# UK-EU Veterinary Agreement

In December 2020, the UK and EU secured the Trade & Cooperation Agreement (TCA), marking a new chapter in UK-EU trade. The TCA came as a huge relief to businesses; zero tariffs and zero quotas were welcomed. Crucially, the agreement of the TCA finally enabled businesses to make definitive plans to adjust to the changes in the trading landscape.

Over five months into the new relationship, businesses have gone to extraordinary lengths to familiarise themselves with the new realities of UK-EU trade, from hiring new staff to adjusting their supply chains.

However, one issue has remained significant: the additional certification and checks that agri-food goods face when moving between both Great Britain (GB) and Northern Ireland (NI) and between GB and the EU. These checks primarily impact the agri-food sectors, for which the UK and EU markets are highly interconnected and valuable markets. The sheer volumes and value of agri-food trade between the UK and EU poses a huge challenge, with the EU exporting €41 billion worth agri-food goods to the UK in 2019, making up 74% of the total UK imports for that year[2].

Businesses have welcomed the pragmatic steps taken by the EU and UK by introducing grace periods for the Northern Ireland Protocol and for EU imports into GB. These have gone a long way in assuaging many of the biggest changes businesses faced for imports and the Protocol. However, the situation for exports foreshadows what importers can expect: a dramatic increase in paperwork, compliance costs and delays for firms without any real change in animal welfare standards.

With the end of the grace periods approaching soon in GB and NI, there is now an opportunity to act and develop long-term solutions. Following consultation with CBI working groups on the NI Protocol and Food Supply Chain, as well as with businesses and organisations in the retail, agricultural, and food and drink sectors, the CBI recommends that:

- **The UK and EU create a modern, bespoke Veterinary Agreement to remove much of the burden of these checks for business.**
- **The agreement includes a regulatory mechanism to ensure the UK's ability to make international FTAs is not limited.**
- **To help improve the movement of goods between GB and NI that the UK Government develop a new Trusted Trader Scheme.**

# The business impact:

## The current situation

The TCA agreed on zero tariffs and quotas for trade in goods, but it also introduced many new customs procedures, documentation and additional checks on goods moving between the UK and EU. Most notably, the TCA introduced Sanitary and Phytosanitary (SPS) checks for agri-food products that pose potential bio-security threats, ranging from live animals to fresh meat and plant products.

**Goods subject to SPS rules will have to follow the following process:**

1. Produce a heath certificate with consignment
2. Send pre-import notification to authorities
3. For the goods to enter via designated location with a Border Control Post (BCP)
4. Checks and veterinary inspections carried out at BCP

There are multiple different kinds of documentation and certification for different product groups required to move different product, many requiring inspections from vets. The main document is the Export Health Certificate (ECH) for Products of Animal Origin (POAO) and Animal By-products (ABP) Phytosanitary Certificate, as well as a Common Health Entry Document (CHED) for fish and others for plant, organics and timber products.

Throughout the process, there are three kinds of SPS check:

1. **Documentary Check:** an electronic check to confirm the consignment of goods has the right commercial documentation and certification.
2. **Identity Check:** Prior to departure from a port, authorised staff will carry out an identification check on the commercial seal applied to the consignment.
3. **Physical Check:** some consignments of SPS-related goods will be selected for a physical check when they arrive at a Point of Entry. The physical check is necessary to ensure that goods entering are safe and meet with the legal requirements.

Under to the terms of the TCA goods moving between the UK and EU will be subject to these checks depending on the product. The picture now is slightly different due to various grace periods in place: currently UK exports to the EU face these checks when they arrive in a Member State, while EI imports to the UK to not require the same certification requirements or face full SPS physical checks until October 2021 and January 2022, respectively. This means that the full impact of SPS checks will not be fully felt by UK imports and EU exports into Great Britain until the grace periods end this year and that meanwhile, EU producers are operating at a commercial advantage to UK counterparts.

## The impact on business

With respect to SPS checks, the UK has now become by default a third country with the EU, with more barriers to access than other countries who have standing agreements to reduce these checks such as New Zealand and Switzerland. This means that there is a host of certification, pre-notification, documentation and physical checks that regulated animal and plant products will face when moving between the UK and EU.

**The impact that SPS checks have on businesses range from:**

- The **cost of vets** for the business to certify the goods and provide Export Health Certificates before the goods are exported.
- The **limited availability of registered vets** to conduct physical checks slowing down the process, with businesses forced to wait for the availability of vets to certify goods before they leave factories.
- When exporting from GB to the EU, many businesses have reported **inconsistencies between different Member States** in approaches to these checks not just, but different vets at the same port.
- A **breakdown in the groupage model for freight**, particularly for goods destined to Northern Ireland and the Republic of Ireland. For example, the requirement for vets to complete vehicle registration details on EHCs is unworkable in practice as it is often not known with goods moving from sites of production via van to hubs where they are reloaded on to other vehicles.
- **Delays from physical checks slowing down supply chains reducing the shelf life of perishable products** as they take longer to reach their destination and the viability for businesses to be able to place their products in key markets such as the Republic of Ireland and Northern Ireland.

Trade data shows that this had had a significant impact on UK food and drink exports to the EU. In February, they were down 40% compared to 2020 levels, with the worst hit sectors milk and cream (-96.4%) and chicken (-79.5%)[1] – products that would require the highest levels of SPS checks. Key EU Member State markets have also seen huge decreases compared with last year, with the Republic of Ireland down 70% (£217m).

### UK poultry producer exporting chicken to Netherlands

In order to export two lorries of turkey meat to the Netherlands, the producer hired the same vet to complete the Export Health Certificates for two consignments leaving on consecutive weeks. One passed through the Dutch port, the other was rejected – despite the identically completed forms. This resulted in an entire consignment being spoiled.

[1] Food & Drink Federation, UK-EU Food and Drink Trade Snapshot: February 2021

**The additional impact of the Northern Ireland Protocol**

The trade between GB and Northern Ireland, governed by the Northern Ireland Protocol, is deeply impacted by SPS checks, which unlike the rest of the UK have been in place since January 2021. Agri-food products are some of the highest-value goods moved between Northern Ireland and Great Britain. In 2018, the largest selling industry of goods and services to Great Britain from Northern Ireland was the manufacture of food, beverage and tobacco products at £1,823m, with £576m purchased goods from Great Britain[2]. This is largely due to Northern Ireland's place in UK internal market and the geography of the British Isles, with many UK based supermarkets who have shops in Northern Ireland headquartered from Great Britain, from which their supply chain is operationally based. Northern Irish producers, retailers and hospitality – many of which are independent - are dependent on GB suppliers of many manufactured products, but adding cost and complexity for businesses moving relatively small volumes of low margin products into Northern Ireland quickly means this trade is becoming unviable.

Due to the volume of goods moving across the GB/NI border, the scale of documentary checks for Northern Ireland is now huge, even during the agreed grace period which allows supermarkets and their trusted suppliers moving products of animal origin from GB to NI to do so without official certifications required for individual agri-food product lines.

**Statistics on 2021 Northern Ireland-Great Britain SPS checks:**

- From 4 January to 28 February 2021, 57,486 freight units travelled through Northern Ireland points of entry from GB ports. On average, a quarter of those were carrying SPS goods. Of those SPS freight units, 71% were retail.
- From 1 January 2021 to 28 February 2021, 13,629 documentary checks were completed on Common Export Health Documents (CHEDs). That has increased consistently from week 1, when just over 1,114 checks were completed in a week. In the most recent week's figures, the comparable number was 1,938, around 2,000 checks
- 92% of common health entry documents are for products of animal origin

*Source: Evidence given to the Northern Ireland Assembly Committee for Agricultural, Environment and Rural Affairs, Dr Denis McMahon (Department of Agriculture, Environment and Rural Affairs), 3rd March 2021*

The impact of these checks bares through in the trade data: exports of food to Ireland fell £0.3 billion (65.9%) between December 2020 and January 2021, although some of this decrease may be attributed to stockpiling ahead the end of the transition period, which boosted trade at the end of 2020[3]. Whilst significant investment is under way to streamline the process and cover the associated costs as part of the UK government's operational plan on Protocol implementation, there remains significant questions over long term sustainability for retail and hospitality products in particular.

[2] Northern Ireland Statistics and Research Agency, Overview of Northern Ireland Trade, 15th June 2020

[3] ONS, The impacts of EU exit and the coronavirus on UK trade in goods

# Options for reducing the red-tape burden:

**A Veterinary Agreement between the UK and EU can remove much of the burden for businesses on both sides of the channel.**

A Veterinary Agreement between the UK and the EU could remove many of the SPS requirements. By agreeing an approach where both parties create some form of recognition of each other's animal health and veterinary rules, the vast majority to all of SPS checks could be removed for goods moving between the EU and Great Britain, and between Great Britain and Northern Ireland.

The EU has a long precedent for making such agreements with other countries. For example, the EU-New Zealand Veterinary Agreement sees just 1-2% of its goods subject to physical checks upon arrival, as opposed to the current rate of ~30% for the UK agri-food products currently entering the EU, though this varies by each product. The EU has made many other similar provisions in stand alone agreements or part of wider ones with trading partners such as the EU-US Organic Agreement, CETA and with Switzerland.

Due to the close nature of the EU-Swiss relationship and integrated markets, have a more closely aligned regulatory mechanism which allows for the creation of a Common Veterinary Area between the EU Single Market and Switzerland, reducing the need for nearly all physical checks.

| The EU-New Zealand Veterinary Agreement | The EU-Swiss Veterinary Agreement |
|---|---|
| • **Removes the vast majority of physical checks** (only 2% for animal products for human consumption) at the border but **keeps 100% of documentary checks.**<br>• **Achieves this through regulatory equivalence mechanism with table** where relevant legislation from the two countries is compared and assessed against the above criteria and a positive or negative equivalency judgement is agreed.<br>• **Does not impact future trade agreements** due to equivalence-based model.<br>• **Designed for long distance trade on limited products**, mainly lamb. | • **Removes nearly all physical SPS checks** on live animals, animal products and other food-related products (while maintaining 1% physical checks), **but keeps 100% of documentary checks.**<br>• Achieves this through a dynamic regulatory mechanism, creating a **Common Veterinary Area**.<br>• **Closer equivalence mechanism limits the freedom on agriculture in future trade agreements** due to regulatory relationship. |

*Table 1: Pre-existing veterinary agreements between the EU and trade partners*

**A regulatory mechanism can be agreed that would not limit the UK's ability to make international FTAs**

What a Veterinary Agreement would require is a regulatory mechanism that would allow the UK and EU to mutually recognise each other's standards as sufficient. This could be done in various ways, with the closer the mechanism the fewer the checks. However, this comes with a trade-off. The deeper form of regulatory recognition in a Veterinary Agreement could impact future UK trade agreements.

The Swiss-EU model for example forms a much closer and dynamic regulatory relationship with the EU, which if the UK were to use, would have to limit the ambition on agriculture for future trade agreements. However, a mechanism similar to the EU-New Zealand agreement would not. A modern mechanism, designed for 21$^{st}$ century GB-EU and NI-GB agri-food trade flows could be designed to meet the requirements needed and not limit the UK's regulatory independence or ability to strike FTAs.

**Beyond a Veterinary Agreement, an additional way to help improve the movement of goods between GB and NI is a new Trusted Trader Scheme.**

A scheme that certifies businesses and audits supply chain could facilitate a "green channel" at ports, based upon the low risk level of goods entering Northern Ireland. This scheme could encompass as wide as possible a group of goods and traders from food to non-food, electronics and clothing in order for as many businesses as possible to benefit. Together, a Veterinary Agreement and a Trusted Trader Scheme could keep prices down for NI households and drive product variety and choice for consumers.

# Recommendations

**The UK and EU should come together to negotiate a modern and bespoke Veterinary Agreement that meets the challenges for GB-NI and EU-GB movements and would significantly reduce the burden of SPS checks.**

Given the geographical proximity and inter-connectedness of the UK, island of Ireland and EU agri-food markets and the high volume of SPS goods coming to the UK from the EU, smoother movement of products can help reduce costs for all businesses and consumers. This would significantly benefit both parties by removing burdensome checks from both the Chanel and the Irish Sea. Most importantly, it would also take considerable pressure of the Northern Ireland Protocol.

**The agreement should include a regulatory mechanism that allows agri-food trade to be as smooth as possible without limiting the UK's ability to make international FTAs.**

To agree it, a tailored solution where a regulatory mechanism on animal welfare and standards would have to be developed and work for both the UK and EU simultaneously allowing the UK to continue making new trade agreements. A veterinary agreement that could facilitate a system could deliver upon the objectives of upholding safety and welfare standards to the satisfaction of both the EU and the UK, and the EU's ongoing commitment to the precautionary principle whilst protecting the UK's regulatory independence and ability to strike future FTAs.

**Developing a Trusted Trade Scheme would also help improve the movement of goods between GB and NI.**

Beyond agri-food, the benefits of a Trusted Trader Scheme would be huge. It would improve the flow of many goods between the UK and EU, cut the cost of exporting goods and protect Northern Irish consumers from the risk of loss of choice and increased costs under the Protocol. This would go a long way in tackling one of the greatest challenges with the Protocol.

Together, a Veterinary Agreement and Trusted Trader Scheme will not be a panacea, but they would ensure that the Protocol is implemented in a way that significantly minimises potential disruption and have huge benefits for both UK and EU producers, retailers and the consumer.

## How the CBI determines its policy

**The CBI represents a wide range of business voices across the whole UK.**

The CBI is a non-political, Royal Charter organisation that speaks for 190,000 businesses, employing seven million people, equating to one-third of the private sector workforce. This number is made up of both direct members and our trade association members. We do this because we are a confederation and both classes of membership are equally important to us.

**Our mandate comes from our members who have a direct say in what we do and how we do it.**

The CBI Council is the main governance body of the CBI and is made up of all the CBI Councils and Standing Committees comprised of over 1,000 council and committee representatives from over 700 CBI member companies. 80 per cent of CBI Council members are from non-FTSE 300 businesses. The chair of each Standing Committee and Regional and National Council sit on the CBI's Chairs' Committee which is ultimately responsible for setting and steering CBI policy positions. Each quarter we engage these councils and committees on our work for either a steer, for information or for sign off and this is supported by wider member engagement from other committees, working groups, events and member meetings.

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For further information on the details of this submission, please contact Nicola Hetherington.