

Summary of the Implications for Scotland of the EU-UK future relationship agreement

When Scotland was part of EU	UK's negotiated deal	Impact of UK's deal on Scotland
<p>Economy overall Part of EU's deep and wide economic integration.</p>	<p>Less close, narrower relationship to EU, the world's largest single market area.</p>	<p>Scottish Government modelling estimates that Scotland's GDP could be around 6.1% lower (£9bn in 2016 cash terms) by 2030 compared to EU membership. The UK's Office for Budget Responsibility estimates (Nov 2020) that a trade deal with the EU would mean the UK's GDP would be 4% lower in the long run compared with remaining in the EU.</p>
<p>Trade in goods Full access to EU's Single Market and participation in the EU's Customs Union.</p>	<p>Outside Single Market and Customs Union. Zero tariffs and quotas agreed, but various new non-tariff barriers such as increased border checks and new criteria for exporting goods into EU apply, despite the Prime Minister stating on 24 December that 'there will be no non-tariff barriers to trade'.</p> <p>Rules of Origin bilateral cumulation only, although the UK Government did manage to secure full bilateral cumulation for both originating and processed content. No 'diagonal' cumulation. For some products there are also additional time-limited rules, for example, electric vehicles will be tariff-free if they contain at least 40% originating content until the end of 2023 and at least 45% until the end of 2026.</p>	<p>Scottish businesses' trading costs expected to increase substantially due to additional customs and borders paperwork (even if electronically filed) and procedures, making them less competitive. New delays at the border including new customs formalities are expected to cost Scotland and rest of the UK businesses <u>£7bn annually</u>. Just-in-time supply chains of perishable products such as seafood may be jeopardised. Premium Scottish products such as salmon, beef and lamb will require new export health certificates for exporting into the EU.</p> <p>In order to qualify for tariff-free access, Scottish goods will need to meet Rules of Origin requirements. Some industries, especially food, may simply be unable to do this, where core ingredients such as sugar or cocoa derive from outside the UK and EU. Other businesses, for example in chemicals or manufacturing may have to examine their supply chains to check that they meet percentage thresholds for content. Such restructuring may have disruptive impacts for business relationships and global supply chains including for developing countries.</p> <p>Scottish companies will no longer be able to export seed potatoes, to the EU at all, because the EU will not grant them listed status from 1 January, due to lack of alignment of rules.</p>

	<p>No Protocol on the mutual recognition of conformity assessment results – some provisions for self-certification in relation to low-risk products (where this practice already exists). Agreement to specific facilitations on medicinal products, motor vehicles, organics, wine and chemicals to streamline assessments in these sectors.</p> <p>On animal and plant health (sanitary and phytosanitary or 'SPS'), no equivalence measures agreed.</p> <p>On customs the agreement provides for mutual recognition of Trusted Trader Schemes (AEO), allowing for streamlined customs procedures for eligible traders. Otherwise there are limited facilitation measures.</p> <p>The UK Government has not secured any legally binding protection for Geographical Indications (GIs) for Scottish products (e.g. Scotch whisky; or Arbroath smokies) in the EU market. The earlier January 2020 Withdrawal Agreement gives legally binding protection to EU products</p>	<p>While the agreement puts in places some measures to encourage the parties to minimise technical regulatory divergence and encourage the use of international standards, products subject to regulatory standards will now have to be certified separately for the EU and UK markets adding cost and complexity for businesses.</p> <p>UK-based product testing bodies will no longer be allowed to certify that products meet EU rules. Separate UK and EU chemicals registration systems will mean that businesses will be required to register themselves and their products in both the UK and EU jurisdictions, adding more costs. The UK will not have access to EU chemicals data – which the chemicals industry believes will cost UK businesses £1 billion in new registration costs.</p> <p>Scottish exports to Northern Ireland will face new controls. Consumer prices may rise and jobs across sectors will inevitably be affected.</p> <p>Not all businesses will be eligible to use the arrangements to simplify customs administration such as the trusted trader scheme. There are no arrangements for phasing, meaning new customs formalities for Scottish goods moving to the EU will apply from 1 January giving businesses very limited time to prepare.¹</p>
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¹ The UK Government has announced it would phase in these processes for EU goods being imported to the UK over a six-month period.

	with GIs in the UK but not for UK products in the EU.	
<p>Trade in services Full access to the EU's Single Market with free movement of people, services and capital.</p>	<p>Outside the Single Market and no freedom of movement increases regulations and barriers to exporting UK services to EU.</p> <p>The parties have made mutual commitments to promote market access with some sector-specific commitments for telecommunications, delivery and maritime transport services but these will not guarantee UK firms' access to the EU market for services (e.g. legal services) as these provisions are subject to a list of exceptions listed in annexes. These vary from one Member State to another.</p> <p>The parties agree to allow visa-free short-term business visits for the provision of services, but these are subject to restrictions. For example, independent professionals must possess a degree and six years' experience to qualify for access, and some sectors still remain closed to them. They may still be required to apply for visas or work permits.</p>	<p>Scottish service providers will face new country-specific restrictions, delays and costs to offer their services in the EU: they may need to establish a local presence in the EU or obtain work permits, their employees may need to undergo re-certification as their UK professional qualifications may no longer be recognised, and their ability to visit EU clients may be restricted by new immigration rules.</p> <p>Professionals e.g. those practising law, engineering and architecture in Scotland may lose opportunities to sell services in the EU. For example, UK nationals will not be able to sell actuarial services in Italy or construction services in Cyprus. They will not be able to be surveyors in Bulgaria and will need to be resident to provide legal advice in the Czech Republic even if advising on Scots law.</p> <p>Financial services, constituting 9.4% of Scotland's economy and employing 62,000 people, face ongoing uncertainty under a patchwork of partial and temporary equivalence decisions about their access to EU markets, which may mean they need to do further costly restructuring.</p> <p>The agreement does not address the fundamental issue of whether judgments of UK courts will be enforceable in the EU – creating uncertainty for UK lawyers and their EU clients.</p> <p>There is still no decision from the EU Commission on UK data protection regime adequacy. Although the deal contains agreement on a bridging mechanism on data adequacy for six months, all businesses, in particular e-commerce, still face ongoing uncertainty over managing customer data.</p>

	<p>The agreement sets up a framework for the mutual recognition of professional qualifications, but no new qualifications will be recognised from day one.²</p> <p>On financial services, market access is subject to a complete carve-out for prudential measures. No regulatory cooperation annex agreed although the EU and UK have agreed to work on a memorandum of understanding. Separately the EU and the UK will be responsible for assessing the equivalence of the other parties' regulatory framework for financial services, via unilateral time-limited decisions.</p>	
<p>Fisheries Participation in the EU's Common Fisheries Policy and the EU's Single Market.</p>	<p>The UK has reached agreement allowing EU vessels access to UK waters for a transition period of 5½ years of access to, and transferring what the UK Government has stated to be around 25% of the fish quota which the EU wanted to retain but which the UK claimed according to the zonal attachment approach.</p>	<p>Contrary to UK Government promises to the industry to “take back control of our waters”, EU fleets will retain rights of access to UK waters (including some parts of the 6-12 nautical mile zone, to which the UK Government specifically and repeatedly committed to exclude access) without annual negotiation. A set of new fish quotas has been negotiated which the UK government describes overall as transferring to the UK around 25% of the value of quotas in UK waters held by EU vessels. This outcome compares with the UK's request for 80%, will only be realised in full after a transition period of 5½ years, and is unevenly spread across different fish stocks. We are still analysing the detail, but initial investigation suggests the extra value to the Scottish industry will actually be significantly less than the</p>

² Citizens falling within the scope of the Withdrawal Agreement will still be able to rely upon the protection it provides for mutual recognition of professional qualifications.

	<p>If after that period the UK denies the EU access to UK waters, the EU can as 'compensation' impose tariffs on UK fishery products including aquaculture products. If either side breaches the fisheries agreement then, subject to proportionality and independent arbitration, the other side can impose tariffs on any goods and could even suspend the whole trade heading of the EU-UK agreement. Either side can terminate the Fisheries agreement at any time, which automatically also terminates other parts of the agreement on trade more widely, aviation and road transport.</p> <p>A range of new non-tariff barriers and certification requirements will increase costs and damage the competitiveness of Scottish seafood.</p>	<p>25% figure would suggest, when loss of Hague preference, and fish that are unlikely to be caught ('paper fish') are taken into account. For many key stocks Scottish fishermen will have access to less quota now and for the next 5 years than they currently enjoy. Future fisheries negotiations after the initial transition period will now take place against the background that trade in fisheries products can be constrained if the EU's quota shares or access to UK waters are reduced – a linkage which the UK had wanted to avoid.</p> <p>A range of new non-tariff barriers and certification requirements will increase costs and damage the competitiveness of Scottish seafood, with significantly increased complexity to export or land seafood into the EU; with any delays in obtaining certification, or at the border, significantly impacting on product value.</p> <p>Non-quota sectors, such as crab and lobster, and Scotland's aquaculture industry will face these new costs while seeing no benefit from quota changes. Accessing EU labour will be significantly more complex across seafood industries, with seasonal EU labour unobtainable.</p>
<p>EU programmes Participation in EU's programmes.</p>	<p>UK will no longer have access to EU funding determined by specific economic, social or environmental need.</p>	<p>Scotland has received EU programme funding worth £5.6 billion since 2014. Scotland will lose access to all of the EU's pre-allocated programmes that provide for example funding for agriculture, fishing, or rural development. Scotland also loses access to key competitive bid programmes such as environmental programme LIFE, audio-visual funding programme Creative Europe, and the European Territorial Cooperation programme.</p>

	<p>UK Government only negotiated associate country access to Horizon Europe, subject to an ‘automatic corrective mechanism’ on the balance between money paid in and received; the UK will not participate in the European Innovation Council (EIC) Fund established under Horizon.</p> <p>UK only negotiated access to a small number of other EU programmes, namely: Copernicus; Euratom Research and Training Programme; and International Thermonuclear Experimental Reactor (ITER).</p> <p>UKG decided not to participate in Erasmus+, having previously indicated a desire for participation in elements of the scheme on a time-limited basis, and despite Scottish and Welsh Government representations on the matter.</p>	<p>Due to the UK Government decision not to take up the option to participate, Scotland will also no longer be able to participate in Erasmus+, which has benefitted over 2,000 Scottish participants a year (students, and also school children, adult learners, teachers, and sport and community groups). This is due to a ‘value for money assessment which the UK Government has not shared with the Scottish Government. Erasmus is proven to improve participants’ self-confidence, language learning, cultural awareness, and employability. The proposed UK Government Turing Scheme will have a much more restricted scope.</p> <p>Scottish institutions will be able to participate in Horizon Europe for research funding as an associated country. The Declaration accompanying the deal text indicates on Horizon Europe that:</p> <ul style="list-style-type: none"> • The UK will have associated status, and what looks like the right to participate in all aspects thereof (apart from the European Innovation Council Fund, which provides grants and loans); • UK participating entities will have the right to exploit the intellectual property arising from their activities (this had been a controversial issue, in relation to 3rd countries, in the EU budget negotiations); • It is the joint intention to adopt the protocol at the earliest opportunity with the aim that UK entities should be able to participate in the programmes from the outset; and • Duration is for the life of the programme, or of the seven year budget, whichever is the shorter.
<p>Law Enforcement and Judicial Cooperation in Criminal Matters (Internal Security)</p>	<p>Loss of access to some key databases and reduced participation in EU’s law enforcement and judicial cooperation agencies. Loss of access to alerts system SIS II, and to the European Arrest Warrant system. Loss of access to the European Judicial Network database of</p>	<p>Less effective, slower and more cumbersome law enforcement and judicial cooperation in criminal matters will mean that Scotland’s police and judicial system will have reduced capacity and capability to combat criminality, including organised crime and terrorism.</p> <p>The loss of access to the SIS II database means Police Scotland will no longer have access to real-time or immediate alerts from EU partners on wanted or missing persons.</p>

<p>EU cooperation to investigate and prosecute crimes, including access to shared law enforcement databases.</p>	<p>contacts, which was heavily used by Scottish partners.</p>	<p>On surrender, EU Member States will be entitled to refuse to extradite their own nationals to Scotland.</p> <p>Scotland will also lose access to the European Judicial Network, a tool heavily used by Scottish prosecutors, enabling them to collaborate with their European counterparts.</p> <p>The agreement does include provision for cooperation with EU law enforcement bodies Europol and Eurojust, the exchange of criminal records, streamlined procedures for the transmission of evidence, biometric/crime scene information and vehicle registration data within specific deadlines. In some cases, cooperation will be through the use of existing EU tools and measures (such as Prüm and ECRIS). In other instances, however, cooperation will be via alternatives to, rather than participation in, the various EU Justice and Home Affairs tools and measures and will therefore be slower and more difficult than as a member state.</p>
<p>People Freedom of movement of people across EU with their social security rights protected. EU citizenship for all UK nationals.</p>	<p>End to freedom of movement, less social security protection. No EU citizenship rights. Withdrawal Agreement protects some rights of EU citizens resident in the UK before end of transition period and vice versa.</p>	<p>The Expert Advisory Group on Migration and Population predicts that migration into Scotland will fall by up to 50%. EU citizens in Scotland will be subject to the UK's new points-based immigration system. This has severe consequences for key sectors that depend on EU labour, such as distribution, hospitality, food processing, manufacturing and the public sector, including NHS Scotland and social care. Reduced EU migration will make Scotland poorer, both economically and culturally. People from Scotland lose the right to move freely in the EU for work and leisure and to participate in the EU's political life.</p>
<p>Environment and Energy Scotland shares in, and has opportunity to</p>	<p>No longer benefit from strong, common environmental standards and a level playing field. Loss of access to some databases and reduced participation in collaborative</p>	<p>Scotland is committed to maintaining high environmental standards through the UK Withdrawal from the European Union (Continuity) (Scotland) Bill, and intends to stay aligned with EU rules where possible and practicable to do so. However, protections risk being impaired by both the loss of participation in EU frameworks, systems and collaborative programmes, and by the threat to</p>

<p>influence, the EU's high standards on environmental protection. EU cooperation on environmental/sustainability goals. Scotland participates fully in the EU Emissions Trading Scheme (ETS) and EU internal energy market (IEM).</p>	<p>action on environment and climate change. No longer directly part of the EU's internal energy market and outside of the EU Emissions Trading System (ETS), with no linked UK ETS scheme.</p>	<p>devolved competency in these areas posed by the United Kingdom Internal Market Act 2020.</p> <p>Scottish firms will no longer benefit from a guaranteed level playing field on environmental standards with firms from the EU-27 and the rest of the UK. Leaving the EU ETS, and indeed failing to agree a linking system to it which was the UKG's stated aim, means Scotland is now outside of the world's leading carbon market. This means operating only within the smaller UK carbon market, which may impact on the cost of carbon abatement and consumer bills. Loss of direct access to the EU internal energy market will mean less efficient trading of electricity. Consumer prices for energy are likely to be impacted, though not yet clear to what extent.</p>
<p>Overall Governance Stable EU system. Long-term certainty for businesses.</p>	<p>Overarching governance framework has been agreed.</p> <p>Review clause allows either party to initiate a review of the trade aspects of the agreement after four years.</p>	<p>The EU and the UK agreed to create a joint body, called the Partnership Council, to efficiently manage the Agreement.</p> <p>The Partnership Council is co-chaired by a Member of the European Commission and a representative of the UK at ministerial level. It meets at least once a year, but can meet more often at the request of either the EU or the UK. It will comprise representatives of the EU and the UK and non-governmental technical experts can also be invited to attend where appropriate Any decision is taken by mutual consent between the EU and the UK.</p> <p>The Partnership Council oversees the attainment of the objectives of the Agreement. The EU or the UK can refer to the Partnership Council any issue relating to the implementation, application and interpretation of the Agreement. The Partnership Council is assisted in its work by specialised committees and in some areas by technical working groups. These include a range of specialised committees on trade (e.g. on SPS, TBT, Services, Investment & Digital Trade) and on other issues including the level playing field, energy, transport, social</p>

		<p>security coordination, fisheries, law enforcement & judicial cooperation and participation in EU programmes.</p> <p>If disputes which are brought to the Committees or the Partnership Council cannot be resolved consensually, they may be referred to an independent tribunal. For certain disputes which cannot be referred to the independent tribunal, the EU and UK could use trade remedies in the form of tariffs or they could choose to suspend parts of the agreement.</p> <p>It will be vital that Scotland has meaningful representation within these Governance structures. The Scottish Government may also wish to have a role in selection of the UK's list of arbitrators particularly in sectors covered by the Agreement where Scotland has particular technical expertise.</p>
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