

Government response to the British-Irish Parliamentary Assembly's report
The effects of the post-Brexit trading environment on UK-Irish trade

30 March 2023

1. The Government welcomes the British-Irish Parliamentary Assembly's (BIPA) report on the effects of the post-Brexit trading environment on UK-Irish trade, and is grateful to the BIPA Economic Committee and to those who have provided evidence for the report.
2. On 27 February, the UK and EU agreed the Windsor Framework, which fundamentally amends the text and provisions of the original Northern Ireland Protocol, as referred to in BIPA's report. The new agreement will uphold Northern Ireland's integral place in the United Kingdom, address the democratic deficit and set out a new way forward.
3. Since the report's publication, the Government has been considering the evidence, findings and recommendations carefully and its responses to the issues raised in the report are set out below. Responses have been provided to the Committee's conclusions and recommendations.

The UK's departure from the European Union has resulted in greater friction for trade between Ireland and the United Kingdom. Since Brexit, the UK is no longer a member of the Single Market and the Customs Union, and so has the option to pursue international trade policies which produce greater or lesser trade friction if it judges these to be in its best interest. At the same time we note that, as a general principle, free trade between our nations has historically been to the benefit of all the people of our islands. We hope that both the UK and Irish Governments maintain a strong commitment to encouraging free trade.

RECOMMENDATION 1: The UK and Irish Governments and the EU should work together to ensure that trade friction between the UK and Ireland is as low as it can possibly be in the new post-Brexit context. This should include working to ensure that new legal requirements entail the minimum possible burden on traders. We suggest some specific actions that could be taken in the section on 'implementing the new trading arrangements' below (Chapter 3, paragraph 16)

4. As BIPA's report acknowledges, trade between the UK and the EU is underpinned by the Trade and Cooperation Agreement (TCA). The TCA is the world's largest zero-tariff, zero-quota free trade agreement. The UK is committed to implementing the agreement in full, using the governance arrangements stipulated in the TCA to address any issues with the EU.

5. The UK has a deep and unique relationship with Ireland, our closest neighbour. We have shared values, extensive people-to-people ties and a Common Travel Area. In 2022, Ireland was the UK's sixth largest trading partner, our fourth largest export market. We will continue to cooperate closely across a wide range of areas.
6. However, UK-Ireland trade relations have experienced significant changes since the UK left the EU. According to the latest statistics from HMRC¹, in 2022, the value of UK imports from Ireland was £18.6bn and the value of exports was £29.8bn. Compared to the same period in 2019 (January to December), at current prices, imports and exports from Ireland increased by 34% and 36% respectively. The growth of UK exports to Ireland were boosted by mineral fuels (up by almost three times) and organic chemicals (up over £2.8bn, from just £0.4bn), but other areas such as vehicles (down 24%) experienced a reduction. The growth of imports from Ireland was mainly driven by organic chemicals (increased by over six times), counterbalanced by a decline in trade of pharmaceuticals (down 34%).
7. To note, there have been a number of shocks to international trade between 2019 and 2022, including COVID-19, global supply chain disruption, and inflation. It is very difficult to isolate the impacts of these individual shocks from more local conditions.
8. The Windsor Framework preserves seamless market access for goods for Northern Ireland businesses, supporting integrated supply chains that rely on movements between Northern Ireland and Ireland, as requested by many businesses. The Government is continuing to ensure businesses have support to trade effectively with the rest of Europe, including through the Export Support Service (ESS) which provides a single point of entry and support for businesses exporting to Europe (and later, subject to the success of the programme, to businesses exporting to the rest of the world).
9. Our focus, working with the Irish Government, is on sensible, practical trade arrangements that maintain market access for Northern Ireland while protecting the UK and EU internal markets. This will not involve new checks or controls at the international border between Northern Ireland and Ireland, but will use data-sharing and risk analysis to target those who may seek to abuse these arrangements which guarantee the smooth flow of goods within the UK internal market. We will shortly publish the Border Target Operating Model (TOM) that will set out the new requirements for importing goods into GB from countries inside and outside the EU, including Ireland.

¹ The Government's decision to temporarily allow traders importing non-controlled goods from the island of Ireland into Great Britain to make delayed declarations, up to 175 days after import, while discussions between the UK and EU on the Northern Ireland Protocol are ongoing, has likely impacted the completeness of underlying data.

Brexit, which resulted in the Withdrawal Agreement and the Northern Ireland Protocol, has resulted in trade frictions between Great Britain and Northern Ireland. This change has impacts in Northern Ireland, in part as it is perceived by many unionists as creating new separation between Northern Ireland and other parts of the United Kingdom. The Protocol was agreed out of a sincere desire on all sides to protect all aspects of the Belfast/Good Friday Agreement, and to protect the integrity of both the EU Single Market and the UK Internal Market. If implemented in the right way, the Protocol could achieve these aims. However, as things stand there is more progress to be made to reduce the frictions on intra-UK trade and address concerns about protecting all dimensions of the Belfast/Good Friday Agreement.

RECOMMENDATION 2: The UK and Irish Governments and the EU should work together to ensure that trade friction on GB-NI trade under the Northern Ireland Protocol is as low as it can possibly be. In doing so they must recognise the utmost importance of protecting all dimensions of the Belfast/Good Friday Agreement. We suggest some specific actions that could be taken in the section on 'implementing the new trading arrangements' below. We note that the UK Government has introduced the Northern Ireland Protocol Bill, but that its preference remains for a negotiated solution. We also note the EU's concerns regarding the legality of the unilateral action /proposed in the UK's Northern Ireland Protocol Bill. The UK and the EU need to continue negotiations in order to achieve that negotiated settlement. (Chapter 3, paragraph 29)

10. As BIPA acknowledges, the Protocol has caused real problems in Northern Ireland.
11. The Government's view is that more fundamental change was required than the Assembly suggests, and the recently agreed Windsor Framework addresses those long-standing problems. It will restore the smooth flow of trade within the UK internal market by removing burdens that have disrupted East-West trade. While goods going to the EU will remain subject to full EU law checks and controls, bespoke arrangements, under a new UK internal market scheme, will scrap unnecessary red tape for internal UK movements – including burdensome 'third country' processes such as officially-signed certificates for individual food products and customs declarations for consumer parcels. In their place will be new data-sharing arrangements to monitor and manage risks, with qualifying internal UK traders able to move goods without tariffs, on the basis of ordinary commercial information, and without physical checks unless there is a specific risk or intelligence basis, such as to prevent smuggling or other criminality.
12. As set out in the Command Paper of February 2023, we will work with business groups, traders and other operators to set out more detail on these arrangements; help prepare for the changes ahead; and ensure that we have provided clarity and certainty to businesses and citizens on the way forward following the agreement of the Windsor Framework.
13. With the Windsor Framework, the UK and EU have found a sustainable basis, which protects the economic rights of the people of Northern Ireland and respects the aspirations and identity of all communities, as is the responsibility of the sovereign Government under the Belfast (Good Friday) Agreement. The Government will therefore not be proceeding with the Northern Ireland Protocol Bill.

Early evidence suggests that Brexit has had significant effects on patterns of trade both within the UK and between the UK and Ireland. However, more can be done to understand these effects, particularly regarding trade between Great Britain and Northern Ireland. (Chapter 4, paragraph 38)

RECOMMENDATION 3: The UK and Irish Governments should each review their arrangements for collecting trade data on UK-Irish trade. They should aim to provide six-monthly statistical updates on North-South and East-West (both GB-NI and GB-Ireland) trade, and make their data publicly available to the greatest extent possible to enable public scrutiny. To ensure consistency, the relevant statistical authorities should agree a common methodology for recording and reporting this data. The Committee finds it concerning that a common basis does not currently exist. These arrangements should be put in place within the next 12 months and reported to the Assembly. (Chapter 4, paragraph 39)

14. There are differences in how the EU and UK record trade in goods. HMRC is responsible for collecting and publishing the value of imports and exports of goods between the UK and the EU, based on the International Merchandise Trade Statistics (IMTS) methodology. Data relating to goods movements between Great Britain and the EU are collected from customs declarations, while goods movements between Northern Ireland and the EU are sourced from monthly Intrastat² survey declarations. Currently there are no plans to harmonise the reporting of Trade Statistics. However, HMRC publishes statistics on NI trade with Ireland on a quarterly basis through its statistical release: Regional Trade in Goods Statistics.
15. The trading arrangements, established under the Windsor Framework, will be underpinned by new data-sharing arrangements, using commercial data and technology to monitor trade flows, rather than relying on international customs procedures that were inappropriate for UK internal market movements.
16. The Government also recognises the separate responsibility to strengthen our own protections for the UK internal market - using the full remit of the Office for the Internal Market, and sharing trade data to ensure that it can monitor and provide assurance that future regulatory changes minimise trade diversion or the creation of new regulatory barriers within the UK internal market.

² Intrastat is a mandatory EU survey to capture trade across member states

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Brexit has created new possibilities for some UK and Irish businesses, but has also created new challenges for others. In some cases Brexit has contributed to higher prices and reduced availability of goods for consumers. (Chapter 4, paragraph 52)

RECOMMENDATION 4: The UK and Irish Governments and the devolved administrations should support businesses to access the possibilities of the post-Brexit trading environment. At the same time, there are both winners and losers from Brexit and care should be taken to protect long-standing patterns of trade and consumers' interests. (Chapter 4, paragraph 53)

17. The Government welcomes the important point raised by BIPA and recognises the importance of supporting businesses in accessing the benefits of trade in a post-Brexit environment.
18. The TCA between the UK and the EU is a comprehensive free trade agreement. It provides for streamlined customs arrangements, including recognising our respective trusted trader schemes, supporting the smooth flow of goods at the border and reducing administrative costs for traders.
19. The Government is continuing to ensure businesses are supported to trade effectively with the rest of Europe, and to seize new opportunities as we strike trade deals with the world's fastest growing markets. The Export Support Service (ESS) provides a single point of entry and support for businesses exporting to Europe (and later, subject to the success of the programme, it will be extended to businesses exporting to the rest of the world). The ESS provides guidance and support for businesses on export controls and customs clearances.
20. The Windsor Framework includes new trading arrangements for Northern Ireland that deliver solutions to protect choice for consumers whilst also working for businesses in Northern Ireland and those who trade with Northern Ireland. We will work with business groups, traders and other operators to set out more detail on the new trading arrangements and to help prepare for the changes ahead.

Delays in political decision-making have made it more challenging for businesses to prepare for the future and adapt to the post-Brexit trading environment. (Chapter 5, paragraph 60)

RECOMMENDATION 5: The UK and the EU, when considering the implementation of the Northern Ireland Protocol, must work constructively to reach agreed solutions that provide clarity and stability for traders and for the UK and Irish economies. We note that the UK Government has introduced the Northern Ireland Protocol Bill, but that its preference remains for a negotiated solution. We also note that the EU has objected to the provisions of the Northern Ireland Protocol Bill, and has launched infringement proceedings against the UK for non-compliance with aspects of the Northern Ireland Protocol. (Chapter 5, paragraph 61)

21. The Government's preference was always to achieve a negotiated outcome and to work with the EU to resolve the practical issues the Protocol has created, including providing clarity and stability for traders.
22. The UK and the EU are both firmly committed to a positive, constructive relationship as partners.
23. With the Windsor Framework, the UK and EU have found a sustainable basis on which we can consider the issues caused by the Protocol to have been addressed. The Government will therefore not be proceeding with the Northern Ireland Protocol Bill. In turn, the EU will not proceed with the seven separate legal actions it had launched against the United Kingdom – on issues from parcels to pets – reflecting the shared desire for a positive bilateral relationship now and into the future.

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We have heard that creative thinking and dialogue have helped to overcome some of the initial challenges traders faced in January 2021. (Chapter 5, paragraph 66)

RECOMMENDATION 6: *We welcome the work governments and agencies have done so far to find practical solutions to traders' problems. We encourage both sides to continue to show flexibility and to prioritise outcomes for the people and businesses of our islands. (Chapter 5, paragraph 67)*

24. The Government welcomes BIPA's recommendation and recognises the importance of understanding the concerns facing people and businesses.
25. The Government has engaged with stakeholders, including businesses in Northern Ireland and Great Britain, and regulators, to understand the problems they faced. We have listened carefully to traders in Northern Ireland on the best way forward: recognising that we need to safeguard the UK internal market and the availability of goods, while avoiding duplication for traders and preserving market access benefits for Northern Ireland's crucial agricultural and manufacturing sectors.
26. The Windsor Framework delivers solutions that will protect choice for consumers and work for businesses in Northern Ireland. The agreement establishes new arrangements in which UK, not EU, standards and regulations apply for essential retail trade and tax, and the ECJ oversight that comes with it. It also preserves full and unrestricted access for Northern Ireland businesses to sell goods in both their most important market in Great Britain and the whole of the EU Single Market.
27. We will set out further detail, including through guidance to traders, on the forward pathway for these changes to take effect.
28. With respect to the broader economic relationship between Ireland and the UK, we continue to have positive engagements on live regulatory and policy challenges. For example, the Irish audit regulator has agreed with the UK's Financial Reporting Council that it can now inspect audits of UK Public Interest Entities based in Ireland, facilitating cross-border trade in audit services. The UK and Ireland will cooperate on offshore renewables through our forthcoming participation in the North Seas Energy Cooperation.

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The current definition of ‘goods not at risk’ is fairly narrow, reflecting the EU’s understandable caution about protecting the Single Market. However, over time it may be possible to broaden this definition and so reduce trade frictions and costs to businesses and consumers. (Chapter 5, paragraph 74)

RECOMMENDATION 7: *The UK and the EU should cooperate and share data to develop a sophisticated understanding of the real risks posed to the Single Market by goods entering from the UK. This data should then be used to refine the definition of ‘goods not at risk’ of entering the Single Market over time, so that trade frictions can be limited to the level strictly necessary to limit the risk to the Single Market to an acceptable level. We recommend that the necessary data-sharing arrangements are established as soon as possible, and no later than twelve months after the publication of this report. (Chapter 5, paragraph 75)*

29. The Government remains committed to cooperation with the EU on providing protections to its Single Market, including on data sharing.
30. On 9 January, the UK and EU agreed a way forward on the new data system created by the UK to provide live information about goods moving from GB to NI. The EU Access System provides EU officials the goods data they need to monitor GB-NI sea crossings and reassure the EU that the Single Market is protected.
31. The system has been operational since January 2022 and we have been working with the EU to ensure the system meets their needs, including through an intensive testing period in November. HMRC have committed to continue working with the EU to make ongoing improvements.
32. Data sharing underpins what we will achieve with our green and red lane arrangements under the Windsor Framework. To ensure that we properly protect internal UK trade, the agreement significantly expands the number of businesses eligible to be classed as internal UK traders and move goods as ‘not at risk’ of entering the EU through three important changes:
 - a. First, businesses throughout the United Kingdom will now be eligible - moving away from the previous restrictions that required physical premises in Northern Ireland.
 - b. Secondly, we will increase the turnover threshold below which companies involved in processing can move goods under the scheme which they can show stay in Northern Ireland - quadrupled from the current £500,000 limit up to £2m, meaning four-fifths of manufacturing and processing companies in Northern Ireland who trade with Great Britain will automatically be in scope.
 - c. Thirdly, even if firms are above that threshold, they will be eligible to move goods under the scheme if those goods are for use in the animal feed, healthcare, construction and not-for-profit sectors. They will be able to do this even as intermediaries or if they sell on the eventual product, in a significant improvement to the existing arrangements. Inputs into food production will continue to benefit from inclusion in the ‘not at risk’ definition.

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Sanitary and Phytosanitary controls are one of the major sources of trade friction in the Irish Sea. The island of Ireland was treated as a single epidemiological unit even before Brexit, and it is right that some controls should be maintained to contain disease. However, the UK and the EU are both committed to high food and animal health standards, and this commitment means there is scope for reducing the administrative burden and the frequency of checks. The European Commission's recent proposals are a positive development in this regard. (Chapter 5, paragraph 82)

RECOMMENDATION 8: *The EU and the UK should seek to reach an SPS agreement to reduce the administrative and cost burden of animal health checks for products crossing the Irish Sea. The UK and the EU need to continue negotiations in order to achieve that negotiated settlement. (Chapter 5, paragraph 83)*

33. The Government has engaged extensively with the EU on reducing the burden of sanitary and phytosanitary (SPS) checks and controls.
34. Through the Windsor Framework, we have secured a new sustainable, long-term legal framework for agrifood retail trade into Northern Ireland.
35. For agrifood movements from Great Britain to Northern Ireland, the Windsor Framework reduces friction, whilst continuing to protect our own biosecurity and the biosecurity of the Single Market. For example:
 - All traders moving agrifood goods for the final consumer in Northern Ireland can become members of the UK-run scheme – including retailers, wholesalers, caterers and those providing food to public institutions like schools and hospitals.
 - Bans on British products such as sausages entering Northern Ireland will be scrapped permanently, with those goods available on the shelves in Great Britain again able to move smoothly to Northern Ireland.
 - The threat of up to 500 certificates for a single truck will be replaced with a single document confirming that goods are staying in Northern Ireland and are moved in line with the terms of our internal market scheme. That document will be electronically and remotely processed, without being physically checked. There will be no need for official veterinarians or plant inspectors on site in supermarket distribution centres or costly 'attestation' supporting documentation for products, with proportionate arrangements for competent authority oversight based on risk and intelligence.
 - The scheme will not be limited solely to goods from Great Britain or the EU. Goods from across the world can be moved in the scheme, either where they are processed in the UK, where they meet UK public health standards and pose no disease risks, or, where there are potential disease risks for products moved from the rest of the world, where the UK has chosen to take the same approach to protecting against the same pests and diseases.
 - The green lane will be expanded to include food retailers such as supermarkets and hospitality businesses, significantly reducing SPS checks and costly paperwork, and ensuring choice for consumers on supermarket shelves.
36. This agreement also conforms to our long-standing recognition of the special need to protect the biosecurity of the island of Ireland, preventing animal and plant disease. This is, in effect, a dual-regulatory solution that will protect choice for consumers whilst also working for businesses in Northern Ireland.

Stakeholders told us they needed certainty about the trading environment to be able to plan for the future. We heard that uncertainty about the UK's plans for introducing full import controls on goods entering Great Britain from Ireland was unhelpful. (Chapter 5, paragraph 86)

RECOMMENDATION 9: *The UK Government should prioritise the needs of traders when setting and communicating its plans for implementing post-Brexit trading arrangements. Specifically, it should not set a further date for the introduction of controls on goods entering Great Britain from Ireland until it is sure that target will be met. Traders should be given a lead-in time of at least six months to be able to prepare for the new arrangements. (Chapter 5, paragraph 87)*

37. The Government recognises that implementing new arrangements for goods moving from the Island of Ireland, whether from Ireland or from Northern Ireland, is particularly complex.
38. In April 2022, the UK Government announced that it would not be introducing the July import controls and instead would set out its new border controls regime, the Target Operating Model (TOM). The TOM plans to deliver a world leading standard for the import of goods to Great Britain that will be underpinned by an intelligent data driven approach to risk management.
39. There will be a sensible and pragmatic approach to the implementation of the model which will be phased, and those major milestones for stakeholders clearly identified. We can assure BIPA that businesses will be given sufficient time to prepare.

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Both the UK and Ireland were able to prevent significant day one disruption at ports. There are longer term challenges for the UK around preparing permanent infrastructure both in Northern Ireland and in Great Britain. Some GB ports have expressed concerns that the way checks are conducted on goods entering GB from Ireland could create market distortions. (Chapter 5, paragraph 90)

In particular, there are concerns that some routes would need to charge for using facilities while other facilities would be free to use. It is likely that these costs would ultimately fall on hauliers, their clients and consumers. (Chapter 5, paragraph 91)

RECOMMENDATION 10: The UK Government should clarify its policy on charging for use of inland inspection facilities for goods arriving from Ireland. It should ensure that its policy does not create market distortions that favour or penalise the use of some trade routes over others and increase costs for hauliers, their clients and consumers. (Chapter 5, paragraph 92)

40. The Government welcomes BIPA's recommendation and recognises the need to avoid creating market distortions.
41. The TOM will set out our new regime of border controls and create a seamless new 'digital' border where the harnessing of new technologies, real-time data and better coordination will reduce friction and costs for businesses and consumers and create a radically simpler yet secure experience for traders moving goods across the UK border. We will publish a draft TOM shortly and will ensure that business has time to prepare for the changes.
42. We are currently developing our charging policy and are working closely with the devolved administrations, since we recognise the need to avoid creating market distortions. We will set out this policy soon.

Traders who move goods from GB to the island of Ireland face higher costs because of the need to comply with EU rules. The UK Government's free Trader Support Service and Movement Assistance Scheme have mitigated the impact of this, but the long-term future of these services is uncertain. (Chapter 5, paragraph 94)

RECOMMENDATION 11: The UK Government should clarify the future of the Trader Support Service and Movement Assistance Scheme. It should consider what long-term support it will make available to support traders with the costs and administrative burdens of moving goods across the Irish Sea. Consideration should be given to making the Trader Support Service and the Movement Assistance Scheme permanent. (Chapter 5, paragraph 95)

44. The Government is committed to ensuring that businesses have the necessary support available, as evidenced by the establishment of the Trader Support Service (TSS) and the Movement Assistance Scheme (MAS). We have extended both services until December 2023 and are working to ensure there are sustainable solutions that work for businesses. The UK Government is committed to continuing to provide a free-to-use support service for traders.
45. MAS covers the costs of certification requirements that are currently in place for goods moving from GB that are destined for NI only. We will need to assess what support will continue to be needed under MAS, and how this dovetails into the new Digital Assistance Scheme.

It is likely that trade in goods from Ireland to Great Britain will also result in extra paperwork and costs once full controls are imposed. (Chapter 5, paragraph 97)

RECOMMENDATION 12: While we recognise the support already in place through Enterprise Ireland and other state agencies, the Irish Government should consider how it will support traders to meet any new requirements on trade with Great Britain once full controls are imposed. The experiences of GB-based traders, HMRC and the Trader Support Service could be instructive. (Chapter 5, paragraph 98)

43. HMRC and the Irish Revenue continue to work together closely on customs issues, including sharing information and ensuring traders are aware of the latest guidance.
44. As previously set out, the Government intends to publish a draft TOM that will set out border requirements for the UK. We will seek feedback on the arrangements for import controls on goods moving between Ireland and the UK. As part of this engagement on the draft model, the Government will be seeking views from a range of Irish stakeholders to support the final model.