

# International Trade Committee

## Oral evidence: The impact of the UK-EU arrangements on wider UK trade policy, HC 1549iii

Tuesday 13 November 2018

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Members present: Angus Brendan MacNeil (Chair); Mr Nigel Evans; Sir Mark Hendrick; Mr Ranil Jayawardena; Emma Little Pengelly; Julia Lopez; Faisal Rashid; Catherine West.

Questions 193 - 276

### Witnesses

I: Julian Braithwaite, Ambassador and Permanent Representative, UK Mission to the UN and Other International Organisations

II: Shane Murphy, Director of Analytical Services, Department for the Economy, Northern Ireland Executive, and Jonathan Athow, Deputy National Statistician for Economic Statistics, Office for National Statistics

### Examination of witness

Witness: Julian Braithwaite

Q193 **Chair:** I thank the Ambassador to the WTO for coming to our Committee meeting this morning on UK-EU trade. Can I first ask you to introduce yourself with your full title at the WTO, please?

**Julian Braithwaite:** My name is Julian Braithwaite and I am the UK's Permanent Representative to the United Nations and Other International Organisations in Geneva, which is about 37 different organisations of which the World Trade Organisation is one and the one that has been taking up a particular amount of my time in last two years.

Q194 **Chair:** Since this Committee has been established I think we have met you twice, at least, in Geneva. How is it going generally for the UK at the WTO at the moment?

**Julian Braithwaite:** Just to take you back, immediately after the referendum in June 2016 it became clear that of those 37 different organisations in Geneva the one that would be most affected by our



## HOUSE OF COMMONS

departure from the European Union was our membership of the World Trade Organisation. As you can imagine, up until that point I had not spent a great deal of time dealing with the WTO. I had many other organisations to deal with and of course our membership of the WTO was managed by the European Commission on our behalf because we are an EU member state. It was not something that I had to spend a great deal of time dealing with. Of course, after June 2016—

Q195 **Chair:** Has anything changed then?

**Julian Braithwaite:** Yes, it changed quite dramatically after June 2016 and my job changed quite dramatically after June 2016. The WTO became the highest priority for me and my team and we had a rather small team dealing with economic issues in the Mission at the time and we have expanded it quite considerably since then.

The key question that we faced then was, what did we need to do in order to get our house in order in the WTO by the time we left the European Union? That date of when we left the European Union obviously only became clear once we triggered Article 50 the following year but clearly over a relatively short period of time we were going to have to address that issue. I had to go through literally the same process that we all had to go through, which is, okay, so what is our existing membership of the European Union now as an EU member state? We have always been a full, and indeed, founding member of the World Trade Organisation. We were a full and founding member of the GATT before it, which means that under the WTO treaties our status in the WTO is no different from that of Japan or the United States but under the EU treaties we have agreed to the common commercial policy, which means that the EU Commission negotiates and speaks on our behalf in the WTO collectively. I, as the UK Ambassador to the WTO, had no negotiating or intervention role in the WTO.

So what was it that we needed to do between then and leaving the EU? Could I just stand up in the WTO the next day and start speaking and negotiating on the UK's behalf? The answer to that is no, you cannot, because our membership of the EU is expressed in the WTO through these collective schedules, these consolidated schedules. Every member in the WTO legally has to have its own schedules. The UK does have its own schedules in the WTO legally; we just happen to share them with the other 28 member states. We talked to the lawyers, we talked to the WTO Secretariat, who were extremely helpful. We also brought in a gentleman in July 2016 who you now are quite familiar with, Crawford Falconer, who had just retired from the New Zealand trade service at that point. I asked my New Zealand colleague for advice and said, "Look, we need to have people who can help us understand what we do not know about this." We were about to be faced with lots of detailed briefings from the WTO Secretariat. I and my team were not in a position to understand what all of that was. Were there issues that Ministers would have to decide on and



## HOUSE OF COMMONS

what was just administrative, if we put enough people on it we could sort? We needed someone who could help us sort through that.

I phoned up Crawford, who had taken up a job at a university in New Zealand at the time, and he flew over and literally a week later was with us and we went through, with the Secretariat, what we needed to do. What came out of that was that as an existing member of the WTO we do not need to accede to the WTO. That is very important. We do not have to go through an accession process. What we needed to do was disaggregate our schedules, take our commitments that are expressed in this common schedule, and put them into UK-only schedules that then the UK would control. In order to negotiate in the WTO you need to have schedules that you can control, and you can change the tariffs and the other commitments in those schedules once you have agreed through a negotiation so to do. At the moment we cannot do that because there is only one schedule that is controlled by the European Commission.

Q196 **Chair:** New Zealand started off quite helpful here in the personage of Crawford Falconer. Did they start off officially quite helpful, because when it came down to the TRQs those pearly teeth became shark's teeth after a while from New Zealand? How do you feel about that change?

**Julian Braithwaite:** You may have come across a guy called Vangelis Vitalis. He is now the head of the trade service in New Zealand. He was New Zealand's Ambassador to the WTO in July 2016. He phoned me up the day after the referendum and said, "We are going to make your life very difficult over something called a tariff rate quota. You do not even know what this is but it is very important to us and I am not sure how we are going to solve this, given you are leaving—"

Q197 **Chair:** Very few people in the UK knew about tariff rate quotas in June 2016, the New Zealanders certainly seemed to know about tariff quotas.

**Julian Braithwaite:** For them there is real economic interest at stake here. As we now know, the tariff rate quotas are the way that the major agricultural exporters around the world access the European market, and the European market is one of the most valuable agricultural markets in the world. They would argue it is quite heavily protected behind the EU's common external tariff and there are these quotas—tariff rate quotas—which allow access to the EU market at low tariff rates up to a certain quota. Beyond that quota a very high rate snaps in, which basically means you can no longer sell competitively into the EU market, so the size of the quota matters. New Zealand has the most valuable quota of all. Their lamb quota is for 270,000-plus tonnes a year.<sup>1</sup> It is the most valuable in economic terms and so they care about this.

Q198 **Mr Nigel Evans:** Is that not mostly because of the special relationship that the United Kingdom had with New Zealand? Most of that lamb was

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<sup>1</sup> The witness has subsequently informed the Committee that the figure should be 220-000-plus tonnes a year.



## HOUSE OF COMMONS

destined for the UK.

**Julian Braithwaite:** Back in the day when we joined the European Economic Community we brought the New Zealand lamb in with us—so says the Europeans and the French—and therefore we should take quite a lot of the New Zealand lamb out when we leave. It is true that the reason there is this large European lamb quota for New Zealand is that back in 1973 the UK was the largest export market, not just for their lamb but for almost everything else that New Zealand produced. If you look at the terms of trade between New Zealand and the United Kingdom back in 1973, it is extraordinary. They have changed dramatically since then. If you talk to the New Zealanders and Australians about their experience in the 1970s and 1980s they do feel that we froze them out and they had to go through quite a dramatic transition.

New Zealand went through a great liberalisation with its agriculture in response to this and they now say that they have come out of it stronger, but it was quite a tough transition for them.

Q199 **Chair:** At the moment New Zealand are aggressively fighting to keep their quota, their tariff-free 270,000 tonnes of lamb, into one of the most valuable agricultural markets in the world. Is the UK trying to do that with the EU?

**Julian Braithwaite:** What, of our bilateral trade between the UK and EU?

**Chair:** Yes.

**Julian Braithwaite:** That is obviously going to be subject to the withdrawal agreement if there is a withdrawal agreement.

Q200 **Chair:** We might end up with a situation where New Zealand has better agricultural access for its lamb into the European Union than the United Kingdom does. Is that possible?

**Julian Braithwaite:** The issue of what would happen in the event of there not being a withdrawal agreement between the United Kingdom and the European Union come next March is that our bilateral agricultural trade would indeed be governed by the WTO schedules. That is an order of magnitude greater than the trade with any other country of course. The value of our bilateral trade overall is something like £360 billion-worth of exports from the EU to the UK. A lot of that is agriculture and there is a very large agricultural surplus into the UK from the EU. The thing that you would have next March—and this has been the purpose of this whole process—is to have UK schedules that the UK could control. They will not be certified and we can talk about the reasons for that but there are some rather significant WTO precedents where countries have traded on uncertified schedules.

Once you have control of your schedules you can then do things with them unilaterally, should you so choose. You can apply them at rates



## HOUSE OF COMMONS

lower than these bound tariffs, as they are called, within the schedule itself. What you do in practice is that the tariffs you apply can be lower. They can be more liberal.

Q201 **Chair:** Can I press the point: if the UK leaves in March 2019 with no agreement, could the New Zealanders have hundreds of thousands of tonnes of lamb entering the European market tariff-free while just over the English channel the UK does not? Is that possible? I have a few sheep and I wish I had produced a tonne, but hundreds of thousands of tonnes will be interesting to farmers, at least. We might go on to fishermen later.

**Julian Braithwaite:** They will have this country's specific TRQ. What will happen is that because we, in the EU, have agreed that we are going to apportion the existing EU 28 quota between the United Kingdom and the European Union on the basis of past trade flows, they will have a quota for the EU 27 and they will have a quota for the United Kingdom. They are obviously disputing that.

Q202 **Chair:** They are not happy with that argument.

**Julian Braithwaite:** We have known they have not been happy with that from the start. Coming back to the original strategy, we always knew that if we could replicate our existing trade regime completely and utterly in these new UK schedules, there is nothing under the WTO system that allows people to take us to court and ask for compensation because the WTO dispute resolution systems exist to protect people from doing something that undermines somebody else's trade in the WTO. If you do not do anything that does that, then they may huff and they may puff but when they try to take you to a panel they will not have a case. That does not mean that people will not try it on. This is a town full of negotiators. People of course are going to see if they can get something out of the UK for free as they would see it, but they will not have a case.

The quotas are different. You can replicate a 10% tariff on cars and if the EU put a 10% tariff on cars in the UK schedule, that is a pretty simple replication. What do you do with a quota? You cannot replicate a quota. You have to find some way of dividing it up and we always knew that was not going to be just a technical fix. The New Zealanders have said, literally from that first day, "This is going to be a problem", so we always knew that but we did need to do something first. We needed to establish a separate UK set of schedules first because, coming back to my point, we needed to have separate UK schedules come March 2019 that we could then use for various purposes in terms of the future.

Q203 **Chair:** When we were in Geneva one of the times and we met with diplomats, we were told that if the UK crashes out with no deal, is out in March 2019 and there is no transition, it would be challenging for the UK at the WTO. How important is the transition or breathing space of the 21 months beyond March 2019 for your team?

**Julian Braithwaite:** I think the Director-General, Roberto Azevêdo, has put it right. I think he said that, "This process will not be a walk in the



## HOUSE OF COMMONS

park for the UK, but it will not be the end of the world”, and I think that is true. The great advantage we have is we are existing members of the WTO already so we cannot be kicked out or denied membership of the WTO.

I can say that the strategy that we agreed with Ministers in October 2016 is still the strategy that we are implementing. That is not to say that it is not challenging and that it is going to be easy over the next few months, and we are in the phase of this particular process where the rubber meets the road. This is where we are submitting our schedule, people are responding, we are having to respond to that, and this has become much more live and real and it is challenging, but we are where we expected to be. Back in October 2016 we said, “We will submit our schedules in the autumn of 2018”, because first of all we needed to socialise the idea that the UK is going through this unprecedented process but that we would be able to use, because we are existing WTO members, the processes available to WTO members to do this, although we are using them in unprecedented ways. We needed to get the membership broadly comfortable, first of all that we are existing members—people were not sure about that because they had only seen the Commission—and secondly, we were going to do everything we could to avoid disrupting anyone’s trade in the process, and thirdly, we were going to do so using the following sets of processes.

Critical to that was establishing our separate schedules from the EU and then you can do things. Once you get responses to those schedules you can do things as the UK to address those concerns. We always knew these quotas would be a problem and that there would be objections to what we were doing, but having established or having put down a separate schedule through this process known as technical rectification, we are now in a position to use other WTO processes to address the concerns that people have raised. That is this famous Article 28 process, which allows us to take the objections of those countries who say, “We do not like what you have done on quotas”, and put it into a separate negotiating process known as Article 28, which ring-fences those ongoing disagreements or unresolved issues so that come next March, if we had to we could assert our schedules. Uncertified though they may be, we could assert them and the discussions over how we finalise the TRQ details would be taken forward in the Article 28 process.

**Chair:** We have quite a bit of interest in where we are at the moment. I have three members stacking up before we get back on track as to what we were planning as a Committee, but what you are talking about is fascinating and it is very interesting to current developments and motions and movements.

Q204 **Mr Nigel Evan:** As far as working out the schedules is concerned, I assume they would normally have been done in the past in smoke-filled rooms without the glare of publicity because a lot of it sounds very technical, maybe even a bit turgid. Then you have got this bit where you



## HOUSE OF COMMONS

sit currently with the EU 27 at this moment in time and then you will move to, hopefully, the United States of America after 29 March. How often do you have those big assembly meetings and what sort of things do you expect to change post us leaving?

**Julian Braithwaite:** This takes up at least 50% of my time now but it is not because I am going down to the WTO and sitting in a committee room intervening as the United Kingdom. That is not how it works. We have done a lot of informal meetings in the WTO where we have basically been explaining to the membership—and we have done about three rounds of these informal briefings to the membership—what we are doing.

Q205 **Sir Mark Hendrick:** All 168?

**Julian Braithwaite:** One hundred and sixty three. There are various different regional groupings and we have done briefing by briefing, some regional grouping by regional grouping, but those have been informal.

The formal process only began when we submitted our schedule on 24 July, our GATT schedule. That was the first formal act as the UK. In a way it cuts across the common commercial policy because under the common commercial policy no member state can formally exercise a particular WTO process. It has to all be done through the EU, but obviously we needed to start this process. Quite a lot of the time since June 2016 is talking to the Commission and trying to find a common approach, which we now have. It has not always been straightforward but we now have it. They agreed, obviously, “You are going to have to submit your schedules before you leave the EU”. Getting them to agree that we needed to do this before we left the EU was obviously our first challenge. They have agreed that. Agreeing then how we were going to do that took a lot of discussion. Agreeing that we were going to have separate but complementary processes instead of just one process that the Commission would run for both of us was another thing that we needed to negotiate.

I was very clear that we did need to have separate processes. We needed to be able to control our own submission of our schedules and then control all of the negotiations to finalise those schedules, including the Article 28 process. It is critical that we had our own schedule submitted to the WTO because that then allowed us to have our own Article 28 process. If we had not submitted our own schedule, then we would have done a joint Article 28 process run by the EU, which would have meant that how we finalised those negotiations over TRQs would have been something that we would not have control of. Now we will have a separate Article 28 process that the UK will lead, and how we finalise the outcome of that will be for the United Kingdom.

**Chair:** There is quite a bit of interest at the moment and you have opened an awful lot of things that we will probably come back to later, but Emma Little Pengelly, Catherine West and Ranil Jayawardena want to



## HOUSE OF COMMONS

ask short, succinct questions, and an excellent demonstration will be given now by Emma.

- Q206 Emma Little Pengelly:** Thank you very much. It is very interesting to see the details of this, but I have a couple of quick questions. First of all, you said about New Zealand being difficult. They have their current quota with the EU. Is there a concern that they want more access than what has been apportioned to the UK market or that they want more of that quota to be apportioned to the European Union?

**Julian Braithwaite:** Their concern is that one big quota to one single market is better than two smaller quotas to two smaller markets, and they lose flexibility with us leaving the single market. We have said, "Look, we are happy to hear your concerns about that and practically what that means in terms of any damage to your trade, because we want to avoid any damage to your trade, but this is not a market access negotiation. This is a process of replicating as faithfully as we can the existing situation. This is not where we are going to negotiate extra market access for New Zealand into the UK market."

- Q207 Emma Little Pengelly:** That is what they are seeking. Do they want both quotas to be increased?

**Julian Braithwaite:** They would not put it like that. They are saying, "We have these rights to the single market and we want to be compensated for those in some way". There is a very interesting question here, which is that the WTO tolerates regional trading agreements. It does not exist to enforce the preferences under those regional trading agreements, so the WTO is not the place to seek compensation for the withdrawal of preferences under a regional trading agreement like the single market. Legally, if you put it to a WTO panel they are not going to say they are in the business of adjudicating on how you compensate countries for the loss of access to single markets with the United Kingdom.

I am sure New Zealand's lawyers, if it ever ended up there, would say, "Well, you know, these quotas are referred to in the schedules and therefore they are binding on you and the WTO". There will be a debate to be had on that, but the Article 28 process exists precisely in order that you can have sensible conversations about these issues and show that you are listening to genuine concerns that may exist and addressing them if you believe they are genuine. This will be about genuine concerns about how you replicate as faithfully as possible the existing arrangements, and not about further market access. That will be a matter for the FTA negotiations that we hope to have with New Zealand in the future.

- Q208 Emma Little Pengelly:** Just a very quick technical question. At the moment there are discussions ongoing about backstops in relation to Northern Ireland. In that situation, where there is an apportionment of the quota between the EU and the UK but Northern Ireland would stay



## HOUSE OF COMMONS

within the single market of the EU, or even if Northern Ireland stayed within the market of the EU in terms of agricultural products, how does that work in terms of how lamb coming into Northern Ireland would score? Does that score against the European Union quota? How is that regulated if there are no checks on that in terms of entering through RoI? Does that score against the UK quota?

**Julian Braithwaite:** Yes. The scenario we have looked at most closely is if there is an agreement it means us staying in the customs union at least until December 2020. During that period nothing changes. The TRQs would be administered in the same way they are now. We would have our separate schedules, but during the implementation period we would still be operating on the basis of the common EU schedules, although our separate schedules would be there. We would be going through our Article 28 process to finalise issues around TRQs and so on.

Depending on what that withdrawal agreement says, and depending on what version of the backstop is in there, if any, then during that period between March of next year and December 2020 we would need to work out how that would impact on TRQs and how they would be administered after December 2020. That would be the time when that would be worked out. As you have just described, it will be fiendishly complex.

Q209 **Catherine West:** So far we have talked about the technicalities but I wanted to ask you a more strategic question about what is happening at the WTO at the moment. When we visited you last summer, some of the people around the table were saying that there were big waves coming, obviously with a mind to what is happening with China and the US—my colleague, Nigel, says he is dying for the UK to be sitting next to the US—but could you say a few words about the disruptive element of US trade policy and the implications of that for the WTO? Personally, I think this is quite a difficult time to be renegotiating and starting something new because there is quite a lot of flux in what has been quite a settled system for about 40 years.

**Julian Braithwaite:** There is a huge debate going on in the WTO about WTO modernisation, WTO reform, whatever you may call it. What is driving it is a number of factors. The US concerns with the way the WTO works are obviously right at the heart of that process. The US concerns are not new. Take the issue of the dispute settlement body, which is one of the key issues that the Americans have been concerned about. The current Administration has been blocking the appointment of new panel members to the appellate body of the dispute settlement body, which means that come the end of next year it will no longer be quorate and it will no longer be able to rule as the appellate body of the dispute settlement system.

The concerns that they have date back to the second Bush Administration because the Americans have always been concerned that what they had signed up to when they agreed to the WTO back in 1995 and agreed to the Marrakesh agreement was a system that did not have rule-making



## HOUSE OF COMMONS

powers. They did not want there to be a dispute settlement system that would make rules and set precedents that would then be binding on others. They thought the Clinton Administration had negotiated that in 1995.

The appellate body has indeed become this sort of rule-making body. The Americans started complaining about that in the early 2000s and the Obama Administration did indeed block the reappointment of a particular South Korean member to the appellate body who they saw as playing a particularly unhelpful and interventionist role. This does go back some time on that issue.

The issue of the negotiating function of the WTO has been a real issue throughout the Doha development round that started in 2003 and has not been concluded and has sort of run into the sand. The issue of transparency, which is members notifying the WTO if they are doing anything domestically that might be pertinent to their commitments in the WTO, has not been working as well as it should do. Part of that is the product of the fact that the great success of the WTO since 1995 has been enlargement. The WTO has become a much more universal institution in the last 20 years.

Famously, China joined in 2001 but the result of that is it is now a much more diverse organisation and getting consensus on issues is harder and harder, so the negotiating function has become more and more difficult, but making it more universal is a huge achievement. The problems that the Americans point out are the flipside of one of the successes of the WTO. In terms of the analysis, we share quite a lot of their analysis, but I think it is fair to say that we do not agree with some of the tactics they are using.

**Q210 Mr Ranil Jayawardena:** Ambassador, as the president of the Board of Trade, Dr Fox has been talking from the outset to countries like the US and New Zealand about their concerns over TRQs. Would you agree that these objections are not unexpected and this is entirely par for the course, whether people are friendly to our country or otherwise, and as a result we should not be concerned about this? Just a point of clarification.

**Julian Braithwaite:** The New Zealanders have been objecting to me since 24 June 2016, so we have known that this would be an issue. We mean what we say when we say that we want our transition to have minimal impact, minimal disruption on people's trade. We mean that. We mean what we say when we say we are trying to replicate as faithfully as we can our existing trading position. But we are leaving the European Union and that does have consequences in terms of we are leaving a single market. If that is happening, then it means that you can no longer have a joint tariff rate quota with the rest of the EU so we have to find a solution to that. We have agreed a solution with the European Union. They are defending it robustly in their own separate Article 28 process and they are hoping we will carry on doing so in ours but we will have our own separate Article 28 process. That is the point of this separate but



## HOUSE OF COMMONS

complementary process that we agreed with the EU back in October last year. That was a letter that I and my EU counterpart sent to the WTO membership saying, "This is how we plan to work together".

Can they veto our schedules? The answer is they cannot. They will not certify the schedules, because the process is you put down your changes to your schedules and then all the membership have to basically agree to them and then they are certified. If they do not agree to them then they are not certified. The European Union has been trading on uncertified schedules for almost the entire history of the World Trade Organisation, because every time the EU enlarges it changes its tariff rate quotas, and when it changes its tariff rate quotas, for the very reason that we now have our own Article 28 process, all of those countries that access the market through that say, "Well, hang on a moment, we think you have done that in a way that is not quite fair". But they have been trading quite happily for 20 years and they have been negotiating FTAs with their uncertified schedules, so we can do the same.

It is very important that we say that we will do everything we can to ensure that nobody is worse off and that we replicate our existing system but you cannot just replicate a quota for 28 countries and put it into the UK's schedules. That would be a massive market liberalisation coming back to our domestic producers and what it would mean for them, and we obviously cannot do that.

**Q211 Mr Ranil Jayawardena:** Of course that is a decision for the future, but just on a point of clarification: on the issue of uncertified schedules, just as the EU has done, the key point I am taking from your answer, before and now, is that the UK can still continue to negotiate our own FTAs going forward on certified schedules.

**Julian Braithwaite:** Correct.

**Q212 Chair:** Moving towards the Government Procurement Agreement and the benefits that brings, what is the process for the UK to accede to the GPA in its own right and what stage is the process currently at? Did you see the present from the Home Office by annoying the member from Moldova?

**Julian Braithwaite:** Unlike the WTO we do have to accede to the Government Procurement Agreement. We are not a member in our own right. We have participated in the GPA from the very beginning, back in the mid-1990s, but we have participated in the GPA as a member of the European Union so legally it is the EU. There are 19 parties to the GPA. The EU is one of them. In order to continue to participate beyond next March we have sought to accede to the GPA in our own right. At one level that should be very simple, should be very technical, because of course we are already participating in the GPA. We are already respecting all of the obligations of GPA membership because we have been doing so since the GPA came into effect.



## HOUSE OF COMMONS

Going through an accession does mean that, in theory, a country—any country—can just veto. If we do not get their agreement we do not become a member of the GPA, so that is different from the WTO, so we do have to accede. We are doing so on the basis again of replicating our existing position. Again this was part of that negotiation with the EU about how we would co-operate in the WTO. The EU was very keen that we should literally use exactly the same schedules that we have at the moment—the 2004 EU schedules—and just replicate them word for word as far as we can as the new UK schedules, and that is what we have done and therefore the EU is supporting our accession. All of the other parties have to be happy with that.

We submitted our final market offer before the summer. That was discussed at a meeting on 17 October. The EU said they supported our accession. The majority of the parties also were supportive. However, some key members—including the United States—have not yet given their assent. That is what we have—

Q213 **Chair:** Why is the United States being so beastly to the poor United Kingdom?

**Julian Braithwaite:** What they say is, “Well, you know, it is all very well you applying to join the GPA as the UK, but doing so on the basis of 2004 schedules when DExEU and DIT did not even exist means we think you should be acceding on the basis of the situation today. We would like to have updated schedules, please”. Part of this is that we agreed with the EU that we would use the existing schedules because I think the EU’s concern is, if we acceded on the basis of updated schedules, that would put pressure on them to also update the rest of the EU schedules, which would be a headache.

Q214 **Chair:** The EU are already in.

**Julian Braithwaite:** Yes.

Q215 **Chair:** They have less of an acute situation than the UK has.

**Julian Braithwaite:** That is true but they would nevertheless come under pressure if we fully updated it. That was their concern anyway.

Q216 **Emma Little Pengelly:** We are both already in.

**Julian Braithwaite:** The EU is legally the member on our behalf. Just to go back to this, we signed the GPA agreement back in 1994 but we never ratified it because the legal advice was we did not need to because it is an exclusive EU competence. Some member states did. I think France and Germany did ratify so they are legally members of the GPA.

Q217 **Chair:** A third of the countries have.

**Julian Braithwaite:** Yes, but legally, as far as we are concerned, the EU is the member on our behalf. Again, one of the important principles of this transition of the WTO, which I think has been very important from



the start, is that the UK and the EU have been seeking to work together and be seen to be working together on this transaction in a sensible, grown-up way because, again, this was advice we got right from the beginning, from the top of the WTO, that the UK and the EU should show the rest of the membership that you are managing this in a responsible manner. If you do, then yes. This being a town full of negotiators, people will try it on and so on and so forth but you will maintain the confidence of the membership. That is what we have been doing. It has not always been easy but we are working together with the EU and when they said, "Look, we need you to do this for us, use the existing schedules in the GPA", we agreed to that.

What we have agreed with the Americans is that we will go through a process of updating our schedules through something called Article 19 in the three months after we leave the EU. We will move to these updated schedules, which seems to be fine as far as the EU is concerned.

We hope to get the US on board in the coming weeks. There are other members, Moldova is one, who have also raised their concerns about certain things—and South Korea and Japan.

If the US moves, that does change the dynamic quite significantly. I am not saying that the other objections are not important, and we will be talking to them, but that will change the dynamic.

**Q218 Chair:** What are the consequences for the UK? The press stories at the time that Moldova had been badly slighted—and they were slighted by the UK Home Office—was that the UK would be locked out of the \$1.9 trillion pot of Government procurement contracts. Was that an accurate story?

**Julian Braithwaite:** I think you have asked the Secretary of State this and he has committed to write to you to give you more details. Before this hearing I did check with DIT to see whether they could give me his letter in order to brief you on the details of that. That is not quite yet ready but what I can say is, according to the WTO's own website, the value of the GPA is \$1.7 trillion, £1.3 trillion. When you drill down into that, what that means varies from year to year. In 2015, we think it was a bit under £800 million.

**Q219 Chair:** Could the UK be locked out of these £800 million contracts?

**Julian Braithwaite:** On the question as to what we would end up not being able to access if we fell out of the GPA, first of all each GPA party has a different way of implementing GPA. New Zealand, for example, has an MFN procurement market, which means that any country anywhere in the world, whether they are a member of the GPA or not, can access their public procurement markets on the same terms as everyone else. For example, if we fell out of the GPA we would still be able to access the New Zealand market on exactly the same basis we access the market—

**Q220 Chair:** Is there much of that happening at the moment?



**Julian Braithwaite:** It is not the world's biggest market. It is one of the more open ones. Singapore is the most open. We are one of the more open ones. The United States is at the other end of the spectrum. Just to explain this one: if we fell out of the GPA, the US would have to change its domestic legislation in order to remove the UK's exemption from the Buy America Act. They would have to go through an active legislative process in order to exclude us from their markets, which they might do but it will not happen on 30 March. It varies from country to country depending on how they are implementing it.

Another point about this, though, is that the UK is a very valuable member of the GPA. We are the second largest public procurement market in absolute terms after the United States. We are bigger than Japan. We are bigger than Germany. We are a very open market for public procurement, and the legal guarantees that countries have to access that market are governed by the fact that we participate in the GPA. They are not going to want to have a situation where their access to this valuable market is called into question. That does not mean that everything will come together magically in time. There are risks, clearly. There are a lot of interests that push towards maintaining the status quo.

Q221 **Julia Lopez:** I think this has covered some of the questions I was going to ask. I am keen to know about your negotiating leverage and the extent it is affected by the Government's current EU and UK negotiations and whether that is making your life difficult because, for instance, on the TRQs, I would imagine that some of these issues are easier to solve if you are able to offer the prospect of a wide-ranging comprehensive free trade agreement once we have left the EU. If it looks like the Government is going to hamper us in that regard and we are going to be very closely tied to the EU in future, does that make your life harder when it comes to some of these tough negotiations within the WTO? There is a broader question; I would like to know—what are the trump cards that we hold within some of the difficult negotiations that you are having to go into?

**Julian Braithwaite:** It cuts both ways of course, because people see just how difficult bilateral negotiations are and it makes real the prospect that the WTO arrangements may in fact need to be in place come next March, at least as an insurance policy against the possibility that these negotiations do not come together. In one sense that focuses minds. People want to minimise any disruption and if it is going to depend on the UK having its schedules to trade on come next March and remain participating in the GPA, then that is in everybody's interest. In a way it does focus people's minds. If people think it will not matter come next March and there is going to be the transition period, implementation period, and therefore they will be able to carry on negotiating over the details with us and it will not affect real-world trade, then they will carry on negotiating details with us as long as they can. It plays both ways.



## HOUSE OF COMMONS

Geneva is full of very experienced trade negotiators who are able to observe what we are doing bilaterally with the EU from a very informed and objective point of view. They know we are running a big risk as we leave the EU. They also know there are opportunities that we might be able to secure as a result of that and they are interested. They would like to be able to do FTA negotiations with us, the ones that have a real economic interest in the UK, and they are trying to work out whether we are going to be in a place to do that. At the moment, I think, like anyone looking at this, they will say, "Well, it is not yet clear". I make the point that I just focus on what I am responsible for in WTO, I am there as the Ambassador at the WTO, and let us just work on sorting that out and we can leave the UK-EU negotiations to others. If we put that in place, it will help advance all of our objectives, including the potential one of us being able to negotiate deeper economic relations through FTAs after we have left the EU.

**Q222 Julia Lopez:** Has there been a shift in the dynamic within the WTO over the last week as people absorb what is happening within the UK and note that perhaps the negotiations are not going so well and that the Prime Minister might find it difficult to get a deal through Parliament?

**Julian Braithwaite:** I am always surprised by how poorly people read British politics outside and also how poorly we read other people's politics from the UK. One of the things I find I am in quite a lot of demand on in Geneva is just to try to explain what is going on in the UK. It is a valuable function that a British Ambassador can provide these days. I think it is dawning on them that something that I do not think they ever thought was a possibility—hopefully it is a rather small possibility, but it is the sort of possibility you take out insurance policies against—is the possibility that we might leave without a deal. If you are being prudent you make sure you have some insurance policies in place and one of those insurance policies in place, which is good for us and good for them, is just getting our house in order in the WTO.

Every time they start worrying about what is going on, I say, "Well, all the more reason for us to take this process seriously and, yes, I understand this is a town full of negotiators and you are going to try it on and see if you can get something out of the UK for free", and so on. The benefits of that are so marginal compared with preserving the benefits of the arrangements we have in place at the moment—let us not lose sight of that. They will not necessarily admit that to me, but I think they do understand that, and so the more we get to a point where it is in the balance, the more we can argue for seriousness in our processes in Geneva.

**Q223 Julia Lopez:** Just one last question about looking over the horizon. An independent UK within the WTO—what are the positive benefits that other WTO members can see from that prospect?

**Julian Braithwaite:** The WTO does not hold a candle for the European Union or membership of the European Union, and on the whole within the



## HOUSE OF COMMONS

WTO and the wider global trading community of Geneva there is this historical memory of the UK as an absolutely critical key player in the WTO and the GATT before it, as a country that has always supported trade liberalisation and the rules-based multilateral system that helped found it. If you look at the wall of all the Director-Generals of the GATT and the WTO, the first three of them were Brits.<sup>2</sup> This is an institution that has a lot of British input into it.

They have also seen how we have played our membership of the European Union, as a liberalising force within the EU and one of the drivers of the reform of the common agricultural policy that has been one of the banes of the lives of other WTO members. They think we are going to come out and be a major voice for the rules-based system, a voice for trade liberalisation in a balanced manner and an ally of those countries that do want to uphold the system. For most countries the system is really important. Most countries do not have the option of negotiating big FTAs with other countries. Most countries are dependent on the rules-based system for their trade. Some big countries out there are arguing for it and they think the UK will be one of them.

**Q224 Julia Lopez:** On the flipside, is there a concern the EU itself might become more protectionist without the UK's voice within it?

**Julian Braithwaite:** Yes.

**Q225 Chair:** You mentioned trade liberalisation in the second to last answer to Julia Lopez a few times and the UK seeing itself as a big proponent of trade liberalisation. Does the UK's openness under procurement affect its ability to negotiate reciprocal market opening, given that there is so much open and given away already, which includes GPAs and perhaps even future FTAs.

**Julian Braithwaite:** On procurements in particular?

**Chair:** You are so open, what do you have to give?

**Julian Braithwaite:** That is an argument you hear. You do not want to give away your market access for free or multilaterally; you want to sell it as part of your FTA bargains. The opposite argument is Singapore. Singapore has very open markets and yet it is still able to negotiate FTAs. Singapore is only tiny and yet they have a very active FTA programme and have negotiated some rather interesting FTAs.

One of the arguments for replicating our existing EU schedule is that there are plenty of things in that schedule that would not have or do not make sense if you are just the UK. Why do we have a tariff on oranges? We do not grow oranges in the UK. When I was advocating that we just replicate I was asked, "Why don't we get rid of all those things now?" I

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<sup>2</sup> The witness has subsequently informed the Committee that in fact only the first Director-General, Eric Wyndham-White, was a Brit, although he held the posts of Executive Secretary and Director-General of the GATT for 20 years.



said, "If you start getting rid of some things now then everyone is going to say, 'Why don't you change this and why don't you change that', and the whole process becomes completely unmanageable". Our objective is to achieve one thing as simply as possible, which is to get ourselves in a position where we have our own schedules, then we can decide what to do with them. One of the things we will be able to do with these schedules is that, with a tariff on oranges, we will be able to talk to the South Africans or whoever else it might be and say, "You know what, we will scrap this tariff on oranges so we can import South African oranges, but in return we want something". That is how trade deals get done.

**Q226 Catherine West:** That is a good place to start because my question is about the sectors we think are particularly at risk or are tricky. The first of the two that have come out in the last year since we have been looking at this is agriculture, which you have already mentioned. I am particularly interested in the impact on our own farmers of lots of lamb flooding the market here. Secondly, on public services, how has the NHS been protected to date and can that just roll over? As you know, it is a very strong political point domestically. I want to understand what steps would need to be taken to ensure that in a WTO situation, where it is not just about OJEU but much wider—protecting the national health service from particularly the US health companies is a core political priority for many of us.

**Julian Braithwaite:** Agricultural is the most sensitive sector. It is quite surprising for people who do not deal with trade all the time that a sector that makes up only a small percentage of the UK economy and employs a rather small percentage of the UK labour force is the most sensitive issue in any trade negotiation. Any trade negotiation has agriculture at its heart. It is not just developing countries who want to get more access to these rich developed markets, but it will also be an issue with the United States. Agriculture is a very sensitive issue. You know better than I do the political sensitivities of the agricultural communities; therefore that is one of the sectors that is absolutely critical.

What we are doing—it is true with everything, including with the GPA—is seeking to replicate the existing system. We believe what we have done on the TRQs will not change the balance of trade in a way that will be material for our own domestic producers.

The New Zealanders think it is going to mean they have less access, or less rights to access, to the UK market, but at the moment they do not even fill their quota. They have this big quota for the EU but each year they only fill it to about two thirds. They have what is known as quite a lot of under-fill in the quota. They are arguing really about the theoretical rights of how much flexibility they have, rather than what is actually going on day to day. We have been very conscious of the need not to do something that inadvertently has a significant negative impact on our producers, which is another reason for replication. We do not know yet quite how we can adjust these tools in a way that does not have



## HOUSE OF COMMONS

unintended consequences for our producers, so let us try to keep things the same.

On your specific point about public services, the protections against the international tendering of NHS services that exist in the GPA are precisely the things we are seeking to replicate across in our own accession. What happens if we do not manage to accede? It does not mean that suddenly everyone is going to be able to buy parts of the NHS. It means they will have even less access to the UK market if we so choose because we would not be bound by the legal obligations of the GPA. We do believe this international procurement market is a good thing, it leads to more competitive tendering of services and we have been supporters of it. Falling out of the GPA will not be to the detriment of the integrity of the NHS. Quite the reverse: we would have no legal obligations at all under the GPA because we would not be members of it. However, we are seeking to replicate that and to not be in a position where we do not have to have those obligations.

**Q227 Mr Nigel Evans:** With the devolved legislatures perhaps doing procurement in different ways, do you foresee any problems with that whatsoever?

**Julian Braithwaite:** Not with the GPA itself. The updated schedules of the GPA would need to capture this, and that is one of the points the US makes. Really what we would be doing is describing what we are doing at the moment in those new updated GPA schedules. It is a fair point for the US to make: "Quite a lot of things have changed in the way in which you structure yourselves. We understand what you are doing currently, as the UK is, indeed, compliant with the GPA as you are a participating member of the GPA through the EU. However, we would just like to see that on paper, please, rather than this old 2004 schedule". That is their particular argument and that is why we have said yes, we will do that immediately after we have acceded through this so-called Article 19 process.

**Mr Nigel Evans:** We only have four constituent parts; America has 50 constituent parts. I am sure there is a lot of crazy paving procurement going on in America.

**Q228 Chair:** To flesh that out, the English NHS I believe has a more privatised contract base than, say, the Scottish NHS. If there is one model being followed in one part of the UK, does that give leverage to one of the GPA members to open up another national health service that is following a different model, not in competition but more co-operation and standardisation?

**Julian Braithwaite:** The UK or constituent parts of the UK are free to be more liberal than the requirements in the GPA, should they want to be. However, because one part of the UK has decided to do that it certainly does not bind or oblige any other part of the UK to do that.

**Q229 Chair:** With regard to sensitivities in agriculture, twice in the last 104 years the UK food security has been an issue, during world war one and



world war two. Does food security raise its head in negotiations over agriculture at the WTO in your experience?

**Julian Braithwaite:** The situations you are referring to really predate any form of genuine multilateral trading system.

**Chair:** It is a two-in-100-year event, if you like.

**Julian Braithwaite:** In a world where you did not have the WTO, the issue of food security would become more of an immediate issue because you would then be saying, "How do we ensure we do maintain reliable food supplies at a reasonable price?" That is why the multilateral trading system is so important, why the UK has helped build it and why the US was also involved in building it from the start. While there is this debate—driven not least by US concerns for WTO reform—we are a very, very long way away, I am happy to say, from a world where we do not have a multilateral trading system.

**Chair:** Time is short. You have to go on a plane back to Geneva soon.

Q230 **Mr Ranil Jayawardena:** Coming back to a point but going into it in slightly more detail, in terms of the uncertified schedules, through which the UK can continue to operate nonetheless. We have covered New Zealand in quite some detail. Could you give us a headline of some of the other countries—I think there are around 20—which have issued objections and why they have done so? Is it all agriculture or are there other industries involved?

**Julian Braithwaite:** You will remember there was a letter sent last year by seven major agricultural exporters. No surprises there that they have all submitted their objection, basically saying the same thing. There are a number of other countries that have a real interest in TRQs who have basically said the same thing. That is the majority of them.

The advice we received was there are going to be countries who will just put down an objection because they can. Why would they not put it into the mix? The advice was, "You are going to have to decide how serious that objection is and whether you are going to engage with it or just say, 'You know what? We do not think this is going to change your terms of trade with us and therefore we are not going to do anything about it'."

We will look at every single one of those objections very seriously. The ones we know do require further discussion and engagement are the ones around the TRQs. It will not be the full 20-odd countries that are part of the TRQ process, it will be a subset of that.

Q231 **Mr Ranil Jayawardena:** In terms of the UK Government, through you as our Ambassador there negotiating both formally and informally on these issues, are you confident—without wanting to declare your hand because I do not think that will be in our national interest—there are cards we hold that can assuage the concerns of these other countries?



## HOUSE OF COMMONS

**Julian Braithwaite:** Yes, it is going to take time. These Article 28 negotiations do take time. The EU has basically been in some form of Article 28 negotiation for much of the last 20 years. Every time the EU enlarges it has had to go through an Article 28 negotiation. These negotiations will go on for some time.

Q232 **Mr Ranil Jayawardena:** But we can still operate?

**Julian Braithwaite:** We will still be able to operate and we will find ways to come to a sensible conclusion that does not critically undermine our own producers.

Q233 **Mr Ranil Jayawardena:** Heaven forbid we fail to assuage those concerns of other countries, what would be the possible consequences if they were to initiate formal dispute proceedings against the UK, particularly in terms of retaliatory measures?

**Julian Braithwaite:** If we go through an Article 28 process and end up saying, "We disagree with what you want", then, of course, the member can begin a dispute. They would have to convince a panel we had damaged their trade and then the panel would be able to award them compensation. However, the whole point of the Article 28 process is to really dig down and see whether we do have any real WTO obligations to address the concerns that have been raised or whether under the WTO we do not, and therefore we can say, "Sorry, we do not think you really have a case here". If they do not really have a case, they will not launch a dispute. They may say they have a case right up until that point, but we will see. If they genuinely do have a case we are going to want to address that, of course.

**Chair:** Thank you very much. I think we have taken our quota of your time. It has been quite a fruitful morning. We will probably have you back again. There might be a pressing question from Sir Mark Hendrick, but bear in mind there is a flight to be got.

Q234 **Sir Mark Hendrick:** You mentioned there could be a formal objection. How long will this take and how is it likely to overlap with what we are doing with the EU, if we can get extensions for example?

**Julian Braithwaite:** The Article 28 process?

**Sir Mark Hendrick:** Yes.

**Julian Braithwaite:** We will be launching it in the coming weeks. We have said we are going to do it. We will be presenting the data and going through the process shortly. There is then a three-month period where, again, people formally ask to be part of the Article 28 process, we decide whether or not we agree they should be and then the process begins. That will certainly take us beyond next March. The whole point of it is that it is a way of ring-fencing that issue so we can assert the rest of our schedules as they are.

**Chair:** Thank you. From that it seems a transition period might indeed be



helpful to efforts in Geneva, rather than finding yourself busy at the end of March. We might well be having you back again. It was very useful to have the discussion this morning. I hope we can continue this again and we wish you well and good luck. Bon voyage and safe journey, thank you.

**Julian Braithwaite:** Thank you very much.

## Examination of witnesses

Witnesses: Shane Murphy and Jonathan Athow

Q235 **Chair:** We have our second panel of the morning, looking at Northern Irish trade partners and particularly the statistical data on that. I ask the panel members, please, to introduce themselves—name, rank and serial number—for the record, starting on my left.

**Shane Murphy:** My name is Shane Murphy. I am Director of Analytical Services in the Department for the Economy in Northern Ireland. In effect I run the analysts in the Department.

**Jonathan Athow:** My name is Jonathan Athow. I am Deputy National Statistician for Economic Statistics at the Office for National Statistics. We take responsibility for producing a wide range of economic statistics, including trade statistics that I will be happy to talk to you about today.

Q236 **Chair:** Thank you very much. To kick off, as far as we can tell in terms of Northern Ireland's trade with the rest of the world, what are its key exports and imports in both goods and services?

**Jonathan Athow:** Perhaps I should start. Broadly speaking, you have about four or five top items on the goods side. First, machinery and transport equipment—which will include a wide variety of goods, aircraft, aircraft parts and things like that—and then chemicals and related commodities. You then have a whole group of rather miscellaneous manufactured items—manufacturing is obviously a key part of that. Then food and agricultural products are also in there. Those are the top four or five goods exports. You also see that broadly mirrored on the import side; it is the same sorts of goods that are being imported.

In terms of services, it is a bit more diverse. The exports from Northern Ireland on services are things like information and communication services, travel, transport of goods, construction and those sorts of things. Those are broadly the areas you see. It is similar on imports of services. One of the areas that Northern Ireland imports more is professional, scientific and technical services, which is something Northern Ireland exports less. That is broadly the shape of things.

Q237 **Chair:** How does the volume and type of trade Northern Ireland has with



## HOUSE OF COMMONS

the rest of the world compare with Northern Ireland's trade with Great Britain, the Republic of Ireland and the rest of the EU?

**Jonathan Athow:** When we talk about different patterns of trade we often have to put together different sources of statistics. Some of these are not strictly comparable but they give you a broad pattern.

I will start with the geography of who Northern Ireland trades with compared with the UK. At a high level there are some similarities. In terms of goods exports roughly half of Northern Ireland exports go to the EU, which is broadly the same pattern you would see for the UK. Within that we see some really big differences. Roughly half of the exports that go to the EU from Northern Ireland go to the Republic of Ireland, which is completely different from the position for the UK as a whole.

Q238 **Sir Mark Hendrick:** When you say "EU" do you mean the EU excluding the UK?

**Jonathan Athow:** Yes, here I am merely talking about international trade. Part of the problem is that sometimes we do not have comparable numbers on trade between Northern Ireland and Great Britain because it is not classified as international trade. There are some statistics but they are not strictly comparable. That is an area where we just have to be a little bit careful about making too many comparisons on Northern Ireland versus Great Britain.

Q239 **Chair:** I notice also that you are careful in your terminology there: Northern Ireland being in the United Kingdom but Northern Ireland not being in Great Britain.

**Jonathan Athow:** Northern Ireland trade with the EU is dominated by trade with the Republic of Ireland, which is around half of its trade with the EU. For the United Kingdom as a whole, it is only around 5% to 6% of trade. There is a noticeable difference between the United Kingdom as a whole and Northern Ireland.

When you look at non-EU trade, for Northern Ireland it is dominated by the United States. Of trade outside the EU, half of that trade is with the United States. There are two very dominant trading partners for Northern Ireland, the Republic of Ireland and the United States. If you look at the UK as a whole, they are much less relevant. That is the geography.

**Shane Murphy:** Your question was also related to Northern Ireland and GB as well, if I picked it up correctly. In terms of trade with the Republic of Ireland, there is a lot of agri-food. There are also lots and lots of small businesses that trade across the border, including lots of microbusinesses with under 10 employees. They are the sorts of businesses that usually would not be involved in international trade.

In terms of GB trade, it is quite different depending on what direction. Again, this is based upon data on products. We do not have the same



## HOUSE OF COMMONS

level and detail of data that we would have for international transactions when we are talking about within the UK.

In terms of Northern Ireland selling into GB, a very dominant proportion of that is manufacturing. Of goods traded to GB, around about 75% to 80% is from manufacturing. If you flip it the other way in terms of GB into Northern Ireland, what Northern Ireland buys from GB, it is much more dominated by what someone called “the high street”—the wholesale and retail sector. Roughly about 70% of the value of trade from GB going into Northern Ireland is for that sort of consumer-facing part of our economy or high street businesses.

They are quite different depending on the direction and also relatively different compared with north-south trade.

**Q240 Catherine West:** In the briefing we had from you in advance of the meeting there are some increases that are interesting, a 7.3% increase to £10 billion and then from 2011 to 2016 an 11.1% increase. I am wondering what is driving the more positive picture.

**Shane Murphy:** Back in 2011 the recession very much hit Northern Ireland harder for longer. Obviously we had the EU with its issues as well in terms of EU trade. No doubt some of that trade will be the recovery in economies and the recovery in economies linked to the ability to trade some more.

In terms of success factors, generally speaking manufacturing is one of our success stories in terms of international trade.

**Q241 Catherine West:** Will those things include services? I am aware that one of the largest employers in Northern Ireland is now Citibank; presumably that is services. They have told me they are quite worried about Brexit. I am wondering whether you predict there will be a decline in those sorts of percentages as a result of Brexit or do you think it will remain steady? What is your prediction? Not that you have a perfect view on this, but what do you think?

**Shane Murphy:** You have given an example in relation to Citi. At the moment I could not say, for example, whether Citi is trading and selling those services into the US, which may not be affected, whether they are selling those services into London, which may or may not be affected depending on whether the London office has any effects, or whether they are selling those services into the EU, and then it will depend upon whatever the ultimate outcome is and I have no crystal ball.

**Q242 Catherine West:** Who is doing the risk assessment as to what will happen if, in five months’ time, there is a big change? Like you, I do not know what they are doing but is somebody out there doing that work?

**Shane Murphy:** This is a little bit outside my area of expertise but we obviously have an investment agency, Invest Northern Ireland. It has a range of client companies and I would imagine someone of the stature of



## HOUSE OF COMMONS

Citibank would be a key client of Invest Northern Ireland. I would anticipate that it would be one of the key account-managed companies and that organisation would want to understand any Citibank plans, particularly if it was to have consequences on the negative side for Northern Ireland.

**Q243 Mr Nigel Evans:** Could you say something about the typical profile of a Northern Ireland business that exports, what sort of size they would be and how many people they employ? I am looking at machinery, transport, chemicals, food and live animals. Is there such a thing as a typical Northern Ireland business that exports?

**Shane Murphy:** I think it depends on the geographic market. There are certainly lots and lots of smaller microbusinesses that do international trade. Of those SMEs that do international trade, it is only selling something across the border. It is more the characteristics of local accessible trade, vans and lorries, as opposed to docks and shipping containers.

As you start to move towards the EU market it is much more into manufacturing companies and bigger companies. For services companies, sales tend to be a bit less associated, from memory, with size. As part of the links and the information my Permanent Secretary sent last Thursday, there are some very interesting reports around services, their ability to enter markets and gain a share in markets and less associated with distance.

Again, I can give a bit of a description in terms of GB trade, but I do not think your question related to that. Very strong on manufacturing and very strong on food and drink, which tends to be a bit nearer to home in terms of the Republic of Ireland market and diminishes as you go further afield.

**Q244 Mr Nigel Evans:** I asked for a typical one, but I guess the presence of Bombardier totally distorts any sort of averages that are there.

**Jonathan Athow:** What you find is that it is a polarised position. You have a large number of very small firms that are exporting often, as I said, to only one or two markets and often the Republic of Ireland. Then you have a small number of very, very large firms, such as the ones you mention, which are much more diversified both in terms of the number of products they sell and the markets they sell to.

"Typical" in this space does not work because you have two ends of the distribution: the microbusinesses and the large businesses. They are probably thinking about the world quite differently. They have very different sets of markets and how they are interacting with them is different. That polarisation means "typical" does not really help in the situation in Northern Ireland.

**Shane Murphy:** To back that up, if you are thinking about cross-border trade, for example, there is a lot of food, drink, agri—meat, fish, dairy



## HOUSE OF COMMONS

products—chemicals and minerals. When you start to go further afield—to the USA, Canada and so forth—you are into medicinal and pharmaceutical products, machinery and other transport equipment, quarry equipment, the Bombardiers and Almacs of this world, for that type of trade.

**Q245 Faisal Rashid:** You mentioned lots of microbusinesses trading from Northern Ireland to the Republic of Ireland. Is the main trade for the microbusinesses with the Republic of Ireland, or does it go to the rest of Europe as well?

**Shane Murphy:** From recollection, of around about 80% of the microbusinesses that are involved in exporting, they only do trade in the Republic of Ireland across the border. There is a map in one of the documents that we have on our link and you can see that part of the export intensity is linked to proximity around the border, so around the border district councils there is a greater proximity exporting to the Republic of Ireland, which is just linked to geographic areas.

**Jonathan Athow:** I have some numbers that will probably help. The evidence we have looked at for microbusinesses, the very smallest, is around 300 million of exports to the Republic of Ireland. If you add together the rest of the EU, the US and the rest of the world, that only gets you to about 140 million. Around two thirds of microbusinesses that are exporting are exporting to the Republic of Ireland. That underlines that point.

**Shane Murphy:** In terms of the survey, a lot of this is very small, very regulatory and so this could be micro and small businesses, the average trade in our supply chain survey was £2,800. International trade, that would be chicken feed.

**Q246 Faisal Rashid:** What sort of products are they selling? Food?

**Jonathan Athow:** Yes, food, farming-related products, but it can also be, because of the proximity to the border, very simple, everyday goods but it will have a strong food and agriculture element.

**Shane Murphy:** Again, it is food, drink, beverages, meat, fish, dairy, various types of machinery and manufactured products, metal, plastic, rubber. A lot of that has a lot of supply chain characteristics in terms of whether it is intermediate products, whether it is companies that are simultaneously importing and exporting to the Republic of Ireland, and that is roughly about two thirds of trade as estimated to be linked in some way to supply chains.

**Q247 Sir Mark Hendrick:** My question is linked to that. Looking at the opposite end from the microbusinesses, you have big businesses—you mentioned Bombardier but also I think there is a big ship building company there. Is it Shorts, the shipbuilders?

**Shane Murphy:** The shipbuilders would be Harland and Wolff, although I think they are more into—



## HOUSE OF COMMONS

Q248 **Sir Mark Hendrick:** I think it is in the defence industry as well.

**Shane Murphy:**—marine, sort of wind turbines and so forth these days.

Q249 **Sir Mark Hendrick:** Has there been any work done looking at their supply chains and how difficult or easy it would be post-Brexit for them to get their goods and services?

**Jonathan Athow:** We do not directly observe supply chains, but there are two ways of trying to estimate what the impact of supply chains are. First, you can look at the types of things that are being imported or exported. When we look at that you find around about half, depending on exactly where you draw the line, of imports look like things that are inputs for other businesses. That is imprecise because we do not necessarily know exactly where it is going or what it is being used for.

The other way of looking at this is looking at industries that both import and export a lot. So you find, for example, for agriculture the amount of imports and exports are broadly the same. That suggests there are lots of goods coming in that are being used in other ways—say, milk turned into cheese and then sent back across the border. I do not know if that is an example. We find that also with manufacturing.

With manufacturing there are a lot of both imports and exports in manufacturing and that suggests that manufacturing—and there are some very large companies involved in that—is dependent on supply chains. As I said, we can only infer that. We do not directly see how those goods—

Q250 **Sir Mark Hendrick:** You said that you look at the data and the categorisation of goods and services going back and forward rather than liaising with the companies themselves to find out what they are importing and exporting?

**Jonathan Athow:** Yes, indeed. The way we have done this is we have taken the data on trade, so we know which company is trading, we have then matched it to the VAT data and the VAT data tells us about the companies, how big its turnover is, so that is how we are looking at what is going on. We do not look inside the company's management accounts to see how money is being moved around or where its supply chain comes from.

**Shane Murphy:** Obviously, Jonathan is in the statistics agency and I run a set of analysts. There are other parts of Government, as I talked about earlier, in Northern Ireland, in terms of Invest NI, where there are large known companies with supply chains, where there will be industry information and case studies—and, to be honest, and Jonathan has alluded to it, supply chains are very difficult to measure with the data. With data we tend to measure companies rather than the journey a product takes. It is difficult to measure just the data and so you need the other case studies and so forth to get a more rounded picture. We are



## HOUSE OF COMMONS

just not responsible for putting together the case studies; however, they do exist.

**Jonathan Athow:** In some cases, supply chains will be complicated for businesses. If they are using wholesalers they may not necessarily know where the wholesaler has sourced their goods from. There are a number of complications that make this very difficult to unpick, but we can try and give you some broad indications.

**Q251 Emma Little Pengelly:** I have a number of questions. In relation to microbusinesses, I think we are all aware that across the border there is a huge number of very small traders. These could be people selling home oil just to houses across the border or it could be a small business selling eggs to a number of shops, some of which are across the border. There is a huge number of those almost accidentally doing international trade but they are just trading within a very specified period of time. Do you have any assessment of the data of how many businesses, in terms of the larger businesses, do and carry out regular cross-border trade? There has been some talk about measuring the number of businesses both between NI and GB and between NI and the Republic. Do you have a sense about what those figures are or do you measure that data?

**Shane Murphy:** Could you just repeat the last bit, sorry?

**Q252 Emma Little Pengelly:** In terms of the numbers of large companies—we know about the volume of that trade—how many large companies, excluding the micro or small businesses that trade along the border, do trade regardless of the tonnage?

**Jonathan Athow:** The data we have suggests—I can give you a broad estimate—several hundred large businesses would be involved in cross-border trade. The number we produce suggested it was around—if you look at large businesses that are just trading with the Republic of Ireland, that is around 190 itself and that does not include other businesses that might be exporting to France and to the Republic of Ireland and those sorts of issues.

**Q253 Emma Little Pengelly:** If you take the Tescos, the Asdas—we have heard that 70% of trade coming from GB into NI are those types of goods—do they come over and then travel down through the border to supply the Republic of Ireland shops, or does that tend to be a different trade route?

**Jonathan Athow:** Unfortunately we do not tend to see the routing from our data. You would have to then look at ports data and that probably might tell you something, but I am not particularly on top of the ports data. It is not something that regularly comes out. We normally look at where goods started and where they finished up. We do not necessarily see the journey.



## HOUSE OF COMMONS

**Shane Murphy:** The data on the journey of products between GB and NI is not in a place we would want it to be currently. It is extremely difficult to find out what is on the lorry, what is on the boat.

Q254 **Emma Little Pengelly:** You do not know how much of that trade coming over from GB to NI makes its way into the Republic of Ireland?

**Shane Murphy:** We do not know for sure. What we can say, if you look at Northern Ireland to GB and Dublin to GB, you look up the quantum of trade between Dublin to GB and Northern Ireland to GB and you look at the quantum of lorry trips, HGV trips, and they are kind of in balance at around 45% NI side and about 55% the Republic side. That suggests at a macro level there is a broad balance but undoubtedly within that there will a slightly more complicated picture. An anecdote that we often hear, albeit it is at the reverse direction, is that a lot of just-in-time agri-food products that come from Northern Ireland get the boat over from Dublin to get right into the heart of the British market very quickly. But when we see the data on that, when agri-food businesses are asked by DAERA, "What proportion of your sales go via Dublin port?", the answer is about 10%. Yes, we think that certainly some trade goes either route but we cannot be conclusive and certainly the macro data does not suggest that there is anything disproportionate going in the opposite direction.

Q255 **Emma Little Pengelly:** We have heard previously in the Committee about the importance of the gravity model in terms of trade and trading partners. In a sense, on NI, the significant amount of trade and growing markets with the USA and Canada distorts that a little bit. However, GB is the biggest market for NI. Do you have any analysis within your Department as to why that does not work the other way? Because Northern Ireland is a very small trading partner for the Republic of Ireland, it is actually very limited trade coming from the Republic of Ireland into Northern Ireland as opposed to the Republic of Ireland being a significant trade partner for Northern Ireland. Do you have any analysis as to why that is?

**Shane Murphy:** There is some analysis on the InterTradeIreland work around export participation. I am not sure if it looks at that angle. It makes a couple of observations in relation to that, and it does both Northern Ireland to GB and Northern Ireland to the Republic of Ireland. Its econometric modelling, compared with what would be expected—if I get my numbers right here—in terms of goods, Northern Ireland was selling 1.5 times what you would expect into Republic of Ireland in terms of goods, four times in terms of services. For GB it was 2.6 times in terms of goods that they would expect and three times what you would expect in terms of services. There was clearly a very high degree of integration, but I cannot remember off the top of my head whether they looked at the reverse situation.

Q256 **Emma Little Pengelly:** Yes, vice versa because they have significantly more trade from Northern Ireland into the Republic of Ireland and very limited trade from the Republic of Ireland. It was just a question about



whether you had some analysis—

**Shane Murphy:** I would have to check that study from that very different angle.

Q257 **Emma Little Pengelly:** Just lastly, you mentioned that 70% of trade is really high street trade. We have taken evidence that these are things presumably like fresh flowers, fruit and vegetables—things that are very time critical. One of the suggestions put forward by the European Union is around a Northern Ireland-only backstop, which would create the need for checks between GB and NI. In one sense, manufacturing goods is a key export to GB and perhaps they are time critical. Some of them will not be, but for most of that trade coming the other way, we know it is the big Tescos, Asdas, the different supermarkets bringing food over, and those are time critical. What work is happening with the Department to assess that issue? What would be the impact of additional checks and the time required to do that on those types of produce? Are there any risks or have you had any sense about any risk that those supermarkets, for example, or those suppliers may just withdraw from the Northern Ireland market—the Northern Ireland market being only 3% of their UK market—if that were to happen?

**Shane Murphy:** I can partially answer your question. I will endeavour to go as far as I can. As we talked about earlier, it is easier to measure supply chains on international trade because you have to fill in forms and forms get collected by HMRC, which shares the data with Jonathan and his colleagues. For within UK trade they do not have to fill in those forms and so that means there is less information available. We have some work that is ongoing at the moment, along with ONS and DExEU and other partners in Whitehall. Just this morning we were able to publish some information on what Northern Ireland firms buy, including from GB. It is largely about what industry buys because it is about intermediate goods and if you follow those links in the Permanent Secretary's letter you will be able to view that.

The main gap in that is in relation to retail products—that big 70%. We are undertaking some work at the moment. It is at a draft or provisional stage so I can give you a flavour of what it is going to say but the final product—pardon the pun—is not available.

What we are buying from GB is the first stage. We need to know the products—things like what is in your car showroom, what is in your PC World, your electrical equipment, your chemist shop—and the data and the picture that we are building up is that largely comes from or through GB. The most difficult area is food. No surprise there. What we are seeing is we are getting a picture with things like fresh meat, bakery, fish, a big proportion of that seems to come from either Northern Ireland or the Republic of Ireland, so it does not cross the channel. But when you get into cereals and so forth, that does seem to come across. We are having to refine that at the moment to understand, first, the size of the market



and, secondly, what proportion of those markets are on a lorry coming across on a boat.

**Catherine West:** It is not going to exist in the same way it used to so you are not going to be measuring the food—my understanding was that the raw product is a lot from Northern Ireland, a lot of it is manufactured on both sides of the border, which supposedly does not exist to the same degree, but then that gets all back into the market of GB, because GB is just a bigger market. It is a bit of a triangle.

**Emma Little Pengelly:** If you go into a supermarket in Northern Ireland you will see—it may not be the bakery type goods—the same types of fresh produce, the same types of flowers. I suppose the issue is that is clearly coming in in a consistency across and in relation to the 70%. We have taken evidence about this and what happens in Dover and elsewhere, so inevitably any check or delay is going to have an impact in relation to those considerations. It is just trying to get some more information about that.

Q258 **Julia Lopez:** Sorry, this is quite a large question but how are the various possible models of Brexit, including backstop arrangements, likely to affect trade between Northern Ireland and its key trading partners in the rest of the world?

**Jonathan Athow:** I am afraid that is something I cannot speculate on. Our role is to provide as much data on what current trade patterns are. I suppose I am in the lucky position of not having to make estimates as to what the future scenarios bring. I am afraid I cannot really speak to that point.

**Shane Murphy:** I am not sure that I can offer much above Jonathan. There is not full clarity either. Clarity could bring an indication of some of the choices that are available because choices tend to lead to different interests winning out over other interests. If we knew what the likely shape of the deal was, whose interest would benefit, whose interest would not come to the top, we would have a better indication of the combination of winners and loser and be able to give you a better indication of the overall picture.

Q259 **Julia Lopez:** You have not been asked for any projections on any particular scenario?

**Shane Murphy:** The Department, in its own guise, pre-merger, was part of an Oxford Economics study before the referendum, which did some macroeconomic analysis. That report has all been published two and a half years ago, and that gave a rough indication of the long-term economic impact from the scenarios as they could best be defined at that stage. As I sit here now, I don't have that information as to what the backstop will look like, as to what the future economic partnership will look like. For me to do some work on that I need those things defined before I start to endeavour to model them.



**Q260 Catherine West:** I want to ask you about the rest of the world trade, more about projections, but before I do, it would be good, Chair—I do not know how we fold this back in—to do some more questions, maybe parliamentary questions, on if things have to get from the Dover-Calais crossing, like fresh flowers or whatever it is that is in supermarkets in your constituency. What are the barriers that they will have to cross that are new? We might be inventing things but we do need to have some kind of risk analysis.

**Emma Little Pengelly:** You could have that coming from Europe and Ireland and across the—

**Catherine West:** The number of projections, like the number of maybe vets that will be needed if it is that question again about having to do more checks with fresh things. The manufacturing can be done in the factory, the checks, but we would need to have a look at projections for added people needed to check things that were fresh.

On the question about the rest of the world trade, what are the main modes of transport for Northern Ireland to the rest of the world trade in goods?

**Jonathan Athow:** Again, we do not have a huge amount of information but we know that the rest of the world trade, things like the dominant partner there is going to be the United States so that is likely to be sea or air transport. Again the slight complexity there is what is the routing. We know for many international goods, and there are lots of concerns about whether this might distort some of the trade statistics, things might be routed from Belfast to Rotterdam and then moved on. We do not directly know that but we know that sea and air transport for rest of the world trade, particularly as it is dominated by the United States and Canada, is likely to be those modes.

**Q261 Catherine West:** We also know that some companies are shifting their ports towards the Netherlands on the basis that just getting into the EU is the first thing and then worrying about the UK-GB later. That is what is happening a bit.

**Jonathan Athow:** We have already seen ports like Rotterdam being very important hubs for transport. Likewise you would see it in North America, where New Jersey and the ports of New York are major points for the whole of the Americas, not just for the United States.

**Catherine West:** There is also the question of where the VAT is collected and so on, and the different arrangements for the UK post-Brexit as opposed to currently. There is still a lot of that to be ironed out.

**Q262 Chair:** If we look at the scenarios that we are talking about for Northern Ireland, Northern Ireland is going to have a border: it is either going to be a border at the sea and the north and the east, or there is going to be a border at the south and the west. I think we can agree on that. The disagreement seems to be as to where the border will be. Will the border be keeping Northern Ireland in the ambit of the European Union or will



the border, if it is a hard Brexit, put Northern Ireland in the ambit of the United Kingdom?

If we can at the moment just imagine there is going to be a land border. I want to consider the effects of two areas of trade: the accidental international traders that Emma Little Pengelly mentioned, and also the trade—I think I am right in saying that more of Northern Ireland's trade is with the GB than it is with the Republic of Ireland. The difficulty, as I understand it, is that 60% of that trade transits the Republic of Ireland. If you are following the line of thought and we have a hard border at land, what would it mean for that trade from Northern Island to GB, principally England or the midlands of England, to cross two borders as it goes from Northern Ireland to get back into another areas of the United Kingdom?

**Shane Murphy:** You said 60%?

Q263 **Chair:** That is the figure I have heard. Is that right or wrong? Challenge it if it is wrong.

**Shane Murphy:** We touched on this earlier. We have heard claims before of large proportions, very substantial proportions of Northern Ireland sales to GB going via the Republic of Ireland. I have yet to see the hard data that backs up those orders of magnitude.

Q264 **Chair:** Is there hard data showing it going via Scotland then?

**Shane Murphy:** The point is that there is no hard data to show that. The data that we do have, which is not at the level of detail to be conclusive does not seem to suggest that there is a disproportionate routing of Northern Ireland trade through the Republic of Ireland.

Q265 **Chair:** If we look at it another way, perhaps, stuff going into Northern Ireland you said is principally retail and high street. If it is coming from certain department stores—Tesco's, Sainsbury's, Boots, PC World, as you mentioned earlier—which route does that take into Northern Ireland? Is it coming in via Scotland or is it coming in via the Republic of Ireland?

**Shane Murphy:** We certainly know some of the individual routes of some of the individual importers. There is a data science exercise ongoing at the moment and in addition to that there is a survey undertaken by Jonathan's colleagues in ONS surveying hauliers who are using the Irish sea routes, to understand what they have in the back of the lorry and in what quantities and what is the origin, what is the destination and what is the route. When that is complete and has been run a sufficient number of times, that will give better clarity as to which products and which suppliers are using which routes and to what extent there is some of this cross-pollination of routes between southern Ireland and GB and the northern routes.

Q266 **Chair:** Presumably at the moment both trade routes are flowing quite freely, unimpeded, so if you have a lorry leaving Birmingham and you decide to go via Stranraer, and you have a lorry leaving Birmingham and you decide to go via Holyhead, it goes fairly unimpededly into the



## HOUSE OF COMMONS

Northern Ireland market and vice versa back again. If you have a border in either place, you are going to have some impediment to that movement. There is going to be a border and the border is either going to be in the north and the east or the south and the west. Has there been much thought as to which border impedes lorries more or less, which is an easier border to manage—a sea border or a sea border plus a land border—and what would happen if crossing two borders to get back in? Where is the thinking on that at the moment? I do not have the answers; my job is to try and get answers.

**Shane Murphy:** I do not think I have the answers either. It is very much in the policy space. You are into issues there of capacity on sea lines, capacity in sea ports, and I am afraid I am an analyst in the Economy Department as opposed to a policy official in the Transport Department.

Q267 **Emma Little Pengelly:** Could I just clarify that point? Remember I asked the question earlier about that route between coming over to NI and down to the Republic of Ireland, what you said then is what data you do have shows that the trade with GB, the numbers in terms of the ports in the Republic of Ireland, seems to correspond with their external trade and likewise in terms of Northern Ireland trade with GB at a macro level—

**Jonathan Athow:** At a macro level? I think there are probably three elements to this questions. The microbusinesses do appear to trade a lot over the border, that is quite clear. Within that overall picture the challenge is likely to be that it is not going to be the same for every company. Maybe if you are Tesco's you use the Stranraer route, maybe if you are Sainsbury's or PC World you use the Holyhead route. It is going to be quite different I think for different industries and also businesses simply reflecting probably historical patterns of where they put their warehouses and how they manage their businesses. Even within that overall number we need to be aware that there are likely to be some companies who use one route more than the other.

Q268 **Emma Little Pengelly:** The figures are 177,000 journeys, but Tesco's in the last short while have indicated that they make approximately 70,000 journeys across the Irish border. That would suggest it is a very significant proportion of that.

**Shane Murphy:** Again, as I understand that Tesco's have stores in the Republic of Ireland I do not know to what extent they land material via the likes of Larne or Dublin. We on the analytical side do not have that data.

Q269 **Chair:** When we think of borders or when we think of checking lorries, which you do at the border, if it is a sea border is there any information on how long a lorry—? I live on an island and know there is check-ins with ferries, unfortunately, and messing about at the ferry ports. How long are lorries asked to park at a ferry port before they embark on the ferry? Is that a more opportune time to check a lorry before, or is it



## HOUSE OF COMMONS

better to stop the lorry going down the road and to pull it on to the side of the road and have it checked at a land border? Is there any thought being given to the various impact on the logistics of lorry movements, regardless of the politics of people's choices, but just on lorry movements where the lorry drivers, if they are going to face a border, where would they rather face it? Have haulage companies expressed any views?

**Shane Murphy:** I would be surprised if that sort of work is not being done. It is something my analysts in the Department for the Economy are not involved in.

Q270 **Emma Little Pengelly:** Who would be involved?

**Shane Murphy:** I would imagine that would be involved in the Department for Infrastructure, given their responsibility for transport and ports, and I suppose it would be those on the border side, whether it is HMRC and so forth, over in Whitehall.

**Chair:** Do you want to follow up with any further questions, Emma?

Q271 **Catherine West:** I think there are a few gaps in what the Committee needs to know but I wonder if there is any other analysis on the impact of the EU workforce because I know that certain jobs in the economy in Northern Ireland do require people from abroad doing them. Obviously that will be debated in the Commons later but I wonder if there is any work being done on the skills gap.

**Jonathan Athow:** We have certainly done, as the Office for National Statistics, quite a lot of mapping of where UK nationals, EU and non-EU nationals are working so we have some understanding of which particular sectors. That tends to be on a UK basis. It is much harder to do that for Northern Ireland or other parts of the UK. We can certainly share what we have done around that.

Q272 **Catherine West:** Once again there are key sectors of agriculture and the NHS.

**Jonathan Athow:** Indeed, and the only challenge is we tend to include non-UK EU nationals and tend to include Irish citizens in there as well. That obviously would be a particular issue for Northern Ireland. That is probably an element where we do not have the data but we can share more information on which sectors are dependent on EU workers.

**Shane Murphy:** In Northern Ireland we are undertaking a range of analyses on EU migrant workers. We have that published. We probably did not think to include it in the Permanent Secretary's letter last Thursday but certainly we have a lot of material about the Northern Ireland angle around EU migrants and we are more than happy to share that.

Q273 **Catherine West:** Are there plans internally to make special requests for Republic of Ireland citizens? I would imagine with the border area it is very mixed and therefore maybe special arrangements might be needed,



depending on what happens with EU nationals.

**Shane Murphy:** I think you are into potential issues of the common travel area. That was something that appears to be agreed. That, as I understand it, and I am no expert in this, affords certain rates around living, working and benefits and access to services that would be preserved. I am no expert to talk on the rights that those in the Republic of Ireland would have in relation to the UK and those in the UK would have if they were in the Republic of Ireland but, as I understand it, the general thrust is expecting those to be preserved.

**Q274 Emma Little Pengelly:** In terms of the data you hold clearly there are a number of Irish citizens who live and have always lived in Northern Ireland and they will be registered as Irish citizens working in Northern Ireland. Do you monitor and have numbers for the number of Irish citizens working in Northern Ireland but who are from the Republic of Ireland or resident in the Republic of Ireland? Is that something you monitor?

**Shane Murphy:** "Monitor" would not be a word I would use. Census information provides quite a nice graphic and they have this in the Republic of Ireland as well. They have the equivalent graphic of the number of Irish or RoI-born people who live in Northern Ireland and for the Republic of Ireland they have the number of UK or NI-born people who live in the Republic of Ireland and you can see very much a band around the border areas where families have moved around and mixed and so forth so it is particularly prevalent. Within those papers, and we have papers on the common travel area, those sorts of graphics were there to help get across that point.

**Q275 Emma Little Pengelly:** Although the common travel area has been agreed and everybody across Northern Ireland wants Irish citizens and citizens of either jurisdiction to be able to cross and work across the border post-Brexit, have you had any discussions or do you have any analysis about what happens in a potential no-deal situation in relation to the previous agreement on the common travel area? This has been in negotiation and nothing has been agreed until everything is agreed, although it is very clear that in the event of an agreement the common travel area has been agreed as an aspect of that. In the situation of a no-deal Brexit have you looked into what is likely to happen to the previous common travel area agreement? Is it likely that would continue regardless of no deal or a deal?

**Shane Murphy:** Again our analysts have not looked into what would be the consequences. Certainly we have developed a lot of the numbers and those include numbers around 100 to 110 million border crossings per annum. That is an awful lot of border crossings. If they are going to be impacted you would suggest that could be quite a big impact.

**Emma Little Pengelly:** It might be us worth following up just to make sure on that common travel area agreement.



## HOUSE OF COMMONS

Q276 **Chair:** That is a good point and it may be an interesting point to end the morning's discussions. There are 100 to 110 million crossings a year and the population of Northern Ireland is 1.2 million, is it?

**Shane Murphy:** That is both Republic of Ireland folks crossing in and back. That also includes the likes of people from Donegal going to Dublin who may cross the border two or three times on their way there and on their way back. It is quite complicated unfortunately.

**Chair:** Thank you very much. We have had a lot of questions on trade. We know the Secretary for the DExEU, Dominic Raab, had an epiphany moment on the significance of the Dover-Calais crossing. Perhaps there will be a further epiphany moment coming on with the significance of, depending on where the border falls, Stranraer-Larne or Stranraer-Cairnryan or indeed Dublin-Holyhead or wherever else ferries are sailing to between the island of Ireland and the island of Britain principally.

There are many areas, many permutations and many discussions yet to be had and I do take into account what you said, Mr Murphy, of the difficulty of knowing at this present point—when the outcome is not known—and to ask you to indulge in conjecture was not the easiest thing to do. We thank you for your time and the questions you have raised and you have alerted the Committee to the fact that we need to know quite a lot more about the ins and outs of this. Thank you both very much.