

# **Farmers' Union of Wales response to a Trade and Agriculture Commission Call for Evidence**

**23rd October 2020**

## **How could we address trade barriers to improve UK business competitiveness?**

UK business competitiveness depends on profitability and stability - businesses with threatened profitability and stability are less able to consider or afford changes that make them more competitive.

Inherent to protecting business profitability and stability, and thereby protecting the UK economy, jobs etc., is to ensure existing trade routes to established markets remain and that additional barriers are not added along such routes. Where barriers are inevitable Government needs to support businesses by providing staff, infrastructure, IT etc. that minimises the financial and time costs of barriers for businesses.

Adverse impacts on business profitability and stability will also be introduced if current trade barriers are reduced for imported products which would undermine or displace UK products, particularly where those products are produced using methods and/or to standards that are not legal in the UK.

As such, the Commission should recognise the needs of those businesses which are particularly vulnerable to the loss of export markets through barriers (whether in the form of 'new' MFN tariff barriers or those inherent even if a deal is agreed in place) and the introduction of competition. Agricultural and food producers are firmly in this category, and products such as sheepmeat, beef, poultry, pig meat and certain dairy products are particularly vulnerable in this regard - and should therefore be treated as sensitive products within any deals or recommendations in terms of quotas and tariffs, and in terms of any (WTO compliant) support in overcoming barriers.

This does not mean so say that the FUW does not welcome fair competition, but the TAC must be realistic about the dire adverse impacts on UK businesses, economies, communities, employment etc. of losses of export markets or increased exposure to imported products which would undermine UK agriculture and food businesses.

It is also important that the TAC is realistic about the scale of the opportunities for agricultural products under new deals, while also recognising that while all new and

expanded markets are welcome such benefits have to be weighed against the possible adverse impacts of any new access for importers to the UK market.

In the context of new markets, it should be noted that while some welcome progress has been made for Welsh agricultural produce in terms of expanding sales in markets such as the East and Middle East, overall volumes of exports remain extremely small due to a range of issues such as remoteness of the markets, other competitors already firmly established in those markets, producers in other countries being able to produce at lower cost due to lower social (eg. no minimum wage), animal health and welfare (eg. lower cost of traceability, liberal use of cheap drugs) and environmental standards.

## **How could UK trade policy best advance the UK's agriculture and food interests? What outcomes would you seek?**

The UK's agriculture and food interests are best advanced by a trade policy which recognises:

- (a) The inherent value of maintaining and enhancing UK food security, while recognising the importance of supply chains which spread risk through trade with our near neighbours and trade with those countries supplying produce which cannot be grown and produced in the UK
- (b) The medium and long term risks of undermining UK food security and placing control over UK food supplies in the hands of remote countries for which political and trade priorities may rapidly change
- (c) The importance of maintaining and enhancing UK food security in light of
  - (i) The experiences during 2007 and 2008, when severe weather around the world and the global financial collapse led to rapid changes in global food availability and supply chains, leading to food shortages and rapid increases in food prices around the world and sparking civil unrest in many countries
  - (ii) The way in which the coronavirus outbreak has exposed how pandemics and similar emergencies can rapidly affect global supply chains and debilitate key workers in supply chains
- (d) Ensuring that the UK behaves in a globally responsible way by avoiding the importation of food produced to lower social, environmental and health and welfare standards than our own, and recognising the degree to which failing to do this will increase global greenhouse gas emissions and environmental damage while having a negative net impact on global animal health and welfare
- (e) Protecting access to existing markets - in particular the affluent market on our doorstep - and ensuring tariff and non-tariff barriers are not raised in terms of accessing those markets
- (f) Securing access to new markets in a manner that does not compromise UK businesses operating on the domestic market

## **How could we balance protection of consumer and business interests, whilst also offering consumers greater choice, availability and affordability?**

First and foremost consumers should be given the choice to buy locally, Welsh and British products produced to our high food safety, social, environmental and animal health and welfare standards - and it must be noted that unfair competition to such products from countries not meeting UK standards will undermine local, Welsh and British producers to the extent that choice for UK consumers will be significantly undermined - with what is available becoming increasingly costly due to reduced economies of scale for domestic producers, mainstream products becoming niche etc.

The potential reduction in choice for British consumers that will result from failure to achieve a close trading agreement with the EU must also be noted.

It must also be noted that while cheap food imports may in the short term bring affordability benefits for consumers, sudden changes in global markets and economies as happened in 2008 during the financial crash and this year during the coronavirus pandemic will rapidly undermine such benefits, leading to greater price volatility, shortages and higher prices, as well as reduced choice.

As such, if 'choice', 'availability' and 'affordability' are defined fully and in the context of consumers' long term interest, we believe that meeting the needs of consumers and business should be complementary, and not regarded as something that needs to be balanced.

## **How could we positively support both ethical trade practices and the interests of developing countries, through our trade negotiations?**

By favouring products not produced in the UK, and which do not therefore compete with UK business interests, and ensuring that those products are produced to the highest social, environmental, animal and plant health and animal welfare standards during negotiations with other countries and trading blocs.

## **How could we ensure that animal welfare and environmental priorities are integral to our trade policy?**

By advocating Government support for changes to the Agriculture Bill and other legislation which ensure that animal welfare and environmental priorities are integral to our trade policy, including those changes proposed as the Bill has progressed through the Houses of Parliament and those proposed in Henry Dimbleby's National Food Strategy - inherent to which are the maintenance of high tariff barriers for countries with which we have not signed a trade deal.

Also, by supporting proposals that would allow greater scrutiny of trade deals by an independent body and by Parliament before a deal was signed.

## **How could we advance global agri-food standards and what can we learn from other countries?**

By protecting the markets of our own UK producers, since by definition allowing domestic production and producers to be undermined by imports of a lower standard would lead to more food production in countries with those lower standards.

It must also be noted in this context that 'equivalence' does not necessarily mean what people might hope - as many of our members who have visited countries with so called equivalent standards have found when observing, for example, their animal health and welfare and traceability standards.

In terms of trade, we would argue that the most significant lessons to be learned from other countries around the globe are

- (1) The value that most countries place on their food security and therefore protecting their key agricultural sectors and food producers.
- (2) The way in which other countries balance idealistic notions about global free trade with the political (including food security) and economic interests of their own country
- (3) How other countries are not naive in terms of the role and value of tariffs in negotiations
- (4) How other countries are careful not to naively regard others as natural allies with the same objectives