban on meat not slaughtered to UK standards will continue⁶.

² https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/969045/Trade-and-Agriculture-Commission-final-report.pdf

³ <https://www.gov.uk/government/publications/government-response-to-the-final-trade-and-agriculture-commission-report>

⁴ <https://www.g7uk.org/wp-content/uploads/2021/06/Carbis-Bay-G7-Summit-Communique-PDF-430KB-25-pages-3-1.pdf>

⁵ <https://api.worldanimalprotection.org/>

7. The AiP has a stand-alone chapter on animal welfare and antimicrobial resistance, placed outside the SPS chapter. Provisions in the chapter cover commitments, including affirmation of the UK's right to regulate on animal welfare, and the right to establish its own policies and priorities for the protection of animal welfare. With the information available at the current time, the RSPCA supports the Animal Welfare Chapter, as it could contain the best language of any FTAs done by any country to date, although actual language has yet to be made available. We support it being stand alone outside the SPS, as animal welfare standards are not part of the SPS. Provisions on cooperation in international fora to promote development of the best possible animal welfare practices and setting up an animal welfare working group to promote high animal welfare practices are also welcome. This stand alone Chapter also contains language on non regression "where possible" and non derogation from animal welfare standards. The actual language on non regression is important, but this is the first FTA where there has been non regression language on animal welfare. Even the Trade Cooperation Agreement (TCA), probably the most comprehensive FTA the UK has signed, only contains non regression language on environmental standards and not animal welfare. The Chapter also recognises the use of animal welfare outcomes as a method to establish and measure welfare standards.
8. On tariffs, the UK has agreed to increase access greatly by reducing tariffs on imports for beef and lamb. The 15 year tariff phase for beef means that in 2022 there will be a 25 times increase in beef imports from under 480 tonnes to 12,000 tonnes if New Zealand fills its TRQ. On lamb the 15 year phase in means little immediate change (a four fold increase from 2018; in 2020 27,000 tonnes were imported compared to tariff free quote of 35,000 in 2022-6 but afterwards a rise in lamb imports if New Zealand fills its TRQ. This may be an issue for the UK's beef and lamb producers. There is no conditionality attached. However, as there is broad equivalence on animal welfare production standards between the two country's systems, the reduction in tariffs will not result in New Zealand farmers undercutting UK farmers because they are using production methods illegal in the UK. Cross seasonality on trade in lamb should also mitigate risk for UK lamb producers. This AiP is markedly different to the Australia AiP, where similar reductions in tariffs were agreed despite the lack of any equivalence on standards or any agreement on conditionality.
9. The TBT (Technical Barriers to Trade) Chapter recognises the importance of maintaining the bans on using animals to test cosmetics in both New Zealand and the UK and to look for alternatives to use of animals. This is also an important statement which has not been seen in a FTA before and again commits both countries not to lower their animal welfare standards. The cosmetics ban in the UK has been seen by some countries such as the USA as a barrier to trade as it stops cosmetics products that have been tested on animals being sold in the UK so this statement of intent sends a strong signal to other countries.
10. In summary whilst it could have gone further in specific equivalence language, the AiP represents a step forward for the UK in promoting animal welfare standards internationally and ensuring our standards are not undermined. However, both New Zealand and the UK have similar standards and both were committed to language in the AiP that underlined these aspirations. Indeed, it could be questioned that if strong language was not inserted in this AiP, when would it ever be inserted especially considering that all the other countries with whom the UK is negotiating FTAs, such as Canada, India and Mexico, have lower animal standards than

⁶ Schedule 5 of The Welfare of Animals at the Time of Killing (England) Regulations 2015

the UK.

To what extent has the Government achieved its stated negotiating objectives?

11. The UK's negotiating objectives relevant to animal welfare were to: agree an ambitious and comprehensive FTA; promote increase trade in goods; reinforce mutual interest in a sustainable trade policy; not compromise on animal welfare, environmental and food safety standards; and, secure broad liberalisation of tariffs, taking into account sensitive issues around UK agriculture⁷. The UK has certainly achieved its objective of not compromising on food safety standards, by allowing mutual recognition of the two countries' SPS regimes. This will ensure any beef raised in New Zealand with hormones will not be permitted entry under the beef tariff reduction agreement. It has also secured broad liberalisation of tariffs, though it is contested that the 15 year phase out of tariffs on beef and lamb could impact on British farming of these products. It will be interesting to see what the Government's own Impact Assessment and the TAC report of the AiP say on the impact of these tariff reductions on UK production. There is important language in the AiP to protect higher animal welfare standards, particularly maintaining the cosmetics ban on testing on animals and the non regression language on farm animal welfare standards, but these could have gone further to explicitly state that only products produced to the same output standards would be permitted entry to the UK. Finally the AiP has good language on prompting and collaborating internationally on animal welfare standards particularly through fora such as the WTO, OIE and FAO. In summary the UK has achieved 8/10 on its animal welfare objectives.

12. One objective, though not stated, of the AiP was to gain access to the CPTPP. New Zealand holds the Secretariat of this Trans Pacific FTA. A bilateral agreement with New Zealand is not required for CPTPP accession but is obviously a useful indicator of UK trade policy and, as with an Australia FTA, is a display of good faith that the UK will operate under FTA rules. The CPTPP has at its heart tariff elimination in goods. The AiP that the UK has agreed with New Zealand has large reductions in tariffs in the beef and sheep sector and has presumably offered these as a way of showing that they are serious in following the CPTPP strategy to eliminate tariffs on goods

How are the terms of the AiP between the UK and New Zealand likely to affect you, your business or organisation, or those that you represent?

13. The RSPCA, through its RSPCA Assured assurance scheme, is in the business of raising farm animal welfare standards and fulfilling public demand for such standards. Last year the business grew by 9%. In certain sectors, such as eggs, where RSPCA Assured covers around 55% of UK laying hen egg production, and pigs - where the standards cover 30% of UK pig production - this has successfully shown that the public are willing to put into place their aspirational behaviour and buy higher welfare products. Such standards would be under threat if the UK agreed trade deals that allowed in products produced to lower standards, as the standards and producers would be undermined by such products - especially given the cost differential in producing the product in the UK under higher welfare standards compared to lower standards in the third country. As the Government has given hugely preferential tariff reductions to both Australia and New Zealand over the next 15 years and as farm welfare standards are lower in Australia than UK, there is greater potential in products not produced to UK standards entering the UK from

⁷ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/901870/uk-strategy-uk-nz-free-trade-agreement.pdf

Australia than New Zealand under these deals. In the case of Australia, such tariff reductions could result in a 60 fold increase in beef imports in 2022 and, for New Zealand, a four fold increase in lamb imported in 2022, if the TRQs are filled. However, as the UK has broad equivalence with New Zealand animal welfare standards, and as RSPCA Assured has very little market penetration in the beef and sheep market (less than 1% of production in either sector), the impact of the New Zealand AiP on RSPCA Assured is likely to be minimal at this time. However, this could also impede growth of the RSPCA Assured scheme for these livestock species in the future.

14. The impact on the people RSPCA represents, our supporters, is likely to be more. There is strong support amongst the public, 75% in one opinion poll⁸, for the Government to honour its commitment not to lower animal welfare standards in FTAs. This support is likely to be higher specifically amongst RSPCA supporters who are likely to feel let down by the Government for not keeping to their manifesto commitment.

What is likely to be the impact of the agreement on: the UK's economy as a whole

15. The Government's own estimations is the impact of the AiP on the economy will be minimal, the best scenario estimating increasing the economy by 0.01% and the worst scenario reducing it by 0.01%⁹.

On particular sectors of the UK economy?

16. Regarding the farming sector, the impact is expected to be minimal, as the deal only really opens up trade in beef and lamb. It is expected, as most of New Zealand's beef trade already goes to China and USA - both geographically closer - that New Zealand will not fill its TRQ even in 2022 as there is no spare capacity in the beef sector to rapidly increase production. New Zealand is already the largest exporter of lamb to the UK - 40% of total UK imports - though this only represents around 10% of New Zealand exports, as most is exported to China. It is more likely that New Zealand will fill its lamb TRQ as this (35,000 tonnes) is around what was exported to the UK in 2020, but if the lamb production has no spare capacity to increase, and the trade continues to the Chinese market, it is not clear if the increased TRQs in subsequent years will be fulfilled. In addition lamb is a cross seasonality trade, exported to the UK when lamb is not being produced in the UK so is not in direct competition.

On the UK's devolved nations and English regions?

17. As trade is a reserved matter, and farm animal welfare a devolved matter, the devolved countries have no say in what the UK agrees in FTAs. But any impact could be felt in those regions with significant lamb production, such as Wales, or a significant local beef production, such as Scotland. Under the Internal Markets Act 2020, any imports of food produced in other countries has to be allowed to be sold in the devolved nations. So the impact on the UK's devolved nations is increased.

On social, labour, environmental and animal welfare issues?

18. Whilst the AiP could have gone further in specific equivalence language, the AiP represents a step forward for the UK in promoting animal welfare standards internationally and ensuring our

⁸ Savanta ComRes. Poll of 1,000 people August 2020

⁹ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/901870/uk-strategy-uk-nz-free-trade-agreement.pdf

standards are not undermined. However, both New Zealand and the UK have similar standards and both were committed to language in the AiP that underlined these aspirations. The AiP provided a real opportunity for the UK and New Zealand to agree a model FTA on animal welfare standards. Indeed, the New Zealand AiP provides a better model FTA than UK-Australia for the UK to use in future trade negotiations as it negotiates with Canada, India and Mexico, all of whom have lower animal standards than the UK.

19. The UK has similar legal animal welfare standards to New Zealand, which means that the New Zealand FTA is, aside from the Trade and Cooperation Agreement (TCA) with the EU, the only FTA the UK is negotiating where animal welfare standards are broadly equivalent. World Animal Protection's Animal Protection Index has rated New Zealand 'C' (ratings are A - G with A being the highest) for farm animal welfare standards, compared to the UK's 'D' rating¹⁰. The conventional battery cage will be prohibited for use in New Zealand in 2022, whereas this was phased out in the UK in 2012 in the UK, with caged egg production representing around 45% in both countries. New Zealand has banned the live export of farm animals for slaughter, a measure currently being legislated in Great Britain. The UK has banned the use of sow stalls for pigs, a measure permitted for the first four weeks of pregnancy in New Zealand.
20. The RSPCA is pleased to see that the following have been included in the AiP. Under SPS issues, mutual recognition of each other's SPS measures - this means the legislation on beef hormone and chlorine chicken will not change. The RSPCA is pleased to see that the UK Government has confirmed it will approve slaughterhouses in New Zealand to ensure that the standards are equivalent to the UK's and ensure the import ban on meat not slaughtered to UK standards will continue¹¹. The AiP has a stand-alone chapter on animal welfare and antimicrobial resistance, placed outside the SPS chapter. Provisions include the UK's right to regulate on animal welfare, the right to establish its own policies and priorities for animal welfare and a non regression language that should ensure standards remain in alignment. With the information available at the current time, the RSPCA supports the Animal Welfare Chapter, as it could contain the best language of any FTAs done by any country to date, although actual language has yet to be made available. Provisions on cooperation in international fora to promote development of the best possible animal welfare practices and setting up an animal welfare working group to promote higher animal welfare practices are welcome. The Chapter also recognises the use of animal welfare outcomes as a method to establish standards.
21. On tariffs, the UK has agreed to increase market access greatly by reducing tariffs on imports for beef and lamb. There is no conditionality attached. However, as there is broad equivalence on animal welfare production standards between the two country's systems, the reduction in tariffs will not result in New Zealand farmers undercutting UK farmers because they are using production methods illegal in the UK.

On UK consumers?

22. As the impact is minimal, there may be some small decreases in prices in areas where tariffs have been reduced, such as beef, lamb, dairy products and wine, but only if those tariff price reductions are passed on to the consumer.

¹⁰ <https://api.worldanimalprotection.org/>

¹¹ Schedule 5 of The Welfare of Animals at the Time of Killing (England) Regulations 2015

How well is the Government communicating its progress in negotiations – and how much is it listening to stakeholders during those negotiations?

23. Although the Government did hold joint UK New Zealand Ministerial updates with civil society and business during the negotiations these did not contain any useful information, as most sensitive information, such as on tariffs, were not made available because they were still being negotiated. It is difficult to assess how much it listened to stakeholders during negotiations, as the Government has not made any public announcement of progress or otherwise of the negotiation or the AiP against its stated negotiation objectives. It is expected that some information cannot be released during trade negotiations but, compared to other trade negotiations, such as those run by the USA or EU, where more information is given to civil society, information was minimal as was the Government listening to stakeholder concerns.