

## **Highlands and Islands**

### **Access to EU Markets – Position Paper**

The Highlands and Islands is a region of significant economic potential; particularly in sectors such as energy, fishing, aquaculture, food and drink. The region has enjoyed close links with the EU for more than 4 decades, benefitting from access to European markets, which in turn has enabled the Highlands & Islands to making a positive contribution to wider prosperity in Scotland and the UK. In many ways the Highlands and Islands can be seen as a success story and continued access to EU markets will be critical to maintaining an upward trajectory, realising new opportunities and fulfilling potential.

### **Summary**

The Highlands and Islands recognise the importance and value of access to EU markets and seeks future access post Brexit that:

- preserves fair competition and maintains consumers' confidence in their products and a recognition of Geographical Indicators
- avoids border tariffs
- avoids processing delay and related administration costs
- is as seamless as possible

### **The Highlands and Islands – a region of opportunities**

The Highlands & Islands of Scotland is a region with many opportunities and an abundance of natural resources. Traditional and new businesses contribute significantly to regional and national prosperity. Accesses to EU markets are key to this success.

Established industries such as whisky and aquaculture are ranked first and second in the UK's food and drink exports. Over half of all Scotland's distilleries are based in the Highlands and Islands and this is a growth industry with several new distilleries in the planning. Incidentally 70% of all UK gin is produced in Scotland with 142 separate brands currently on offer. The Highlands and Islands contribute 53 of these brands and global sales of gin are up 4% year on year. Gin is the seventh biggest UK food and drink export.

The Highlands & Islands is the third largest salmon producer in the world accounting for 94% of EU production with exports around 172,000 tonnes globally of which nearly 40% heads to the EU. It is worth noting that a significant portion of fish farms in Scotland are owned by Norwegian companies and the current access to the European single market is advantageous from a Norwegian perspective in relation to salmon exports. The current import tariff rate for Norwegian salmon to the EU is 2% but Norway is in the EEA. Out-with the EEA the current import tariff to the EU is 8%.

Fishing is a key sector, with Highlands & Islands landings valued at £264 million which is 52% of the Scottish total. Lerwick in the Shetland Isles alone lands more fish than England, Wales and Northern Ireland combined and Scottish vessels landed 160 thousand tonnes of sea fish and shellfish with a corresponding value of £133 million in EEA countries. Europe is the leading export destination for Highlands & Islands fish and seafood.

There are presently 11 products with the European Union's Protected Designated Origin (PDO) status or a Protected Geographical Indication (PGI) produced in the Highlands & Islands, including Stornoway black pudding, Scotch whisky and North Ronaldsay lamb.

These designations afford each product protections and are seen as assets for the trade of high-added-value food and drink.

The region is among the best in the world for marine energy potential and the opportunities here are widespread with 10% of Europe's wave and up to 25% of its tidal resources. In terms of capitalising on wind energy, the Highlands and Islands are well placed to benefit as Scotland is home to around 25 per cent of the whole European offshore wind resource. The European energy market is heavily influenced by an EU regulatory framework. If the Highlands & Islands energy sector is to continue to grow its EU market share there will need to be access as well as some element of adherence to EU regulations, policy goals and targets.

In view of the Highlands & Islands economy's dependence on external markets, including the EU, the UK's withdrawal from the EU will clearly have significant implications for the area and across key sectors. These industries are critical to the overall wellbeing of the Highlands & Islands and future access to EU markets, and markets that have free trade agreements with the EU, must ensure that any negative impacts are minimised. There should also be recognition of the contributions and benefits the Highlands & Islands continue to bring to wider economic and social growth at regional, Scottish and UK levels.

Any additional burdens such as differing product standards, tariffs and customs bureaucracy could impact the sales and competitiveness of chilled products such as seafood which have a short life. This in turn could lead to a decrease in product quality and in some cases make existing markets unviable. This will have an impact on costs, efficiencies and time competitiveness which will impact on exports. It would also mean that the growth potential for aquaculture export market diversification is stifled if these barriers are created.

From a simple geographical reason access to the EU markets is important to many of the Highlands & Islands' key sectors as these cannot be easily replaced by more distant markets. Leaving the single market and customs union is likely to result in more complex, time-consuming and costly trading conditions, making our exports less competitive and some current markets unviable.

### **Future EU Market Access for the Highlands and Islands**

Membership of the EU including access to its markets has helped with costs, efficiencies, time competitiveness and tariffs. PDO and PGI status has added value to local products. There are clear opportunities within the EU energy market for pushing forward energy system technologies that are being developed at a local level and in particular on the Islands. This could be very important on a European level, but failure to be part of Single Market developments could diminish any scalability and negate future prospects.

Any future market access framework must continue to recognise the particular challenges that our region faces, and - more importantly – recognise the contributions and benefits that the Highlands & Islands can continue to bring to wider economic and social growth at regional, Scottish and UK levels.

The benefits of single market and customs union membership for Highlands & Islands businesses must be recognised; future arrangements post Brexit must minimise adverse impacts on the region's exports, enabling exporting businesses to remain competitive whilst maintaining consumer confidence. It must avoid tariffs, processing delays and additional costs. There needs to be recognition of the existing protections and quality assurance given by PDO and PGI and any future trade arrangements need to be as frictionless as possible.