

17 January 2022

Dear Angus,

UK-Australia Trade Agreement

I am writing in response to the International Trade Committee's Call for Evidence as part of its scrutiny of the UK-Australia trade agreement, which was signed on 16 December 2021. It is vital that the outcome of the deal reflects the interests and priorities of all four nations so I am keen that the Committee is aware of the Scottish Government's engagement in this process and our views on how this agreement will affect people and businesses across Scotland.

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 relevant to devolved competence.
2. Scottish Government officials received regular briefings from DIT on the progress of negotiations, which were useful. However, as I have made clear to the UK Government, information is not the same as involvement, and 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 after they were agreed. Nor were we given the underpinning analysis or rationale behind the decisions.
3. I have frequently made the case to the UK Government that reserved matters such as tariffs impact on devolved responsibilities, such as agriculture, and the Scottish Government will continue to argue we should have meaningful engagement in these areas to ensure that Scotland's interests are taken into account.

Agri-food imports

4. You ask about the likely impact of the deal on various sectors of the economy. I wrote to the UK Minister for Trade Policy, Rt Hon Penny Mordaunt MP, in December to express our concerns at the agreement and in particular, the implications of this agreement on farming communities in Scotland. The significant level of market access that it provides for beef and sheepmeat imports is a particular concern. The year 1 tariff-rate quota (TRQ) for beef imports is 35,000 metric tonnes, which is seven-times the current level of Australian beef imports to the UK, and this rises to 110,000 metric tonnes by year 10. This significant increase in quota volumes is exacerbated by the fact that quotas will be based on product weight which makes it more

advantageous to Australian producers, who can increase imports of premium cuts that will receive a higher price than lower end cuts of a similar weight, with no added effect on TRQ utilisation. High value cuts are where Scottish farmers derive most value, so a potential increase in imports is a concern for Scottish industry. Beyond year 15, Australian agri-food exporters will enjoy unfettered access to the Scottish agriculture market.

5. We were concerned that the original scoping assessment showed the agriculture and semiprocessed foods sectors as losing out as a result of an FTA with Australia. Now we have seen the final impact assessment, this has been confirmed.

Animal welfare and antimicrobial resistance (AMR)

6. We have consistently called for imports of Australian agri-food to be produced to the same animal welfare and environmental standards that Scottish producers are required to meet. Whilst the agreement contains a non-regression clause on animal welfare, we are not reassured that this will protect Scottish and UK farmers as Australian animal welfare standards are already lower. The World Animal Protection Index¹ ranks Australia as D for animal welfare, while the UK is ranked B, and the RSPCA² has highlighted a number of welfare practices in use in Australia, which are illegal in the UK, such as the use of barren battery cages for poultry, sow stalls, hot branding of cattle, and mulesing of sheep (with anaesthetic only required in the state of Victoria). This means Scottish farmers, crofters and food producers will not be competing on a level playing field with their Australian competitors.
7. While we note that the agreement contains provisions on tackling antimicrobial resistance (AMR), the detailed provisions do not go as far as we would have liked and represent a missed opportunity to have a meaningful impact on this significant threat to global health.

Goods exports

8. We recognise that the agreement removes the vast majority of tariffs on UK exports to Australia, and we expect this will benefit exporters, such as the whisky industry. It will be 1 World Animal Protection | Animal Protection Index 2 Protect UK farm animal welfare standards | RSPCA Scottish Ministers, special advisers and the Permanent Secretary are covered by the terms of the Lobbying (Scotland) Act 2016. See www.lobbying.scot St Andrew's House, Regent Road, Edinburgh EH1 3DG www.gov.scot $\alpha\beta\chi\delta \ \varepsilon \ \alpha\beta \ \chi \ \delta \ \varepsilon\phi\gamma \ \alpha$ important to ensure that Scottish companies can take full advantage of new opportunities that arise from this agreement. In addition to tariff reduction, the issue of an enforceable definition for Scotch whisky in Australia is important to the whisky industry in Scotland, so it is unfortunate that the UK Government was not able to secure a commitment within this agreement.

Services exports

9. We are keen for Scottish companies to be able to take advantage of the provisions in this agreement on trade in services, business mobility and government procurement. While these are likely to have benefits for companies trading with Australia, it remains the case that the size of the Australian market and geographical distance are likely to be limiting factors. These measures will not compensate for the loss of market access that Scottish companies have faced as a result of leaving the EU.

Environment

10. The Scottish Government already has an ambitious target to meet net-zero by 2045 and Scotland's Vision for Trade makes clear that trade must support this goal. It is concerning that the UK Government's impact assessment points to a significant increase, of between 31 and 40%, in transport-related greenhouse gas emissions as a result of this deal. While it is welcome that there is a reference to the Paris Agreement in the environment chapter, we would have preferred binding commitments to comply with the Agreement and to take action to keep global warming to 1.5 degrees.

Impact Assessments

11. It was helpful to see the final impact assessment, however it would have been useful to see interim analysis before the agreement was finalised. We also believe it is vital that the UK Government undertake more detailed sustainability impact assessments, including more detailed analysis of the impact on the different nations of the UK and on different groups within society. The impact assessment shows a small increase in UK GDP over the long run of 0.08%, but this will not compensate for the 4% decline in UK GDP, which Office for Budget Responsibility analysis suggests will result from leaving the EU.
12. It is unfortunate that the focus on long run impacts means that we have no analysis of the short and medium term impacts of this deal. The Scottish Government would be keen to know what measures of support the UK Government will make available to Scottish sectors and producers adversely impacted by the deal.
13. 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 arising from these.