

European Scrutiny Committee

Oral evidence: The institutional framework of the UK/EU Trade and Cooperation Agreement, HC 450

Wednesday 15 September 2021

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Members present: Sir William Cash (Chair); Richard Drax; Margaret Ferrier; Mr Marcus Fysh; Mr David Jones; Marco Longhi; Craig Mackinlay; Anne Marie Morris; Greg Smith.

Questions 45 - 85

Witnesses

I: Sean McGuire, Director, Brussels, Confederation of British Industry; Mike Cherry OBE, National Chairman, Federation of Small Businesses; and Sarah Vibert, Interim Chief Executive, National Council for Voluntary Organisations.

Written evidence from witnesses:

- [National Council for Voluntary Organisations](#)



Examination of witnesses

Witnesses: Sean McGuire, Mike Cherry and Sarah Vibert.

Q45 **Chair:** On behalf of the Committee, I welcome you all and thank you for appearing to give evidence this afternoon. As you will be aware, we are currently looking into the governance structure of the EU-UK trade and co-operation agreement. Today, with your considerable expertise and experience, we would like to achieve a better understanding of the joint UK-EU bodies set up by the TCA and what they mean for business and civil society; the scope of stakeholder engagement in the operation of those bodies; and your experiences to date of working with Government on TCA policy and preparing for the operation of joint UK-EU bodies like the specialised committees.

As you are appearing before us via video link, we will address questions to you as a panel, but please come in after your fellow panel members have spoken with your own answers and thoughts. We have with us Sean McGuire, director, Brussels, of the Confederation of British Industry; Mike Cherry OBE, national chairman of the Federation of Small Businesses; and Sarah Vibert, interim chief executive of the National Council for Voluntary Organisations. For those watching at home, perhaps you would be kind enough to briefly introduce yourselves and the organisations you represent, starting with Sean McGuire.

Sean McGuire: Good afternoon and thank you. My name is Sean McGuire and I am the director for Europe for the Confederation of British Industry, based in Brussels.

Mike Cherry: Good afternoon, everyone. Thank you for the introduction, Chair. My name is Mike Cherry, elected national chair at the Federation of Small Businesses in the UK.

Sarah Vibert: Good afternoon. I am Sarah Vibert, interim chief executive of the National Council for Voluntary Organisations, NCVO. We are a membership body for charities and voluntary organisations, and we have over 16,500 members.

Q46 **Chair:** Thank you once again. I will ask the first question. Why is the institutional framework of the trade and co-operation agreement important for your organisation and its members? Does the structure, including the transparency arrangements, meet your needs? How does it compare with other UK or EU trade deals?

Sean McGuire: The TCA has perhaps been the biggest change for businesses in a generation. While they have gone through significant challenges over the past nine months, it is clear that the business community wants the TCA, the withdrawal agreement and the Northern Ireland protocol to work to maintain a competitive advantage and competitive businesses trading with the EU. Therefore, the institutional structures in the TCA are important for proper implementation and to iron



out any challenges that businesses have in the implementation and workings of the TCA.

To date, there have been great examples with the Brexit business taskforce and the joint partnership council as an early warning sign that with any of the issues being faced by businesses there is an opportunity to discuss them, bring technical and cross-sectoral expertise to the table, and provide speedy resolutions to some of the teething problems that have been in place since the TCA entered into force. Going forward, the institutional and governance structures can be used to normalise the trading relationship between the UK and the EU, and build on an important and valuable trading relationship that is worth nearly £700 billion to the UK economy. It is about getting the structures right, having a dialogue with businesses to solve the problems, and getting businesses around the table with the framework institutions to look at the opportunities that may emerge from the TCA when operating as an independent trading nation.

- Q47 **Chair:** I have been chairman of this Committee for nearly 10 years, and I have been on the Committee since 1985. Historically, we have had far less to do with the CBI than perhaps we would have liked. I will not go into the details, but I am extremely glad that you are here today because it is so important that we have proper dialogue. Having been formerly a legal adviser in the CBI back in the late 1960s and so on—it is as long ago as that—it is so important in the new perspective post Brexit that we have this dialogue so that you can deal with your multinational relationships throughout the whole of the European Union, with your European federation colleagues, and deal with it on a domestic footing because this is now a new dimension.

Without making too much of it, I thought I would put that on the record. I am very glad you have come. Perhaps we can carry this forward into the future.

Sean McGuire: Thank you.

- Q48 **Chair:** Could I ask Mike Cherry whether he would be kind enough to address us on the questions I put?

Mike Cherry: We see the institutional framework of the TCA, which includes the partnership council, the specialised committees and the domestic advisory group, as vital to the proper functioning of the agreement. We have had good engagement with HMG, in particular, as Sean McGuire mentioned, with the Brexit business taskforce and the sub-group dealing with some of the issues that our members faced with Northern Ireland. The success of the institutional framework will obviously depend on the active stakeholder engagement process. FSB very much looks forward to working with Government to provide input to that process.

It is important to mention that the smallest businesses have struggled the most to get to grips with the TCA and some of the ongoing issues



around it. We view the institutional framework of the TCA as a useful element of the new UK-EU relationship, but we believe that Government should invest time and resource to make it work properly, in both the short and the longer term. Clearly, the Cabinet Office itself is consulting on the make-up of the DAG and the CSF, and FSB has submitted a consultation response. We argue that small businesses and their representatives need to be members of both bodies to reflect the needs of small businesses and to continue to hear any issues as they arise, and for those bodies to be transparent in dealing with them on a pragmatic basis and take some of them forward.

Q49 **Chair:** Thank you. Sarah Vibert, would you like to come in now?

Sarah Vibert: The institutional framework is important to our members, and we believe that the voluntary sector has an important role in scrutinising the implementation of the TCA for two reasons: first, our members are close to communities and can gauge the impact on people's lives and understand the practical effects of the TCA; and, secondly, the economic contributions of charities and voluntary organisations account for about 3% of the UK workforce.

As to whether it meets the needs of the sector, the TCA provides a consultative role for civil society via both the domestic advisory group and the civil society forum. We are pleased to have the civil society forum as a mechanism for discussing with civil society issues arising from the TCA. It is fair to say that there has perhaps been some scepticism about it. It is a very formal body and will meet infrequently, but we are pleased to have that formal mechanism for engagement. It will be important to have dialogue on the formal arrangements as well, so that when the civil society forum and other bodies meet they can have a meaningful discussion.

As for comparisons, there is a similar arrangement under CETA in terms of the civil society forum looking at the kinds of issues they discuss. They are drawn very much from the domestic advisory groups, and we think that a similar arrangement would work well.

Chair: Thank you very much. We will now move on to the partnership council and specialised committees. David Jones will ask the next question.

Q50 **Mr Jones:** Perhaps I could ask the witnesses whether they would answer in the same order. Mr McGuire, what would you say the partnership council should seek to achieve?

Sean McGuire: The partnership council has met only once—it was a positive meeting—in June 2021. It is an important milestone to normalise the relationship between the UK and the EU after five years of negotiations. That is the starting point.

Going forward, we need to look to the partnership council to show leadership in identifying where we have common needs, common



understanding and common concerns, and work at a political level to resolve them. There are many values that the EU and the UK still share and it is important that the partnership council works to normalise the relationship.

It is also important that the partnership council sends a message to the outside world that the trade agreement between the UK and the EU is working because, if it is seen not to be working and that there are still challenges on both sides, it impacts on the investment culture and the way the rest of the world sees the UK as a trading nation. An important element of that is to show that both sides are working together to make it work, and there are opportunities that allow two independent trading nations to work together to develop a common programme to assist in making sure that the economies of both the UK and the EU emerge from the current pandemic.

Q51 Mr Jones: You mentioned challenges. What challenges did you have in mind?

Sean McGuire: The challenge we have is that the TCA is new to both sides. It was introduced quite quickly between Christmas eve and 1 January. There were perhaps challenges, certainly at the beginning, in understanding the rules of origin, which were new to many in the UK business community. There are challenges going forward, as we will see perhaps when the Covid restrictions around business travel are lifted. Those are the types of issues we would like to see the partnership council address collectively and provide joint guidance on, so that companies are able to navigate the new rules and conditions of the TCA. Those are some of the challenges that many of our companies at a higher level have identified in trying to get to grips with the TCA.

Q52 Mr Jones: Thank you. Mr Cherry?

Mike Cherry: We believe that the success of the TCA and, in particular, the work of the partnership council depends on political will from both the UK and the EU, as well as successful stakeholder engagement and effective communication of the discussions that take place in the council. Transparency is also hugely important in the operation of the partnership council and its committees, and we believe that the publication of agendas and minutes of any meetings in good time, as well as opportunities to provide input on behalf of FSB members, will make the work of the council far more effective. It gives the opportunity to make sure that both the UK and the EU have ongoing dialogue. We would advocate probably more frequent meetings than have been engaged in to date, so that the views of small businesses and the issues they will see ongoing for some time yet can be properly heard and addressed.

Q53 Mr Jones: That is, essentially, describing procedure and the way you would like it to operate, but what do you think should be the objectives? What do you think the partnership council should be seeking to achieve?



Mike Cherry: When issues come to the partnership council, it must seek ways to resolve them as quickly as possible for businesses, so that solutions can be found and businesses are not disadvantaged or put to any additional costs, which our members are already finding and experiencing both with customs issues and some of the more practical problems they are encountering under the TCA.

Q54 **Mr Jones:** Thank you. Ms Vibert?

Sarah Vibert: I would echo a lot of what Sean and Mike have already said. This is a high-level, decision-making forum for engagement between the parties. From a voluntary sector perspective, in terms of the role of the partnership council, we would want to see it resolving the big issues that are discussed at things like the civil society forum and domestic advisory groups, and discussing issues that impact on civil society. I echo that transparency is absolutely essential to allow that to be done in a meaningful way.

Mr Jones: Thank you.

Chair: David, would you consider spelling out all three of your questions so that the witnesses can address them individually after they have heard the whole lot?

Q55 **Mr Jones:** Yes. I have a number of quite short questions and perhaps you might like to make a note of them. As we know, the council met for the first time in June. Were your organisations or members consulted in advance? You will by now have seen the public minutes. Do you believe that the right issues were addressed? Are there any other issues that you think should have been addressed?

Has the Cabinet Office or any individual Department discussed the outcome of the meeting with you or your members? Finally, are you clear on the next steps to be taken following the partnership council meeting? Mr McGuire, would you like to make a start on answering those?

Sean McGuire: We were not consulted prior to the June meeting. However, as we sit on the Brexit business taskforce and have had a number of engagements with senior politicians and the Cabinet Office, we have a route by which we can present our views and opinions. What we have been doing with the Cabinet Office since January this year is provide real case studies of what companies are facing on the ground so that they can understand what the challenges are. Some are internal issues; some are much wider political and functional issues; and some are teething problems. As I mentioned in the previous answer, rules of origin was the big one at the beginning of the year because it was new and people did not understand the process, but as we moved towards the June deadline there was less concern about rules of origin because people had managed to understand the rules and put in place the issues. At the starting point, there was no formal consultation, but there was very regular dialogue with Government and the various Departments and the Cabinet Office.



Are they the right issues? For us, issues are one thing. It was a positive sign and signal that both sides had moved on and were showing willingness to work together and co-operate after what had been six quite tetchy months. It was not long after the entry into force of the TCA that we had the mistake on the EU side with the triggering of article 16, and there were quite volatile weeks and months after that. From the point of view of image, I think it was important and it was a positive sign.

As to what we would like to see going forward, it is unclear. The partnership council is one thing, but there are various specialised bodies under the TCA, and we would like to see them working and up and running, so that some of the more technical challenges for businesses on both sides can be addressed and worked through. That is where we would like the next steps to be, but it is unclear where they are. Different committees have been set up. Some of the agendas have been published and some have not. That is where we would like the next step to be—to get into the nuts and bolts and nitty-gritty of the specialised committees.

Q56 **Mr Jones:** Thank you. Mr Cherry?

Mike Cherry: Like the CBI, FSB was not asked at the outset, although we welcomed discussion on SPS and issues relating to visa fees, which we believed were important. Like the CBI, we were able to bring the issues of our members and discuss them with the Cabinet Office and the Brexit business taskforce, so that they could be raised and, hopefully, dealt with.

It is crucial to understand that rules of origin remain an ongoing issue, particularly where some of our members are, shall we say, importing goods from the EU, finishing them in the UK and re-exporting them. That remains a major concern. Further, on Mr McGuire's point about specialised committees, it is important for us to reinforce that. That is where we would like to have a discussion, particularly around some ongoing issues on VAT that are also causing problems for our members.

Q57 **Mr Jones:** Thank you. Ms Vibert?

Sarah Vibert: For civil society, it is perhaps too early for us to tell whether the right issues are being raised. The June partnership council meeting mainly discussed issues arising from the specialised committees. It is fair to say that they are not as relevant for many of our members. For us, the real test will be once the domestic advisory group and the civil society forum have met, and the issues that will be brought up through those routes. We were not consulted ahead of the meeting and we have not received feedback. Perhaps that shows the importance of the domestic advisory group and the civil society forum for engagement with our sector.

More broadly, given the immediate challenges, there has been a lot more engagement with Government, rightly so, in terms of business on Brexit, but now we are looking at the long-term picture, it is essential that civil



society is part of those discussions. As for next steps, it is important that the domestic advisory group and the civil society forum are established and up and running so that they can feed into future partnership council meetings.

Mr Jones: Thank you.

Chair: You will be glad to know that we are now moving on to the specialised committees. I invite Anne Marie Morris to ask her questions in the same format as David deftly did just now, so that we can cover all the questions to begin with and you can answer them individually afterwards. Is that all right?

Q58 **Anne Marie Morris:** That is absolutely as it should be. Mr McGuire, we have reached the point that, from your last response, you clearly wanted to reach, which is, where are we with these specialised committees and working groups? My question to all three of you is: how do you think both the specialised committees and the working groups should work? Perhaps you would have three particular thoughts in mind when you answer that question.

First, are there any changes you would like to make to their terms of reference or operating practices? Secondly, if a particular specialised committee or working group was discussing a particular issue, how would your members know? This goes to the point about transparency that Mr Cherry raised earlier. It is transparency not just to you as an organisation, but to your members, which is not quite the same. Finally, what steps should the specialised committees most relevant to your organisation take as soon as they are established? Where are the quick wins? What are the first things they should do? Mr McGuire, I will turn to you first, if I may.

Sean McGuire: I will try to answer all three questions relatively quickly. We have an indicative timetable of the TCA specialised committees for 2021. Their terms of reference and how they will operate will differ greatly. Some would have more interest for our membership than others, particularly the trade specialised committee or those on customs or on sanitary and phytosanitary.

Getting a clear understanding of what both sides want from these specialised committees will be important. Unfortunately, there was great delay in getting some of the terms and conditions in place, due mainly to the delayed ratification of the TCA from the EU side. It entered into force only on 1 May and the EU was reluctant to get into it. That has been unfortunate. Businesses have been grappling to get an understanding of what the specialised committees will focus on. They vary, because some issues are more sensitive than others; for some of them, if I dare use the phrase, there have been red lines and perhaps more tortuous discussions in the negotiations. Therefore, getting both sides to come together and talk practically has been difficult.



Transparency will be the key issue for both sides. We need to have the agendas and understand what the committees are working on, but they will also need input from the business community at both cross-sectoral and sectoral level. We have seen how this has worked very well with the BBT in the UK.

We are part of a European body called Business Europe. The issues that our members in the UK are facing with the TCA are almost the same as those faced by our sister organisations in our European body, so it is not a case of 27 versus one; this is one trying to iron out the practical problems. For us, we want the trade specialised committees set up as a matter of urgency. Indeed, as an organisation that is still a member of a European body, we can work on both sides and put levers in place on both sides to deal with the technical challenges. Of course, we need an element to feed into, because a specialised committee will only know what the challenges are if they hear on the ground from businesses, the voluntary sector and civil society. There needs to be a mechanism whereby we can put in evidence of what businesses face in various fields, whether it is in trade, customs or sanitary and phytosanitary. Those are my key principles.

We have lost almost nine months, and we need to see this ramped up, and an element of trust on both sides will be vital to move it forward. We stress that it is not about reopening the TCA; it is about building on it, ironing out the technical issues and working co-operatively to make it work.

Q59 **Anne Marie Morris:** If I may make a comment, one of the key themes that comes through is that you want to be listened to and heard both in how these committees actually work and on the issues that are then up for discussion. That is the piece you still have some uncertainty about. I take your point about the one committee that needs to be set up very quickly, the trade technical committee. That is certainly something that I am sure we will be feeding back. Mr Cherry?

Mike Cherry: First and foremost, we need to see them set up and meeting. Only a handful have met so far and we would like to see the possibility of engagement, perhaps even via the domestic advisory groups. The Government should also be enabling a two-way method of communication so that our group can raise issues in a timely and effective manner outside the formal meetings of the domestic advisory group, for instance. We believe that is particularly important with regard to the DAG's role in the event of dispute in the areas of trade and sustainable development. We also believe that the Government should ensure timely circulation of any papers and requests for evidence so that participants can provide productive input and we can make sure that our members and the voice of small businesses can be heard very loudly and clearly. To go back to a point I made earlier, we believe that the Government should consider formally convening the DAG twice per year



as a minimum to ensure that there is timely discussion and consultation on issues as they arise.

The specialised committees have an important role in discussing and making changes at technical levels, where appropriate, to ensure that the TCA works for businesses both here in the UK and in the EU. Like the CBI, FSB works with our sister body across the EU, which is SMEunited. Many of the issues that our members in the UK face are also facing businesses across the EU, particularly those looking to supply UK businesses. They are importing goods and services in the same way as many of our members are looking to export their goods and services.

If I may, I will give two examples of issues that specialised committees could be looking to resolve. I mentioned VAT. Under current EU rules, UK firms wishing to use the EU's IOSS, the Import One Stop Shop, for VAT are required to appoint an intermediary. That is very costly for small businesses. We would like the specialised committee on VAT to consider ways to address that issue, and whether or not we can get back to something along the lines of the UK being recognised as having an equivalent level of regulation around mutual assistance. That would remove the need to appoint an intermediary in the first place and the quite considerable cost that can sometimes go with that.

On the second point that we would like the specialised committees to take a look at quite urgently, FSB was disappointed to see that the TCA did not include provisions for the mutual recognition of conformity assessment. That needs to be addressed as a matter of urgency. Although we welcome the deferment of the UKCA mark requirement for a further 12 months, the cost and administrative burden of having to acquire both CE and UKCA marks is something that small businesses are struggling to achieve, even if they can get a regulatory body to engage and approve them in the first place. There is a lot to be done that would certainly help small businesses on a couple of issues to start with.

Q60 Anne Marie Morris: Mr Cherry, that is very helpful and insightful. What I take away from it is that you would like to see both formal and informal processes put in place with regard to how this is going to work, because at the moment how that communication and evidence is to be provided and shared is not clear. I also take away that it is mission critical that these committees link back to the partnership council, and I think you are asking a question as to exactly how that is going to work, because clearly that is important.

On your two examples of quick wins, I would probably say, "Urgent and imperative action on VAT and conformity assessments." You are absolutely on the money. I am sure that your members will support you all the way on those two, so we will certainly pass those back.

Ms Vibert, I appreciate that for you the domestic advisory group and the civil society forum are of most interest, but are there any comments you want to make on the specialised committees and working groups?



Sarah Vibert: You are absolutely right. Generally, the specialised committees are less relevant for our members, but I think that makes transparency even more important, because where issues come up, albeit not as frequently perhaps as for other bodies, it means that we can still have engagement and a mechanism to feed in. There is perhaps a point about the specialised committees actively seeking the views of those they have not heard from on particular issues. Transparency is particularly important given the complexity of these arrangements and the limited resources of our sector.

Anne Marie Morris: Again, transparency is one of the key watchwords. The other key one is inclusiveness, which you have very sensibly highlighted. I thank all three of you for very helpful answers.

Chair: We turn now to Craig Mackinlay with questions for the NCVO, initially.

Q61 **Craig Mackinlay:** To provide the panel with a little preamble, you will probably be aware of the two new bodies set up within the TCA: the civil society forum and the domestic advisory group. The treaty itself is a little bit light on what these things are really meant to do beyond a bit of consultation and perhaps getting involved if there are areas of conflict.

A consultation went out from the Government and it concluded yesterday at one minute before midnight. I have looked online at the European side of things and there is a similar kind of call for interested parties. There is a little bit more detail on the EU side. What are your thoughts on that consultation so far? I am chairman of the all-party parliamentary group on civic societies, the parliamentary arm of Civic Voice, which I hope is aware of this. I see online that on a couple of big websites, *Charity Times* and *Third Sector*, word has got out that it is under way. How much involvement have you heard about among the charitable and third sector organisations that might be interested, Ms Vibert?

Sarah Vibert: At NCVO, we have responded to the consultation with our sister councils in the devolved nations and on behalf of our membership. It is positive that that consultation was issued and it has given us the opportunity to feed into the arrangements for the civil society forum. As for broader engagement with Government, they certainly seem open to suggestions on how they engage with civil society, but we need to see some concrete action. It feels very slow. Lord Frost has said some really positive things on engagement with civil society. We need to see how the civil society forum will be set up and work in practice, as well as having a broader dialogue with Government and UK civil society from a domestic perspective. At present, there is no clear mechanism to do that.

Q62 **Craig Mackinlay:** I picked up from the EU side of the site that they were requesting 30 organisations from their side. There wasn't an indication of how many from the UK, but it looks as if 30 each is the size of this thing. Of the interested parties that might come forward from the UK, I do not know who will decide the ones that should be on board, where it will



meet and what it will do. I am afraid that from a personal point of view, whenever I see that a body is involved in consultation I wonder what it is going to achieve, but perhaps I am being a little cynical. What do you hope it might achieve, Ms Vibert?

Sarah Vibert: We hope that it will have good civil society representation on both sides. So far, we are not clear about representation on the UK side. There is an important point about wider civil society, with the voluntary sector being just one aspect of it; it is also trade unions, universities, faith groups and so on. We do not think the membership should be fixed. We think it should be linked to agendas, because that is the best possible way to get engagement from the huge breadth of civil society.

We hope it will be a really effective forum to raise issues that arise from the TCA for those in civil society, feeding them up to the partnership council and resolving some of them. We have concerns that, although we have started discussions, currently we do not have information on how it will be organised, and given that the TCA states that it needs to meet before the year end, it feels like we are running out of time a little bit.

Q63 **Craig Mackinlay:** Mr McGuire, referring to the other organisation, the domestic advisory group, how much have your bodies and institutions been involved in the consultation and interest to date? Have you found that it has gone up the flag pole and everybody is excited about it, or not quite that excited?

Sean McGuire: We have responded to the consultation—a four-pager that we submitted yesterday. We recommend the following principles for the DAG and the civil society forum: to convene the DAG as a primary strategic domestic advisory engagement forum on the implementation of the TCA; to use the DAG to bring together a core group of stakeholders impacted by the TCA that balances strategic and technical expertise; to allow the DAG to work in sync with the specialised committees to bring technical expertise to meetings; to maintain the Brexit business taskforce and other business engagement forums to complement it; to ensure that the DAG engages in areas where the TCA and Northern Ireland protocol overlap; and to use the civil society forum as a platform for joint and collaborative engagement with the EU and its stakeholders. Those are our five or six main recommendations.

If I were to draw one comparison with the DAG and how we would like to see it operate, I would point to the Department for International Trade strategic trade advisory group, STAG, which has about 20 members. Again, it is a balance between technical and strategic expertise. It is important that these are not all just very technical discussions, but are more strategic to look perhaps at some of the opportunities, as I alluded to in a previous answer. The BBT could look at the opportunities and say, “Where can we move forward in some of the areas within the premise of the TCA?” For us, there is great opportunity in trade and services as a



HOUSE OF COMMONS

way to move forward and help the UK become an attractive investment destination for services, and to help our export growth in that area.

Q64 **Craig Mackinlay:** Mr Cherry, what is your summary of what the FSB has had to say about these new bodies?

Mike Cherry: In addition to what I have already said about the DAG, we believe it has an important role in providing feedback on potential disputes. That is important because small businesses are often first in line when there is the possibility of tariffs being imposed, and there are problems around that.

We submitted some responses for the DAG and for the civil society forum. Our submission included the idea that the civil society forum should represent a range of non-governmental organisations—trade unions, business and employer organisations—that clearly represent significant economic or public interests. It is vital for the smaller firms that make up the vast majority of businesses engaged in international trade. Of FSB's 160,000-odd members, about 24% export, with another 10% importing. A very considerable number of our members are involved in trade with both the EU and other overseas countries, so it is crucially important that they are represented in discussions on the implementation of the TCA.

We also believe that the civil society forum is important in building the new UK-EU relationship by strengthening relationships between EU and UK businesses, business groups, NGOs and trade unions. They offer an important route to protecting and representing the UK's interests more effectively.

The success of the TCA and the work of both joint bodies depends on political will from both the UK and the EU. That was why in my opening remarks I mentioned that we need to see a bit more pragmatism coming through to address some of the concerns our members still face under the TCA, so that we can get these issues addressed urgently.

Craig Mackinlay: I certainly hope that the voice of the smaller businesses will be heard loud and clear. Thank you.

Chair: Moving to Marcus Fysh, we are now slightly enlarging on the questions relating to the civil society forum and the domestic advisory group.

Q65 **Mr Fysh:** I want to ask the panel to expand on some of the thoughts about the civil society forum and the domestic advisory group, and in particular to say a bit more about whether you expect them to provide access to representatives from both the UK and the EU. We heard a little bit about how your groups interact with colleagues in the EU. What sort of formal expectations do you have for the groups themselves, and do you have any experience of similar forums that flank other agreements? Ms Vibert was talking about CETA being potentially a good model, but I



wonder whether the panel as a whole has thoughts about that as well. Mr McGuire?

Sean McGuire: To answer your second question about experience of other forums, as I mentioned, we are part of a European body. When we were members of the EU, we had access to advisory groups set up in conjunction with DG Trade and the European Commission. They worked, and it has been useful to stress-test some of the arguments that officials have been putting forward to see whether they are the right solutions, and provide input on what the challenges are. They worked in the past. Moving forward, we want very much to engage on the UK side through the DAG.

Do we want the Europeans to be involved as well? We are part of a European body, and the European Business Federation will be and has been, certainly with CETA, and with TTIP and other trade negotiations, a member of the EU's advisory groups. We will continue to play a leading role in BusinessEurope to put forward a kind of holistic business view. As Mr Cherry said, our companies are not just UK based; they are global and have many operations in the EU and across Europe as a whole. The collective work of the business community in presenting the challenges and offering solutions will be vital to make the TCA work. That is where we want to move forward in normalising the relationships, so that it does not matter whether we want to put our examples to the DAG in the UK or to a similar body in the EU. I have had many discussions with various DGs in the Commission on challenges that our businesses are facing on things related to visas, customs procedures, IT and so on. They have been very receptive to those case studies because they, too, are committed to making this work. We will use our avenues on both sides to make sure that it works and that the forums actively contribute to the functioning of the TCA.

Q66 **Mr Fysh:** Mr Cherry, do you want to add anything to what you set out before about the way you think these bodies should work?

Mike Cherry: We certainly expect that the bodies would give us good access to officials and Ministers via the DAG and the CSF. We work very closely and well with various Government Departments on the TCA, including the Cabinet Office and HMRC, and we expect that to continue, as we expect work to continue with the Brexit business taskforce.

Like Mr McGuire, FSB is actively engaged with SMEUnited, as I mentioned. We work closely with them and our European counterparts on many issues. Through them, we feed in from the European side, but equally we get feedback here so that we can feed that into the UK side. For instance, in May we both signed a joint industry statement calling on the European Parliament to support granting the UK data adequacy, which was subsequently granted by the European Commission in July. We have held joint workshops with SMEUnited and the UK mission to the EU that were aimed at EU businesses to raise awareness of the TCA and help



them understand what they needed to know when they were looking to export to our members in the UK.

Q67 **Mr Fysh:** Thank you. Ms Vibert, what else would you like to say about the particular aspects of how these bodies can be made to work better?

Sarah Vibert: We would expect the CSF to be made up of EU and UK representatives from civil society so that it is a genuine forum for relationships and co-operation. That would not preclude engagement outside the CSF between us and our counterparts. There is also the domestic side in the form of the domestic advisory group. We think it is really important that the whole of the UK can feed in from a civil society perspective. Some parts of the UK voluntary sector have their engagement with Government on a statutory basis, so that is important. We think that perhaps using sub-groups to the domestic advisory group might be a way to increase that representation.

Our relationship with our EU counterparts in the voluntary sector is quite sector dependent. Organisations working in environment or human rights have very strong relationships with EU counterparts, but there is perhaps asymmetry across the sector in terms of engagement. In cross-sector engagement—NCVO's role—we have reasonable links with our counterparts such as the Centre for European Volunteering and CEDAG, but perhaps in the past those were stronger.

Mr Fysh: Thank you.

Chair: Margaret Ferrier will ask the next questions, which are more or less to do with the relationship with Government.

Q68 **Margaret Ferrier:** Thank you, panel. Do you know which Departments are taking the lead on which issues in the TCA's institutions? The next part is about establishing relationships. If I heard correctly, both Mr McGuire and Mr Cherry said they had had involvement already with the Cabinet Office. Have any other Departments proactively reached out to you? How much freedom do you think those Departments have to adopt their own position without Cabinet Office direction? How involved are the devolved Administrations in developing the UK's position, and how important is their involvement, if any, to your organisations? I will shake things up a bit by turning first to Ms Vibert and then to Mr Cherry and Mr McGuire.

Sarah Vibert: It has been very clear that it is David Frost who is leading from the institutional arrangements point of view. For the voluntary sector, there is a very clear role for DCMS and the department in it that is responsible for civil society. From the sector's perspective, we have had a lot of engagement with them on issues right the way through the Brexit process and beyond.

While the voluntary sector has a kind of locus in Government, in terms of broader civil society, there are relationships right across Whitehall, given the multiple interests of the sector. I have already mentioned the



importance of involvement for our sister councils in the devolved nations because some of the issues they will be raising on behalf of their members will be different.

Q69 **Margaret Ferrier:** Thank you, Ms Vibert. Mr Cherry?

Mike Cherry: We have had very good relationships with Government, and we have appreciated the level of engagement by Ministers and officials. As you have heard, we are members of the Brexit business taskforce and, more importantly, the sub-group dealing with issues between the UK and Northern Ireland, and vice versa. We also have representation on the strategic trade advisory group of DIT.

With regard to other Government Departments, I have mentioned that we work closely with HMRC and the Cabinet Office and, as you would expect, with BEIS, and with DCMS on data—for instance, on the development of good guidance around customs. We have seen good communication and some co-ordination between Government Departments in their stakeholder engagement, and that is welcome. Clearly, we look forward to continuing to work closely with HMG, and we hope that the membership of both the DAG and CSF will include small businesses. With regard to Cabinet Office direction, I am afraid I cannot answer; you would have to ask the Cabinet Office, but we have had good engagement with the Departments that matter.

Q70 **Margaret Ferrier:** Thank you. Mr McGuire?

Sean McGuire: Following on from Mr Cherry, we have had excellent engagement with HMG and various Departments since the beginning of the year, when the TCA came into force. We are members of the BBT, which has been a very useful forum. It meets weekly to talk about both sectoral and cross--sectoral issues, and brings that expertise into play as well. From the perspective of engagement across Government, that has been excellent.

On devolved Administrations, we have representations in Northern Ireland, Scotland and Wales. As a previous speaker said, the issues vary from devolved nation to devolved nation, particularly the ongoing issue with regard to the Northern Ireland protocol. There has been very good engagement with the business community, Stormont, the Cabinet Office and indeed the European side. Vice-President Šefčovič visited Belfast last week and met the business community to hear at first hand the challenges with the protocol. I believe that at devolved level it has also been quite good.

It will come as no surprise that, like Mr Cherry, we have engagement with HMRC, BEIS and DECC. We also have very good relations with the UK mission to the EU, which has done an excellent job in helping to convene the kind of UK business representations based in Brussels and the EU and those that are not. It also plays a very good bridging role with the European side and the European business community to explain the



HOUSE OF COMMONS

new rules of the TCA, and what the European business community has to do in order to comply with them. The onus is not just on the UK to adapt; it is for the European side to adapt. The mission also identifies where there is uneven application and implementation of the TCA in various member states. We have seen that, and the UK mission to the EU has been very useful in pointing out those challenges to the European Commission and seeking to resolve them.

Chair: That is a very interesting exchange. David, do you have any further points that you want to raise?

Q71 **Mr Jones:** I would like just a little more information. You have indicated that you have engagement with the devolved Administrations. To what extent are you aware that that engagement is translating into developing the UK position in the partnership council? Perhaps, Mr McGuire, you would like to deal with that one.

Sean McGuire: I have to say that that is for the devolved Administrations to answer. We have input directly both to the devolved Administrations and to the Cabinet Office. I cannot comment on the channels of communications between the devolved Administrations and the Cabinet Office and whether what comes out the other end is that their positions have been heard, but as a business community we have had good engagement. They understand the issues. Given that this is highly politicised and political, some of the decisions are taken for political reasons and not necessarily what we would see as business reasons. That is something we will continue to face, but I cannot possibly comment on where the devolved Administrations feel their answers are landing in the Cabinet Office.

Q72 **Mr Jones:** Ms Vibert or Mr Cherry, can you add anything to that?

Mike Cherry: We have had good engagement through our respective offices with the Scottish Government, the Welsh Government and the Northern Ireland Executive. It is important that we have been able to input both to the devolved Administrations and to the Cabinet Office in Westminster on the issues or concerns that our members continue to raise. We believe that has been invaluable in helping our members to get their issues heard right across all four parts of the UK.

Q73 **Mr Jones:** Ms Vibert, do you want to add anything?

Sarah Vibert: Not really. I don't think it is something we can comment on. We are an England-based organisation, but I reinforce what I have already said about the importance for our sister councils in the devolved nations of being involved in any consultations and being able to feed in.

Mr Jones: Thank you.

Q74 **Margaret Ferrier:** Mr Cherry, you mentioned the engagement of your members across all the nations of the UK. What kind of issues are coming out from Scotland that concern your members there? Are they different



from other parts of the UK?

Mike Cherry: I think that for our members in Scotland they are very similar to England and Wales. It is predominantly members in Northern Ireland and on the UK mainland trading between those two parts of the UK who find the biggest issues.

Chair: Thank you. The next topic is the relationship with counterparts in the EU, which is the penultimate question we shall be asking. I turn to Greg Smith.

Q75 **Greg Smith:** Good afternoon, witnesses. Thinking about the relationship you are building with your counterparts in the European Union, some of this came out in earlier questions, but what discussions have each of your organisations had with business and civil society bodies within the EU about the operation of the TCA's institutions? Can you focus your answers particularly on how their experience of dealing with EU representatives on relevant specialised committees and working groups compares with your experience of dealing with the UK equivalents? I think that would give us good insight into just how joined up some of this working is. Could you also focus on whether you have any plans yourselves to co-operate with your EU counterparts in seeking to influence the work of the TCA's institutions? Perhaps we can start with Mr Cherry.

Mike Cherry: I repeat what I have already mentioned about our engagement, which has been going on for a considerable number of years with SMEunited and, before that, through ESBA in Brussels. FSB has been at the front in trying to ensure that the issues faced by small businesses, whether they be here in the UK or in other parts of Europe, are well heard and understood in Brussels. On many of the issues for SMEunited, whether goods, trade or data, we have been co-operating very closely and continue to do so. Even though we are now out of the EU, our ongoing engagement with SMEunited will very much continue, to make sure that the issues of small businesses both here in the UK and across Europe are heard by the UK Government and in Brussels by the Commission so that they are better understood and can be addressed where they need to be. I come back to the requirement for pragmatism to solve some of the issues on the table at the moment.

Q76 **Greg Smith:** I appreciate that answer. From your experience of those counterpart organisations in the EU, do you think they view the institutions of the TCA and its operations in the same way as you—the FSB—and British businesses?

Mike Cherry: Yes, I believe they do. We have already seen from our recent surveys, for instance, that some of our members in the UK have problems that mean they have disengaged from exporting to the EU. We have also found that members in the UK have had similar issues with European suppliers looking at how they can export to businesses here. We continue to raise both of those in Brussels and with the UK Government, so that the problems can be ironed out as much as possible



HOUSE OF COMMONS

and ensure that businesses can continue to trade as freely as possible, although it probably will never be back to what it was.

We urge the UK Government to continue with customs, for instance, using digitalisation as a route that would certainly help businesses to comply more easily and to understand much better what they need to do. There is a lot that the UK Government can be doing, but also a lot that could be better understood in Brussels in relation to some of the issues, and we continue to make those points in both areas.

Q77 **Greg Smith:** To stick with business, perhaps we can move to Mr McGuire.

Sean McGuire: To build on previous comments, we are a member of BusinessEurope, which is a federation of 40 federations from 35 countries across Europe. That was important throughout the negotiations up until the TCA. It is not just an EU body; it is a European body and has in its membership Turkey, Switzerland, Iceland and Norway. There has been very much a pan-European business approach to the negotiations, and subsequently implementation of the TCA. We have issued many joint statements on various issues, some political and some technical.

There has always been close co-operation. Since January, we have hosted a number of platforms for both European business and UK business to interact with HMRC, BEIS and Cabinet Office officials and, likewise, representatives from the European Commission, whether DG Trade or DG TAXUD. There is a commitment on both sides of the business community, in the UK and in Europe, to work to make this as easy and frictionless as possible and iron things out.

An important point is that it is not just about engagement in Brussels. There are 40 federations from 35 countries. We have spent a lot of time engaging bilaterally with our sister federations in their capitals. It is quite interesting that, once you move out of the Brussels bubble and start talking to the business community in France or Germany, you get a very different conversation. They are looking to find solutions. From a CBI and UK Government perspective, we plead for more attention to be paid to the bilateral relations with key trading partners within the European Union; they are not all of the same value for us, but certainly the big four—Benelux, the Scandinavians, the Republic of Ireland and a number in central and eastern Europe. A lot needs to be done on that going forward, particularly where issues are covered as a member state competency. A potential challenge coming down the line is around business travel and mobility, particularly where visas and work permits are needed.

There is a lot of engagement, but we have to step up. It is not just the Brussels machine; we need to work in partnership with our sister federations and other stakeholders on a bilateral approach to business travel and on mutual recognition of professional qualifications, which will



HOUSE OF COMMONS

be critical to any kind of service exports going forward. It will continue. It has been very productive.

On your last point, the European business community is taking seriously their engagement in various governance and institutional structures. We have an EU-UK taskforce in BusinessEurope, which is a forum where we bring forward challenges. It is not just the UK presenting challenges to the TCA; it is a number of countries. Something that is quite controversial but needs to be addressed is financial service equivalence. From the business perspective, both sides are looking forward, but it has been delayed because the Commission has not yet signed the memorandum of understanding. There are a number of issues where we as the business community can keep up the pressure, on both sides, to deliver on the TCA.

Q78 **Greg Smith:** That is a very thorough answer. Ms Vibert, could you give your perspective?

Sarah Vibert: To pick up where I finished my previous answer, our relationships with our EU counterparts were perhaps stronger in the past. This is an area where we as a sector have more work to do, because it is important for us to share learning with our EU counterparts.

I would like to highlight the impact of the pandemic on the sector's resources for engaging with the EU. That is certainly true at NCVO and for other voluntary organisations. Some of the resources we had specifically for EU engagement have been cut through restructures that were perhaps earlier than we would have done them, had it not been for the pandemic and the cut in resources that that necessitated.

Q79 **Greg Smith:** Among some of the counterparts you are dealing with across various EU member states, do you see variance, similar to what Mr McGuire spoke about earlier, in individual nations, or do the organisations you are talking to and working with speak with one voice?

Sarah Vibert: I don't think we have close enough relationships on a bilateral basis. A lot of our relationships have been on an EU-wide basis. To go back to my previous answer, I think we can do a lot more work there. I don't think that is something I can comment on.

Greg Smith: Thank you.

Chair: We turn now to the issue of future working. I invite Marco Longhi to pitch in on that one. This is the last question.

Q80 **Marco Longhi:** Thank you for attending today, panel. I have three questions. I would like to explore your thoughts on future working and governance arrangements. First, do you see the role of the bodies established by the TCA as one that seeks to manage the relationship between the UK and the EU or one that actively tries to improve it? Secondly, how do you expect the TCA's institutions to evolve over time? Thirdly, would you like there to be additional committees and working



groups, or any particular changes in rules and procedures? Perhaps we could start with Sean McGuire.

Sean McGuire: On your first question as to whether to manage or improve it, I think there is an element of both. First, we need to see the proper implementation of the TCA. That is the main goal going forward, certainly for the business community. The institutional bodies are there to iron out any difficulties and solve any unintentional consequences of the TCA.

Going forward, we would like the TCA to be improved on. That is not about reopening negotiations. There are a lot of areas where we feel we have many common interests and shared values. Earlier in the year, the CBI produced a report on what comes next. We identified 10 areas where we would like to see progress going forward. Some of that relates to the Northern Ireland protocol and making it a long-term, lasting and practical solution. There are areas around financial service equivalence. Data was referred to. There are issues around linking the UK ETS with the EU. That will be a challenge, but we would like to see it happen. We were disappointed that the UK was not permitted to join the Lugano convention. There are a number of areas where we would like these bodies to work to improve it. It is very much about building trust. Something I really want to get across is that we need trust on both sides to build on the TCA.

Do we want additional committees? No. We want the ones that have been identified set up and working. Will they evolve over time? We hope so. At the moment, some of the issues are still highly politicised. Once we get into a new trading relationship and people move forward, I think it will be less politicised and more about making it work. Those are my main observations on your questions.

Q81 **Marco Longhi:** Thank you. Mr Cherry?

Mike Cherry: As far as the role of the TCA is concerned, we hope to see it improve because that is what businesses want. They already have issues on the ground that need to be addressed, and that needs to be done in a pragmatic rather than a political way to help businesses both in the UK and across the EU.

It is far too soon to say how the institutions should evolve. Like Mr McGuire, we want to see what is already on the table being put into place, being effective and resolving issues for small businesses when they occur. We also want to see how the TCA will continue to work with structures on the Northern Ireland protocol to resolve some of the problems that currently exist there.

With regards to additional committees, as with anything, they may evolve over time, but it will very much depend on how the current bodies proposed under the TCA are put into effect in the first place. There is one overriding thing we need to be fundamentally clear on. Given the



importance of small businesses both here in the UK and across the EU, it will be hugely important for their voices to be heard adequately, that there is transparency on engagement, and that agendas and discussion papers come out in a timely manner, so that the small business voice can be properly represented, and responses to consultations fully taken into account, when those bodies are looking at improving the TCA and making things better for small and large businesses to support the economy as we come out of the pandemic.

Q82 **Marco Longhi:** Thank you. Last but not least, Ms Vibert.

Sarah Vibert: I agree that, in managing it or trying to improve it, the role is both. From a civil society perspective and our particular interests in the TCA, it is probably too early to say. Our big priority at the moment is to get the civil society forum established from a UK perspective and seeing how it will work in practice. I think that in practice it will be as good as we all make it—the parties and UK and EU civil society. We would like to see it set up and working well. Our main priority is around how we can have genuine engagement for our members, and a lot of that will be based on the transparency that will be critical right across the different institutional frameworks.

Q83 **Chair:** Thank you very much indeed. Having listened to this for some time, I thought I would try to put one last wrap-up question, which requires more in the nature of a yes or no answer, so that people can get a sense of how the future working is going. Do you think there is realism now and that it is being understood throughout the European Union and in the UK, and there is acceptance of the fact that we have left the European Union and that the future relationship might perhaps be more in the nature of cousins, rather than brothers and sisters, if you can see what I am trying to say? There is a slight remoteness in the relationship, but there is a real possibility that, despite the fact that we have left the European Union, and that that and our sovereignty and all the rest of it have been democratically decided, there is acceptance on the EU side that it is something that is understood and will remain the same. Mr McGuire, would you like to answer that question in a yes or no way rather than in a philosophical context?

Sean McGuire: I will try: yes, but. Certainly in the Brussels bubble they are still very, very hurt by it and there is an element of mistrust and lack of understanding. They have moved on, but perhaps not as much as the UK side has moved on and realised.

To put another caveat on that answer, the European Union has never had a very easy relationship with any of its neighbours who are not members. We just have to look at Switzerland. It is fraught as well. Going forward, while we may be cousins, there will still be some arguments and family disputes as the relationship evolves, so, yes, but reluctantly.

Q84 **Chair:** Mike Cherry?



HOUSE OF COMMONS

Mike Cherry: I don't think there is any question but that we are out of the EU. The important thing for small businesses is that there is some pragmatism brought into what needs to be achieved going forward, so that businesses both in the UK and across the EU can work closely together with minimal friction and resolve some of the outstanding issues that are on the table at the moment.

Q85 **Chair:** Sarah, last but, as Marco said, not least, would you be kind enough to indicate from the civil society point of view the general nature of your feelings and your understanding of how this is going?

Sarah Vibert: I agree with Sean and Mike. I think it is yes but, for similar reasons to Sean as to how Brussels is still feeling, but I think that will change over time as we start to get into the new arrangements.

Chair: Thank you all very much for coming. It has been most interesting. I hope that a lot of other people have had the opportunity to hear your responses so that they are better informed about what is going on in the business, foreign policy and domestic issues that have been raised during the course of these proceedings. Thank you all very much for coming.