UK processing sector eager for 'frictionless' trade post-Brexit

By Neil Ramsden Jan. 26, 2018 09:16 GMT

Brixham harbour, Devon, UK. Photo: Barry Lewis

After the Norway-UK Seafood Summit on Jan. 24, it seems the Brexit priorities for the UK are significant changes when it comes to how fishing operates, but as much continuity as possible on the trade front.

Nigel Edwards of Icelandic Seachill -- speaking at the event on behalf of the UK Seafood Industry Alliance (SIA) -- said the stress for the processing and exporting sectors was on keeping trade flows as similar as possible.

Currently the UK -- as part of the EU -- benefits from cheaper or subsidized raw material imports brought in under the generalized system of preferences scheme; the "everything but Arms" scheme (which grants the least developed countries market access by cutting duties); and autonomous tariff quotas (ATQs), which allows a certain quantity of fishery raw materials into the EU at reduced rates each year.

"It's vital the UK renegotiates these quickly," said Edwards. "After talking with the government though, I don't think we expect to see either the UK or the EU become more protectionist. I think the UK might even become more open, as a market."

SIA has been working closely with the government's Department for Environment, Food and Rural Affairs (Defra). On this front too, he said, the government has pledged funds to Defra for the "worst case scenario" of a "hard border" between the UK and the EU -- necessitating inspections at the border.

The government is "striving for free and frictionless trade", he said. As far as he knows, the European Fish Processors & Traders Association (AIPCE-CEP) too hopes for continued smooth trade.

"In the UK we need to maintain the source of labor we rely on as well, European nationals. Norway needs UK processing, and Europe doesn't want to see increased costs on its raw materials."

Sebastien Metz, CEO and fisheries economist with Sakana Consultants, also noted that any Brexit-related barriers to free movement of laborers could be an issue.

He noted the ATQ issue could lead to increased prices to UK consumers, as, upon leaving the EU, the UK will not have access to those reduced-tariff quantities of raw materials.

"It can take between two and five years to negotiate those deals," he noted. The issue could be further complicated on those species which currently come into the EU for processing before being shipped to the UK, such as pollock via Poland.

"How will those ATQs be split? Will it be based on where the raw material is processed or ends up?"

SAKANA STATS

Key for the UK is the separation of trade and production as negotiating tools.

- EU-27 fleet in UK waters: 654,000t catches, worth €524m; (21% of total EU-27 production, 2012-2014 average)
- UK fleet in UK waters: 512,000t, €750m; (80% of UK total production)
- France catches up to 30% of the EU-27 production in UK waters, ahead of the Netherlands (21%) and Ireland (17%)
- Production in UK waters makes up over 50% of the Dutch and German total volume landings

The UK exports a majority of its catches to the EU, while it imports most of what it consumes from outside the EU. Several EU nations also catch significant portions of their landings in what the UK hopes will become "its own" waters.

The EU is likely to want to use market access for the UK as a tool to leverage continued access to UK waters, while UK sectors tend to hope the two can be kept separate.

However, Metz was down on this idea. "Trade and production won't be kept separate. Norway tried to do the same thing when it negotiated with the EU, and couldn't."

He thinks a "status quo" situation is more likely than dramatic change, in terms of both trade and fishing; "fisheries negotiations are not a big deal, in terms of the full Brexit negotiation".

Compared to finance, agriculture, airplanes even, fisheries as a sector is more likely to be used as a makeweight in the overall deal, he warned.

This would be bad news for National Federation of Fishermen’s Organisations chief Barrie Deas, who noted that post-Brexit the UK would legally no longer be subject to the common fisheries policy, and could create its own acts governing quota setting and access.

The EU's ideal position, as he understands it, is that there would be joint management of shared stocks; reciprocal access based on historic catches; and as similar a regulatory framework as possible to that currently in place.

The UK, meanwhile, aspires to harvesting both shared and exclusive stocks; negotiated access to UK waters for non-UK vessels (as oppose to automatic fishing rights); and annual "zonal attachment" quota shares which reflect resources in UK waters.

Speculative views on total allowable catches for stocks jointly managed by the UK, EU and Norway would see trilateral discussions on the basis of advice set by the International Council for the Exploration of the Sea, he said.

In terms of working with Norway, quota exchanges "were the glue that holds the agreements together". Through this, each would have some access to the other's waters.

Again, Metz was on hand with an opinion which favored the EU's preferences more; he believes on a scale between totally excluding EU nations from UK waters, through to a total status quo, the result will fall much closer to looking like how the picture does at this moment.

As for "zonal attachment", the issue would be on deciding a reference point; stocks shift, possibly quite drastically, over time.

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