

International Trade Committee

Oral evidence: [UK-EU trading relationship](#), HC 14

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Members present: Mark Garnier (Chair); Anthony Mangnall; Lloyd Russell-Moyle; Martin Vickers.

Questions 1 - 34

Witnesses

I: Dr Linda Yueh, Fellow in Economics, St Edmund Hall, Oxford University; Iana Dreyer, Founder and Director, Borderlex; Raoul Ruparel, Director, Centre for UK Growth, Boston Consulting Group; Sam Lowe, Partner, Flint Global.

Examination of Witnesses

Witnesses: Dr Linda Yueh, Iana Dreyer, Raoul Ruparel and Sam Lowe.

Q1 **Chair:** A very good morning to all our witnesses. My apologies for the slightly late start and also to fans of Angus Brendan MacNeil, who we would normally expect to see chair this Committee. He has, unfortunately, been caught up by Scotch mist at Glasgow Airport and cannot make it today, so I will be chairing this session. This is our eighth evidence session of our UK-EU trading relationship inquiry on future development in the trading relationship.

We have four witnesses today. In the room, we have Iana Dreyer and Raoul Ruparel; online, we have Linda Yueh and Sam Lowe. Perhaps we can have introductions—name, rank and serial number.

Iana Dreyer: I am very honoured to be here at the Committee once again. For people who do not know me, I am the editor and founder of a specialist news and analysis publication on international trade policy. We cover the European Union's trade policy, the UK's trade policy and what is happening at the World Trade Organisation. We are very niche and very specialist, so I hope to have a few insights to share today.

Raoul Ruparel: I am Raoul Ruparel, director of the centre for growth at BCG. I lead all our UK economics work. I was previously special adviser to the Prime Minister under Theresa May and worked on the Brexit negotiations for three years between 2016 and 2019.

Chair: You are well qualified.

Dr Yueh: Thank you very much for inviting me. I am Linda Yueh. I am a fellow in economics at St Edmund Hall at Oxford University, and I am also adjunct professor of economics at London Business School. I am currently visiting professor at the LSE, where I chaired the LSE commission on economic diplomacy, which examined the UK's positioning in the 21st century world economy after Brexit. I am honoured to be here. I am also an adviser to the board of trade.

Sam Lowe: I am Sam Lowe. I am a partner at Flint Global, a business advisory firm, where I run its trade and market access practice. Many apologies for not being able to be there in person, but I am Zooming in from Brussels, which feels appropriate, given the topic that we are discussing.

Q2 **Chair:** Thank you all very much for coming along. Perhaps I can open with Sam and Linda. There is an upcoming review of the TCA. Do you think that this is going to significantly change the terms of trade between the UK and the EU?

Dr Yueh: I do not think that it will, but it has the potential of reducing some of the frictions. The reason that I do not think that it will make a significant difference is that the UK remains outside the EU single market,



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which means that there are more non-tariff barriers between the UK and the EU when it comes to trade—for instance, customs checks, which are more comprehensive, rules of origin requirements, and SPS measures for trade in animals and plants.

These NTBs—non-tariff barriers—are probably responsible for the 25% fall in imports from the EU, which suggests that these frictions do affect EU exporters. Research from CEP at LSE, where I sit on the policy committee, has found that the non-tariff barriers increase prices and a lot of that gets passed through to consumers. With these kinds of non-tariff barriers, you can reduce the frictions by negotiating with the EU within the TCA, but, fundamentally, you are not going to achieve frictionless trade, because we sit outside the single market.

Then there are other issues around the fact that we are not in the EU regulatory system, which has implications for trade in terms of services. Those can also be improved through, for instance, bilateral recognition of professional service qualifications.

Those are all improvements, but I do not think that we would have a fundamental change, because we remain, as I say, outside the EU single market.

Q3 Chair: I am very interested, Linda, that you picked on imports from the European Union. Many people who are Brexiteers would argue that, given the fact that we have a trade deficit, and have done for a long time, with European Union on goods, that is no bad thing. What have we seen in terms of UK exports to the EU? Has that been significantly affected by the stickiness?

Dr Yueh: There has been a small decline in exports to the EU, but it has not really been affected. As you mentioned, this is for goods trade. What the research has found is that there is a decline in trading relationships between UK and EU exporters and importers, which suggests that there could be changes in the future when it comes to exporting, because we have to be aware that a lot of exports are around supply chains. It is a very unusual couple of years, because of the pandemic, but it does look like there has not been an impact as of yet on our exports to the EU. We do sell a lot of services, and that probably is also worth bearing in mind. That sits largely outside of this zero-tariff rules of origin agreement that we are talking about right now.

Chair: We have some questions a little later on financial services in particular. Sam, did you want to add anything to that?

Sam Lowe: Yes. I would agree with Linda that, if you accept that the political constraints remain the same—which they may not, but we have to work on the assumption that they will do—that the UK will not reconsider its decision to exit the single market and customs union, and that any review and renegotiation needs to be viewed in that context, any improvements to the trade and co-operation agreement will be marginal in terms of the aggregate trade relationship, although there



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could be quite significant improvements for specific sectors. For example, if you were to deepen the veterinary relationship, as we might discuss, that could have quite a significant positive impact for companies trading in food.

One point that I would like to make is that we are mentioning this in the context of improving the relationship in the context of the review clause, but the trade and co-operation agreement does not include just one review clause. You have the review of the whole agreement after five years, but you also have different review mechanisms. For example, in the context of rebalancing, there may be a decision by either party to review the agreement to assess whether the balance of access and obligations remains the same, which then would require an amending agreement.

If there is no decision made, it could then lead to the termination of the trade bit and other bits of the agreement. You also have reviews in relation to fish and energy, which I assume will be slightly contentious. While there is this possibility of the agreement improving as a consequence of reviews, it could also deteriorate, and we should bear that in mind.

Q4 Anthony Mangnall: On that point about reviewing, I should also say that I have the largest fishing port in England and Wales, so, when it comes to fish, I am pretty interested in the direction of travel. How good are the mechanisms around the specialised trade committees for helping to review and push along the objectives of both sides? Taking the fishing sector, for example, we have had quite a lot of negotiations around the exports of live bivalve molluscs and trying to use the SPS specialised trade committee to enhance that relationship. I just wonder whether there is faith in those mechanisms and whether they are working, or was this just a bit of a sop? I would like to hear your answer before I add anything else to that.

Sam Lowe: The committees within the trade and co-operation agreement structure can be a useful mechanism for improving the relationship and resolving issues, but the challenge we have at the moment is that the political context they sit beneath is not particularly favourable towards improvement or making any decisions at all.

We have seen this in other areas. I am not sure if you saw some of the news over the weekend around discussions about rules of origin in relation to electric vehicles and a review that is coming up there, and there not being any progress, despite both the UK and the EU auto industry wanting to extend one of the deadlines.

The problem that you have is that we still have not really resolved Northern Ireland. There is still a lot of tension there and, until the political relationship between the UK and the EU stabilises, there is not much incentive on either side to progress on other areas, because, the moment you ask for something, there is a fear that it might be used as leverage



by the other party in other discussions. The committees themselves are good and can be useful. They could find solutions, but I do not think that they necessarily are at the moment.

Q5 **Chair:** Iana, in your view, is there any obvious low-hanging fruit in any of these discussions during the review that ought to improve trade and the terms of trade with the EU?

Iana Dreyer: I rather join Sam and Linda here in saying that the short answer is no, for all the reasons that have been stated. What I want to do is zoom out a little bit and explain how the EU views this agreement. In terms of its relationships with countries that are not in any way linked to the EU single market, this is the maximum possible FTA that it can give. It is the only FTA where there is absolutely zero duty and zero quotas, for example. Even on services and public procurement, it is the most open version that is possible within the legal environment and the way that the EU is set up. In terms of worldwide FTAs, it is also one of the most wide ranging of all.

For the EU, there is little incentive: "What is the point of improving this?" The next step from the EU side would be to say, "We can improve something, but you need to somehow align with our rules here and there". It can be done, potentially, in specific sectors, but that is how it is. There are big constraints when you have all the 27 member states behind this.

The second point that I wanted to make is that the TCA is still relatively young. It also came into force when we went into a pandemic, etc., so all these committees and the structure around it are still rather new to everyone. It is only starting to really work. I hear that the work is rather positive, but this relationship needs building. It needs time.

That said, in terms of low-hanging fruit, there are these review clauses in there that Sam mentioned here and there. There is the possibility to do small things, for example on the energy front, which we might go back to. One can do little things within the framework. The EU would not be in a hurry to review the agreement, and certainly not in a liberalising way.

To reinforce a point that Sam made, there is a risk that the EU becomes a bit more protectionist in the future vis-à-vis the US for reasons that have nothing to do with the TCA itself. It has embarked on a strategic autonomy trade agenda. It is trying to make its supply chains more resilient, with new legislation on semiconductors and, generally, a single market emergency instrument that includes the possibility, in times of supply chain crisis, as we witnessed during the pandemic, for the EU to introduce export restrictions, priority orders and things like that.

Given how integrated the economies of the UK and the EU still are after Brexit, there is a risk there that something goes wrong during a pandemic, if the political trust is not there. I understand that this was raised in one of the latest committee meetings, but that is something that



the UK must be watching very closely, because we are in a turbulent world where these crises might occur quite often.

Q6 **Chair:** Yes, absolutely, and some of them self-inflicted. Raoul, I am just wondering if you wanted to add anything, but also you might address a question that has been texted to me from the Western Isles, from Angus MacNeil. He asks whether any agreement is possible outside the single market and the customs union that will significantly remove the paperwork that exporters face in order to make it less sticky at the borders.

Raoul Ruparel: I agree with everything that has been said so far. A lot depends on the political context and the atmosphere. There are minor improvements that could be made if the political context improves. Areas that come to mind that have not been mentioned are youth mobility, both in terms of study and work, and potentially easier mobility for certain professions. We all know about the musicians and the creative industries issues.

There are a lot of areas where, even if you improve the political atmosphere, the EU has decided that those are off the table for its own reasons. We have, at various times, sought deeper agreement on mutual recognition of professional qualifications, conformity assessments, mutual recognition for products, and a more ambitious financial services deal. The EU has decided that, on all of those, it is just not in its interest to agree that with the UK. The distinction between what could be done in a better political atmosphere, and stuff that is just very unlikely until you join the single market or customs union, is important.

The other big area, which Sam touched on, is an SPS veterinary agreement that could make a difference. It accounts for a lot of certification, checks and controls at the border. People talk about different things when they talk about this, so it is worth distinguishing. The UK originally sought an equivalence agreement in SPS, which the EU has ruled out, so I do not think that there is anything in that space that is really doable, no matter the colour of the Government here or the political situation.

There are two other types of veterinary agreement. The first is the type that New Zealand has with the EU, which seeks to remove some of the checks and controls, and reduces particularly the proportion of checks. That would go some way to easing some of the processes at border, but it still falls far short of a frictionless, seamless border in SPS and veterinary agreement terms. In that sense, it would help marginally with the Northern Irish issue and the protocol.

The other type is more comprehensive, which is a Swiss-style deal. It requires full alignment of rules along the SPS and related acquis, so that would be more comprehensive and would reduce checks and controls. It would lead to something closer to a frictionless border, although there are questions around product labelling and tracking, and how that would



work. It is something that the Swiss do a bit of, but it is not clear that we could make that work, since we have been trying to do something like that in the Northern Irish space and it has been difficult. That would be much more comprehensive but it has, so far, been ruled out because it requires that alignment of rules. Those are the big things.

Beyond that, there really is not a huge amount that you can do beyond joining the customs union and single market, and dealing with the free movement issue, that would significantly ease the borders. We have sought a more facilitative customs agreement in negotiations at various stages and, again, the EU has decided that it is not in its commercial interests to secure that agreement.

We have sought to remove some of the barriers. For example, very early on, we saw that goods that were exported from one party to the other but not processed and then moved back to the other party lost their preferential tariff. That is something that is covered under CETA but not under the UK TCA. That was, again, simply a decision, because the EU does not want the UK to be a hub for processing or dispensing goods across the EU. A lot of these things are off the table, for reasons that the EU has taken around them not being in its commercial or political interests to agree.

Q7 **Lloyd Russell-Moyle:** Is there a possible landing space on that, or is it just that all those three options are ruled out by one or the other side?

Raoul Ruparel: I am surprised that we did not go for a New Zealand-type veterinary agreement. That would still be beneficial for both sides. It is something that the EU has been cautious of. It sees it as unique for New Zealand, to an extent, because of the distance and the lower volumes of trade. The volume of UK trade makes them concerned. I do not know if it is completely off the table. The Swiss-style deal is doable, potentially, but it just requires the political decision as to whether we are going to align with those rules.

Q8 **Lloyd Russell-Moyle:** That is our political will. The problem is that their political will is in one direction and our political will is in another direction. With a change of political will, there might be some movement there.

Raoul Ruparel: On that Swiss-style SPS, I would not want to say that there are not going to be technical issues and details to work out, but the principal blocker at the moment has been the UK political decision not to align with rules.

Lloyd Russell-Moyle: The next question is this: "In your view, what is the landing zone for negotiations towards a veterinary agreement that would reduce if not eliminate the SPS?" That is what we just discussed.

Q9 **Anthony Mangnall:** It is a really interesting one, because you can come back to shellfish. We wrote the rules on how we test waters, which the Europeans follow. We interpret them to a more stringent degree than the Europeans do, and now we cannot export our mussels as sufficiently as



we could while we were a member of the European Union, for obvious reasons. It is extraordinary that we are not finding the middle ground here on some of these things, partly, as Sam said, because of the Northern Ireland protocol. It does seem that all things hang on that one, but it is a source of huge frustration.

Sam, can I bring you back in? If the UK is interested in exploring mutual recognition on product standards, what is the EU going to ask?

Sam Lowe: This is quite a fascinating topic, at least to me. If we are talking specifically about mutual recognition of conformity assessment, this means that, in layman's terms, product testing entities located in the UK could certify that products produced in the UK met EU standards for the purpose of being placed on the EU market.

This was discussed quite a lot during the trade and co-operation agreement negotiations, and was something that the UK proposed and asked of the EU. There is a lot of precedent for the EU agreeing these types of mutual recognition of conformity assessment relationships with third countries, even those that it does not or did not at the time have a free trade agreement with. For example, these agreements exist with the US. They exist with Canada, before and in the context of CETA. The EU has this with New Zealand and Australia, so countries with which it does not yet have a trade agreement in force.

The UK was quite well within its rights to expect that the EU could agree something similar with the United Kingdom. The issue that the UK hit up against was that the EU looked at the UK and its testing capacity, and the fact that, while a member of the EU, a lot of EU testing happened in the United Kingdom, and took a decision that it did not want a mutual recognition agreement with the UK, because it feared that it would lead to the offshoring of the EU's testing capabilities. It was quite a hard-headed decision, and slightly mercantilist as well, because there are quite a lot of jobs associated with these testing facilities.

Given that there is some time between the UK having left the transition period and the single market, given the future review of the trade and co-operation agreement, and given that many of these testing facilities will have ultimately set up operations in the EU or will develop there, my question now is whether the UK could put this back on the table and whether the EU's perception of the risks will have changed. The risk might be lower. I do not know whether that is the case, but it could be.

It is certainly something that the UK could raise again and have some expectation of having a decent conversation on, with the potential of finding resolution, maybe not across the board but in specific sectors. The benefits to business here are not that you would necessarily have an easier time at the border, but it could reduce costs, because you would not have to do testing both in the UK and in the EU. You could just do it once.

Q10 **Anthony Mangnall:** Just out of interest, because there has been so



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much conversation around this, what impact do freeports have in this scenario in terms of being able to do things in the United Kingdom?

Sam Lowe: Freeports are a different issue to this. There are conversations around freeports, but, if we think that a freeport within a UK context leaves companies within its borders outside of the UK's customs territory, there is a question as to whether goods produced within them should qualify for tariff-free trade between the UK and the European Union. Under the current trade and co-operation agreement, they do, but there is a review clause—as I mentioned, there are lots of review clauses—that could lead the EU to revisit that, if it thinks that there is some sort of issue there.

You then also bring in the questions around subsidies, environmental concerns and the level playing field, because, of course, the UK's freeports proposals were not just about customs issues; they also had some provisions on increased subsidies, tax breaks and environmental concerns. There is a freeport discussion to be had, but it is not linked to the issue around product standards.

Q11 **Anthony Mangnall:** If we did reach an agreement, can you give a hypothetical scenario of what that would do on our trade and how that would, either positively or negatively—I presume positively—impact it?

Sam Lowe: It is difficult to say in terms of levels, but I can give a product-specific hypothetical. Say you were to produce a medical device in the United Kingdom. That is the sort of product that requires third-party certification, because it is risky. You do not want to just take someone's word for it.

Whereas that company would now have to get the product certified both in the UK and in the EU—or just in the EU, and we would recognise it in the UK, but we do not need to go into that—which leads to an increase in costs, if we had such an agreement on conformity assessment in relation to medical devices, we could have that tested once in the UK. That test would be sufficient for the product to be placed on the EU market as well, so long as it had been tested against both sets of standards, which are fundamentally the same.

Q12 **Anthony Mangnall:** How did that work over the pandemic with the vaccine? I am asking the question because I do not know the answer to this. Was this sped up during the pandemic for vaccine development in the UK to try to get vaccines into Europe? Did this perhaps set a precedent for what might be able to be done in the future?

Sam Lowe: I can discuss what happened on the UK side of this. I am unsure as to how exactly the EU approached it. On the UK side, we have fundamentally taken the decision on most things just to continue to recognise both EU certification and, in the context of vaccines, batch release, so we have not had an inward-bound problem. I am unsure as to the approach that the EU took specifically in relation to vaccines.



Iana Dreyer: Seen from Brussels, the approach with the EU MRAs for the EU and its neighbourhood is really not the same as for the United States or New Zealand. There is an expectation, because of the geographical proximity, and the size and volume of trade involved, that the EU holds these two things on track. On the substantive standards, the EU likes to see that the neighbouring country has its general standards system aligned with the EU's, and the mutual recognition of the certification. It comes on top and separately. That is the case with Ukraine. It is the same with Switzerland.

I just had the feeling that, in the UK, the conversation mixes both. The MRA issue is a very specific one that has to do only with conformity assessment and having some testing facilities being recognised. If there is a product produced to EU standard, your testing facility agrees to it. It will be easier for the EU to accept this if there is specific standards alignment, especially in the food area, where there is a lot of tetchiness and where there is very little in terms of MRAs so far. It is easier on the technical front. The UK has also joined all the standardisation bodies of the EU, so it is probably easier to get to something there in the longer run.

Q13 **Lloyd Russell-Moyle:** What could the UK offer the EU to secure easier labour mobility access without having to accept free movement? Raoul talked a bit about youth mobility and professional mobility, but are they realities that really can be achieved easily?

Sam Lowe: I will be brief, and I am sure that others will have views on this, but labour mobility and the specific labour mobility chapter is something that was discussed and proposed by the European Union during the trade and co-operation agreement negotiations.

The UK rejected the approach of having a specific chapter. It did try to include provisions, for example, covering musicians and artists via a different route, by extending the list of activities covered on a temporary mobility basis, but failed to reach an agreement.

One of the reasons why the UK did not want to include a specific chapter on mobility is that there was a concern about the EU provisions, which exist in all EU agreements, that say something along the lines of, "This agreement would extend to future members of the European Union". If you remember the sorts of conversations that were happening during the Brexit period around Turkey, that lingered on the mind of the UK negotiators, or so I have been told. The idea was that someone might say, "This could be extended to Turkey in future," even though most of us in this room would agree that the likelihood of Turkey joining the EU anytime soon is incredibly low. That caused a problem there.

However, my point here would be that, given that the EU has proposed this in the past, I am not so sure that it would be particularly contentious for the UK to say, "We want to return to this discussion and try to fix problems that we are experiencing for musicians, artists and others."



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There are, of course, limits to how far this can be extended and what the coverage of those provisions would be, including timelines, but we could make progress on it.

Q14 **Lloyd Russell-Moyle:** Could there be progress on the professional qualification alignment anytime soon? That was another sticking point, was it not?

Sam Lowe: Professional qualifications are technically quite difficult for the EU to negotiate externally, because it is not a centralised competence, by which I mean that the Commission does not grant qualifications. Qualifications are often granted within member states, often by private bodies. Just think about how qualifications are delivered in the UK, and all of the different bodies and organisations involved. It was quite challenging for the EU to resolve this within the EU. Externally, it struggles to say, "We instantly recognise a qualification granted in the UK" because, all of a sudden, you have to arrange that with all the different bodies within the European Union. Lots of these bodies are fairly protectionist, as in they do not necessarily want foreign equivalence granting qualifications that are recognised within the European Union.

There is a framework to deliver more on this that we can work with the EU on and encourage these bodies to come together to have discussions. There has been some progress recently between the EU and Canada in the context of architects, but it has taken a long time. This is an area that we can improve over time, but it will be gradual. It is going to be quite difficult to do something like we did with the Norwegians, for example, that more instantly grants recognition of qualification.

Q15 **Lloyd Russell-Moyle:** Is a country-by-country approach perhaps needed there? That would require us getting agreements with each of the member states separately, almost.

Sam Lowe: One of the things the UK did include in the trade and co-operation agreement, which is useful, is a provision—I cannot remember the exact wording—that allows for the UK to do this on a member state by member state basis. There was a slight concern that, if you created an overarching, EU-wide framework, it would rule out that approach. It is entirely possible for the UK to approach this member state by member state. Of course, there will be some member states where recognition of qualification is more useful than others, so it can lead to prioritisation. Again, let us do it, absolutely, but it is going to take time.

Q16 **Lloyd Russell-Moyle:** If there is an agreement on professional qualifications member state by member state, is it possible to do some mobility of labour member state by member state?

Sam Lowe: That has been happening to a degree in relation to musicians in particular. Whenever the Government are asked about what they are doing here, they say that they have had clarifications from a number of member states that, for example, a musician is allowed to do paid performances for up to 30 days and the like.



Given that immigration regimes are largely still member state competence, with some exceptions around Schengen zone and how all of that interacts, you can do something on this, but the problem that you retain if you do a member state by member state approach is that it is very confusing. It would be much easier to have an EU-wide approach rather than asking, say, performers or models to make an assessment of the immigration regime of a specific country and then of a different one, if they want to then travel onwards. It is more burdensome.

Raoul Ruparel: Just briefly on your original question around what we can do without having free movement, there are bits, as Sam discussed, that could be done on labour mobility and a chapter on that. Just to be clear, it is very far short of free movement, and I would not treat it as a spectrum. There are bits that you can do in different chapters, but it is still a big gap from free movement and is not really something that you can then dial up or dial down in a negotiation.

Q17 Lloyd Russell-Moyle: Does it have to be a sector-by-sector approach for musicians, nurses and so on, or can you go more broadly and say that workers can come in through these alternative processes that are not, effectively, the general immigration processes?

Raoul Ruparel: You could go more broadly. What we see, though, which we have in the TCA currently with the services provisions, is that you get exceptions and reservations. Certain countries may say, "We do not want to allow musicians"—or whoever—"to come and operate freely, because we want to protect our musicians." Therefore, they will have a reservation and a limitation on that. You can try to seek those broader things, but you will probably get into those reservations as well.

Q18 Lloyd Russell-Moyle: Have EU countries expressed reservations on some freedom of labour areas?

Raoul Ruparel: In the TCA currently, you have a very lengthy addendum at the end, which sets out all the reservations in the different parts of the services provisions. Some of these say that there are limitations on the time in which certain professionals can come and work in their country, or the hurdles that they have to go over before being able to do that.

Often, these are in regulated professions. Accountants come to mind. Where you need to have a professional qualification, there will quite often be a reservation saying that you need to do something to get your qualification recognised, or there is a limitation on you being able to work for a prolonged period under the services provision.

That is something that exists already and is quite common in FTAs. As Sam says, the effect is that you create this very complex patchwork of rules when it comes to people moving or providing services. Therefore, it is quite difficult for businesses to navigate, but that is where we are in



terms of services provisions inside FTAs globally. That is consistent with how they are done.

Q19 Chair: Linda, can I turn to you on financial services? Financial services are absent in the MOU and there seem to be no further questions or decisions on equivalence, and certainly not on passporting. We saw in the Edinburgh announcement last week that the UK is looking at diverging its financial services regulation. Does the EU have any leverage at all over the UK in terms of our financial services regulation?

Dr Yueh: The answer is no in theory, but yes in practice, because the EU tends to link issues. For instance, I will just take the Swiss example from 2014. They were moving to negotiate with Switzerland to change all of its bilaterals into a common framework, and the financial equivalence that was granted to Swiss firms to trade their equities on European stock exchanges was contingent on resolving issues in that framework around free movement of people, protecting Swiss wages, and state subsidies. Because they did not make progress on that framework, the EU allowed the provision of financial equivalence to lapse in June of that year, which meant that Swiss stocks could not trade on the EU platform.

In theory, the answer is no. It is certainly something that the UK—and, indeed, maybe Switzerland—could have pursued. However, because it gets linked to other issues, the EU may, depending on the degree of divergence and the worries over competition, try to link what the UK is doing to other parts of the negotiation.

Q20 Chair: So this could be a disadvantage to the UK financial services industry.

Dr Yueh: Without passporting rights, there has been a change over the past few years in terms of how financial institutions are also based in the EU. If we look at the dynamic changes in the financial regulatory space, the Bank of England has come out to say that, given the size of our financial sector, our importance as an international financial centre, the size relative to the economy, and the ability of our own regulators to set financial regulations that suit our economy, that is very important.

There will inevitably be divergence, because the nature of the financial system is that it is quite dynamic, and our financial system is fundamentally different than some of the others. For instance, we have a large banking system. We have a lot of fintech. All of these are reasons why setting our own financial regulations is and will be important.

Q21 Chair: I was in the financial services sector for 27 years before coming into Parliament, and then spent an awful lot of time looking at this stuff with the Treasury Committee and the banking commission. This is a very significant part of our economy—financial services in the City, the wholesale financial markets, the liquidity pools and all the rest of it. We have already seen, I understand, that new listings on the London stock exchange have now fallen behind new listings on the Paris stock



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exchange, and so some would interpret that as a potential casualty from Brexit. There is competition and no passporting, so we have seen that a lot of UK-based or City of London-based global institutions have now opened new, regulated institutions within the EU.

As a result of that, there is regulatory capital that then has to follow that in order for them be able to operate. That begs the question of whether, if you were, say, an American bank or a Japanese bank looking to expand in this part of the world, you expand a new product in the UK or expand it in the EU where you have available regulatory capital.

It looks to me that, were the EU to use oblique or tangential methods in trying to win our niche, it would probably be in a stronger position than we thought it was, if it can start trying to influence our financial services regulation one way or the other. Am I being too much of a conspiracy theorist?

Dr Yueh: There are no immediate signs. Concerns have been raised about us becoming a Singapore-upon-Thames, but I do not think that there are any changes in political will. I do not think that it is a possibility. It is not something that I would say is right on the horizon that we need to be watchful for.

However, of course, Paris and Luxembourg have been competing, and we have seen the changes in terms of the EU wanting more financial services trades in euros of various forms to be moved to the EU, so it is a highly competitive environment.

I was one of the members of the independent review panel on ringfencing and proprietary trading, whose proposals were put out this spring and were part of the Edinburgh reforms that the Chancellor mentioned. We looked at the ways in which we could make ringfencing, which applies only in this country and not in the EU, work more seamlessly, with an eye to try to be prudent but make the regime more flexible.

As part of that, we spoke to a number of American banks, such as Marcus, the Goldman Sachs digital start-up. It has moved to the UK and views the UK as a place where it can start retail banking and digital banking. It is also considering doing it in other EU countries, but our sense was that there are quite a lot of entrants into the banking system. Part of that is fintech, because we have a lot of fintech funding in this country.

There is quite a lot of potential growth in this area, and firms have adjusted to the new regime after Brexit. We can continue to regulate and to be prudent but dynamic. I know that there are also the Kalifa reforms. I am not going to start on the number of reforms that we have about trying to improve commercialisation of fintech and the listing regime, but I would say that we and the EU both struggle to produce big, multinational tech companies. Unlike the US or China, which tend to produce these massive, world-beating companies, we have a very similar challenge, so reforms are probably needed on both sides in this area.



Q22 Chair: On these reviews, having been on the banking commission, which analysed the difference between Vickers and Liikanen on ringfencing, the key thing with all this stuff was that we know there is going to be another banking crisis. That is an absolute guarantee. We just have no idea where it is going to come from. All this stuff is about protecting everybody from a future banking crisis, and all we have to do is look at the rather ill-advised mini fiscal event of the previous Government that nearly brought down our entire pension industry for reasons that are entirely political.

Sam Lowe: Linda's point that the EU does not have much leverage within the financial services space, so will be forced to look elsewhere to provide that leverage, is very interesting. My view is that, in choosing not to grant the UK equivalence for the majority of financial services products and spaces, with one exception that I will touch upon, the EU, in a way, gave up its ability to steer and direct UK financial services regulation. It does not really have the stick anymore. It cannot say, "If you do this, we will rescind equivalence."

In the one place where equivalence has been granted in terms of clearing, the EU has demonstrated that it is unable to rescind that equivalence, because it does not have the capacity within its own territory to perform the same function. It would really like not to grant equivalence there, but it cannot.

It is interesting then to think, "What could it do to apply this pressure?" One of the areas is data adequacy, where that does have a big impact on the financial services sector and its ability to operate. That is one area of potential leverage. It is outside of the TCA constructs and is a unilateral decision, so it is vulnerable. It is also vulnerable to legal challenge.

The other point that I would make is that there is then the applied regime of the European Union and its member states. In many instances, it has been quite accommodating of banks or whatever, which were initially in the UK, setting up a subsidiary within the EU and then still performing a lot of activities in the UK. There has been quite a gradualist approach. It could start to tighten up, and it is in some of those instances, by saying, "You need a bigger staff presence over here. You can no longer do back-to-back with the entity in the UK." It can tighten up that way, but it is just tricky to see where this leverage comes.

A structural issue that is not necessarily in the UK's favour is that the UK is still very open, which is ultimately a good thing. It still allows EU entities to, essentially, passport into the UK in most instances. This creates a dynamic whereby, if you were a non-European multinational bank—say Japanese or American—and you wanted to restructure your operations in Europe, there is an argument that you could create a subsidiary within the EU and then branch into the UK. That option is now available because of the UK's openness and the asymmetry that exists, so it is something that we should observe. I am not saying that it is necessarily happening yet.



Q23 Anthony Mangnall: By signing new trade agreements with countries outside of the European Union, where their data standards might be lower—I do not think that we have yet, but we have the intention of signing deals with countries that do not have the same standards or level as the European Union—are we at risk in the UK of disrupting our agreement on data at the moment?

Iana Dreyer: The very short answer is no, given which FTAs the UK is pursuing. The UK is trying to join the CPTPP. There is one with India, where the issues that the UK has with India are the same as the EU's issues with India. In terms of that FTA agenda, I would see rather a low risk. The EU has an FTA with Japan, and Japan is a leading CPTPP member. It has concluded an FTA with New Zealand, a CPTPP member, and is concluding one with Australia, a CPTPP member. I do not see that there is necessarily a big risk in that sense.

Where the EU needs reassurance is on something more fundamental and long term: where the UK's data protection regime is going. That is behind the decision to grant this data adequacy decision on the basis of a limited period of time, because the stated purpose of the UK was to diverge, so it would then need to reassess whether the regulation is equivalent.

Q24 Anthony Mangnall: Divergence does not mean lowering of standards. I wonder whether the EU is reassured by, say, our digital partnership with Singapore or the upgrading of our free trade agreement with Japan. Those, presumably, are quite good indicators that we are looking to diverge not to a lowering of standards but to an improving of standards, but perhaps an agreement with the GCC would have a bigger implication for its view of how seriously we are taking this. The GCC has done agreements with India and with Australia, and data is not something that is very rigorously done in those things. Maybe that is a cause for concern.

Iana Dreyer: Again, I would not necessarily see that that way. If the EU wants to find something, it will, but, fundamentally it is about the UK's domestic regime and whether it considers that data protections are sufficiently at the same level or an equivalent level as the EU's. Sometimes it is not a Commission or member state decision. The European Court of Justice has a lot to say, so, if there is any decision on the basis of a complaint in Luxembourg that this or that regime is not protective enough, it could jeopardise an adequacy decision. Look at what happened with the United States and the partial adequacy regime. That is how you can name the privacy shield and its successor treaty. A lot of that was driven by ECJ decisions. With the UK, I would say it is a fairly comparable process.

Q25 Anthony Mangnall: What is the process for us to put it on a more sound footing with the EU to make sure that we are not having to review this every five years and keep kicking the can down the road? How do we put it on a more sound footing? What do we have to show them?

Iana Dreyer: Avoid unhelpful politics. We know there is the politics level, and then there is the actual practice. It is about constant engagement



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with the policymakers. There are two forces. Track the European Court of Justice and whatever might happen there in the coming years. Track the European Parliament and its politics to see where that is going. Long-term engagement and full regulation help, of course.

Raoul Ruparel: I will just add a couple of points. I am personally not sure it can be put on a more stable footing because it relies on the things Iana mentioned. The EU controls the adequacy process. It has this process that applies to all third countries, so I am not sure that will necessarily change. It depends on the path of our regulation relative to their regulation. You could seek to build some structures around it so that, if there is a decision to change adequacy, it does not happen so quickly or we get more notice and there is more discussion around it. That is something we looked at in terms of equivalence of financial services as well, so that is potentially possible, but you always have the fundamental fact that the EU can decide to change or remove the adequacy decision if it feels that UK regulations are not in line or not equivalent.

The biggest constraint on this is also that, as Sam mentioned, they may use this as leverage. One of the challenges for them would be that they have to try to apply this relatively uniformly to third countries. If they are being particularly punitive against the UK, where the UK rules look equivalent, and they decide to keep adequacy with someone else but not with the UK, that would create challenges for them.

As Iana touched on, one of the big issues was our transfer of data to the US, particularly around national security issues. Things like that could come up during the course of it, and we have seen difficulties in the US-EU data relationship. If that changes in the future, there could then potentially be issues with our data sharing with the US, for example, that could come back to the fore. That is another aspect in terms of potential instability, but I agree that the biggest question is around the UK's domestic regime and how we apply that.

Sam Lowe: It is that onward transfer point that Raoul made. The big concern of the EU and people in the European Parliament is this idea that the personal data of European Union citizens will be transferred to the UK and then transferred elsewhere. Here, recent actions by the EU vis-à-vis the US, and the fact that they are now back in discussions over having their own data adequacy regime, are incredibly helpful, because the big fear within Europe is that data will be processed in the UK and transferred over to the US. If the EU and US have their own adequacy relationship, which it looks like they might do, that fear is not felt so acutely, because you could just transfer it directly. It does not matter whether it goes via the UK.

The longevity of the UK's adequacy relationship with the European Union is fundamentally linked to the EU's adequacy relationship with the US and, to be honest, everyone else. If the new US privacy shield—privacy



shield 2 or whatever you want to call it—falls away because of legal challenge, that will have ramifications far beyond that individual relationship and could leak over into the discussions on EU-UK.

Q26 Martin Vickers: Iana, can I turn to energy? Has the energy crisis created greater incentives for more UK-EU co-operation on energy? If so, how would you see that developing?

Iana Dreyer: There is growing awareness that the EU also needs a bit of UK energy. Recently, there have been imports of UK electricity at some point, but the problem, as with everything else we have raised here, is linked to the UK's decision not to stay within the legal framework of the EU's energy market. There is only so much you can do in terms of deepening interconnector relationships and things like that if there is no common legal framework.

That said, there are things that could be done, and I do not understand why they are not being done. Why is the UK not already in the north seas co-operation framework? It is even written as a possibility in the TCA itself. Sometimes I hear that the EU is the problem and sometimes the UK. It seems that the issue was raised again at the first European Political Council summit in Prague. That would be a positive step in terms of having a first experience with actual co-operation on offshore renewable energy and things like that. Right now, incremental steps could actually go further. Then the question remains. Outside the rules of the single market, there is only so much one can do.

Q27 Martin Vickers: I represent an east coast constituency with considerable interest in the offshore sector, so I am obviously eager to see that develop and provide a boost to the economy and jobs. Are you saying that you think we have hit a brick wall on this and that there is no real progress being made?

Iana Dreyer: It is difficult to do big steps. One could look at this from a very different angle—the climate policy angle—where one can explore more on working on renewables policy and use whatever exists already in terms of co-operation on traditional trade, such as the industry bit of it, supply chain security, technological standards and all these kinds of issues. This is stuff that can be dealt with via the TCA relationship, where there is already a legal basis to co-operate. Again, going back to a relationship from before Brexit is going to be more difficult given the realities we have here.

Q28 Anthony Mangnall: We touched on this already, and it is maybe a pointless question. We started off having this conversation about the impact of the Northern Ireland protocol. Every time this Committee ends up looking at programmes like Euratom, Horizon and all of this stuff, and questions why we are not part of these programmes, it comes back to the political issue. Maybe the specialised trade committees are not working particularly well, and that is because we still have not got anywhere on the Northern Ireland protocol.



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Is there anything that the UK can do in terms of improving its relationship bilaterally with member states, or through arrangements that are outside the scope of the TCA, to try to improve the trading relationship with the EU? Sorry to be blunt, but does it hang on the Northern Ireland protocol? Until we sort that out, we are basically bugged.

Raoul Ruparel: A lot does hang on that, to be honest. Even if you start looking at bilateral negotiations or areas you can do bilaterally—and I will come on to what those might be—the EU is united in not wanting to get into those negotiations because of the Northern Irish issue, so it does hang over those bilateral type negotiations as well.

There are very limited things we can do bilaterally. We have touched on a few of them already on the immigration and visa side, making it easier in terms of movement of people. There are potentially things you could do on MRPQs, customs and border processing at a very low level. Some of it is possible but, for the most part, the vast majority of what is in the TCA is Commission competent, and member states have generally been very clear that they do not want to negotiate directly with the UK. They want to leave that to the Commission. There are other areas on security, defence and foreign policy where they are not covered by the TCA, and so there may be more scope for discussions and co-operation bilaterally, but, yes, it is all relatively marginal, and the wider political atmosphere does affect the bilateral stuff as well.

Sam Lowe: I would just like to mention one area where there is good co-operation between the UK and the EU, and perhaps why that is. That is on sanctions co-ordination in respect of Russia. It is interesting that, if there is a shared common interest of very high significance, the existing political disagreements, as evidenced by this, can be put aside and we can co-operate outside of formal mechanisms. The UK co-operates with the US, EU and Japan on an informal basis but very frequently on issues around sanctions co-ordination. That is because of how necessary it is. If you can find shared common interests, it is viewed as existential and we have a shared understanding of what that is, we can still work with the European Union productively, despite all the disagreements we have mentioned. Of course, lots of things do not necessarily fall into that category

Q29 **Anthony Mangnall:** Sanctions being one and defence presumably being the other, in relation to the supply of arms to Ukraine. I am sorry to keep coming back to this, but fisheries is a good example of where one country has made life very difficult for us, and you would be very hard pushed to go to any of the ports on the south coast and meet with fishermen who do not believe that some of the things that France did in the run-up to elections were not perhaps a little bit politically motivated. Do any of our witnesses want to make a comment on this? What is the response mechanism within the EU to say, “This is jeopardising the relationship the EU would like to see with the UK for the benefit of one country”? I do not



know if anyone has any thoughts on that.

Iana Dreyer: More than ever, with the UK being out of the EU, France's influence is very strong, and the EU will always stand behind France. That is the practice. That is what happened with fish. Yes, it is difficult, but these are the political realities. I also wanted to piggyback on what Sam said. There has been a lot of informal co-operation within the G7 framework. Recently, the UK was chair of the G7, so a lot of issues were dealt with. It is super important to get this Northern Ireland issue resolved, because it is also one of the bones of contention in the UK's relationship with the United States.

Where I see there should be a lot of co-operation, and a lot of potential that is untapped, is that there is some form of trilateral work, EU-US-UK, on everything that has to do with contemporary trade issues, be it security and trade, supply chain resilience, sanctions, having global norms on subsidies and all these kinds of issues. Obviously, the interests are mostly shared.

I also tend to think that the UK could have more weight vis-à-vis the United States on some issues where there are shared interests with the EU. That starts with financial services, but there are all sorts of trade issues and also common interests with the EU in upholding the multilateral trading system and the rules of the WTO. If there was firmer alignment on this, more could be done, and I think that is something Brussels would be very happy with. I do not like to use the term "win-win", but it could be a good way of doing a constructive, high-level politics that could have positive ramifications. Again, Northern Ireland is fundamental to resolving this because it is an issue not only for the EU, but for the US.

Q30 **Anthony Mangnall:** This comes on to the next question. Are you optimistic about a resolution being found around the Northern Ireland protocol? The mood music does seem to have dramatically shifted in the last few weeks, I would say, and certainly the language of politicians, friend or foe, has changed quite dramatically as well. Do you have any view on whether progress is being made?

Iana Dreyer: I am not following in detail all the intricacies of this. I can only express hope and I think everyone wants to get this resolved. That is all I can say.

Raoul Ruparel: You are right that there is a lot more positivity and the atmosphere has improved. I remain sceptical, though, on the gaps on substance. When you speak to people on the EU side and in the Commission, they are still very focused on their previous set of proposals, which contain some useful elements in terms of facilitating the border, but are still fundamentally a long way from where the UK is talking about it, particularly in terms of the red and green channels and the approach on customs and SPS. It is great that there is more impetus, and clearly this Government are making it a bit more of a priority and



pushing to have a proper negotiation, but I am cautious about the gaps between the two sides.

We also have the reality that the EU is looking at the fact that we are now two years out from the next election. Is it the right time for them to make any concessions? They are considering that as well. There is also a question about what can be implemented on the ground in Northern Ireland. Obviously, we do not currently have an Executive. We are looking to see what is going to happen next.

The DUP has been very anti all the agreements that have been reached in terms of the protocol. There is a question about what can practically be implemented in Northern Ireland and whether the DUP will accept it, but also whether an Executive can get back up and running, given the delicate politics, and push through the implementation of the protocol on the ground. Even if the UK and the EU agree, if we do not fundamentally have the ministerial direction for the Northern Ireland Civil Service at the ports or whatever in Northern Ireland to do this practically, it becomes quite difficult to then expect the UK Government to implement it over the heads of the Northern Irish Executive.

As always, there are lots of uncertainties and questions here. Yes, there is positive mood music, but I personally am still sceptical and think the gap is large. I hope we can at least try to get some progress on banking what we have in terms of the current grace periods. With the Northern Ireland protocol Bill going through, the EU has launched challenges against those. Hopefully, if that could be at least resolved, that puts things on a slightly more even keel for businesses, but a longer-term permanent solution still seems quite far away.

Q31 Anthony Mangnall: Across all these issues, from data adequacy to fishing, there is transition period after transition period. Are these hostages to fortune? I would argue that, if we changed our rules around the six to 12-mile limit on fishing in 2025, which arguably is a very good idea and is what the fishing community would want to see as well, this is very contentious for the European Union and there would be a great flare-up. I would imagine there are a whole host of other areas in which this happens. We are trying to tick off one thing and then looking at 15 other areas in which we could explode the whole relationship again. What is your view on that? It just makes it another hill to climb each time.

Raoul Ruparel: Sam touched on it earlier on, and it brings us back to the point that this relationship can deteriorate as well as improve. There are pieces of leverage and cross-linkage. There was a very explicit decision on the timelines for the fishery review with the energy review, and so the two were quite explicitly linked in the negotiation, particularly in the minds of the EU. Taking your example, if we did something on six to 12 miles and changed that position post the review, the EU would very much see a need to respond, possibly through the energy review, other reviews or other mechanisms, whether that is data adequacy or even just the processing at borders, going slow and that sort of stuff.



There is a lot of cross-linkage here and it is not easy to separate out those issues. It was always going to be this way. I am not sure it was ever avoidable, having those kind of review clauses. The idea that you could just strike an agreement between the UK and the EU, given the political atmosphere on both sides, and expect that to last indefinitely was never going to be realistic.

This was always going to be slightly the case, but there are definitely those interlinkages and we have to be wary about assuming things will just get better, because I agree with Sam that they could equally deteriorate, particularly if we do not find solutions to Northern Ireland. Of course, the thing hanging over all of this is the Northern Ireland protocol Bill currently making its way through these Houses. The EU is very clear that it will retaliate if that is passed, and the retaliation will be potentially quite large, so that is hanging over all this as well.

Q32 Chair: We have more or less covered everything, so I am going to give the last question to Angus MacNeil, who has texted me another one. Having listened to this evidence session, he says, "Nothing will help exporting and trade with the European Union like being a member of the single market and customs union. Discuss." Who would like to start with that? Linda, can we do better than being a member of the single market and customs union?

Dr Linda Yueh: If I look at the OBR forecast, being out of the EU is going to cause GDP to be 4% smaller than it is. That is a fairly big gap to try to cover with other trading relationships. This is why it is so important to make improvements in the TCA and then around services.

I chaired the commission that looked at this issue. The 21st century world is very services-oriented and digital trade-oriented, and the single market in services is not as complete as the single market in goods, which is what we spent a lot of time discussing. The UK is predominantly a services economy. Most of our jobs are in services. Of course, manufacturing is still very important, but, even in our high-end exported manufactured goods, 50% of that value added is from services. When we look at where we could position ourselves, focusing on our strengths in services, we are the second-biggest exporter of services in the world after only the United States, and financial services, business services and education are all part of that, so it is actually quite broad. It is not just one sector.

The rules around services globally are also underdeveloped. GATS—the counterpart to GATT, which became the WTO and was really focusing on goods—has been strengthened in recent years through a plurilateral effort of countries including the EU and the UK. Even the US and China have signed up to make this breakthrough, in the latest plurilateral effort to improve services market liberalisation. The reason I mention that is that there is scope to co-operate and to improve the multilateral system.



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There is also scope for the UK to improve its own competitiveness in this area, given its importance and the fast growth of this worldwide. A lot of that, I would say, is around productivity and raising our level of investment. That in and of itself could attract foreign investment. We could also give more support to developing supply chains within the UK, given some of the political issues that we are all aware of. I make those points because you can unilaterally strengthen your competitiveness in an area where a lot of countries are only now beginning to open their markets, and you can continue to enhance the UK's position, which it has had for a long time, as the international financial centre.

Perhaps that could be broader, given what I mentioned about the range of things that are just becoming digitalised and, therefore, trade more like services or invisible trade, such as my last book. If you download the Kindle version, it is cheaper. I am going to stop saying that. My publisher is probably not a big fan of me saying that, but that becomes a data transfer and that is digital trade rather than physical trade. There are a number of areas and services trade is, as I mentioned, intangible. It is invisible. These are the kinds of areas to focus on, linking that to manufacturing to make sure that it is fair across the country and we can move into greener areas. We can do all of these to enhance our own competitiveness and productivity, which would help with growth and hopefully trading relationships with our nearest neighbour as well.

Sam Lowe: I suppose Angus's question was quite specific, in that he said, "Is there anything we can do, other than joining the single market and customs union, to significantly improve trade with the European Union?" The answer is that, if you are focusing on improving your trade with the European Union, yes, the biggest thing you could do is re-join the EU or re-join the single market and customs union. Of course that is the case.

I feel that that is quite unarguable, even if you supported leaving. If you supported leaving, if you were honest, you had to accept that you were taking a hit to the terms of trade with the European Union in the hope of agreements elsewhere or utilising regulatory freedom to create new opportunities. Yes, of course the deeper the relationship is with the European Union, the better the terms of trade will be, and I hope that is an uncontentious statement at this point in time.

Chair: No, this is very helpful. I am going to come to you last, Raoul, because you were quite a keen Brexiteer, if I remember rightly, so I want to give you the last word.

Iana Dreyer: I only subscribe to what Sam said. The problem I see with the UK in this question is that joining the customs union and single market without being part of the EU, being at the table, making decisions at the Council or having MEPs, is just not going to work. The UK is too big and too proud a nation to just accept having to swallow and incorporate



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the EU rules the way Norway, with its 5 million inhabitants, just accepted because it is the least costly way of doing this.

This is a fundamentally political decision to make. Personally, I tend to think that it is better to be at the table than on the menu, which is a little bit what happened on many areas with the UK. That said, I do not think it is going to happen anytime soon for reasons relating to both the UK and the EU. Collectively, we need a real debate on what sovereignty means in the 21st century. What does it mean to be a midsized power in a globalised economy where the big powers, China and the US, fight each other? Where are you in this and how do you maximise your own sovereignty? Is this the right model? That is what I would like to say. If you are talking just about economics, join the single market. Politically, I do not think it would work in the UK context.

Q33 Chair: You raise a very interesting debate. When we take back control from unelected bureaucrats in Brussels, are we not handing it to unelected bureaucrats in Geneva? If we take back sovereignty from our EU agreement, are we not ceding sovereignty to CPTPP or to an Australia or New Zealand trade deal? That is a hypothetical and philosophical point.

Iana Dreyer: The CPTPP move is not a bad one. I am very sensitive to these arguments that this is precisely a clever way for a midsized nation in the world to have political and economic ties with other active midsized nations such as Australia and Japan, if the choice is not to be part of the EU. I do not think it is a bad thing. There are no bureaucrats in Geneva. It is a diplomatic body, partly to settle disputes, and even there the big thing is happening between the US, China and, commercially, also the EU. That is how you navigate that.

Q34 Chair: Raoul, I will give the last word to you on this whole argument about Brexitology and everything.

Raoul Ruparel: To your point, I did not campaign either way. I ran a think tank that was neutral, so I am just putting that on the record. I would add two points. The first is that obviously there would be an economic benefit with EU trade if we were to move back into a single market or customs union. Iana makes good points about the political feasibility of that. There is also a negotiability aspect of exactly what it would look like and whether the EU would be willing to agree to the exact same terms that it has with other countries.

The only thing I would add is that we have now unwound a lot of our supply chains. Businesses have reacted to the new agreement and the new world. If we were to go back into the single market and customs union, do all those things go back to how they were before? It is not clear, and there is a cost to that. Things do not just immediately go back to how they were.

There has been a lot of talk about the trade impacts of Brexit, but the biggest impact over the past few years, and the reason why the UK has



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missed out on the trade boom post the worst of Covid, is that our trade and particularly our goods exports to non-EU countries have done so badly. There has not been a lot of focus on that, so we should also be paying attention to why that has been the case. Some of it might be Brexit in terms of the productivity competitiveness and supply chain effects, but there is also a question around why trade with the US has done particularly poorly. Additional focus on those areas would also be beneficial.

Anthony Mangnall: Chair, if I may, it is important to note for our viewers at home that the worst thing that could possibly happen for anyone is for Scotland to leave the Union of the United Kingdom.

Chair: I think we would all agree with that, and I know our listeners in the Western Isles are going to be nodding along enthusiastically. We would be a lesser House of Parliament without the contribution from our Scottish Members of Parliament.

Linda, Sam, Iana and Raoul, thank you very much indeed. It is an incredibly important discussion about the trade with our nearest neighbour. Thank you all very much indeed for coming in and thank you to my colleagues.