

International Trade Committee

Oral evidence: UK freeports, HC 258

Wednesday 9 September 2020

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Members present: Angus Brendan MacNeil (Chair); Mark Garnier; Paul Girvan; Sir Mark Hendrick; Mark Menzies; Martin Vickers; Matt Western; Mick Whitley; Craig Williams.

Questions 116 – 143

Witnesses

II: Anton Moiseienko, Research Fellow, Royal United Services Institute, Centre for Financial Crime and Security Studies; and Charlotte Morgan, Partner, Global Energy & Infrastructure Group, Linklaters LLP.

Examination of witnesses

Witnesses: Dr Anton Moiseienko and Charlotte Morgan.

Q116 **Chair:** We will move over to the second panel, who I hope are waiting by. Our second panel should be coming up quite soon. Unfortunately, we have lost Lars Karlsson today at very short notice, so we have a panel of two in front of us. The panel are Anton Moiseienko—who will correct my pronunciation, I hope—and Charlotte Morgan. Anton, can I ask you to introduce yourself on your own terms—name, rank held and serial number?

Dr Moiseienko: Thank you. Good afternoon, I am Anton Moiseienko, and that was one of the better attempts at the pronunciation of my name, so thanks for that. I am a research fellow at the Centre for Financial Crime and Security Studies at RUSI, which is a think-tank in London, and together with my colleagues I have been working on a project that examines risk of criminal activities in freeports around the world.

Q117 **Chair:** Thank you very much. Thanks for coming today. Charlotte?

Charlotte Morgan: Thank you, Chair, and hopefully you can hear me okay. I am Charlotte Morgan. I am a partner at Linklaters international law firm, and I head up our trade practice. We put in evidence to the Committee around the implications for freeports in respect of international law and in particular WTO law.

Q118 **Chair:** Thank you very much. Yes, we will hear each other fine as long as I do not, for the third time, commit the cardinal sin of not unmuting my mic.

Can I ask you both, to start, how do you assess the Government's proposed customs procedures for freeports and how do they differ from existing processes?

Charlotte Morgan: According to the Government's consultation document, the proposed core customs and tariff benefits offered to businesses are around bringing goods into a freeport site. Those relate to duty suspension, duty inversion and duty exemption for re-exports, and implied customs procedures. If I take those in turn, the first being duty suspension, the suggestion is that there be no tariff or import VAT or excise to be paid on the goods that are brought into a freeport from overseas, until they leave the freeport area and enter the UK domestic market.

Duty inversion is where the duty on the finished product is less than or lower than the sum of the duty of the components that are brought in in order to make it. If you were to set up a freeport and have a manufacturing facility on that freeport and you were bringing in products



to use in your manufacturing facility and making a finished product and then exporting or bringing into the UK the finished product, there could be a benefit between the arbitrage between the aggregate cost of the import duties and the cost of the finished product and the duty on that. That is seen as a benefit.

There are also the simplified customs procedures that would apply. Government are intending to introduce streamlined procedures to enable businesses for those businesses accessing freeports and that does have a benefit as well.

Chair: Thank you very much. Anton, would you like to add anything?

Dr Moiseienko: My understanding is that the proposed customs arrangements are broadly in line with what you would see in many other freeports around the world. From my vantage point, one observation I would make is that it seems important to make sure that the suspension or not levying customs duties does not result in a domino effect whereby the overall quality of customs controls is adversely impacted. In theory, these are two entirely unrelated questions, but the experience of a number of other countries suggests that if you do not have to levy customs duties in a freeport, you have one less incentive to check which goods come into the country, specifically the freeport, or leave the freeport. Therefore, it is important to commit in principle that the overall quality of customs controls in a freeport should be at least equivalent to that in the rest of the country's territory. I am sure that we will come back to the issues of how to achieve that in practice, but it is an important principle to bear in mind.

Q119 **Chair:** In your view, or in your investigations, are the proposed procedures simple enough to attract businesses and whatever to UK freeports instead of going to international competitors, or even to move from international competitors, if this is a zero-sum game, if it is an attraction, if it is a competitive arena?

Dr Moiseienko: I am not sure I am qualified to answer this, so I will defer to Charlotte if I may.

Charlotte Morgan: From what is in the consultation document at the moment, it is the intention of the Government to make it attractive for inward investment. The devil will always be in the detail of whether there are simplified procedures and that those are sufficiently attractive to bring in inward investment. There has been quite a lot of discussion already in your previous panel around what it means for investment and whether it attracts new investment, which is obviously the aim, or whether it displaces other activities. That is certainly the aim but we will not know until we see more of the details of that.

Chair: Yes, it might be a case of which freeport has the least devils that are carrying detail about. There is no particular reason for the segue at all but I am moving to Mark Menzies. He is going to come in and



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continue. I mentioned devils a second ago; that had no link at all, Mark.

Q120 **Mark Menzies:** Thank you, Chair. This is to Charlotte Morgan initially and then over to Anton. Will Government agencies require additional resources to administer these customs procedures and, if so, in which areas will these resources be required?

Charlotte Morgan: From the proposals, there will be some additional work required in order to set up the freeport in the first place and to set up from the point of view of authorising freeport operators, so there will be some additional work that is associated with that. There will also need to be checks on the businesses that want to operate within the freeports. After that initial administration, assuming that that goes well and the administration is set up appropriately, it is more a question for HMRC as to whether it thinks there will be significant additional resource. It will depend a lot on those administration procedures, the nature of them, how harmonised they are and whether a lot of additional activity is required.

One of the things that you need to take into consideration, is the fact that because you are creating, effectively, a different customs regime within the freeport, you will have to have security around the freeport itself. You will need to answer the security questions that go with that. What you do not want to find is that goods that are coming into the freeport and not paying the customs duties as they come in, then leak out into the wider domestic environment without having paid those tariffs. You will need some kind of perimeter policing and there may be additional security requirements around that, and how those are arranged could require additional resources.

In the short term, there is a lot to do with additional resources in setting it up. Once it is in operation, it will go into more of a steady state, but we would expect some additional resources to be required.

Q121 **Mark Menzies:** Is there any additional training that would be required for people to understand, particularly some of the legal aspects of the documentation that sits behind it? How extensive is that going to be?

Charlotte Morgan: Yes, obviously the intention is that some of the procedures will be simplified, but you will need training on the differences between the two areas. You will need to be trained on the records management system. The idea would be that you would have a records management system that was also capable of being accessed remotely, so you will need to train staff on how to access those records and also what the rules and regulations are around that—when you can ask for information and what kind of information you can ask for. I would expect there to be some additional training requirements.

Q122 **Mark Menzies:** Anton, a similar question for you.

Dr Moiseienko: I would echo Charlotte's comments. In addition to establishing freeports and designating freeport operators, it is important



to put in place arrangements for the monitoring of freeport operators so there is constant oversight over how well they are doing in fulfilling their responsibilities. That will require a commitment of resources and expertise.

In addition to this, a problem that has been observed in a number of other countries is that when they come back to their freeport programme and ask how well are they doing and is there anything that they have not anticipated in how freeports operate—for example are there any anomalous trading patterns that might be indicative of criminality—there is no good answer to that because nobody has been collecting relevant data or analysing that data. Some sort of strategic data analysis capability, including as relates to crime prevention but not necessarily only as relates to crime prevention, would also be extremely beneficial in this context.

Q123 Mark Menzies: Looking at the international comparison, Anton, is the cost to the public purse greater than just the loss of tax revenue or tariff revenue that a freeport would generate? How expensive are all these other costs to operate?

Dr Moiseienko: I would not be able to quantify the costs, but one of the important yet unquantifiable costs is the reputational issue that might arise if things go badly wrong. There are freeports around the world that have been known for illicit trade and consequent problems in the international relations between states that host those freeports and other countries. That is something that is impossible to quantify but nonetheless important, because you want to reap the economic benefits of a freeport but you do not want to have to constantly justify yourself in relation to what is happening in those freeports.

Indeed, we do not have to look far afield to see examples of that issue. For example, the EU famously is now in doubt over the future of any remaining freeports in the EU. Certainly those issues are something that should be very much part and parcel of the cost-benefit calculation.

Q124 Chair: Two points to pick up on. Anton, first, the EU is in doubt about the need for the maintenance of or the remaining freeports continuing. Is that because they are dying on the vine the way the UK once did up to 2012? Basically, I am asking what is the reasoning behind it?

Dr Moiseienko: The stated rationale is the report that the European Union commissioned on tax evasion risks in freeports. I have to preface this by saying that the risk that it was considering is very peculiar to the way that certain freeports operate, namely high-value storage. I am sure that the Committee has heard about the issue of high-value storage before and doubts whether the UK should allow any sort of high-value storage.

The other concern is mostly about tax evasion. That has been the stated reason for the European Parliament to call for the urgent abolition of the



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system of freeports in the EU. I am not aware whether there were any other economic considerations that might have fed into that decision.

Q125 **Chair:** Thank you very much. Charlotte, as everything grows around this area and we think of other aspects, if you are trading in a freeport and you are importing goods tariff-free but there are some goods in some part of the world that, let's say, have anti-dumping tariffs or duties on them, how does a freeport then react? You might have a freeport in Martin Vickers's area in Cleethorpes and then you have some product coming in that has a wider anti-dumping duty. How does the freeport react with those when the state involved has wider duties on it? Would there be an advantage in the freeport? Explain that one for us.

Charlotte Morgan: When goods come into the freeport there will be benefits from the tariffs that are being applied to them within the freeport. It is only once they come into the domestic arena that they become subject to the incoming tariffs. From a customs perspective, although you have one geographical area, you have these two different customs areas, so they are treated differently in that respect. On the wider question of anti-dumping requirements, that would be more of an issue in respect of trade remedies and the aspects that are associated with that rather than specifically on the customs side.

Q126 **Chair:** You are doing something with ceramics, let's say. You could get Chinese ceramics being dumped more cheaply than you could from down the road in Stoke.

Charlotte Morgan: What is happening in the freeport is that it is not until the product comes into the domestic regime that the tariffs would apply in that respect.

Q127 **Chair:** So it should sort of self-correct and you would then be aware that—

Charlotte Morgan: Once it comes into the UK, yes.

Chair: Thanks for clarifying that.

Q128 **Sir Mark Hendrick:** I will start by asking Charlotte—and Anton can come in if he wishes to do so—what do the Government need to consider to ensure that their customs and tax measures in freeports are compatible with the UK's obligation under the World Trade Organisation's agreements?

Charlotte Morgan: Thank you for that. First of all, it is really important to remember, as I was just alluding to, that the starting point is that the UK WTO obligations apply to its whole territory. Although you have these different customs territories with the rest of the UK and then the freeports, the actual WTO obligations apply right across the board regardless of those two separate zones, which is purely a domestic issue.

The main WTO obligations that are relevant to freeports arise around the rules on subsidies and to a slightly lesser degree the rules around non-



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discrimination. The main issue to think about is around subsidies. Those are governed by the WTO's agreement on subsidies and countervailing measures. That applies to industrial goods. It applies to things that are being imported and in respect of industrial goods.

Under the agreement, the UK is not permitted to subsidise either particular companies or particular industries for, relevantly, geographical reasons if it has an anti-competitive effect on foreign products. The subsidies regime is very similar in a lot of ways to the EU state aid rules, the main difference being that the EU state aid rules assume an anti-competitive effect whereas this needs to be actually shown and proven in WTO. Therefore, not every incentive that you might be offering in a freeport, not every incentive itself, will be a subsidy. You will need to look at whether it is in fact a subsidy and then you will need to go further and look at whether that subsidy is a prohibited subsidy or a permitted subsidy.

When you are looking at whether something is a permitted subsidy or not, you are looking at a number of different factors. First, there are some subsidies that are prohibited. A subsidy that is contingent upon exports, in other words something that is designed to promote exports and has the effect of promoting exports itself, could be seen as prohibited. If a subsidy is contingent on the use of domestic input products over imported products—discrimination—that will also be potentially illegal, and a subsidy that has anti-competitive effects, which is again something that needs to be demonstrated, is something that also could be seen to be illegal.

One of the main things that you will need to look at in a lot more detail is when you are looking at any regime that the Government put in place, it will need to have an eye to those subsidy requirements.

Q129 **Sir Mark Hendrick:** Anton, would you like to add anything to that?

Dr Moiseienko: This is far beyond the area of my expertise, but thanks for the opportunity.

Q130 **Sir Mark Hendrick:** Tied in with that, how do you think the Government's freeport proposals sit within the Government's overall strategy and how could the UK's obligations under new free trade agreements impact freeports in the UK?

Charlotte Morgan: The UK's wider trade strategy is more of an economic question than a legal question per se, so I probably will not comment so much on that, but I can pick up the question about how it impacts on, for example, free trade agreements. Obviously the Government are in the process of negotiating a number of free trade agreements around the world at the moment. Freeports and the subsidies regime in particular have some implications for that.

At the moment, traditional EU-third country FTAs incorporate, by reference, the WTO's subsidies rules that I was just referring to. A lot of



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them incorporate those rules. They also go further and add to those rules. For example, in the most recent cases of the EU and Korea and EU and Japan FTAs, they go beyond the SCM and add some new obligations, particularly around a prohibition on subsidies that affect trade of two types. That includes where those subsidies cover debt of liability of specific enterprises for an unlimited sum or an unlimited duration, and where there are subsidies to insolvent and—

Chair: Charlotte, could I pause you for just a moment? I know that Matt Western has a Division and the members on the estate are off to a Division. Matt Western, how long is the Division? Members, I am in your hands. Should we continue or pause at the moment because of the Divisions? Matt and Paul, are you both on the estate?

Matt Western: It is up to you, Chair. There was a problem with the system yesterday but we should be through in about 15 minutes, so if you can hang on for 15 minutes to carry on, or whoever is left run through the outstanding issues. There are only a few outstanding issues.

Sir Mark Hendrick: Are we still quorate?

Chair: Yes, we are. Paul, are you on the estate? No, you are in Northern Ireland. We will carry on, Matt, if that is okay.

Matt Western: Please do.

Chair: That is fine. Apologies for cutting you off midstream, Charlotte. I just needed to know what is going on at Westminster.

Charlotte Morgan: Completely understood, Chair. Would you like me to carry on?

Chair: Yes, that is the consensus I have. Yes, I am seeing nods, thank you.

Charlotte Morgan: The other thing is that some of the EU FTAs do extend the subsidies regime and rules to services, which is something that is also important and interesting. Other countries have not yet followed the practice of extending these prohibited subsidies into their FTAs in the same way. However, it might be expected that following the 2020 joint trilateral statement of the EU, US and Japan, which agreed an approach of adopting the EU's approach more widely, we could begin to see those beginning to have impacts on the FTAs that we negotiate around the world as well.

Q131 **Sir Mark Hendrick:** I was going to ask a little bit, to be controversial, about what you think about what the Government have hinted at on their possible future use of state aid and its contravention, seemingly, with the withdrawal Act and where we are headed from here. Do you want to comment on that?

Charlotte Morgan: That is not something that I have specifically looked at, I am afraid. I know there is a new Bill being put forward but it is not



something that I have looked at in any detail so I am not able to comment today on that.

Sir Mark Hendrick: I have not looked at the contents of the Bill—I do not know if you have, Angus—but it does seem to impact on the discussion we are having in this Committee at the moment.

Q132 **Chair:** Like many Ministers who have the Despatch Box, it is one we will have to body-swerve at the moment. It is probably best for the witnesses, too. I do not think it is a specialised area. If we can move on. You did say controversially and you were right it was a controversial opening.

To pick up where Matt Western was, Anton Moiseienko, how significant is the risk to freeports from illicit activity and what types of activities do you feel are of most concern?

Dr Moiseienko: First, I should make it clear that the label of a freeport itself does not magically open the door to all sorts of crime. Whether you call an area a freeport or not is of secondary relevance. However, there is evidence internationally that freeports tend to be associated with elevated risks of criminal activities, for the simple reason that if you have less of an incentive to collect customs duties, as I have alluded to, there can be less of a reason to have robust customs controls. Also, the hallmark of a successful freeport is the large volume of trade and diversity of trading routes.

The specific types of criminal activity that you might face as a freeport would include all sorts of illicit trades, from drugs to counterfeits to the illegal wildlife trade. There would also be a risk of smuggling, which Charlotte has alluded to, as well as the risk of leaking of goods into the domestic economy from the freeport. Finally, perhaps more esoterically, there is some possibility of what is known as trade-based money laundering, the use of trade by organised criminal groups to move value internationally. There has been analysis published by the World Customs Organisation based on data of more than 600 seizures related to freeports around the world that bears out the existence of all those risks.

Q133 **Chair:** Why does it happen at freeports? Is it just because there are fewer eyes keeping an eye on what is going on, or do people feel there is a different culture at the freeports or what?

Dr Moiseienko: Both of those. It is reduced incentives and it is the culture that is focused on trade facilitation. Also in a number of countries there is a risk that if the freeport is a trans-shipment hub you do not have skin in the game because the goods would come from a different country, they would be en route to a different country and you would be merely one stage in the long and quite convoluted logistical process. That means that there is an open question as to the responsibility of trans-shipment hubs in relation to preventing illicit trade that touches on them but does not necessarily directly implicate their own interests.



Charlotte Morgan: To build on what Anton has been talking about, the Government's freeport consultation paper refers to this and notes that the fifth anti-money-laundering directive has now been implemented in English law. It became effective on 10 January this year. That includes a number of changes that are designed to help in this area. Freeport operators are now AML gatekeepers, which means they are obliged to report suspicious transactions to designated financial intelligence units.

Freeport operators are also designated as non-financial-obliged entities and subject to the same sort of customer due diligence requirements as, for example, other parties are. They are designated as obliged entities under the directive and the DAC5 framework will start applying to them, meaning that the tax authorities are entitled to access, on request to the ultimate beneficial owner, information that is held by those freeport operators.

Therefore, it has been an acknowledged issue. It was an acknowledged issue in the EU report in 2018, which looked at money laundering and tax evasion in freeports. Some of these aspects are designed to try to mitigate some of those elements. There is a recognition, even in the EU report, that it will not completely eliminate it but the intention is to mitigate some of those effects that Anton has been referring to.

Q134 **Chair:** Given all that and what you have both been talking about, should the Government require freeports to adhere to the OECD's code of conduct for clean free trade zones? I would imagine it is a yes there, but I am just checking that.

Charlotte Morgan: That would probably be a yes.

Dr Moiseienko: That is a yes from me as well. If we forgot about the code of conduct and just had a clean slate in front of us and tried to draw up a list of recommendations on how to prevent crime in freeports, we would probably end up having something remarkably similar to the code of conduct. It is only common sense, really.

Q135 **Chair:** It is a strong yes. On the other side, what might people use as arguments against complying with that code of conduct, if you were to be devil's advocates on this, one or other of you? There is not an argument; is that what you are saying?

Charlotte Morgan: There is not an argument that immediately springs to my mind. I could give it some more thought, but at the moment I would say it is probably a good idea.

Q136 **Chair:** Thank you. Dr Moiseienko, we have heard evidence that the Government should ban the use of freeports for high-value storage. Is such a ban necessary and, if so, what benefit would it offer? Also, could such a ban disadvantage UK freeports in attracting international trade?

Dr Moiseienko: My feeling is that there are other ways of mitigating the risks than outright bans. The risks of tax evasion in freeports in relation



to high-value storage are at their highest if, first of all, the UK does not tax the sale of goods that have been stored in a freeport and, secondly, there is no way for tax authorities in other countries to know what is being stored in UK freeports. If you tackle either of these two facets of the problem, it is possible to make significant progress: either apply the same tax regime to freeports as in the rest of the country or make sure you have proper information-sharing pathways in place.

As Charlotte has explained, some progress has been made in relation to the money-laundering regulations that now designate art intermediaries in freeports as regulated entities. But there is no guarantee that action will be taken once an art intermediary submits a suspicious activity report, so much more thought should be given to the way of sharing information about the contents of UK freeports, for lack of a better term, with other countries.

Q137 **Chair:** Charlotte, do you want to add anything or are you happy enough with that answer?

Charlotte Morgan: No, Anton has answered that very adequately. The main thing is making sure that we have implemented the directive, and that does mitigate it. It does not completely rule it out but, as Anton says, obviously if you put in place an absolute ban on high-value goods, that is effective but it may have other implications. If you can do more around gathering information, that may mitigate the effect.

Chair: Thank you very much. I am now going to turn to Paul Girvan, my neighbour almost directly to the south.

Q138 **Paul Girvan:** This is to Charlotte. Is it clear who will have overall responsibility for the oversight and monitoring of freeports established in the UK?

Charlotte Morgan: The consultation document itself, as it is presented to Parliament by the Chief Secretary to the Treasury, was signed by the Secretary of State for International Trade, the Secretary of State for Housing, Communities and Local Government and the Secretary of State for Transport. That probably in itself provides an indication of the level of cross-governmental and departmental involvement in the freeports and in the proposed models.

Your earlier panel gave lots of good evidence around the types of things that we are looking at. We are looking at customs, border control, education that links in with universities and skills and training, trade aspects, transport and we touched on environment as well. Councillor Bentley was also talking about the importance of having local governments involved.

When you have that many different organisations, different Government Departments and local governments being involved in the success of freeports, it is important to understand how all of those Government authorities and Departments and local government will co-ordinate



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together. That is something that obviously the consultation document does not specifically give an answer to but it is something that will need to be thought through if you really want to make a huge success of this, which I know the Government do.

Q139 Paul Girvan: Thank you, Charlotte, for that answer. In answering that, it has probably raised another question in relation to the number of different bodies that feel they might have responsibility or have some involvement in this. Is there a need for Government to establish an oversight body to co-ordinate between all the relevant people who feel their responsibility, to ensure there is that oversight from a Government perspective?

Charlotte Morgan: The question of an oversight committee or whether you just designate one of the Departments as having the lead for responsibility for co-ordination—there are pros and cons of both approaches. There is some benefit in thinking about how you co-ordinate all of those activities to make sure everything is working well and working in concert and also making sure that nothing falls between the cracks, that somebody does not think someone else is doing something that they should do.

There is also some evidence—and you see this a little bit in the new towns work that has been done particularly in the planning space—that if you can create something that has a little bit more of its own entity itself, it can also become a huge advocate for freeports more generally. It can also perform an advocacy role as well as an oversight and monitoring and co-ordination role. It can also provide that outreach and advocacy for freeports, which if you think about their impact on international trade that could be a very useful additional function for them to perform. I do not think you have to do it. There are pros and cons of doing it, but one of the big pros would be this outreach function, although that equally could be done by the Department for International Trade.

Q140 Paul Girvan: I take it from that that there is probably merit in having an oversight body set up. What benefits would this offer and on what legislative basis should this be established?

Charlotte Morgan: If you did go down that road you probably would need some kind of statutory framework to do that, to bring it all together. As I said, there are models, for example in the new towns legislation, which again brings together local communities and different Government Departments in the structuring for that. There are some precedents out there that one could draw on, but again it is more of a question for Government than for me.

Q141 Paul Girvan: I appreciate that. Anton, have you any views on that?

Dr Moiseienko: It strikes me that freeports involve a lot of activities that are quite disparate in the sense that someone has to ascertain the economic benefits of establishing a freeport and designated freeport operator. You also need to conduct a criminal risk assessment, in my



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view, that would involve co-ordination with HMRC, Border Force and other relevant law enforcement agencies. You need someone to explain to freeport operators what they are expected to be doing day to day. Someone has to monitor compliance. There is also value in strategic analysis of data related to the operation of freeports.

There is a whole mix of things that seem to be necessary or desirable. Whether those disparate activities are best undertaken by a special designated body that would look at all things freeport or whether they can be usefully scattered across different existing bodies is very much an open question. I do not have a ready answer for this, but I would take the instrumental approach of listing all the activities and then trying to fit them into the existing picture and seeing if that makes sense at all.

Charlotte Morgan: The mapping exercise of making sure that nothing falls through the cracks and that each of those activities is being monitored by one or other of the Government Departments with accountability is a really good idea.

Q142 **Chair:** We are coming just about to the end, but there are two additional questions I would like to ask you both. First, everything is up in the air in the UK, as we see from utterances from the despatch box on an almost surprising basis. However, imagine that the UK ran very low tariffs or indeed it managed to strike an agreement—however unlikely it might seem in this year, it might seem likely the next year—with the European Union to have things in concert and that there were no tariffs. Would that undermine and kick away the need for a freeport?

Charlotte Morgan: Not in and of itself. Where the UK Government end up on tariffs in a number of different arrangements that they have under their free trade agreements has a relevance. It has a particular relevance around the duty inversion that I was talking about previously. It will have an impact on those trading relationships, but I do not think that would do away with the rationale or the benefit that can be obtained from freeports, because you are looking at something that is, of its nature, very global. You are looking at attracting imports from a number of different regions, some of which may have free trade agreements and some of which may not.

Dr Moiseienko: I would second that. I will not use the phrase, “Singapore on the Thames”, but Singapore is an interesting international comparator because it has very low, or indeed non-existent, duties on the majority of products yet it also has a number of freeports. Even though the country itself can be seen as one big freeport, that has not reduced the perceived benefit of having a number of freeports around the country. I suspect that has as much to do with logistical benefits and the infrastructure that the previous panel has discussed in detail, as other benefits.

Q143 **Chair:** It is Singapore on the Thames or Singapore on the Tyne, of course. That is part of the tension at the heart of the freeport issue.



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Something else I suspected with the other panel is that the whole enthusiasm for the freeports may not be for freeports per se but more for the benefits that the Government might be throwing in with the freeports deal. Do you have particular views on that? Is that what is really driving the enthusiasm for a freeport rather the strict discipline that is the freeport itself, or is that question far too speculative to tackle for either witness?

Charlotte Morgan: That is more of a policy question than a legal question, from my perspective. The only thing I would add is that when you are throwing in these additional benefits you need to look back to the subsidies regime that I was talking about earlier and make sure that you are staying the right side of the line on that.

Dr Moiseienko: Nothing to add from me on this one, thank you.

Chair: That is great. Thank you very much for helping us gather evidence today in our second session of this inquiry into freeports. A pair of quality witnesses, I am sure everybody would agree, and a very good quality first panel as well.

A correction to earlier in the day. It is not Gibraltar national day until tomorrow, so we can be ready for that tomorrow. It is Catalan national day today, so it is somebody else on the Iberian Peninsula that is having its national day.

I thank the second panel for coming along. We appreciate your time this afternoon. It is a lovely afternoon here in the Outer Hebrides, so I am glad to say the time is up.