

Institute for Government – Supplementary Written Evidence (TIG0014)

Thank you again for inviting the Institute to provide oral evidence to the Committee. Below are a few points that were not raised during the evidence session that the Committee may find helpful. Please do not hesitate to get in touch if you require more information.

1. Other changes at the border

Beyond the planned introduction of full import controls by July 2022, the government and traders must also adapt to other changes at the border.

2025 Border Strategy

The government has committed to introducing its 2025 Border Strategy, which includes ambitions to move towards a 'single trade window' based on the principle that traders should only have to tell the government a set of information once.ⁱ The strategy will also involve greater digitalization of border processes. These developments should make complying with border formalities easier for traders and offer opportunities to streamline paperwork.

Many business groups we've spoken to welcome the 2025 Border Strategy and hope that elements of it can be delivered quickly. However, the development and roll out of the strategy is also a significant programme of work for government and means that processes at the border will continue to evolve over the coming years, even once post-Brexit full import controls are in place.

Transition from CHIEF to CDS

In August 2021, the government announced dates for the much-delayed transition from the 27-year-old CHIEF customs declarations system to the new Customs Declarations Service (CDS), which is already in use for customs declarations from non-EU countries and for GB-NI movements.ⁱⁱ All imports are expected to move to the new system from 30 September 2022, with exports to follow from 31 March 2023. While this move from CHIEF to CDS should deliver benefits including additional stability and functionality to support the government's 2025 border strategy, it also represents another significant project for the government to deliver and traders to adapt to.

2. Limited stockpiling

Before the end of the transition period, there was evidence of stockpiling by many firms in anticipation of possible disruption from the introduction of new controls on goods entering the EU from Great Britain.ⁱⁱⁱ

Anecdotal evidence from our conversations with business organisations suggests that there is less stockpiling this year, ahead of the planned introduction of full customs controls on imports from January 2022 and on agri-food from July 2022. In part, this appears to be a result of ongoing supply chain disruption which has left firms less able to source additional products or components to build up reserves.

In August, a survey from the Confederation of British Industry found stock levels in relation to expected sales were at the lowest levels since 1983.^{iv} Lower levels of stockpiling may also reflect lower levels of concern about the risk of widespread, long-lasting disruption from the introduction of new import controls compared to the end of the transition period (especially given the decision to split the introduction of customs and agri-food controls). The ability to stockpile ahead of the introduction of full controls on agri-food goods from July 2022 will also be limited, given the perishable nature of many of the products subject to SPS checks.

3. Measures to address non-tariff barriers to trade

There are steps the UK government could take bilaterally and unilaterally to address non-tariff barriers to trade.

Unilateral measures

The government has already shown it is willing to use unilateral levers to delay the introduction of non-tariff barriers to trade. For instance, the UK government has repeatedly delayed the introduction of full import controls and recently extended the grace period for the recognition of the EU's 'CE' product standards marking.

Even when full border controls are in place, the UK government may take steps to ease the impact of non-tariff barriers on traders. For example, before the most recent delays to import checks, the government had indicated that it would shorten the time before import that agri-food goods need to be pre-notified to UK authorities.^v The government has also made clear that, even once full GB import controls are in place, they are likely to be more light touch than those imposed by the EU.^{vi}

Full implementation of the 2025 Border Strategy should also make compliance with some border formalities simpler for traders, although it will not remove non-tariff barriers.

Bilateral measures

The UK and EU could reach agreement to reduce non-tariff barriers to trade. As discussed during the session, this could include an agreement to remove the need for safety and security declarations (as exists for EU-Swiss trade). A veterinary agreement could also reduce the need for some agri-food controls; an 'equivalence' based agreement (as proposed by the UK government) could reduce the frequency of physical, although not documentary, checks. A Swiss-style regime (as proposed by the EU) would remove the need for physical, although not documentary, checks. A veterinary agreement would also help alleviate barriers to trade between GB and NI under the Northern Ireland Protocol.

The Trade and Cooperation Agreement also includes structures to support ongoing dialogue between the UK and EU on customs and rules of origin, and on Sanitary and Phytosanitary (SPS) measures, which could pave the way to measures that reduce or remove the impact of some non-tariff barriers to trade. The Trade Specialised Committee on SPS measures met for the first time on 14 September 2021 and discussed issues such as the EU prohibition on chilled meats being imported from third countries. The Trade Specialised

Committee on Customs Cooperation and Rules of Origin met for the first time on 4 October and discussed issues including mutual recognition of trusted trader schemes.^{vii}

Beyond formal bilateral channels, the UK government engages extensively with border authorities in EU member states. This includes hosting joint seminars for traders and ongoing dialogue on practical issues faced by businesses. Good relationships between border authorities in the UK and EU member states will not remove non-tariff barriers, but can help reduce confusion among traders about what they must do to comply with trading rules and allow issues to be addressed more quickly when they do arise.

4. Which set of changes poses a bigger challenge to traders?

Not all traders are directly affected by both the January and July changes. While the introduction of full customs controls from January will affect all traders, the introduction of full agri-food controls in July will only directly affect traders importing goods subject to SPS rules. For those firms affected by both sets of changes, the introduction of agri-food controls is likely to be more challenging, given these involve more complex paperwork, may require physical inspections and goods to proceed through a designated border control post.

The decision to further delay the introduction of full agri-food controls means that there is now a greater separation between the introduction of full customs controls and full agri-food controls. Business groups we've spoken to believe this could be beneficial, by reducing the risk of possible 'spill over' effects in January, whereby firms not subject to agri-food controls could have been caught up in possible disruption at the border caused by unprepared agri-food traders. However, this is still a risk when full agri-food controls are introduced in July 2021.

Institute for Government resources

Institute for Government, Supply chain problems, explainer,
<https://www.instituteforgovernment.org.uk/explainers/supply-chain-problems>

Institute for Government, The government should face up to the border consequences of its Brexit deal, comment,
<https://www.instituteforgovernment.org.uk/blog/border-consequences-brexit>

Institute for Government, The GB-EU Border, explainer,
<https://www.instituteforgovernment.org.uk/explainers/future-relationship-gb-eu-border>

ⁱ Cabinet Office, 2025 UK Border Strategy, 17 December 2020,
www.gov.uk/government/publications/2025-uk-border-strategy

ⁱⁱ HMRC, Customs Declaration Service to become UK's single customs platform, 3 August 2021,
www.gov.uk/government/news/customs-declaration-service-to-become-uks-single-customs-platform

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- iii Office for National Statistics, Did UK firms stockpile items ahead of the Brexit deadline?, 1 February 2021, www.ons.gov.uk/businessindustryandtrade/internationaltrade/articles/didukfirmsstockpileitemsaheadofthebrexitdeadline/2021-02-01
- iv CBI, Retail sales and orders growth soar but supply issues mount, 24 August 2021, www.cbi.org.uk/media-centre/articles/retail-sales-and-orders-growth-soar-but-supply-issues-mount-cbi/
- v Institute for Government, The UK border: will supply chain problems get worse?, event, 10 September 2021, www.instituteforgovernment.org.uk/events/border-supply-chain
- vi Cabinet Office, Rt Hon Lord Frost, Lord Frost speech: Observations on the present state of the nation, 12 October 2021, www.gov.uk/government/speeches/lord-frost-speech-observations-on-the-present-state-of-the-nation-12-october-2021
- vii European Commission, Meetings of the EU-UK Partnership Council and Specialised Committees under the Trade and Cooperation Agreement, https://ec.europa.eu/info/strategy/relations-non-eu-countries/relations-united-kingdom/eu-uk-trade-and-cooperation-agreement/meetings-eu-uk-partnership-council-and-specialised-committees-under-trade-and-cooperation-agreement_en