AT A GLANCE

Requested by the PECH Committee

Study in Focus

European Parliament

# Impacts of the EU-UK Trade and Cooperation Agreement on fisheries and aquaculture in the EU: Trade aspects

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Following the provisional application of the **EU-UK Trade and Cooperation Agreement (TCA)** as of 1 January and entry into force on 1 May 2021, it is a very timely moment to investigate its potential trade and economic impacts both on the EU and the UK.

To make a **comprehensive impact analysis**, the methodological approach needs to consider the interconnection of fisheries and aquaculture with other actors in the economy. CGE (Computable General Equilibrium) models are appropriate tools to address these needs. This study applied a **CGE model MAGNET** (Modular Applied General Equilibrium Tool) to quantify the impact of the TCA on fish related sectors.


### The study

applied the MAGNET model to quantify the impact of the EU-UK TCA on fish related sectors. The results show negative impacts on trade, production and consumption of fisheries and aquaculture products for both parties.


## Main observations

The terms of the new relationship established in the TCA bring **negative impacts on aggregate trade balance** in **fish and aquaculture products** (FAPs) both for the UK and the EU (**about -1% in the EU and -20% in the UK**). Whereas the **UK trade balance declines in all FAPs, in the EU, trade in fish processing products is the main driver of the trade balance loss**.

Due to the imposition of trade barriers, the UK's increased total allowable catches (TACs) do not create advantage on the export markets. On the other hand, **EU Member States which fish outside of the UK Exclusive Economic Zone (EEZ) such as Spain are expected to export more (+0.6%)** due to the increased competitiveness on the EU Single Market.

**Third countries benefit from Brexit** by taking over the respective trading positions of the EU and the UK.

The TCA is expected to **cause a reduction in production volume of FAPs (-0.7% for the EU and -3% for the UK).**

The production impacts of the TCA on the EU are dominated by fish processing and much less by wild fisheries, where the reduction of TACs is moderate on the aggregate level and there are possibilities to adjust by shifting fish landings to other EU countries such as Spain. **On the aggregate level, the decline of fish processing production is rather moderate (-2.5%)**, but zooming into the EU Member State level, **more notable shocks are noticed,** with declines of production volume up to 11% in Ireland, 6% in Sweden and 5% in the Netherlands.

**Regarding the UK, the effects on production volume vary** - positive effects are expected for wild fisheries due to the increased TACs (+3%), but negative effects on the aquaculture sector (-8%) due to the **increased trade costs.**


Access this note

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With respect to the **TCA impacts on consumers**, a **moderate increase in consumer prices and a reduction in consumption of FAPs across all countries** can be expected (-0.6% in the EU and -0.8% in the UK) .

**The macroeconomic and Sustainable Development Goals (SDG) perspective shows some trade-offs** in the impacts of the TCA **on both parties**. In general, **the UK economy is notably more affected by the TCA (4% decline of GDP vs 1% for the EU).** However, **the UK's primary agricultural sector may benefit from increased production due to a higher reliance on domestic resources.**

## Conclusions and policy recommendations

**The TCA is a lose-lose situation to all affected parties** and **notable welfare losses can be expected due to increased protectionism and misallocation of resources**. Parties outside of the EU and the UK, like Norway and Iceland, are expected to increase their trade in FAPs with both the UK and the EU.

**The overall impacts of the TCA are larger for the UK than the EU,** with Ireland being a notable exception. For the EU the main impact is not on the wild fisheries but on the fish processing sector, due to the increased trade costs. **The following set of recommendations are proposed:**

### Key areas for EU Actions

1. Removal of the non-necessary NTMs trade cost burdens by for instance providing a mutual recognition of the origin and quality of the fisheries products.

2. The Brexit Adjustment Reserve could incorporate measures to support fish processing businesses.

3. Carry out complementary case studies to assess company-level impact of the reduced TACs **.**

**-** The impact on the fish processing sector could be reduced by a **removal of the non-necessary non-tariff measures (NTMs)** trade cost burdens by for instance **providing a mutual recognition of the origin and quality of the fisheries products.**

- As the fish processing sector is most negatively impacted, specific measures to support the EU fish processing industry could be considered. For instance, the **Brexit Adjustment Reserve could also incorporate measures to support fish processing businesses**.

- It would be worthwhile to **carry out complementary case studies to assess company-level impact of the reduced TACs.**

**Figure: Summary of the TCA impacts on fisheries and aquaculture products**

| Fish product | Aquaculture products | | | | Processed fish products | | | | Wild fish products | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| AggregatedRegion | Production | Consumption | Import | Export | Production | Consumption | Import | Export | Production | Consumption | Import | Export |
| ⊟ **EU27** | ↗ | ↗ | ↘ | ↗ | ↓ | ↘ | ↘ | ↓ | ↗ | ↗ | ↘ | ↗ |
| Belgium | ↑ | ↘ | ↘ | ↑ | ↓ | ↘ | ↗ | ↓ | ↗ | ↘ | ↘ | ↗ |
| Denmark | ↗ | ↘ | ↓ | ↑ | ↓ | ↘ | ↗ | ↓ | ↘ | ↘ | ↓ | ↘ |
| France | ↗ | ↗ | ↗ | ↗ | ↓ | ↗ | ↗ | ↓ | ↗ | ↗ | ↗ | ↘ |
| Germany | ↗ | ↘ | ↘ | ↑ | ↘ | ↘ | ↘ | ↓ | ↘ | ↘ | ↘ | ↘ |
| Ireland | ↓ | ↑ | ↓ | ↗ | ↓ | ↑ | ↓ | ↓ | ↓ | ↑ | ↓ | ↘ |
| Rest of EU | ↘ | ↘ | ↘ | ↗ | ↘ | ↗ | ↘ | ↓ | ↗ | ↘ | ↘ | ↑ |
| Spain | ↗ | ↗ | ↗ | ↗ | ↘ | ↘ | ↘ | ↓ | ↗ | ↗ | ↘ | ↑ |
| Sweden | ↘ | ↘ | ↘ | ↘ | ↓ | ↗ | ↗ | ↓ | ↓ | ↘ | ↘ | ↘ |
| The Netherlands | ↘ | ↗ | ↓ | ↗ | ↓ | ↗ | ↗ | ↓ | ↘ | ↗ | ↘ | ↘ |
| ⊞ **UK** | ↓ | ↘ | ↘ | ↓ | ↓ | ↘ | ↓ | ↓ | ↓ | ↘ | ↓ | ↓ |
| ⊞ **Norway** | ↗ | ↗ | ↗ | ↑ | ↗ | ↗ | ↗ | ↗ | ↗ | ↗ | ↗ | ↑ |
| ⊞ **Iceland & Lichtenstein** | ↑ | ↗ | ↗ | ↑ | ↑ | ↗ | ↑ | ↑ | ↑ | ↗ | ↗ | ↑ |
| ⊞ **Rest Europe & Russia** | ↗ | ↗ | ↗ | ↑ | ↗ | ↗ | ↗ | ↑ | ↗ | ↗ | ↗ | ↑ |
| ⊞ **China** | ↗ | ↗ | ↗ | ↗ | ↗ | ↗ | ↗ | ↗ | ↗ | ↗ | ↗ | ↗ |
| ⊞ **Rest of Asia & Oceania** | ↗ | ↗ | ↗ | ↗ | ↗ | ↗ | ↗ | ↗ | ↗ | ↗ | ↗ | ↗ |
| ⊞ **Americas** | ↗ | ↗ | ↗ | ↗ | ↗ | ↗ | ↗ | ↗ | ↗ | ↗ | ↗ | ↗ |
| ⊞ **Africa** | ↗ | ↗ | ↗ | ↗ | ↗ | ↗ | ↗ | ↗ | ↗ | ↗ | ↗ | ↗ |
| **Total** | ↗ | ↗ | ↗ | ↗ | ↗ | ↗ | ↘ | ↗ | ↗ | ↗ | ↘ | ↘ |

*Source: MAGNET result*

*Note: colour red represents changes below - 1%, coloured green represents changes above 1%, coloured yellow represents changes between 0%-1% (positive or negative).*



The present note is based on the study for the Workshop on impacts of the EU-UK Trade and Cooperation Agreement on fisheries and aquaculture in the EU - Part II: Trade aspects, authored by: Dr. Heleen BARTELINGS and Dr. Zuzana SMEETS KŘÍSTKOVÁ (Wageningen Economic Research)
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