Scrutiny of international agreements

Treaties considered on 19 March 2019
The European Union Committee

The European Union Committee is appointed each session “to scrutinise documents deposited in the House by a Minister, and other matters relating to the European Union”.

In practice this means that the Select Committee, along with its Sub-Committees, scrutinises the UK Government’s policies and actions in respect of the EU; considers and seeks to influence the development of policies and draft laws proposed by the EU institutions; and more generally represents the House of Lords in its dealings with the EU institutions and other Member States.

On 14 January 2019 the Procedure Committee decided that the European Union Committee should, until the end of the 2017–19 session of Parliament, be responsible for scrutinising Brexit-related treaties or international agreements.

The six Sub-Committees are as follows:
- Energy and Environment Sub-Committee
- External Affairs Sub-Committee
- Financial Affairs Sub-Committee
- Home Affairs Sub-Committee
- Internal Market Sub-Committee
- Justice Sub-Committee

Membership

The Members of the European Union Select Committee are:

Baroness Armstrong of Hill Top
Lord Boswell of Aynho (Chair)
Baroness Brown of Cambridge
Lord Cromwell
Baroness Falkner of Margravine
Lord Jay of Ewelme
Baroness Kennedy of the Shaws
Earl of Kinnoull
Lord Liddle
Earl of Lindsay
Baroness Neville-Rolfe
Baroness Noakes
Lord Polak
Lord Ricketts
Lord Soley
Baroness Suttie
Lord Teverson
Baroness Verma
Lord Whitty

Further information


Committee staff

The current staff of the Committee are Christopher Johnson (Principal Clerk), Stuart Stoner (Clerk), Roberto Robles (Policy Analyst), Tim Mitchell (Legal Adviser), Alex Horne (Legal Adviser), Samuel Lomas (Committee Assistant) and Alasdair Johnston (Committee Assistant).

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Appendix 1: List of Members, declarations of interest and Sub-Committee staff
This is the European Union Committee’s seventh report on Brexit-related treaties, or international agreements, laid before Parliament in accordance with section 20 of the Constitutional Reform and Governance Act 2010 (the CRAG Act).

This report addresses four agreements, which we considered at our meeting on 19 March.

We draw special attention to two agreements on the grounds that they are politically important and give rise to issues of public policy that the House may wish to debate prior to ratification.

The two agreements drawn to the special attention of the House are:

- Trade and Partnership Agreement between the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the State of Israel [CP 59]
- Agreement between the United Kingdom of Great Britain and Northern Ireland and the Swiss Confederation on Citizens’ Rights following the Withdrawal of the United Kingdom from the European Union and the Free Movement of Persons Agreement [CP 64]

We report one further agreement for information:

- Additional Agreement between the United Kingdom of Great Britain and Northern Ireland, the Swiss Confederation and the Principality of Liechtenstein extending to the Principality of Liechtenstein certain provisions of the Trade Agreement between the United Kingdom of Great Britain and Northern Ireland and the Swiss Confederation [CP 65]

The Government has also laid before Parliament an Interim Political, Trade and Partnership Agreement between the United Kingdom and the Palestine Liberation Organization (PLO) for the benefit of the Palestinian Authority of the West Bank and the Gaza Strip. The United Kingdom does not recognise Palestine as a State, and the Agreement is not therefore a ‘treaty’, under the terms of the CRAG Act; nor is it subject to the statutory scrutiny process described in section 20 of CRAG. But as the Government has stated its desire that Parliament should have the opportunity to scrutinise this Agreement, we have done so, and report it for information:

- Interim Political, Trade and Partnership Agreement between the United Kingdom of Great Britain and Northern Ireland, of the one part, and the Palestine Liberation Organization (PLO) for the benefit of the Palestinian Authority of the West Bank and the Gaza Strip, of the other part [CP 61]
Scrutiny of international agreements: treaties considered on 19 March 2019

CHAPTER 1: AGREEMENTS DRAWN TO THE SPECIAL ATTENTION OF THE HOUSE

Agreement between the United Kingdom of Great Britain and Northern Ireland and the Swiss Confederation on Citizens’ Rights following the Withdrawal of the United Kingdom from the European Union and the Free Movement of Persons Agreement (CP 64, 2019)

Introduction

1. The Agreement between the UK and the Swiss Confederation on Citizens’ Rights Following the Withdrawal of the UK from the EU and the Free Movement of Persons Agreement (‘the Citizens’ Rights Agreement’) was laid on 28 February 2019, and the scrutiny period is scheduled to end on 4 April. It was considered by the EU Justice Sub-Committee at its meeting on 12 March.

2. This new bilateral Agreement is based upon the Free Movement of Persons Agreement (FMOPA) between the EU and Switzerland, which entered into force in 2002 and currently governs the rights of EU citizens in Switzerland and Swiss nationals in the EU. The FMOPA covers migration and residence rights, social security co-ordination (including reciprocal healthcare), economic rights and mutual recognition of professional qualifications.

3. This is the fifth agreement with Switzerland that the Committee has considered. However, the Citizens’ Rights Agreement, unlike most of the roll over agreements we are examining, seeks not to ensure continuity, but

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2 The Government’s Explanatory Memorandum states that “The FMOPA entered into force on 1 June 1999”. This is an error: the FMOPA was signed in on 21 June 1999 and came into force on 1 June 2002. See https://eur-lex.europa.eu/legal-content/en/ALL/?uri=CELEX:22002A0430(01) [accessed 14 March 2019]

3 Decision of the Council, and of the Commission as regards the Agreement on Scientific and Technological Cooperation, of 4 April 2002 on the conclusion of seven Agreements with the Swiss Confederation; Agreement between the European Community and its Member States, of the one part, and the Swiss Confederation, of the other, on the free movement of persons, OF L 114 (30 April 2002), pp 1, 6

4 We have previously scrutinised the Agreement between the Government of the UK and the Swiss Confederation on Direct Insurance other than Life Insurance, CP 26, 2019; the Agreement between the UK and the Swiss Federal Council on the International Carriage of Passengers and Goods by Road, CP 5, 2019; the Agreement between the UK and the Swiss Confederation relating to Scheduled Air Services, CP 25, 2019; and, the Trade Agreement between the UK and the Swiss Confederation, CP 55, 2019.
to provide mechanisms for the “orderly winding down”\(^5\) of the existing arrangements between the UK and Switzerland, under the FMOPA, while ensuring the protection of some pre-existing rights for UK and Swiss nationals after Brexit. There are clear parallels between the provisions on citizens’ rights contained in the proposed Withdrawal Agreement with the European Union. The Citizens’ Rights Agreement will affect the rights of 14,000 Swiss nationals living in the UK and 40,000 UK nationals living in Switzerland, as well as around 2,600 frontier workers in Switzerland.\(^6\)

4. The Government has announced that it will partly implement the agreement via its ‘settled status’ scheme for EU nationals. Thus, Swiss nationals who wish to remain in the UK after Brexit will be obliged to apply for settled status in the same way as EU citizens. However, the Government’s Explanatory Memorandum (EM) makes clear that as the UK’s relationship with Switzerland has a different legal basis from its relationship with the EU, some arrangements will necessarily differ.

**Governance**

5. Part One of the Agreement, entitled ‘Common Provisions’, provides both the definitions and framework provisions for the entire Agreement, including the governance provisions. It is currently unclear whether the UK will secure a transition or implementation period after 29 March. This agreement applies in either scenario. What this means in practice is that if there is a transition, the UK will remain bound by the FMOPA during that period; whereas if no extension is agreed under Article 50 TEU, then the ‘specified day’ for the purposes of the Agreement would be exit day (likely in this scenario to be 29 March).

6. Part One includes a “duty of good faith”,\(^7\) which is similar but not identical to the one found in the Withdrawal Agreement with the EU.\(^8\) It also provides for a Joint Committee for the “management and proper application and monitoring” of the Agreement.\(^9\) Notably, it appears that the Joint Committee would be responsible for the settlement of disputes between the parties to the Agreement.\(^10\) The Agreement does not provide for any other means of state to state dispute resolution, but it does include a “right of appeal” for individuals. This cross references Article 11 of the FMOPA, which provides, among other things, that persons would have the opportunity “to appeal to the competent national judicial body” in respect of decisions on appeal, or the absence of a decision within a reasonable period of time.

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7 UK- Swiss Confederation agreement on Citizens’ Rights, CP 64, Article 4a


9 Ibid., Article 6

10 This reflects Article 19 of the FMOPA which provides that the Joint Committee will settle disputes between the parties.
7. We asked officials about the operation of these provisions. In response, they indicated that the parties had determined that the context of the Agreement meant that they did not need to include a provision for arbitration. In terms of the appeal mechanism, the key routes of challenge available for individuals would be a statutory right of appeal (where available), judicial review, and administrative review. Under the settled status scheme, Swiss citizens are promised the same rights of appeal as EU and EEA/EFTA citizens.\(^{11}\)

**General Provisions**

8. The ‘General Provisions’ are contained in Part Two of the Agreement. The EM provides a helpful, plain English summary of these provisions, which is not rehearsed in detail here. In short, UK nationals in Switzerland at the ‘specified date’ will be able to remain, as will Swiss nationals who have been living lawfully in the UK. After five years residence, those within the scope of the Agreement will be able to apply for settled status in the UK or permanent residence in Switzerland.

9. Although the Agreement makes provision that a charge could be applied for the grant of residence status, officials have confirmed that there will be no fee when the settlement scheme is opened on 30 March 2019. Officials have also indicated that they understand that the Swiss Government will not charge any new fees for UK nationals exercising their rights under the Agreement.

10. The Agreement would allow residence rights to be lost based on conduct. The nature of this conduct is not clearly spelled out on the face of the Agreement.\(^{12}\) In response to questions from Committee staff, the Government noted that after the specified date, if a Swiss national was convicted and received a custodial sentence of 12 months or more, they would be considered for deportation under the UK Borders Act 2007.\(^{13}\) Moreover, any “serious and persistent criminality” below the automatic deportation threshold in the 2007 Act might still be considered to fall within the terms of the Immigration Act 1971, where deportation is considered to be “conducive to the public good”.\(^{14}\) For UK citizens in Switzerland, the Government has advised that offences committed after the FMOPA ceases to apply will be assessed according to the Swiss Foreign Nationals and Integration Act 2019, as is the case for other non-EU/EFTA nationals.

11. As the Citizens’ Rights Agreement is designed to wind down the existing free movement arrangements between the UK and Switzerland, it does not make clear provision for those UK nationals wishing to move to Switzerland after exit day in a ‘no deal’ scenario. However, in an annex to a letter dated

\(^{11}\) Although they would not be able to avail themselves of the proposed preliminary references to the Court of Justice of the European Union, unlike EU citizens (assuming a Withdrawal Agreement with the European Union is agreed).


7 March to Lord Boswell of Aynho, Chair of the EU Committee, the Secretary of State for Exiting the EU, Rt Hon Stephen Barclay MP, stated:

“We are in discussions with Switzerland on transitional arrangements for UK workers wishing to move to Switzerland and Swiss workers wishing to move to the UK after exit in a no deal scenario. We are close to reaching an agreement and details on this will be published in the near future.”15

**The provision of services**

12. In our report *Scrutiny of international agreements: Treaties considered on 12 March 2019*, which addressed the EU-Swiss Trade Agreement,16 we noted with concern that trade in services, which makes up just over half of UK-Swiss trade, was excluded. The provisions in the present Agreement are thus particularly important, pending any future agreement on trade in services.

13. Article 23 of the Agreement relates to the rights of persons providing services. Notably, although service providers would be able to continue to benefit from the current 90-day service provision rules17 for at least five years following the specified date, any decision to extend that period for a further five years would be made by decision of the Joint Committee. This would appear to subject existing service providers to continuing uncertainty. Committee staff enquired about this issue, asking whether the operation of the review clause would be subject to parliamentary scrutiny. In response, officials advised that no decisions had yet been taken on scrutiny arrangements for such a decision, given that it would not take place until five years after the specified date, and “the issue may be superseded by a new trade in services agreement with Switzerland”.

**Social security co-ordination**

14. Part Three of the Agreement makes provision for the coordination of social security systems and provides that the listed EU regulations on social security coordination would continue to apply from the specified date, thereby ensuring that citizens who moved between the UK and Switzerland before the specified date were not disadvantaged. The Agreement would also protect the rights of people requiring cross border medical treatment (including planned medical treatment where authorisation was requested before the specified date).

**Mutual recognition of professional qualifications**

15. Part Four of the Agreement relates to the mutual recognition of professional qualifications. The UK and Switzerland have agreed that UK and Swiss professionals will continue to have their professional qualifications recognised where they obtained a decision on recognition before the specified date. A separate provision would provide for a four-year grace period for a recognition

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17 Persons would have the right to continue to provide services for a period of not exceeding 90 days’ work in a calendar year, provided that they had a written service contract which commenced prior to the specified date.
decision in circumstances where a person has obtained or was in the process of obtaining a qualification prior to the specified date.

16. Professionals providing cross border services in regulated professions under the 90-day service provision rule (see paragraph 13 above) would continue to benefit from the rules in respect of temporary and occasional services set out in the Professional Qualifications Directive and the Lawyers Services Directive.\(^18\) Officials indicated that the Government had held regular discussions with legal profession stakeholders and regulators in the course of drawing up these provisions.

**Consultation**

17. On the question of consultation more generally, the EM indicates that the Government engaged with the devolved administrations on the Agreement and shared a draft text in advance of it being agreed. We note this example of good practice and hope that it will be applied more consistently across the agreements that the Government is seeking to roll over (see also paragraphs 38–39).

18. The patchwork nature of the agreements negotiated with the Swiss Government makes scrutiny particularly difficult. We call on the Government, as far as possible, to cross reference related agreements in Explanatory Memoranda.

19. We draw special attention to the Agreement between the UK and the Swiss Confederation on Citizens’ Rights Following the Withdrawal of the UK from the EU and the Free Movement of Persons Agreement, on the grounds that:

- It is politically important and gives rise to issues of public policy that the House may wish to debate prior to ratification.

**Trade and Partnership Agreement between the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the State of Israel [CP 59]\(^19\)**

**Introduction**

20. The UK-Israel Trade and Partnership Agreement was laid on 26 February 2019, and the scrutiny period is scheduled to end on 2 April. It was considered by the EU External Affairs Sub-Committee at its meeting on 13 March.

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21. The UK-Israel Trade and Partnership Agreement is a short-form agreement that incorporates, *mutatis mutandis*,\(^20\) three different agreements (the ‘precursor agreements’):

(a) The EU-Israel Association Agreement\(^{21}\)—as well as liberalising trade, it provides a framework for political dialogue and promotes cooperation in a number of areas, including in science and technology.

(b) The EU-Israel Procurement Agreement\(^{22}\)—it builds on the World Trade Organization’s General Procurement Agreement (GPA) that came into force in 1996, broadening its scope. In conjunction with the GPA, it liberalises specific public procurement markets.

(c) The EU-Israel Conformity Assessment Agreement\(^{23}\)—it reduces the technical barriers to trade in pharmaceutical products through the mutual recognition of each party’s inspection regimes. Practically, this means that Israeli inspectors do not need to inspect EU facilities and vice versa.

22. The UK-Israel Trade and Partnership Agreement seeks to ensure continuity of effect with these three precursor agreements.

23. An overview of the UK’s trade with Israel is given in Box 1.

**Box 1: UK-Israel trade**

Israel is the UK’s 46th-largest trading partner, amounting to 0.3% of total UK trade. Bilateral trade in both goods and services amounted to £3.9 billion in 2017 and the UK had a trade surplus.

Major UK goods exports to Israel include vehicles, machinery and mechanical appliances, pharmaceutical products, electrical machinery and equipment, as well as optical, photographic, cinematographic and medical equipment.

Major UK goods imports from Israel include plastics, precious stones and metals, machinery and mechanical appliances, electrical machinery and equipment, as well as optical, photographic, cinematographic and medical equipment.


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\(^{20}\) The Latin term *mutatis mutandis* is used when comparing two or more things to say that, although changes will be necessary in order to take account of different situations, the basic point remains the same. For more detail, see our report *Scrutiny of international agreements: Treaties considered on 26 February 2019* (31st Report, Session 2017–19, HL Paper 300)

\(^{21}\) Decision of the Council and the Commission of 19 April 2000 on the conclusion of a Euro-Mediterranean Agreement establishing an association between the European Communities and their Member States, of the one part and the State of Israel, of the other part, OJ L 147 (21 June 2000), pp 1, 3

\(^{22}\) Council Decision (EC) of 24 February 1997 concerning the conclusion of two Agreements between the European Community and the State of Israel on, respectively, procurement by telecommunications operators and government procurement; OJ L 202 (30 July 1997), p 72

\(^{23}\) Council Decision (EU) of 20 November 2012 on the conclusion of a Protocol to the Euro-Mediterranean Agreement establishing an association between the European Communities and their Member States, of the one part, and the State of Israel, of the other part, on Conformity Assessment and Acceptance of Industrial Products (CAA), OJ L 1 (4 January 2013), p 1
Key differences between the UK-Israel Trade and Partnership Agreement and the precursor agreements

24. The Agreement’s aim is to provide continuity in UK-Israel relations, and changes have been kept to a minimum. The paragraphs below provide a summary of the key amendments, which are designed either to ensure continuity of effect with the existing EU-Israel Agreement, or to remove an obligation that would be inappropriate in a bilateral context.

Governance arrangements

25. The bodies governing the EU-Israel Agreement have been adapted to a UK context and slightly modified in their composition and functioning. The Association Council and Association Committee are renamed the Joint Council and Joint Committee, and instead of meetings being held “at ministerial level” (as in the EU-Israel Trade Agreement) they will be attended by Government representatives from both sides. Previously adopted decisions by the EU-Israel Association Council or the Association Committee will be considered as adopted by the UK-Israel Joint Council or the Joint Committee.

Future amendments to the Agreement

26. An amendment clause has been added (Article 8). This sets out that any amendments must be agreed in writing and will enter into force on an agreed date following the completion of domestic legal requirements and procedures. For modifications of Annexes and Protocols Art. 8(2) additionally establishes a procedure with a central role for the Joint Committee. This does not mean that amendments need to be made to the Agreement, but provides a mechanism for making them if required.

27. We reiterate the point made in our report Scrutiny of international agreements: Treaties considered on 26 February 2019, where we called on the Government to state clearly the circumstances in which, where significant amendments are made, they would be subject to the scrutiny processes provided for by the Constitutional Reform and Governance Act 2010. While this information has not been included in the parliamentary report for this Agreement, Department for International Trade (DIT) officials have confirmed that they will explore ways in which this could be clarified in future.

Approximation

28. The EU-Israel Agreement is an Association Agreement and, as such, includes provisions on the approximation of Israel’s laws to EU law. The Government, in its parliamentary report, reasons that replicating this “would create an inappropriate commitment in a UK specific bilateral context”. Similar provisions on approximation have also been removed from the EU-Israel Protocol on Conformity Assessment that has been incorporated into the Agreement.

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Tariff rate quotas

While tariff levels will remain the same as in the precursor Agreement, tariff rate quotas (TRQs) have been resized to reflect UK-Israel trade flows. The Government took three years of customs data by importers as the basis for resizing the TRQs. Where these data were not available, data on trade flows were used. For those areas without data, and in order to maintain future market access opportunities, both sides agreed to provide a proxy measure.

Entry price system

The EU-Israel Agreement contains an Entry Price System (EPS), which applies to 15 types of fruit and vegetables. It ensures that during the European growing seasons, an additional duty is charged if incoming fruits and vegetables are below a pre-determined entry price. Annex 2 of the UK-Israel Agreement does not establish such an EPS, but the UK reserves the right to establish and implement one in the future. The UK would need to notify Israel in advance of its intent to apply an EPS. It would only apply to the 15 types of fruits and vegetables to which the EU EPS applies, and it would replicate the EU’s price and additional duty levels.

Cumulation

As with previous agreements considered by the Committee, the UK-Israel Agreement will allow for EU material to be recognised (in technical terms, ‘cumulated’) as originating content in exports to one another. EU processing can, under certain conditions, also be recognised in UK exports to Israel.

However, both Israel and the EU are parties to the Regional Convention on pan-Euro-Mediterranean preferential rules of origin (PEM Convention), adding a layer of complexity that is not fully reflected in the parliamentary report. Materials from EFTA states (Switzerland, Norway, Iceland and Liechtenstein), Turkey and other countries participating in the PEM Convention can also count as originating in the UK or Israel. In line with the PEM Convention, however, the application of these extended cumulation provisions is conditional upon the UK and Israel having concluded FTAs with those other countries.

Territorial application

The UK does not recognise the Occupied Palestinian Territories as part of the State of Israel and, consequently, they are not covered by the Agreement. In the words of the EM, “Products produced in the Israeli settlements located within the territories brought under Israeli administration since June 1967 are not entitled to benefit from preferential tariff treatment.

The Agreement applies to Great Britain and Northern Ireland, and also, in part, to the Crown Dependencies and the British Overseas Territories. While the parliamentary report and explanatory memorandum (EM) explain that the UK-Israel Agreement will apply to those territories for whose international relations the UK is responsible to the same extent as the precursor EU-Israel Association Agreement, the interpretation of this provision is not straightforward. This is because the EU-Israel Association

26 We note that Article 37 of Protocol 4 to the Agreement excludes Ceuta and Melilla, therefore products originating in Ceuta and Melilla will not be considered products originating in the EU for the purpose of the Protocol.

27 Cumulation is complex, but our understanding is that the FTAs required for cumulation arrangements with Parties to the PEM Convention will depend on the export destination of the product.
Agreement refers back to the underlying EU treaties, which only apply selectively to the Crown Dependencies and the British Overseas Territories.

35. As we stated in our report Scrutiny of international agreements: Treaties considered on 26 February 2019, “it would be helpful if, in future, the explanatory material accompanying trade agreements included a list of those territories to which the agreements will apply”.28 DIT officials have indicated their readiness to consider options for making the territorial application section in the explanatory materials clearer in future.

**Entry into force and provisional application**

36. For the Agreement to enter into force, it must first be ratified by both the UK and Israel. It can then either come into force at the end of the transition period under the Withdrawal Agreement or, if no agreement is reached, upon the UK’s exit from the EU. The Agreement also allows for provisional application. This is to ensure continuity should the UK cease to be a party to EU agreements before ratification processes can be completed. We note that, in the UK, ratification is subject to the parliamentary scrutiny process under the Constitutional Reform and Governance Act 2010 having been completed. The scrutiny period for this Agreement concludes on 2 April 2019, in other words, after the UK’s possible exit from the EU.

**Human Rights**

37. The Government’s EM makes clear that the provisions of the EU-Israel Trade Agreements concerning human rights have been incorporated into the UK-Israel Agreement *mutatis mutandis*,29 without modification.

**Consultation**

38. The Government’s EM, while making reference to the Government’s ongoing engagement with the private sector and the devolved administrations on trade policy matters, does not explain what specific consultations have taken place on the Agreement. We reiterate the recommendation in our report Scrutiny of international agreements: Treaties considered on 12 February 2019,30 that the Government’s explanatory material should state clearly whether there has been consultation with the devolved administrations, industry or other stakeholders.

39. In this context, we note the comments of the Minister of State at the DIT, Baroness Fairhead, in responding to a debate on 13 March 2019 on three roll-over trade agreements. She said that the Government had “learned lessons” and would be “sharing the initial texts with the devolved Administrations”31. We are grateful for the Minister’s assurance, confirmed in a follow-up letter dated 15 March, that in future the Government will share draft texts with the devolved administrations once they are stable.32

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29 See above, footnote 20
31 HL Deb, 13 March 2019, col 1119
Conclusion

40. We draw special attention to the UK-Israel Trade and Partnership Agreement, on the grounds that:

- It is politically and legally important, and gives rise to issues of public policy that the House may wish to debate prior to ratification; and

- Further consultation would be appropriate, including with the devolved administrations.
CHAPTER 2: AGREEMENT REPORTED FOR INFORMATION

Additional Agreement between the United Kingdom of Great Britain and Northern Ireland, the Swiss Confederation and the Principality of Liechtenstein extending to the Principality of Liechtenstein certain provisions of the Trade Agreement between the United Kingdom of Great Britain and Northern Ireland and the Swiss Confederation (CP 65, 2019)33

Introduction

41. This agreement was laid on 28 February, and the scrutiny period is scheduled to end on 4 April. It was considered by the Internal Market Sub-Committee at its meeting on 14 March.

42. Liechtenstein is the UK’s joint 127th largest trading partner, accounting for less than 0.1% of total trade. The large majority (over 90%) of UK-Liechtenstein trade is in services. The UK mostly exports construction, telecommunications and computer services to Liechtenstein, while imports are largely in insurance and pension services.34

43. Liechtenstein and Switzerland enjoy close political and economic ties, underpinned by a number of bilateral treaties. The cornerstone of this relationship is the 1923 Swiss-Liechtenstein Customs Treaty, which established a customs union between the two countries. Liechtenstein is also a member of the European Economic Area (EEA).

44. Two trilateral Agreements enable Liechtenstein to participate in the 1972 EU-Swiss Free Trade Agreement (FTA) and the 1999 EU-Swiss Agriculture Agreement.35 The UK-Swiss-Liechtenstein Additional Agreement (‘the Additional Agreement’) rolls over these trilateral Agreements into a single instrument. The purpose of the Additional Agreement is therefore to ensure that the FTA and Agriculture Agreement incorporated into the UK-Swiss Trade Agreement will continue to extend to Liechtenstein.

45. Our report Scrutiny of international agreements: Treaties considered on 12 March 201936 discussed in detail the differences between the new UK-Swiss


34 Goods exported to Liechtenstein are mostly electrical machinery and equipment, followed by precious stones or metals. Top goods imported comprise nuclear reactors, mechanical appliances and materials such as plaster or cement.


Trade Agreement and the precursor EU-Swiss Agreements. As summarised below, these differences will also apply to the Additional Agreement insofar as they relate to the incorporated FTA and Agriculture Agreement.

**Cumulation**

46. Subject to the conditions outlined in our previous report, the UK and Liechtenstein will continue to recognise (in technical terms, ‘cumulate’) EU materials as originating in Liechtenstein or the UK respectively for three years. Furthermore, Liechtenstein will be required to recognise EU working or processing as UK working or processing. These arrangements will be revisited no later than six months before the end of the three-year period.

47. The FTA, as incorporated, also lays the groundwork for these cumulation provisions to apply in respect of materials (and in some cases working or processing) from other Parties to the Regional Convention on pan-Euro-Mediterranean preferential rules of origin (‘the PEM Convention’). For this to apply, however, further FTAs must be in place with those other countries.

**Agricultural products**

48. As noted in our report on the UK-Swiss Trade Agreement, some of the annexes to the incorporated Agriculture Agreement have been disapplied. These concern organic products and sanitary and phytosanitary measures in relation to plant health, animal feed, seeds, animal health and trade in animals and animal products.

49. We explained in our previous report that the disapplication of sanitary and phytosanitary provisions for the cited agricultural products does not in itself imply that trade in these products will have to stop. Facilitations provided under the precursor Agriculture Agreement may, however, fall away. We also noted that guidance published by the Swiss Government indicates that, in a ‘no deal’ scenario, Switzerland will only be able to accept imports of animals and animal products from the UK once the UK is ‘listed’ by the European Commission as a third country for animal health purposes. This will also be true of imports of animals and animal products to Liechtenstein.

50. The excluded annex on organic products provides for the certification, labelling and sale of products as organic. The Government has laid draft Statutory Instruments (SIs) for the continued recognition of organic products from Liechtenstein as equivalent for a limited period of time. However, a reciprocal arrangement is required for the UK to be able to continue exporting products marketed as organic to Liechtenstein.

51. The impact of disapplying these parts of the Agriculture Agreement on UK-Liechtenstein trade is unclear, but is unlikely to be significant, given the extremely small size of UK-Liechtenstein trade in goods.

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37 The PEM Convention is a multilateral agreement between the EU and members of the pan-Euro-Mediterranean zone, notably: Iceland, Liechtenstein, Norway, Switzerland, Algeria, Egypt, Israel, Jordan, Lebanon, Morocco, the Palestinian Authority, Syria, Tunisia, Turkey, Albania, Bosnia and Herzegovina, Macedonia, Montenegro, Serbia, Kosovo, the Faroe Islands, Moldova, Georgia and Ukraine.

Governance arrangements and entry into force

52. The Additional Agreement is intended to enter into force at the same time as the UK-Swiss Trade Agreement, subject to completion of the necessary domestic ratification procedures by the three Parties. The parliamentary report notes that it is not possible for the Additional Agreement to enter into force by 29 March 2019. Article 3(3), however, allows for the Additional Agreement to be applied provisionally.

53. Responsibility for the proper functioning of the Additional Agreement will be with the Joint Committee relevant to the incorporated FTA. Article 2(1) of the Additional Agreement entitles Liechtenstein to a representative with the Swiss delegation to the Joint Committee.

UK-Liechtenstein trade in services

54. Trade between the UK and Liechtenstein is small but dominated by services. We are therefore disappointed that neither the Government’s Explanatory Memorandum nor the parliamentary report address intended future UK-Liechtenstein services trade.

Conclusion

55. We report the Additional Agreement between the United Kingdom, Switzerland and Liechtenstein for information.
CHAPTER 3: THE AGREEMENT WITH THE PALESTINE LIBERATION ORGANIZATION, FOR THE BENEFIT OF THE PALESTINIAN AUTHORITY

Interim Political, Trade and Partnership Agreement between the United Kingdom of Great Britain and Northern Ireland, of the one part, and the Palestine Liberation Organization (PLO) for the benefit of the Palestinian Authority of the West Bank and the Gaza Strip, of the other part [CP 69][39]

Introduction

56. Although the UK-Palestinian Authority Interim Political, Trade and Partnership Agreement was laid on 26 February 2019, it is not formally subject to Section 20 of the Constitutional Reform and Governance (CRAG) Act; nor is it subject to a statutory parliamentary scrutiny process. This is because the CRAG Act applies only to ‘treaties’, defined in section 25 as written agreements “between States or between States and international organisations”. The UK does not recognise Palestine as a State, so the Agreement with the Palestinian Authority is not a treaty for the purposes of the Act.

57. In laying the Agreement, the Government has, in the words of the EM, sought “to provide Parliament with an equivalent opportunity to scrutinise it as it has had for other trade agreements”, while also making it clear that “nothing in the UK-Palestinian Authority Interim Agreement should be interpreted as recognition by the UK of Palestine as a State”. We have approached the Agreement in the same spirit, and the Agreement was considered by the EU External Affairs Sub-Committee at its meeting on 13 March.

58. The UK-Palestinian Authority Interim Agreement is a short-form agreement that incorporates, mutatis mutandis, the EU-Palestinian Authority Interim Association Agreement on Trade and Cooperation.40 The UK Agreement seeks to ensure continuity of effect with this precursor agreement.

59. An overview of the UK’s trade with the Palestinian Authority is given in Box 2.

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[40] Formally, the Euro-Mediterranean Interim Association Agreement on Trade and Cooperation between the European Community, of the one part, and the Palestine Liberation Organization (PLO) for the benefit of the Palestinian Authority of the West Bank and the Gaza Strip, of the other part.
Box 2: UK-Palestinian Authority trade

There is little UK trade with the Palestinian Authority. The Palestinian Authority is the UK’s joint 186th largest trading partner, accounting for less than 0.1% of UK trade. Bilateral trade in goods and services in 2017 amounted to just £17 million.

Vehicles are, by some distance, the most popular UK good exported to the Palestinian Authority. The main exports from the Palestinian Authority to the UK are fruits and nuts, and animal and vegetable fats and oils.


Key differences between the UK-Palestinian Authority Interim Agreement and the precursor agreement

60. The Agreement’s aim is to provide continuity in UK-Palestinian Authority relations, and changes have been kept to a minimum. The paragraphs below provide a summary of the key amendments, which are designed either to ensure continuity of effect with the existing EU-Palestinian Authority Interim Agreement, or to remove an obligation that would be inappropriate in a bilateral context.

Future amendments to the Agreement

61. An amendment clause has been added (Article 9), which sets out that any amendments must be agreed in writing and will enter into force on an agreed date following the completion of domestic legal requirements and procedures. This does not mean that amendments need to be made to the Agreement, but provides a mechanism for making them if required.

62. We reiterate the point made in our report Scrutiny of international agreements: Treaties considered on 26 February 2019,41 where we called on the Government to state clearly the circumstances in which, where significant amendments are made, they would be subject to the scrutiny processes provided for by the Constitutional Reform and Governance Act 2010. While this information has not been included in the parliamentary report for this Agreement, DIT officials have confirmed that they will explore ways in which this could be clarified in future.

Approximation

63. The EU-Palestinian Authority Agreement is an Association Agreement and, as such, includes provisions on the approximation of the Palestinian Authority’s laws to EU law. The Government explains that those references have been removed from the Agreement, as they “would create an inappropriate commitment in a UK specific bilateral context”.

Entry price system

64. The EU-Palestinian Authority Agreement contains an Entry Price System (EPS), which applies to 15 types of fruit and vegetables. It ensures that during the European growing seasons, an additional duty is charged if

incoming fruits and vegetables are below a pre-determined entry price. The Annex to the UK-Palestinian Authority Agreement does not establish such an EPS, but the UK reserves the right to establish and implement an EPS in the future. The UK would need to notify the Palestinian Authority in advance of its intent to apply an EPS. It would only apply to the 15 types of fruits and vegetables to which the EU EPS applies, and it would replicate the EU’s price and additional duty levels.

**Cumulation**

65. As with previous agreements considered by the Committee, the UK-Palestinian Authority Agreement will allow for EU material to be recognised as originating content in exports to one another under certain conditions. EU processing can, under certain conditions, also be recognised in UK exports to the Palestinian Authority.\(^42\)

66. However, both the Palestinian Authority and the EU are Parties to the Regional Convention on pan-Euro-Mediterranean preferential rules of origin (PEM Convention), adding a layer of complexity to the cumulation arrangements that is not fully reflected in the parliamentary report. Materials from EFTA states (Switzerland, Norway, Iceland and Liechtenstein), Turkey and other countries participating in the PEM Convention can also count as originating in the UK or the Palestinian Authority. In line with the PEM Convention, however, the application of these extended cumulation provisions is conditional upon the UK and the Palestinian Authority having concluded FTAs with those other countries.\(^43\)

**Governance**

67. The bodies governing the EU-Palestinian Authority Agreement have been retained *mutatis mutandis*. A Joint Committee is tasked with ensuring the proper operation of the Agreement and can appoint specialised committees. Previously adopted decisions by the Joint Committee of the EU-Palestinian Authority Agreement will be considered as adopted by the UK-Palestinian Authority Joint Committee (or the relevant specialised committee).

**Territorial application**

68. The Agreement applies to both the West Bank and the Gaza Strip. As the Gaza Strip is controlled by Hamas, and given the current state of Palestinian reconciliation talks, it is unlikely that the Palestinian Authority will be able to administer the Agreement on behalf of the territory. It is also questionable how far the Agreement would have any tangible impact on the people of Gaza, given the restrictions imposed by the Israeli and Egyptian blockade. Having said this, these obstacles to implementation are not new—they already exist under the current EU-Palestinian Authority Interim Agreement.

69. Products produced in the Israeli settlements located within the Occupied Palestinian Territories are not entitled to benefit from preferential tariff treatment (see above, paragraph 33).

70. The Agreement applies to Great Britain and Northern Ireland, and also, in part, to the Crown Dependencies and the British Overseas Territories.

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\(^{42}\) More detail on cumulation of origin is available in Box 2 of our report *Scrutiny of international agreements: Treaties considered on 26 February 2019* (31st Report, Session 2017–19, HL Paper 300)

\(^{43}\) Cumulation is complex, but our understanding is that the FTAs required for cumulation arrangements with Parties to the PEM Convention will depend on the export destination of the product.
While the parliamentary report and EM explain that the UK-Palestinian Authority Interim Agreement will apply to those territories for whose international relations the UK is responsible to the same extent as the precursor agreement, the EU-Palestinian Authority Interim Agreement itself refers back to the underlying EU treaties, which only apply selectively to the Crown Dependencies and the British Overseas Territories.

71. As we stated in our report *Scrutiny of international agreements: Treaties considered on 26 February 2019*, “it would be helpful if, in future, the explanatory material accompanying trade agreements included a list of those territories to which the agreements will apply”. DIT officials have indicated their readiness to consider options for making the territorial application section in the explanatory materials clearer in future.

*Entry into force and provisional application*

72. For the Agreement to enter into force, it must first be ratified by both the UK and the Palestinian Authority. It can then either come into force at the end of the transition period under the Withdrawal Agreement or, if no agreement is reached, upon the UK’s exit from the EU. The Agreement also allows for provisional application. This is to ensure continuity should the UK cease to be a party to EU agreements before ratification processes can be completed.

*Consultation*

73. We note that the Government’s EM, while making reference to the Government’s ongoing engagement with the private sector and the devolved administrations on trade policy matters, does not clarify if specific consultations have taken place on the Agreement. We reiterate the points made in paragraphs 38–39 above.

*Conclusion*

74. If the UK-Palestinian Authority Interim Political, Trade and Partnership Agreement had been a treaty, for the purposes of the Constitutional Reform and Governance Act 2010, we would have been minded to draw it to the special attention of the House. As it is not a treaty, and is not subject to the formal parliamentary scrutiny processes set out in that Act, we report it for information.
APPENDIX 1: LIST OF MEMBERS, DECLARATIONS OF INTEREST AND SUB-COMMITTEE STAFF

Members of the European Union Select Committee

Baroness Armstrong of Hill Top
Lord Boswell of Aynho (Chair)
Baroness Brown of Cambridge
Lord Cromwell
Baroness Falkner of Margravine
Lord Jay of Ewelme
Baroness Kennedy of The Shaws
The Earl of Kinnoull
Lord Liddle
The Earl of Lindsay
Baroness Neville-Rolfe
Baroness Noakes
Lord Polak
Lord Ricketts
Lord Soley
Baroness Suttie
Lord Teverson
Baroness Verma
Lord Whitty

Declarations of interest

Baroness Armstrong of Hill Top
Joint owner of a property in Spain

Lord Boswell of Aynho (Chair)
In receipt of salary as Principal Deputy Chairman of Committees, House of Lords
Shareholdings as set out in the Register of Lords’ Interests
Income is received as a Partner (with wife) from land and family farming business trading as EN & TE Boswell at Lower Aynho Grounds, Banbury, with separate rentals from cottage and grazing
Land at Great Leighs, Essex (one-eighth holding, with balance held by family interests), from which rental income is received
House in Banbury owned jointly with wife, from which rental income is received
Lower Aynho Grounds Farm, Northants/Oxon; this property is owned personally by the Member and not the Partnership

Baroness Brown of Cambridge
Vice Chair of the Committee on Climate Change
Chair of the Adaptation Sub-Committee of the Committee on Climate Change
Chair of the Henry Royce Institute for Advanced Materials
Chair of STEM Learning Ltd
Non-Executive Director of the Offshore Renewable Energy Catapult
Chair of The Carbon Trust
Council member of Innovate UK
Lord Cromwell

Employment, partnership, business interests and shareholdings as set out in the Register of Lords’ interests
Patron of Wildlife Vets International;
Partner (not Head of Holding) in a farming partnership in Leicestershire (including organic farming)

Baroness Falkner of Margravine

Member, British Steering Committee: Koenigswinter, The British-German Conference
Member, Advisory Board, Demos

Lord Jay of Ewelme

Trustee (Non-Executive Director), Thomson Reuters Founders Share Company
Vice Chairman, European Policy Forum Advisory Council
Member, Senior European Experts Group
Trustee, Magdalen College, Oxford Development Trust

Baroness Kennedy of The Shaws

President, Justice, UK arm of International Commission of Jurists
Chancellor, Sheffield Hallam University

The Earl of Kinnoull

Farming interests as principal and as charitable trustee, in receipt of agricultural subsidy
Chairman, Culture Perth and Kinross, in receipt of governmental subsidy
Chairman, United Kingdom Squirrel Accord, in receipt of governmental monies
Director, Horsecross Arts, in receipt of governmental subsidy
Shareholdings as set out in the register

Lord Liddle

Member, Cumbria County Council
Pro-Chancellor (Chair of Board), Lancaster University
Co-Chair, Policy Network

The Earl of Lindsay

Chairman, United Kingdom Accreditation Service (UKAS)
Chairman, BPI Pension Trustees Limited
Farmer, in receipt of CAP support

Baroness Neville-Rolfe

Former Commercial Secretary, HM Treasury
Former Minister of State for Energy and Intellectual Property
Chair, Assured Food Standards Ltd
Non-Executive Director, Capita Plc
Non-Executive Director, Secure Trust Bank
Governor, London Business School
Shareholdings as set out in the register
Trustee (Non-Executive Director), Thomson Reuters Founders Share Company

Baroness Noakes

Director, Royal Bank of Scotland Group plc
Interests in a wide range of listed companies as disclosed in the Register of Interests

Lord Polak

Employment and business as set out in the Register of Lords’ interests
Lord Ricketts
Non-Executive Director, Group Engie, France
Strategic Adviser, Lockheed Martin UK
Charitable activities as set out in the Register of Interests
Lord Soley
Member: International Institute for Strategic Studies, Royal College of Defence Studies, Chatham House
Baroness Suttie
Associate with Global Partners Governance Limited
Trustee, Institute for Public Policy Research (IPPR)
Lord Teverson
Trustee, Regen SW
In receipt of a pension from the European Parliament
Baroness Verma
No relevant interests declared
Lord Whitty
Vice President, Chartered Trading Standards Institute
Chair, Road Safety Foundation
Vice President, Local Government Association
President, Environmental Protection UK
Member, GMB
Vice President, British Airline Pilots Association

Dr Holger Hestermeyer, Shell Reader in International Dispute Resolution at King’s College London, is acting as Specialist Adviser supporting the Committee’s scrutiny of international agreements, and has declared no relevant interests.

Sub-Committee Members and staff

EU Energy and Environment Sub-Committee

Lord Teverson (Chair)
Lord Cameron of Dillington
Viscount Hanworth
Lord Krebs
The Duke of Montrose
Lord Rooker
Lord Selkirk of Douglas
Baroness Sheehan
The Earl of Stair
Viscount Ullswater
Baroness Wilcox
Lord Young of Norwood Green


The Sub-Committee staff are Alex McMillan (Clerk), Jennifer Mills (Policy Analyst) and Sally Dray (Committee Assistant).
EU External Affairs Sub-Committee

Baroness Verma (Chair)
Baroness Armstrong of Hill Top
Baroness Brown of Cambridge
Baroness Chalker of Wallasey
Lord Dubs
Lord Horam
The Earl of Oxford and Asquith
Lord Risby
Lord Stirrup
Baroness Suttie
Baroness Symons of Vernham Dean
Lord Triesman

For relevant interests see: https://www.parliament.uk/documents/lords-committees/eu-external-affairs-subcommittee/members-interests-2019.pdf

The Sub-Committee staff are Jennifer Martin-Kohlmorgen (Clerk), Julia Ewert (Policy Analyst) and Mithula Parayoganathan (Committee Assistant).

EU Financial Affairs Sub-Committee

Baroness Falkner of Margravine (Chair)
Lord Bruce of Bennachie
Lord Butler of Brockwell
Lord Cavendish of Furness
Lord Desai
Lord Giddens
Baroness Liddell of Coatdyke
The Earl of Lindsay
Baroness Neville-Rolfe
Lord Thomas of Cwmgiedd
Viscount Trenchard
Lord Vaux of Harrowden


The Sub-Committee staff are Matthew Manning (Clerk), Erik Tate (Policy Analyst) and Hadia Garwell (Committee Assistant).

EU Home Affairs Sub-Committee

Lord Jay of Ewelme (Chair)
Lord Best
Lord Haselhurst
Baroness Janke
Lord Kirkhope of Harrogate
Baroness Massey of Darwen
Lord O’Neill of Clackmannan
Baroness Pinnock
Lord Ribeiro
Lord Ricketts
Lord Soley
Lord Watts
For relevant interests see: https://www.parliament.uk/documents/lords-committees/eu-home-affairs-subcommittee/scrutiny-work/Scrutiny-interests.pdf

The Sub-Committee staff are Pippa Patterson (Clerk), Megan Jones (Policy Analyst) and George Stafford (Committee Assistant).

**EU Internal Market Sub-Committee**

Lord Whitty (Chair)  
Lord Aberdare  
Baroness Donaghy  
Lord German  
Lord Lansley  
Lord Liddle  
Baroness McGregor-Smith  
Baroness Noakes  
Baroness Randerson  
Lord Rees of Ludlow  
Lord Robathan  
Lord Russell of Liverpool  
Lord Wigley


The Sub-Committee staff are Rosanna Barry (Clerk), Francesca D’Urzo (Policy Analyst) and Glenn Chapman (Committee Assistant).

**EU Justice Sub-Committee**

Baroness Kennedy of The Shaws (Chair)  
Lord Anderson of Swansea  
Lord Cashman  
Lord Cromwell  
Lord Dholakia  
Lord Judd  
The Earl of Kinnoull  
Baroness Ludford  
Baroness Neuberger  
Lord Polak  
Baroness Shackleton of Belgravia  
Lord Wasserman


The Sub-Committee staff are Simon Cran-Mcreehin (Clerk) and Amanda McGrath (Committee Assistant).

A full list of Members’ interests can be found in the Register of Lords’ Interests: http://www.parliament.uk/mps-lords-and-offices/standards-and-financial-interests/house-of-lords-commissioner-for-standards-/register-of-lords-interests/