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The Earl of Kinnoull
Chair of the European Affairs Committee
House of Lords
London
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13 July 2022

Dear Lord Kinnoull,

**Government response to the European Affairs Committee's report,
'One year on - Trade in goods between Great Britain and the European Union'**

Thank you for your letter dated 26 April 2022, requesting further information following the Government's response to your Committee's report 'One year on - Trade in goods between Great Britain and the European Union'. I am responding on behalf of the Foreign Secretary, as Minister of State for Europe.

I would like to thank you for the valuable work the European Affairs Committee does and the careful scrutiny it conducts of our new relationship with the European Union.

We are continuing to ensure businesses get the support they need to trade effectively with Europe, and to seize new opportunities as we strike trade deals with the world's fastest growing markets.

The latest monthly UK Trade in Goods statistics published by the ONS on 13 June for the month of April 2022 show that total UK exports with EU Nations increased by 8.1% and UK imports increased by 4.2% when compared to March 2022. This continues the trend of strengthening UK trade with EU nations.

The ONS continues to highlight there are a number of factors beyond EU-Exit that continue to influence global trading patterns, including COVID-19, the global recession and supply chain disruption.

I have laid out below the Government's position in response to the questions in your letter.

How businesses are adapting to January 2022 changes to customs controls

The Cabinet Office hosted a Brexit Business Taskforce meeting on Import Controls on 24 February to gather feedback on the impact of the January controls. Feedback was largely positive about the impact of the controls, with comments that trade flows had mainly remained stable.

All systems, infrastructure and resourcing were ready on time, as we committed to, on 1 January; and have been operating effectively as planned. Overall, traders and hauliers

adapted well to the introduction of full customs controls on 1 January, with minimal disruption at the border and inbound freight flowing effectively through ports. We're continuing to provide businesses with the support they need to trade effectively with Europe, including through the free-to-use Export Support Service.

Government support for SMEs

The SME Brexit Support Fund offered by the Government granted up to £2,000 per organisation between March and June 2021 to support small and medium sized businesses to adjust to new customs, Rules of Origin, and VAT rules when trading with the EU. To date, approximately £8.4 million has been offered to businesses, enabling over 4,100 businesses to pay for practical support, including professional advice and training.

It was always intended to close the scheme on 30 June 2021. HMRC are in the process of reviewing the fund and seeing what can be learned for future support offered to traders. There are no plans to extend the scheme.

HMRC continues to provide support to traders through regular communication, webinars, and guidance on GOV.UK.

To ensure customers who need additional support are able to access it promptly, HMRC invested in building capacity and capability in the Customs & International Trade Helpline and webchat service in readiness for full customs controls

The Department for International Trade has also launched its Export Support Service. This is a dedicated hotline and online service to help more British businesses export to Europe and is a 'one stop shop' bringing together UK government information, making it easier for exporters to access advice and support.

Over £80m of financial support was also made available for IT, training and recruitment to scale up the intermediary sector, upon which small businesses rely. HMRC have created an intermediary register on gov.uk listing specialist services that can help businesses. It has been updated to include details on which intermediaries are still taking on new clients, and the services they provide.

Further Sanitary and Phytosanitary negotiations with the EU

I can confirm that we are open to discussions with the EU on further additional steps to reduce trade friction, including in the SPS area, but these cannot be on the basis of alignment with EU rules. The UK must retain its ability to make rules that work for us, based on latest technology and best practice. The EU has concluded some SPS agreements without requiring alignment (albeit more limited in scope e.g. New Zealand). However, the EU negotiators do not have a mandate to negotiate such an SPS agreement.

Customs cooperation

As set out in the Government's response to the report, the TCA does not currently provide the legal basis for a joint customs office with the EU and the extensive level of cooperation and data sharing requirements needed to underpin such arrangements.

We are not aware of any significant issues being raised by operational and border teams that would warrant reopening the TCA's arrangements in this area.

The Committee may wish to note that in the Trade Specialised Committee on Customs Cooperation and Rules of Origin, it was the UK that outlined potential scope for future

cooperation on topics including Single Trade Window, interoperability, exchange of information and how best to use data.

UK officials will continue to work with their EU and Member State counterparts to identify and ease any unnecessary trader burdens, and promote trade facilitation in line with our commitments under the TCA.

Our assessment is that the EU would be highly unlikely to agree to any textual change, or 'evolution' of the TCA text, in the short to medium term.

The TCA's institutional machinery

The governance of the TCA is running smoothly. As you state in your letter, all Specialised Committees have met at least once, including the Partnership Council and the Trade Partnership Committee. All committees will meet again over the course of this year, in line with the TCA's provisions and our expectations.

The first round of meetings indicated that TCA implementation is generally proceeding well. Through these meetings the Government has raised concerns regarding implementation (e.g. live bivalve molluscs) and initiated further technical discussions (e.g. road transport, intellectual property and SPS). The formal committee meetings are, of course, not the only vehicle for discussion and the co-chairs as well as other officials, and Ministers, also discuss EU-UK cooperation on an ongoing basis.

In some areas, such as Union Programmes, the European Commission has linked TCA implementation to the UK's position on the Northern Ireland Protocol. It makes no sense to link collaboration on science and research with the situation in Northern Ireland - the two issues are unrelated, and it is deeply disappointing to see science and research politicised in this way.

Benefits to individual businesses

The TCA maintains zero tariffs and zero quotas on trade in goods between the UK and EU. This means that businesses can benefit from tariff-free trade when exporting to the EU.

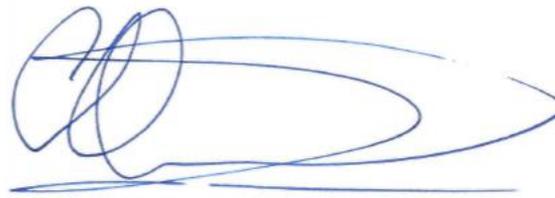
The UK successfully negotiated a number of administrative and customs facilitations, such as self-certification of origin, which considerably reduce the administrative burden of complying with rules of origin in trade with the EU.

The UK secured product-specific rules of origin tailored to the needs of UK businesses in sectors such as automotive, aluminium, chemicals, machinery and food and drink. These rules also allow British manufacturers to source inputs globally for British products where appropriate, such as batteries for electric vehicles.

The latest monthly data from the Office for National Statistics (ONS) shows that UK goods exports to the EU reached their highest value (in current prices) since records began in January 1997.

I know that your Committee keeps a close eye on the UK-EU relationship. The Government wants a positive relationship with the EU, underpinned by trade and our shared belief in freedom and democracy. We continue to engage in good faith with the EU and its Member States to find practical and pragmatic solutions to the outstanding issues including on the Northern Ireland Protocol.

Yours ever,

A handwritten signature in blue ink, consisting of several overlapping loops and a long horizontal stroke extending to the right.

Graham Stuart MP
Minister of State for Europe