



Foreign &
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Office

Continuing the United Kingdom's Trade Relationship with the Republic of North Macedonia

Partnership, Trade and Cooperation Agreement between the United Kingdom of Great Britain and Northern Ireland and the Republic of North Macedonia

December 2020



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Presented to Parliament

by the Secretary of State for Foreign, Commonwealth and Development Affairs

by Command of Her Majesty

December 2020



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Introduction

1. This report explains the Government's approach to delivering continuity in the United Kingdom's ("UK") trade relationship with the Republic of North Macedonia ("North Macedonia") now that the UK has left the European Union ("EU").
2. With our exit from the EU, the Government has sought to deliver the maximum possible certainty to businesses and consumers through ensuring continuity in the UK's existing trade relationships. It is in no-one's interests to disrupt existing trade flows.
3. To achieve this, the Government has developed new bilateral agreements that replicate, as far as possible, the effects of the UK's existing trade agreements with existing partners through its previous membership of the EU, which remain during the transition period. The new bilateral agreements provide for entry into force when the existing agreements between the EU and a third country cease to apply to the UK or as soon as possible thereafter. The agreements will form the starting point for the UK's future trade agreements with partners.
4. Wherever possible, the Government has sought a technical replication of the existing EU agreements through these new bilateral 'continuity trade agreements', but in some cases, it has applied bespoke solutions for individual agreements as necessary to ensure continuity of effect and operability in a bilateral context.
5. This report gives details of, and explains the reasons for, any significant differences between:
 - a. The Partnership, Trade and Cooperation Agreement between the United Kingdom of Great Britain and Northern Ireland and the Republic of North Macedonia ("the proposed UK-North Macedonia Partnership, Trade and Cooperation Agreement or the UK-North Macedonia Agreement" or "the Agreement"); and
 - b. The Stabilisation and Association Agreement between the European Communities and their Member States, of the one part, and the Former Yugoslav Republic of Macedonia, of the other part, done at Luxembourg on 9 April 2001 (the "EU-North Macedonia Agreement").
6. This report first sets out the general drafting changes necessary across all the UK's short form continuity trade agreements and which have no significant impact on the UK's current trade relationships. It then considers provisions of the UK-North Macedonia Agreement, in turn explaining any significant differences between the UK-North Macedonia Agreement and the corresponding provisions of the EU-North Macedonia Agreement. To assist the reader, the report includes some discussion of the economic impacts as appropriate. This report focuses on the changes made to the trading arrangements between the UK and North Macedonia in preparation for the UK ceasing to be bound by the EU-North Macedonia Agreement and the entry into force of the UK-North Macedonia Agreement. Any wider economic impacts resulting from the UK's exit from the EU or the nature of the Future Relationship Agreement (the "FRA") have been excluded from this report.

Legal approach

7. The UK and North Macedonia have agreed that the most appropriate and proportionate form of legal instrument to ensure continuity in the current circumstances is a short form agreement which incorporates by reference the relevant provisions of the EU-North Macedonia Agreement with the necessary technical and administrative changes to make it operable in a bilateral context. Other Agreements have been drafted in long form to reflect the wishes of partner countries.

8. The approach is similar to that used in the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (the “CPTPP”), where Article 1 of the CPTPP incorporates by reference the provisions of the Trans-Pacific Partnership Agreement into and makes them part of, *mutatis mutandis*, the CPTPP. The advantages of this approach include:
 - a. the short form agreement can be drafted in such a manner as to more easily accommodate different scenarios, such as the various possible outcomes of the UK’s ongoing negotiations with the EU regarding the end state of the UK-EU relationship;
 - b. the format itself will send a clear message to businesses, consumers, and investors in both the UK and North Macedonia that the aim is simply to secure continuity of existing trading arrangements, with the only changes being the ones clearly specified on the face of the Agreement; and
 - c. the approach provides a clear legal text, making rights and obligations unambiguous where they have, by necessity, changed.
9. The UK-North Macedonia Agreement reproduces the effects of the EU-North Macedonia Agreement as closely as possible, including the establishment of institutional arrangements between the UK and North Macedonia based on existing structures (such as the “Partnership, Trade and Cooperation Council”, which is called the “Stabilisation and Association Council” in the EU-North Macedonia Agreement”) that allow for the ongoing management and updating of the Agreement.
10. Many of the general changes to the EU-North Macedonia Agreement (such as replacing “EU” with “UK”) are applied by reading the incorporated text of the EU-North Macedonia Agreement *mutatis mutandis*, that is, with the technical changes necessary to apply the EU-North Macedonia Agreement as if it had been concluded between the UK and North Macedonia in the first instance. This has avoided the need to reproduce every page of the EU-North Macedonia Agreement and has significantly reduced the volume of text required.
11. Where more substantive amendments were required to ensure operability in a bilateral context, or where the UK and North Macedonia jointly agreed that *mutatis mutandis* would not deliver adequate certainty over rights and obligations, detailed amendments have been included in the Annexes to the UK-North Macedonia Agreement.

Resources

12. This report is intended to aid businesses, consumers, and parliamentarians in understanding any significant changes made to the UK’s trade or political, economic or social cooperation relationship with North Macedonia, by the UK-North Macedonia Agreement, the reasons for any changes, and their impact.
13. Should you wish to view the EU-North Macedonia Agreement as originally published, it can be found online on the [European Commission's website](#).
14. More detail, including decisions of the Stabilisation and Association Council and Stabilisation and Association Committee established under the EU-North Macedonia Agreement for the purpose of administering that Agreement, can be found on the [EUR Lex website](#). A consolidated version of the EU-North Macedonia Agreement can also be found on the [EUR-Lex website](#). The consolidated text is not an authoritative version of the EU-North Macedonia Agreement but will assist readers to understand how it has been amended since its entry into force.

15. Should you wish to view the full text of the UK-North Macedonia Agreement, it will be laid in Parliament alongside an Explanatory Memorandum as part of the UK's treaty ratification process in accordance with the Constitutional Reform and Governance Act 2010 (the "CRaG Act"). The text will also be available on GOV.UK.

Economic Background

16. This section provides a country-specific background analysis of trade between the UK and North Macedonia.

Trade between the UK and North Macedonia

17. North Macedonia is the UK's 66th largest trading partner,¹ accounting for 0.1% of total UK trade.² Total trade in goods and services between the UK and North Macedonia was £1.8 billion in 2019.

18. In 2019, UK exports to North Macedonia were £1.6 billion, making it the UK's 53rd largest export market (accounting for 0.2% of all UK exports). UK imports from North Macedonia were £0.2 billion, making it the UK's 96th largest import market (accounting for less than 0.1% of all UK imports).

Table 1: Trade between the UK and North Macedonia, 2019 (£ billion)

	Trade in goods	Trade in services	Total trade
UK exports to North Macedonia	1.3	0.3	1.6
UK imports from North Macedonia	0.1	0.1	0.2
Total trade	1.4	0.4	1.8

Source: [ONS \(2019\), UK total trade: all countries, non-seasonally adjusted](#) (accessed 25th August 2020)

19. Using data from HMRC for trade in goods only, Table 2 shows the top UK goods exported to North Macedonia were in precious stones and metals (HS71, £1.1 billion), representing the majority of the total value of goods exported to North Macedonia. The UK's top goods imported from North Macedonia were in precious stones and metals (HS71, £50 million) and furniture; bedding, mattresses, cushions (HS94, £24 million), together representing just under two-thirds of the total value of goods imported from North Macedonia.

¹ EU members are treated as individual trading partners with the UK.

² ONS (2019), UK total trade: all countries, non-seasonally adjusted.

Table 2: Top 5 UK goods exports and imports from North Macedonia 2019 (HS2³, £ million)

Top 5 UK goods exports to North Macedonia	Value	Top 5 UK goods imports from North Macedonia	Value
Precious stones and metals	1,090	Precious stones and metals	50
Inorganic chemicals	73	Furniture; bedding, mattresses, cushions	24
Plastics and articles thereof	7.1	Articles of apparel and clothing, not knitted	15
Machinery and mechanical appliances	6.4	Tobacco and manufactured substitutes	7.3
Lead and articles thereof	4.6	Ores, slag and ash	3.9

Source: [HMRC trade statistics by commodity code](#) (accessed 16th September 2020). Sectors classified according to Harmonised Systems chapters. Data presented is recorded on a physical movement basis where a good is recorded as an export (import) if it physically leaves (enters) the economic territory of a country.

Please note tables 1 and 2 are on different bases. ONS data is recorded on a 'Balance of Payments' or 'change of ownership' basis where a good or service leaving (entering) the economic territory of a country is recorded as an export (import) only if it has changed ownership between the resident of the reporting country and non-residents. Goods exports (imports) are recorded by HMRC if a good physically leaves (enters) the economic territory of a country.

20. The UK exported £0.3 billion in services to North Macedonia in 2019. The UK imported £0.1 billion in services from North Macedonia in the same year. A detailed breakdown of the types of services traded between the UK and North Macedonia is not available.

UK businesses exporting to and importing from North Macedonia

21. In 2019 HMRC estimated that around 710 VAT-registered UK businesses exported goods to and around 170 imported goods from North Macedonia.⁴ As these figures only include businesses trading in goods they are likely to underestimate the number of businesses trading with North Macedonia.

22. For context, provisional survey data from the ONS shows that around 340,500 (non-financial) registered businesses in the UK traded in either goods or services or both in 2018 with another country.⁵ This was just under 15% of all VAT/PAYE registered businesses. There were around 211,100 (non-financial) registered businesses in the UK engaged in goods trade with another country and 188,400 (non-financial) registered businesses trading in services in 2018. Some of these businesses traded in both goods and services. There will be other businesses trading internationally, which are not identified by these surveys as they are not registered for VAT. Neither of these sources include businesses trading below the VAT registration threshold.

³ The Harmonised System (HS) is an international nomenclature for the classification of products. It allows participating countries to classify traded goods on a common basis for customs purposes.

⁴ HMRC, (2019). [Regional trade statistics interactive analysis: second quarter 2020](#), exports/imports using proportional business count method (accessed 7th October 2020)

⁵ ONS, (2019). [Annual Business Survey exporters and importers](#) (accessed 25th September 2020)

Economic impact of the EU-North Macedonia Agreement

23. The EU-North Macedonia Agreement was signed in 2001 and entered into force in 2004. However, the provisions of the EU-North Macedonia Agreement on trade and trade related matters were given effect to from 2001 through the Interim Agreement on trade and trade-related matters between the European Community, of the one part, and the Former Yugoslav Republic of Macedonia, of the other part (“Interim Agreement”). The progressive establishment of a free trade area and consequent trade liberalisation was completed over a period of 10 years from the entry into force of the Interim Agreement.
24. A 2018 European Commission report looking at implementation of EU free trade agreements included information on the EU-North Macedonia Agreement.⁶ It highlighted that total trade in goods between the two parties increased by 120% between 2007 and 2017. This cannot be attributed to the agreement, as such an increase might equally have happened in its absence.
25. A 2017 study of trade effects of European Economic Integration Agreements also included analysis on the EU-North Macedonia Agreement. This paper uses gravity modelling based on aggregate trade flows between EU member states and the rest of the world, in order to compare countries with EU trade agreements to those without.⁷ In the case of North Macedonia, the agreement had a statistically significant impact on trade, increasing total trade flows by 45% between entry into force and 2013. The baseline was the counterfactual situation where the Agreement was not in force. Most of this was accounted for by a rise in the values of goods traded, while the number of goods traded increased by a relatively small amount.⁸

Potential loss to the UK if the UK-North Macedonia Agreement is not entered into force

26. Not being able to bring into force the transitioned Agreement would result in UK businesses losing the preferences negotiated in the EU-North Macedonia Agreement. This would include the re-imposition of many tariffs, returning to World Trade Organization (“WTO”) Most-Favoured-Nation (“MFN”) treatment with North Macedonia. The benefits derived from trading under the preferences provided by the EU-North Macedonia Agreement, such as increases in trade flows, may then be reversed.
27. It is unlikely that the entire effect of the EU-North Macedonia Agreement would disappear. Tariffs would revert to MFN rates, discussed in further detail below, but it could take longer for some of the other benefits to be lost. Some gains might endure, even in the long run. For example, the UK might still benefit from any regulatory arrangements agreed because of the EU-North Macedonia Agreement. Business connections formed because of the EU-North Macedonia Agreement might endure.
28. The size of the impact of not bringing into force or applying the UK-North Macedonia Agreement would depend on the responsiveness of trade flows to increased costs brought about by the loss of provisions within the Agreement.⁹

⁶ European Commission. (2018). [‘Individual reports and info sheets on Implementation of EU Free Trade Agreements’](#).

⁷ Gravity modelling is a widely used technique for statistical modelling of trade relationships and the effects of free trade agreements.

⁸ Soete S and Van Hove J. (2017). [‘Dissecting the Trade Effects of Europe’s Economic Integration Agreements’](#). *Journal of Economic Integration*, 32(1), pp. 193-243.

⁹ Head K and Mayer T. (2014). [‘Gravity Equations - Workhorse, toolkit and cookbook’](#). *Handbook of International Economic*, 4, pp. 131-195.

Immediate impact if not brought into effect

Impact of tariffs under current MFN rates

29. Much international goods trade takes place in products for which MFN rates are already zero. However, trade and association agreements provide additional opportunities by reducing tariffs in products where this is not the case. If the UK-North Macedonia Agreement is not brought into effect, tariffs between the two countries would revert to MFN rates for all trade. This would lead to an increase in duties on some UK exports to, and imports from North Macedonia.
30. To estimate the potential impact of losing tariff preferences, assumptions have to be made. It is assumed all current trade between the UK and North Macedonia occurred at the negotiated preferential tariff rates and current patterns of trade remained unchanged in the future. In that case, reverting to the UK and North Macedonia's current MFN tariff rates would result in an annual increase in total duties of around £12 million. Duties on UK exports would increase by around £6 million, with duties on imports also increasing by around £6 million.¹⁰ This is relatively small compared to the value of total trade with North Macedonia of £1.8 billion in 2019.
31. However, these estimates assume that all tariff preferences offered under the EU-North Macedonia Agreement current agreement are fully utilised by exporters. This is unlikely to be true. For example, in 2016, the evidence suggests that 84% of the UK's eligible goods exports to North Macedonia (defined as those which occurred under tariff lines where a preferential rate was offered under the EU-North Macedonia Agreement) actually utilised the tariff preferences provided by the EU-North Macedonia Agreement.¹¹ In 2019, the Department for International Trade ("DIT") estimates suggest that 85% of the UK's eligible goods imports from North Macedonia were imported utilising the tariff preferences provided by the EU-North Macedonia Agreement under the agreement. This means that the actual increase in duties could be lower than the estimates above.
32. The total duty which would in fact be charged on exports and imports would depend on how quantities and prices of traded products adjusted to the imposition of tariffs. If UK producers were not previously utilising the preferential rates or producers and consumers changed their behaviour in response to higher tariffs, this cost would be lower than estimated above. These are strong assumptions, so this figure should be treated as an indicative estimate of the magnitude of the trade barrier under this scenario.
33. The indicative estimates show that the largest implied increases in UK import duties would be for tobacco and manufactured substitutes (HS24) of £3.7 million, apparel and clothing accessories, not knitted (HS62) of £1.4 million, and furniture; bedding, mattresses, cushions (HS94) of £0.4 million. On the exports side, the largest implied increases in duties would be for

Dhingra S, et al. (2018). ['Beyond Tariff Reductions: What Extra Boost From Trade Agreement Provisions?'](#). *CEP Discussion Paper No 1532*, LSE, pp. 1-38.

¹⁰ DIT calculations using tariff data from ITC Market Access Map ([MAcMaps](#)) and trade data from ITC Trade Maps (accessed September 2020) for exports calculations. DIT calculations using tariff data from the European Commission and Eurostat trade data (accessed August 2020) for imports. Implied additional duties are calculated using the difference in MFN and preferential tariff rates (simple average tariffs at CN8 level) and the value of trade for each product at CN8 level (2019 for imports, 2018 for exports). Different approaches and data sources for this analysis are likely to yield different results. Calculations on export duties also assume trade is not eligible for duty relief under inward/outward processing rules, nor under specific plurilateral agreements such as those covering civil aviation and pharmaceuticals, nor WTO or preferential quotas. Calculations on import duties take into account inward/outward processing rules and trade which is eligible for relief under specific plurilateral agreements but not WTO or preferential quotas.

¹¹ Nilsson L and Preillon N. (2018). ['EU Exports, Preferences Utilisation and Duty Savings by Member State, Sector and Partner Country'](#). *European Commission*, pp. 1-17. This report uses data collected by EU Delegations from relevant authorities in countries with which the EU has bilateral reciprocal Association Agreements in place.

inorganic chemicals (HS28) of £1.7 million, railway or tramway locomotives, rolling stock or parts thereof (HS86) of £0.5 million, and miscellaneous edible preparations (HS21) of £0.4 million. Most of these appear among the top categories of goods which the UK exports to, and imports from, North Macedonia.

34. Indicative estimates of implied additional tariff duties are provided above to provide a sense of scale of possible additional costs of trade. Tariff duties are transfers, where the cost to business is equal to the extra tariff revenue collected by the UK Exchequer and the Government of the Republic of North Macedonia. However, there could be wider effects of increased costs of trade, including negative impacts on consumer choice, prices, and ultimately economic growth and welfare.

Businesses

35. Additional duties could be absorbed by either UK or North Macedonia businesses (depending on whether it is the importer or exporter paying the duty), passed on to consumers, or existing trade patterns could be interrupted. This could impact UK competitiveness, leading to disruptions in supply chains and job losses in the short term.
36. Businesses that rely on imports as part of their supply chains may be affected if import prices rise, including UK exporters that rely on North Macedonian inputs to export goods to the rest of the world. In 2016 (latest data), around 15.4% of the value added in the UK's gross exports reflected imports from abroad, even though the data does not provide how much of this is from imports from North Macedonia.¹² UK companies which rely on imports from North Macedonia would become less competitive. Given the small share of UK trade under this Association Agreement, in this case we would expect these impacts to be relatively small but could be noticeable for some specific companies.

Consumers

37. Imported products could be more expensive for consumers if retailers pass on additional duties to consumers through increases in domestic prices. This could disproportionately affect certain groups of consumers, for example those at the lower end of the income distribution, depending on the specific sectors affected. Consumers might also see a reduction in choice of products and services available. Given the small share of UK trade under this Agreement, in this case we would expect these impacts to be relatively small overall but could be noticeable on specific product lines.

Longer term impact if the UK-North Macedonia Agreement is not brought into effect

38. In the long run, the UK would forgo the longer-term benefits that the UK-North Macedonia Agreement would have brought to UK. This could result in a marginal impact on the long-term UK Gross Domestic Product ("GDP") if the Agreement is not brought into effect. Given the small share of UK trade under this Agreement, we would expect the impact on UK GDP to be relatively small.

¹² OECD, 2018. [Trade in Value Added \(TiVA\): Origin of value added in gross exports, December 2018](#). Experimental statistics.

Explanation of this Agreement, including Significant Differences between the UK-North Macedonia Agreement and the EU-North Macedonia Agreement

39. The UK-North Macedonia Agreement follows the short form approach explained above in paragraphs 7 to 11. Beyond the general *mutatis mutandis* changes, this section describes global changes made to continuity free trade agreements following the short form approach and goes on to provide a detailed discussion of the UK-North Macedonia Agreement.

Nature of the EU-North Macedonia Agreement and the UK-North Macedonia Agreement

40. Technical transition of the EU-North Macedonia Agreement with few changes means that the substance of the UK-North Macedonia Agreement is broadly that of the EU-North Macedonia Agreement. This includes on those issues of particular importance, such as human rights, democracy, and good governance.

General Provisions

Removal and replacement of references to the EU

41. Where necessary, any references to the “European Union”, the “Community”, the “EU” and “Member States” are removed or replaced by “the UK”. Similarly, references to EU institutions have been replaced with appropriate references to the equivalent institutions in the UK. All other references to the “European Union”, “the European Commission”, the “Community”, “Member States” and similar terms are explicitly changed or removed.

Territorial Application

42. Territorial application provisions set out the territories to which the agreement in question applies, and how it applies to them. Article 124 defines the territorial application of the EU-North Macedonia Agreement to the EU by reference to the territorial application of the Treaties establishing the European Community, the European Coal and Steel Community and the European Atomic Energy Community. Except as set out in paragraph 45 below, the UK-North Macedonia Agreement retains this provision and includes an additional article, Article 6, which clarifies that the Agreement applies to the UK and the territories listed in Article 6 to the extent that and under the conditions which the EU-North Macedonia Agreement applied immediately before it ceased to apply to the UK.
43. Notwithstanding, the Agreement will apply to Gibraltar and the Crown Dependencies (the Isle of Man, the Bailiwick of Jersey, the Bailiwick of Guernsey) from the date of written notification by the UK to North Macedonia of the application of the Agreement to those territories. The territories, other than the UK itself, to which the UK-North Macedonia Agreement applies are separated into the following categories based upon the application of EU law to date:
 - a. The Crown Dependencies (the Isle of Man, the Bailiwick of Jersey, the Bailiwick of Guernsey), to which, broadly, provisions related to tariffs and trade in goods apply; and
 - b. Gibraltar, to which, broadly, provisions not relating to trade in goods or customs apply
44. The European Atomic Energy Community (“EURATOM”) is a party to the EU-North Macedonia Agreement and Article 124 of that Agreement provides that it applies to the territories to which the Treaties establishing the European Community, the European Coal and Steel Community and EURATOM apply, under the conditions laid down in those Treaties. The EURATOM Treaty applies to all Overseas Territories for whose international relations the UK is responsible, excluding the UK’s Sovereign Base Areas of Akrotiri and Dhekelia in the Republic of Cyprus.
45. The Government understands that EURATOM is specified in the EU-North Macedonia Agreement because provisions relating to civil nuclear trade and co-operation (which make up only a small part of that Agreement) fall within EURATOM’s competence. It was not intended that this should extend the application of the EU-North Macedonia Agreement to territories to which the Agreement would not otherwise apply.
46. The UK and North Macedonia have therefore agreed to amend Article 124 of the EU-North Macedonia Agreement to remove the reference to the EURATOM Treaty, thereby amending the territorial scope of the UK-North Macedonia Agreement. We do not expect this change to have an impact. The UK and North Macedonia (“Parties”) have also updated the remaining EU

treaty references in the EU-North Macedonia Agreement, as incorporated into the UK-North Macedonia Agreement.

Continuation of Time Periods

47. Provisions of the EU-North Macedonia Agreement that require an action within a certain time period which has not yet ended under that Agreement become part of the UK-North Macedonia Agreement reflecting only the remaining time in which the action must occur. Where time periods in such provisions of the EU-North Macedonia Agreement have ended, any right or obligation continues to apply between the UK and North Macedonia and the time period is not incorporated into the UK-North Macedonia Agreement.
48. These outcomes are provided for by Article 7 of the UK-North Macedonia Agreement, which also provides an exception for time periods which relate to a procedure or other administrative matter, such as a review, committee procedure or notification. These periods are not affected and therefore 'start again' when the UK-North Macedonia Agreement enters into force.

Institutions and Committees

49. Most of the institutional provisions and bodies provided for in the EU-North Macedonia Agreement have been incorporated, *mutatis mutandis*, into the UK-North Macedonia Agreement with some modifications to ensure the Agreement is operable in a bilateral context.
50. The primary bodies responsible for overseeing the operation and implementation of the UK-North Macedonia Agreement are the Partnership, Trade and Cooperation Council (the "Council"), which may delegate any of its powers to the Partnership, Trade and Cooperation Committee (the "Committee"). The Council and Committee will be comprised of representatives of the UK and North Macedonia.
51. Article 9 of the UK-North Macedonia Agreement confirms that the Council, established under Article 108, is responsible for ensuring that the Agreement operates properly from entry into force. It further provides that, unless the Parties otherwise agree, the Council and the Committee established under the UK-North Macedonia Agreement are deemed to have adopted the decisions of the Stabilisation and Association Council and Stabilisation and Association Committee established under the EU-North Macedonia Agreement, to the extent those decisions relate to the UK and North Macedonia, *mutatis mutandis*.
This approach provides for continuity of effect as it ensures that the decisions in force when the EU-North Macedonia Agreement ceases to apply to the UK continue to apply under the UK-North Macedonia Agreement.

Amendment Provisions

52. Amendment provisions set out the process that must be followed if the parties agree to amend the agreement after it enters into force. Though parties to an agreement are generally free to amend it as they deem necessary, amendment provisions serve to make the process clearer and more transparent.
53. Article 11 of the UK-North Macedonia Agreement is an amendment provision which outlines the process to be followed if Parties agree to amend the Agreement after it enters into force. Article 11 provides that the Parties may agree, in writing, to amend the text of the Agreement. Such amendments will enter into force on the first day of the first month following the date of the later of the Parties' notifications that they have completed their internal procedures, or on such other date as the Parties agree. In the UK, amendments made to the UK-North Macedonia Agreement that are, pursuant to Article 11(1), expressly subject to a formal deposit

or delivery of notifications to confirm completion of internal procedures would engage the process of parliamentary scrutiny set out in the CRaG Act.

54. The Council (see paragraph 51) may also decide that the Annexes and Protocols to the Agreement should be amended. The Parties may adopt the Council's decision subject to their applicable legal requirements and procedures. It is in the UK's interests for the Council to have this function, both to ensure continuity of effect of the EU-North Macedonia Agreement as far as possible and to streamline the process of making changes to the UK-North Macedonia Agreement if required. In the UK context, amendments made by the Council which are not subject to delivery or deposit of notification of completion of internal procedures, or a similar ratification procedure, would not engage the process of parliamentary scrutiny set out in the CRaG Act.
55. The inclusion of an amendment provision in the UK-North Macedonia Agreement does not commit the UK to making any changes to the Agreement once it enters into force. It simply sets out a process which may be used if needed. Therefore, the inclusion of an amendment provision is not expected to have an impact on the operability of the Agreement in a bilateral context

Entry into Force

56. Entry into force provisions specify the date from which the terms of an agreement will bind the parties. Existing entry into force provisions in the UK-North Macedonia Agreement have been replaced with new provisions to ensure that, whatever the scenario in which the EU-North Macedonia Agreement ceases to apply to the UK the UK-North Macedonia Agreement enters into force as swiftly as possible thereafter.
57. For the UK-North Macedonia Agreement to enter into force, both Parties must first complete their domestic procedures required for entry into force. In UK domestic law, before an agreement subject to ratification (as that term is defined in UK domestic law) may be brought into force, it must be laid before Parliament for scrutiny in accordance with the CRaG Act.
58. Article 12 of the UK-North Macedonia Agreement provides that the Agreement shall enter into force on the later of:
 - a. the date on which the EU North Macedonia Agreement ceases to apply to the UK; and
 - b. the date of the later of the Parties' notification that they have completed their internal procedures.
59. Notwithstanding, the UK-North Macedonia Agreement will enter into force with respect to Gibraltar and the Crown Dependencies (the Isle of Man, the Bailiwick of Jersey, the Bailiwick of Guernsey) from the date of written notification by the UK to North Macedonia of the application of the Agreement to those territories.
60. Provisional application is a mechanism which allows an agreement to be applied prior to its entry into force. This means that the agreement can be provisionally applied prior to completion of the procedures required by the domestic law of the respective negotiating states for its entry into force, provided any necessary domestic implementing measures are in place. Where the UK and the relevant partner country have agreed that a continuity trade agreement may be provisionally applied from (at the earliest) the date the underlying EU agreement ceases to apply to the UK, the agreement may be operated provisionally from that date if this becomes necessary while, in the case of the UK, the procedures set out in the CRaG Act are being

completed. A number of the existing EU agreements provide for provisional application and were provisionally applied by the UK as an EU Member State.

61. In the event that provisional application is necessary to ensure continuity of the UK-North Macedonia trade, political, economic and social cooperation relationship, Article 12(4) of the UK-North Macedonia Agreement provides that the UK and North Macedonia may agree to provisionally apply the Agreement, or provisions of it, by an exchange of notifications signifying the completion of ratification or such other domestic procedures as are required for provisional application. Such provisional application shall take effect on the later of:
 - a. the date on which the EU-North Macedonia Agreement cease to apply to the UK; and
 - b. the date of the later of the negotiating States' notifications.
62. Article 12 further provides that either negotiating State may terminate the provisional application of the UK-North Macedonia Agreement, or provisions of it, by giving written notification to the other negotiating State. Such termination shall take effect one month following the date of notification. Provisional application will, by operation of law, automatically terminate once the UK-North Macedonia Agreement enters into force.
63. Where the UK-North Macedonia Agreement is, or provisions of it are, provisionally applied, the term "entry into force" in the UK-North Macedonia Agreement is deemed to refer to the date of provisional application. Notifications of the UK pursuant to Article 12 are to be submitted to North Macedonia's Ministry of Foreign Affairs (or its successor). Notifications of North Macedonia pursuant to Article 12 are to be submitted to the UK's Foreign, Commonwealth and Development Office (or its successor).
64. Given that the Government is seeking to maintain the effects of the existing EU agreements after the transition period, providing for the possibility of provisional application is a proportionate approach to manage the timing constraints during this period and to reduce the risk of businesses and consumers experiencing disruption after the transition period.

Trade Remedies

65. Trade remedies provide a safety net for domestic industry against injury caused by dumped, subsidised or unexpected surges of imports of goods. Most WTO Members have a trade remedies system. The UK will operate its own system once the transitional period agreed with the EU comes to an end.
66. The UK-North Macedonia Agreement replicates the effects of the trade remedies provisions in the EU-North Macedonia Agreement *mutatis mutandis*.

Dispute Settlement

67. The economic benefits of the UK-North Macedonia Agreement can only be realised if the Agreement is faithfully implemented and complied with. A dispute settlement mechanism in an agreement signals the parties' intention to abide by the agreement, thereby increasing business and stakeholder confidence that commitments set out in the agreement can, and will, be upheld. The dispute settlement mechanism serves an important deterrent function. It also provides an effective mechanism for enforcing those commitments, and for resolving any disputes that may arise in the future. The UK-North Macedonia Agreement replicates the effects of the dispute settlement provisions in the EU-North Macedonia Agreement, *mutatis mutandis*. The dispute settlement provisions in the UK-North Macedonia Agreement are as set out in Article 111 of the EU- North Macedonia Agreement.

68. One of the impacts of transitioning the dispute settlement provisions in the EU-North Macedonia Agreement is that, in the event that a dispute arises, the UK will be directly responsible for any relevant costs associated with the dispute settlement process.

Approximation

69. Approximation is the process by which EU partners must align their national laws, rules and procedures in order to give effect to the entire body of EU law contained in the *Acquis Communautaire* (“*acquis*”).
70. Unless their removal affects market access, articles mandating or promoting the gradual approximation of legislation between the EU and North Macedonia have been removed. Maintaining these commitments would require our partners to approximate their legislation to both the UK’s and the EU’s legislation, which would create an inappropriate commitment in a bilateral context. We do not expect this change to have an economic impact.

Annexes and Protocols

Goods

71. Goods chapters in trade agreements set out the treatment and the level of access to the domestic market granted to goods of the respective parties. Such provisions include setting tariff levels and quotas on various products, establishing agricultural safeguards and determining the rules of origin for goods to qualify for preferential treatment. Commitments on tariffs for both the UK and North Macedonia have, other than in those cases detailed below, been transitioned without changes. This means that tariff preferences applied by the UK for products from North Macedonia will remain the same as those applied by the EU and, likewise, North Macedonia will continue to apply the same preferences to products from the UK that it is currently applying to products from the EU.
72. The only exception to tariff commitments being transitioned without modifications relates to the resizing of tariff-rate quotas, and the incorporation of preferences that are granted under a temporary WTO waiver, to take account of the fact the UK will no longer be a member of the EU (see below).
73. Unilateral preferences, additional to or more favourable than those available under the EU-North Macedonia Agreement were provided to North Macedonia under a WTO waiver granted to the EU. These preferences have been incorporated into the UK-North Macedonia Agreement as annexes to the agreement to ensure continuity of effect of current preferences. These preferences, consisting of a single wine TRQ and the suspension of specific duties on products falling under chapters 7 and 8 of the Harmonised System, have been replicated in Annex III of the UK- North Macedonia Agreement (which will become Annex IIA of the Incorporated Agreement) with changes to adapt it to the UK-North Macedonia relationship. As with all other imports under the UK-North Macedonia Agreement, imports covered under these preferences shall have to comply with the Rules of Origin provisions laid out in Protocol 4 of the UK-North Macedonia Agreement. Some adjustments have been necessary to maintain continuity, such as creating and limiting the period during which the additional preferences apply to five years from entry into force of the UK-North Macedonia Agreement, with the option for the preferences to be extended at the discretion of the UK. Further detail on the incorporation of these unilateral preferences into the UK-North Macedonia Agreement is set out below. Given this maintains existing market access arrangements, it is not expected to have a significant impact on trade flows.

Tariff Rate Quotas

Justification for policy change

74. Tariff-rate quotas (TRQs) allow a certain quantity of a product to enter the market at a zero or reduced tariff rate. Imports above that quantity are subject to a higher tariff rate – usually the MFN rate. The EU has agreed TRQs, both for imports to the EU and to partner countries, in some of its trade and association agreements. In order for products to be able to continue to benefit from the use of TRQs in trade between the UK and North Macedonia, these quotas need to be present in the new UK-North Macedonia Agreement.
75. TRQs administered by the UK and by North Macedonia have been re-sized to reflect the fact that the UK is a smaller import and export market than the EU28. Solutions were agreed with North Macedonia to set tariff quotas at a sufficient level to allow for continuity of historical trade flows, in most circumstances, for importers and exporters from both sides.

76. Where possible, TRQs have been re-sized based on three years' worth of customs usage data, which detail actual usage of the TRQs by importers. The data includes information on the quantity and date of individual shipments of goods. This customs data is held by HMRC which records the volume and date of entry of shipments of goods that enter the UK claiming TRQ preferences. Where three years' worth of customs data is not available, historical trade flow data has been used instead as a proxy.
77. The quotas given in the UK-North Macedonia Agreement were calculated based on a mixture of customs and trade flow data.
78. In order to address future market access opportunities for the UK and North Macedonia businesses, it was also agreed that a minimum level of access should be provided for these quotas, based on a proxy measure relevant to UK trade. Doing so allows future market access opportunities for the UK and North Macedonia businesses using a fair and evidence-based methodology. Where TRQ volumes in the EU-North Macedonia Agreement have increased since the historical reference period, a proportional uplift has been applied to historic volumes to account for this.
79. The WTO waiver (incorporated in the UK-North Macedonia Agreement, as mentioned above) contains a single TRQ for wine. This single quota is shared amongst all Western Balkan countries¹³, allowing them to access the quota on a first-come first-served basis. To maintain continuity, the UK has incorporated this quota into the UK-North Macedonia Agreement by resizing it on the same basis as explained above, and then dividing the resized quota equally between the Western Balkan countries.

Impacts

80. Without transitioning the five TRQs from the EU-North Macedonia Agreement into the UK-North Macedonia Agreement, and without any other mitigating actions, goods imported from North Macedonia that are currently covered by TRQs in the EU-North Macedonia Agreement could face MFN tariffs. This could make these imports more expensive. The nature of this impact will depend on a number of factors, including existing trading patterns and the behaviour and responsiveness of domestic consumers and businesses to the change in tariff. Historically, and according to trade data, North Macedonia's usage of TRQs to export to the UK was low. In 2019, there were no UK imports from North Macedonia of products that are currently covered by the five inward TRQs under the EU-North Macedonia Agreement. Similarly, less than 1% of UK exports to Macedonia used the outward TRQs.¹⁴
81. Overall, we would expect the impact on UK producers and consumers resulting from this approach to resizing TRQs to be limited.

¹³ These are Albania, Bosnia and Herzegovina, Kosovo, North Macedonia, Montenegro and Serbia.

¹⁴ HM Revenue and Customs, UK trade statistics data. <https://www.uktradeinfo.com/trade-data/>, 2019 average (accessed 9th October 2020). It should be noted that not all commodity codes within the HS product codes will be covered in every TRQ. Further, it is not necessarily the case that all trade in products under the quota will enter under this access commitment. As such, estimates based on HS6 data are likely to give an upper bound to the volume of imports and exports covered by the TRQ.

Inward TRQs

List of Tariff Rate Quotas administered by the United Kingdom for products originating in North Macedonia. ¹⁵

Order Number	Product description	New UK quota volume ¹⁶ (tonnes unless otherwise specified)	Agreed annual increase in UK quota volume (tonnes unless otherwise specified)	Applicable duty rate from 1 January 2021 (% of MFN)
091558	Quality sparkling wine, other than Champagne or Asti spumante; other wine of fresh grapes, in containers holding 2 litres or less	16,480 (hl)	+817 hl	0
091559	Other wine of fresh grapes, in containers holding more than 2 litres	48,896 (hl)	-817 hl	0
094505	Baby Beef	225		20
094327	Sugar products	953		0
091531	Wine of fresh grapes, of an actual alcoholic strength by volume not exceeding 15% vol., other than sparkling wine ¹⁷	681 (hl)		0

Outward TRQs

List of Tariff Rate Quotas administered by North Macedonia for products originating in the United Kingdom, as per the UK-NM agreement text.³

Product description	CN codes	New UK quota volume (tonnes unless otherwise specified)	Agreed annual increase in UK quota volume (tonnes unless otherwise specified)	Applicable duty rate from 1 January 2021 (% of MFN)
Milk and cream, not concentrated nor containing added sugar or other sweetening matter: - Of a fat content, by weight,	0401 0401 10 0401 10 10	109		0

¹⁵ Provided for in the EU-Macedonia Agreement and implemented in Commission Regulation (EC) No 891/2009, Commission Regulation (EU) No 1255/2010, and in Commission Implementing Regulation (EU) No 1233/2014.

¹⁶ Base volumes refer to 2019.

¹⁷ This quota can only be accessed once the other Wine quotas set out in this table have been exhausted

Product description	CN codes	New UK quota volume (tonnes unless otherwise specified)	Agreed annual increase in UK quota volume (tonnes unless otherwise specified)	Applicable duty rate from 1 January 2021 (% of MFN)
not exceeding 1 %: - - In immediate packings of a net content not exceeding two litres				
Milk and cream, not concentrated nor containing added sugar or other sweetening matter: - Of a fat content, by weight, exceeding 1 % but not exceeding 6 %	0401 0401 20	327		0
Buttermilk, curdled milk and cream, yogurt, kephir and other fermented or acidified milk and cream, whether or not concentrated or containing added sugar or other sweetening matter or flavoured or containing added fruit, nuts or cocoa: - Yogurt: - - Not flavoured nor containing added fruit, nuts or cocoa: - - - Not containing added sugar or other sweetening matter, of a fat content, by weight: - - - - Not exceeding 3 % - - - - Exceeding 3 % but not exceeding 6 % - Other: - - Not flavoured nor containing added fruit, nuts or cocoa: - - - Other: - - - - Not containing added sugar or other sweetening matter, of a fat content, by weight: - - - - - Not exceeding 3 % - - - - - Exceeding 3 % but not exceeding 6 % - - - - - Exceeding 6 %	0403 0403 10 0403 10 11 0403 10 13 0403 90 0403 90 51 0403 90 53 0403 90 59	177		0
Cheese and curd: - Fresh (unripened or	0406 0406 10	5		0

Product description	CN codes	New UK quota volume (tonnes unless otherwise specified)	Agreed annual increase in UK quota volume (tonnes unless otherwise specified)	Applicable duty rate from 1 January 2021 (% of MFN)
uncured) cheese, including whey cheese, and curd				
Cheese and curd: - Grated or powdered cheese, of all kinds - Processed cheese, not grated or powdered	0406 0406 20 0406 30	42		0
Cheese and curd: - Other cheese	0406 0406 90	89		0
Potatoes, fresh or chilled: - Other: - - Other: - - - Other	0701 0701 90 0701 90 90	61		0
Onions, shallots, garlic, leeks and other alliaceous vegetables, fresh or chilled: - Onions and shallots: - - Onions: - - - Other	0703 0703 10 0703 10 19	41		0
Sunflower-seed, safflower or cotton-seed oil and fractions thereof, whether or not refined, but not chemically modified: - Sunflower-seed or safflower oil and fractions thereof: - - Other: - - - Other	1512 1512 19 1512 19 90	14		0
Sausages and similar products of meat, meat offal or blood, food preparations based on these products	1601 00	463		0
Other prepared or preserved meat, meat offal and blood	1602	279		0
Vegetables, fruit, nuts and other edible parts of plants, prepared or preserved by vinegar or acetic acid: - Cucumbers and gherkins	2001 2001 10 00	5		0
Mushrooms and truffles, prepared or preserved otherwise than by vinegar or acetic acid: - Mushrooms of the genus Agaricus:	2003 2003 10 2003 10 20 2003 10 30	7		0

Product description	CN codes	New UK quota volume (tonnes unless otherwise specified)	Agreed annual increase in UK quota volume (tonnes unless otherwise specified)	Applicable duty rate from 1 January 2021 (% of MFN)
- - Provisionally preserved, completely cooked - - Other - Other: - - Truffles	2003 90 2003 90 10			
Other vegetables prepared or preserved otherwise than by vinegar or acetic acid, not frozen, other than products of heading 2006: - Potatoes: - - Other: - - - Thin slices, fried or baked, whether or not salted or flavoured, in airtight packings, suitable for immediate consumption - - - Other	2005 2005 20 2005 20 20 2005 20 80	20		0
Other vegetables prepared or preserved otherwise than by vinegar or acetic acid, not frozen, other than products of heading 2006: - Peas (<i>Pisum sativum</i>)	2005 2005 40 00	8		0
Fruit juices (including grape must) and vegetable juices, unfermented and not containing added spirit	2009	41		0
Meat of swine, fresh, chilled or frozen	0203	272		70
Meat of swine, fresh, chilled or frozen	0203	27		50
Cheese and curd	0406	82		70
Potatoes, fresh or chilled: - Other	0701 0701 90	14		50
Carp live	0301 93 00	10		0
Buttermilk, curdled milk and cream, yogurt, kephir and other fermented or acidified milk and cream, whether or not concentrated or	0403 0403 10 0403 10 51 0403 10	50		0

Product description	CN codes	New UK quota volume (tonnes unless otherwise specified)	Agreed annual increase in UK quota volume (tonnes unless otherwise specified)	Applicable duty rate from 1 January 2021 (% of MFN)
containing added sugar or other sweetening matter or flavoured or containing added fruit, nuts or cocoa: - Yogurt: - - Flavoured or containing added fruit, nuts or cocoa: - - - In powder, granules or other solid forms, of a milkfat content, by weight: - - - - Not exceeding 1,5 % - - - - Exceeding 1,5 % but not exceeding 27 % - - - Other, of a milkfat content, by weight: - - - - Not exceeding 3 % - - - - Exceeding 3 % but not exceeding 6 % - - - - Exceeding 6 % - Other: - - Flavoured or containing added fruit, nuts or cocoa: - - - Other, of a milkfat content, by weight: - - - - Not exceeding 3 % - - - - Exceeding 3 % but not exceeding 6 %	53 0403 10 91 0403 10 93 0403 10 99 0403 90 0403 90 91 0403 90 93			
Margarine; edible mixtures or preparations of animal or vegetable fats or oils or of fractions of different fats or oils of this chapter, other than edible fats or oils or their fractions of heading 1516: - Margarine, excluding liquid margarine	1517 1517 10	61		0
Sugar confectionery (including white chocolate), not containing cocoa: - Other	1704 1704 90	52		0
Chocolate and other food preparations containing cocoa: - Other preparations in blocks, slabs or bars weighing more than 2 kg or in liquid, paste, powder, granular or other bulk form in containers	1806 1806 20 1806 31 00 1806 32 1806 90	157		0

Product description	CN codes	New UK quota volume (tonnes unless otherwise specified)	Agreed annual increase in UK quota volume (tonnes unless otherwise specified)	Applicable duty rate from 1 January 2021 (% of MFN)
or immediate packings, of a content exceeding 2 kg - Other, in blocks, slabs or bars: - - Filled - - Not filled - Other				
Pasta, whether or not cooked or stuffed (with meat or other substances) or otherwise prepared, such as spaghetti, macaroni, noodles, lasagne, gnocchi, ravioli, cannelloni; cous-cous, whether or not prepared	1902	29		0
Bread, pastry, cakes, biscuits and other bakers' wares, whether or not containing cocoa; communion wafers, empty cachets of a kind suitable for pharmaceutical use, sealing wafers, rice paper and similar products	1905	195		0
Yeasts (active or inactive); other single-cell micro-organisms, dead (but not including vaccines of heading 3002); prepared baking powders: - Active yeasts	2102 2102 10	116		0
Yeasts (active or inactive); other single-cell micro-organisms, dead (but not including vaccines of heading 3002); prepared baking powders: - Prepared baking powders	2102 2102 30 00	5		0
Sauces and preparations therefor; mixed condiments and mixed seasonings; mustard flour and meal and prepared mustard:	2103	14		0
Soups and broths and preparations therefor; homogenized composite food preparations: - Soups and broths and preparations therefor	2104 2104 10 00	61		0

Product description	CN codes	New UK quota volume (tonnes unless otherwise specified)	Agreed annual increase in UK quota volume (tonnes unless otherwise specified)	Applicable duty rate from 1 January 2021 (% of MFN)
Waters, including natural or artificial mineral waters and aerated waters, not containing added sugar or other sweetening matter nor flavoured; ice and snow	2201	143		0
Waters, including mineral waters and aerated waters, containing added sugar or other sweetening matter or flavoured, and other non-alcoholic beverages, not including fruit or vegetable juices of heading 2009	2202	227		0
Cigars, cheroots, cigarillos and cigarettes, of tobacco or of tobacco substitutes: - Cigarettes containing tobacco	2402 2402 20	14		0
Waters, including natural or artificial mineral waters and aerated waters, not containing added sugar or other sweetening matter nor flavoured; ice and snow	2201	20		12
Cigars, cheroots, cigarillos and cigarettes, of tobacco or of tobacco substitutes: - Cigarettes containing tobacco	2402 2402 20	37		27
Quality sparkling wine Wine of fresh grapes	ex 2204 10 ex 2204 21	2,125	41	Exemption

Rules of Origin

82. In free trade agreements, rules of origin are used to determine the economic nationality of a good. In order to qualify for preferential tariff rates, a good has to “originate” in the territory of one of the parties to the agreement. The trade pillar in a free trade agreement may also allow materials originating and/or processed in a country other than the exporting party to count towards meeting the specific origin requirements for preferential treatment, a process known as “cumulation”.

83. There are two main categories relevant to determining whether goods “originate” in the exporting country for the purposes of a free trade agreement:

- a. **Wholly obtained** – These are goods that are wholly obtained or produced entirely in a single country. Examples include mineral products extracted from the soil and live animals born and raised there.
- b. **Substantial transformation** – These are goods that are made from materials which come from more than one country, and the origin is therefore defined as that of the country where the goods were last substantially transformed. This can be determined in three ways:
 - i. **Value added** – This type of rule requires that a particular proportion of the final value of the product be added in the exporting country.
 - ii. **Change in Tariff Classification (“CTC”)** – This type of rule requires that the final product be sufficiently different from the imported materials so that it moves to a different tariff classification altogether.
 - iii. **Specific processing or manufacturing** – These rules typically apply where value added or CTC rules may not adequately determine originating status, and where specific processes are required to meet originating criteria.

- 84. During the transition period, all UK content is currently considered as “originating” in the EU and UK exports are designated as “EU origin”. This means that originating materials from, and processing in, the UK and the rest of the EU can be used interchangeably in bilateral trade with existing EU free trade agreement partners. This will no longer be the case when existing EU free trade agreements stop applying to the UK at the end of the transition period.
- 85. At that point, the designation of UK exports will shift from “EU” originating to “UK” originating and EU content will (unless specific provision is made in new agreements) no longer count towards meeting the origin requirements for preferential treatment for either party. This would have implications for goods traded between the UK, EU and North Macedonia.
- 86. To address these implications and to provide maximum continuity for business, the UK-North Macedonia Agreement provides that EU materials can continue to be used, and count as originating (i.e. cumulated), in UK and North Macedonia exports to one another. Furthermore, EU processing can continue to be used and count as originating in UK exports to North Macedonia. The possibilities to cumulate with other third countries, as per the EU-North Macedonia Agreement, are replicated in the UK-North Macedonia Agreement on the same terms.
- 87. The cumulation arrangements are set out in detail in Title II (Definition of the concept of ‘originating products’) of the RoOs Protocol and are subject to satisfying certain conditions specified in the Agreement.
- 88. North Macedonia and the UK (as it continues to be bound by agreements to which the EU is a party) are currently contracting parties to the Regional Convention on pan-Euro-Mediterranean preferential rules of origin (“PEM Convention”) and apply the PEM Convention between them. The PEM Convention is a multilateral agreement that harmonises preferential rules of origin across the Euro-Med area and provides for cumulation between contracting parties to that Convention. The UK’s future relationship with the PEM Convention is yet to be determined, so the UK-North Macedonia Agreement reflects the provisions of the PEM Convention in a bilateral context with modifications.
- 89. The text of the RoOs Protocol can be found in incorporated Protocol 4 of the UK-North Macedonia Agreement.

Impact

90. If cumulation of EU content for the UK and North Macedonia was not permitted under the UK-North Macedonia Agreement, some UK and North Macedonian based exporters could find themselves unable to access preferences as they are currently able to under the EU-North Macedonia Agreement.
91. UK exporters to North Macedonia who rely on EU inputs might have to revert to paying MFN tariff rates if they continue using EU content, or they might have to review and reassess their existing supply and value chains as a result of this change to the existing terms. The impact would, of course, vary across sectors.
92. The UK-North Macedonia Agreement provides only for trade between the UK and North Macedonia and does not provide for either Party's direct trade with the EU, including, for example, where UK and North Macedonia country-based exporters use content from each other in exports to the EU. The imposition of higher MFN tariffs on such exports may have a minor negative impact on trade flows.

Customs

93. The EU-North Macedonia Agreement customs provisions are replicated in the UK-North Macedonia Agreement, *mutatis mutandis*. However, minor changes have been made to the following provisions of incorporated Protocol 5:
- a. Article 10(2), by removing the reference to legal provisions in force in the EU Member States; and
 - b. Article 13(1), by removing reference to the customs services of the European Commission; and
 - c. Article 14(2), by substituting text to note the precedence of incorporated Protocol 5 over any incompatible provisions of any bilateral agreement on mutual assistance concluded between the UK and North Macedonia prior to the date of signature of the UK-North Macedonia Agreement.
94. In addition, Article 14(1), which relates to the respective competencies of the European Community and the Member States, was amended as certain elements of this provision were no longer relevant in a bilateral context. These changes are not expected to have a significant impact on trade flows.

Sanitary and Phytosanitary Measures

95. Sanitary and Phytosanitary Measures (SPS) articles in free trade agreements concern the application of food safety and animal and plant health regulations. SPS provisions in free trade agreements allow countries to set standards and regulations that allow for the protection of human, animal or plant life and health. Trade agreements may contain SPS provisions which, for example, increase transparency in the application of SPS measures, or allow the recognition of equivalent measures in relation to animal health, or set import requirements, including health certification.
96. Article 100 of the EU-North Macedonia Agreement requires, *inter alia*, North Macedonia to gradually harmonise its SPS legislation with EU standards. This requirement has been deleted as it is not relevant to the UK-North Macedonia Agreement. This change will not have an impact on the operation of the Agreement, nor any significant impact on trade flows.

Intellectual Property, including Geographical Indications

97. Our existing obligations on intellectual property (“IP”) found in international agreements will remain in place. The UK will remain a Member of the World Intellectual Property Organization (“WIPO”) and remains fully compliant with those WIPO treaties to which we are already a party. The UK will also remain fully compliant with the World Trade Organization’s Agreement on the Trade-Related Aspects of Intellectual Property Rights (“TRIPS”).
98. Article 71(2) of the EU–North Macedonia Agreement has been removed from the new UK–North Macedonia Agreement. Article 71(2) relates to approximation and therefore is not relevant to the UK–North Macedonia context.
99. Article 71(3) of the EU-North Macedonia agreement has also been removed from the new UK-North Macedonia agreement. Article 71(3) provided that North Macedonia undertakes to accede, within a set period of time, to certain multilateral conventions on intellectual property. North Macedonia has now done so and fulfilled this obligation. We do not expect these changes to have an impact on trade flows.
100. The UK-North Macedonia Agreement retains the same level of protection for geographical indications (“GIs”) that are provided for in the EU-North Macedonia Agreement by incorporating the Additional Protocol to the EU-North Macedonia Agreement. In fact, while the provision for GI protection exists in the EU-North Macedonia Agreement, there are currently no GIs protected under that Agreement. This means that, if the UK-North Macedonia Agreement enters into force prior to any GIs being protected under the EU-North-Macedonia Agreement, then both the UK and North Macedonia will need to submit lists of GIs for protection under whatever the processes will be for standard approval in the respective parties after the date of entry into force. On the other hand, any GIs (relating to the UK and North Macedonia) protected under the EU-North Macedonia Agreement prior to the UK-North Macedonia Agreement entering into force will continue to be protected under the UK-North Macedonia Agreement.
101. These changes are not expected to have a significant impact on trade flows.

Government Procurement

102. Government procurement commitments in trade agreements provide enforceable rules and standards for a transparent and non-discriminatory framework on government procurement. They also liberalise specific procurement markets between the parties and provide enforceable market access commitments.
103. The UK-North Macedonia Agreement substantially retains the commitments on public procurement that relate to the UK and North Macedonia. In line with the EU-North Macedonia Agreement, the UK-North Macedonia Agreement requires the Parties to open their respective public procurement markets to each other by incorporating the relevant government procurement provisions into the UK-North Macedonia Agreement, *mutatis mutandis*.
104. The UK-North Macedonia Agreement includes modifications of Article 72 of the EU-North Macedonia Agreement to ensure its proper operation in a bilateral context. These modifications can be found at (g) and (h) of "Modifications to Title VI (Approximation of Laws and Law Enforcement) and are not expected to have a significant impact on trade flows. Technical Barriers to Trade
105. Technical Barriers to Trade (“TBT”) articles in free trade agreements cover aspects relating to regulations, standards and conformity assessment for goods. TBT provisions in preferential trade agreements play an important role in reducing non-tariff barriers for businesses, for example, through increasing the transparency of a trading partner’s regulatory requirements. Changes to these provisions have been limited to non-substantive technical changes.

106. Article 73 in the EU-North Macedonia Agreement originally contained provisions for North Macedonia to approximate their legislation to the EU *acquis*. We have followed the general approach detailed earlier in this Report and removed this provision from the UK-North Macedonia Agreement, as it would not be appropriate to replicate such a provision in a bilateral context. This change is not expected to have a significant impact on trade flows.
107. Neither of the above changes to TBT provisions is expected to have a significant impact on trade flows.

Competition, State Aid and State-Owned Enterprises

108. Chapters or articles in trade agreements relating to competition, and subsidies/state aid help to ensure that open and fair competition exists for both parties.
109. The EU-North Macedonia Agreement contains provisions requiring North Macedonia to approximate its domestic legislation to that of the EU *acquis*. Such provisions have not been incorporated into the UK-North Macedonia Agreement, as it would not be appropriate to replicate them in an agreement with the UK. The removal of these approximation clauses is not anticipated to have an impact on the UK as these provisions applied to North Macedonia only.
110. Specific references in the EU-North Macedonia Agreement to EU competition and state aid rules have also not been incorporated into the UK-North Macedonia Agreement. In particular, Article 69(2) and the second indent of Article 69(4) of the EU-North Macedonia Agreement have not been incorporated into the Agreement as these provisions provide that certain practices in conflict with the EU-North Macedonia Agreement shall be assessed on the basis of criteria arising from the application of EU State aid rules. Other references to EU law have also been removed as it would not be appropriate to replicate such provisions in a bilateral context. These amendments are not anticipated to impact on British businesses as they will continue to be subject to UK domestic law which will not conflict with the provisions of the Agreement.
111. Other minor non-substantive technical changes to remove references to the EU *acquis* have been carried out in the areas of competition and state aid to ensure that the effect of the provisions are replicated without altering their substance. These modifications will not have any effect on the financial support the Government provides to our agricultural and fishing industries. As a result, it is not expected to have a significant impact on trade flows.

Services

112. Services chapters and corresponding annexes in free trade agreements set out the treatment and level of access to the domestic market granted to that trade partner's service suppliers and services. Commitments written into these agreements build upon the level of access and the treatment granted to all WTO members, whilst protecting governments' right to regulate their domestic markets.
113. Amongst the existing EU agreements with third countries, the content of the services chapters and depth of the commitments undertaken vary considerably. The variety of these services provisions have in some cases necessitated a bespoke approach to deliver continuity in services commitments between the UK and the third country. Some agreements have not required amendment whilst others have required technical alteration to their text to deliver continuity of effect. Where such technical changes have been necessary, the effects of the commitments undertaken in the EU agreement have been replicated as far as operable. For instance, where the underlying EU agreement referred to "day of entry into force of the Agreement" or "date of entry into force of the Agreement", the UK-North Macedonia

Agreement will include the date of entry into force of the EU-North Macedonia Agreement instead (Articles 56(1) and (2)).

114. The services provisions of the EU-North Macedonia Agreement are set out in Title V (Movement of Workers, Establishment, Supply of Services, Capital), Title VI (Approximation of Laws and Law Enforcement) and Title VIII (Cooperation Policies). Technical changes to these provisions are outlined below.

Movement of Workers

115. Title V, Article 46, of the EU-North Macedonia Agreement contains certain provisions relating to social security. In particular, that periods of insurance, employment or residence completed by workers from North Macedonia legally employed in EU Member States, including the UK, may be combined (aggregated) for the purpose of pensions and annuities in respect of old age, invalidity and death and medical care for such workers and their families (including industrial accident or occupational disease, or of invalidity resulting therefrom). Under the EU-North Macedonia Stabilisation and Association Agreement, citizens from North Macedonia who are legally working in the UK, are allowed to access family allowances in the UK for their family members resident in the UK. Pensions and some of the relevant benefits (in particular those concerning work related accidents, occupational illness, and invalidity) can be accessed both in the UK and if they return to North Macedonia.
116. In the UK-North Macedonia agreement, the reference to 'Member States' has been replaced by 'United Kingdom and the various Member States of the European Union', as the current policy is to allow workers to accumulate periods of employment in both the UK and different EU Member States for the purposes of social security.
117. This will require that the Parties have data sharing agreements in place with other Member States, which will provide for the protection of the data required. The Partnership, Trade and Cooperation Council established under Article 108 of the Agreement will be responsible for determining whether such agreements are appropriate and subsequently apply Article 46. The above changes are not expected to have a significant impact on trade flows.

Supply of Services

118. In Articles 55(3) and 56(1) of the UK-North Macedonia Agreement, we have substituted the words "the day preceding the day of entry into force of the Agreement" and "the entry into force of this Agreement" with "31 March 2004" and "1 April 2004", respectively, which are the date preceding the date of entry into force and the date on which the EU-North Macedonia Agreement came into force. This is to provide continuity of effect of the obligations contained in the underlying EU agreement and consequently is not expected to have a significant impact on trade flows.

Transport Services

119. Articles 57(1) and 98(1) of the EU-North Macedonia Agreement contain references to the Agreement between the European Community and the former Yugoslav Republic of Macedonia in the field of transport, which entered into force on 28 November 1997. These references have been replaced by references to the Agreement between the Government of the United Kingdom of Great Britain and Northern Ireland and the Macedonian Government on International Road Transport done at Skopje on 18 June 1996; which provides for a separate set of rules applicable to this matter in the bilateral UK-North Macedonia context. These changes are not expected to have a significant impact on trade flows.

Suspension of the Operation of Title V Provisions

120. Retaining references to approximation and adaptation of North Macedonia's legislation to the EU *acquis* is inappropriate under the UK-North Macedonia Agreement and so these have been removed. The Agreement does not commit North Macedonia to approximate its legislation to that of the United Kingdom. Nevertheless, at entry into effect, the operation of limited aspects of the UK-North Macedonia Agreement, will be on the basis of existing alignment between the UK and North Macedonia in the sectors relevant to trade in services (in respect of movement of workers, establishment, and supply of services). Included in the new article, Article 67A, are safeguards to accommodate for possible future divergences of the Parties' regulatory systems in relation to these matters covered by certain Title V provisions.
121. These safeguards provide that if a Party considers that the necessary level of alignment of their legislation is no longer reached, it may request consultations on the matter. If the matter is not resolved within 45 days of the consultation request date, a Party may suspend the operation of the provisions referred to in Article 67A(1) within 90 days of notifying the other Party.
122. Article 67A(5) was added to mitigate the risk that the Party suspending the provisions referred to in Article 67A offers the services or service suppliers of the other Party treatment no less favourable than that accorded to like services and service suppliers of any third country. These changes are not expected to have a significant impact on trade flows.

Human Rights

123. The provisions of the EU-North Macedonia Agreement concerning human rights are incorporated into the UK-North Macedonia Agreement, *mutatis mutandis*. Accordingly, the UK-North Macedonia Agreement provides that respect of democratic principles, human rights and the rule of law as well as market principles constitutes an essential element of the Agreement. In the event of a material breach of the UK-North Macedonia Agreement by one of the Parties, appropriate measures may be taken in accordance with international law, including the suspension of the Agreement. Incorporating these provisions is not expected to have a significant impact on trade flows.

