

**British-Irish
Parliamentary
Assembly**



**Tionól Parlaiminteach
na Breataine agus
na hÉireann**

Committee C (Economic Affairs)

Report

The effects of the post-Brexit trading environment on UK-Irish trade

October 2022

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1. Summary of conclusions and recommendations

1. The UK's departure from the European Union has resulted in greater friction for trade between Ireland and the United Kingdom. Since Brexit, the UK is no longer a member of the Single Market and the Customs Union, and so has the option to pursue international trade policies which produce greater or lesser trade friction if it judges these to be in its best interest. At the same time we note that, as a general principle, free trade between our nations has historically been to the benefit of all the people of our islands. We hope that both the UK and Irish Governments maintain a strong commitment to encouraging free trade.

(Chapter 3, paragraph 15)

2. **The UK and Irish Governments and the EU should work together to ensure that trade friction between the UK and Ireland is as low as it can possibly be in the new post-Brexit context. This should include working to ensure that new legal requirements entail the minimum possible burden on traders. We suggest some specific actions that could be taken in the section on ‘implementing the new trading arrangements’ below.**

(Chapter 3, paragraph 16)

3. Brexit, which resulted in the Withdrawal Agreement and the Northern Ireland Protocol, has resulted in trade frictions between Great Britain and Northern Ireland. This change has impacts in Northern Ireland, in part as it is perceived by many unionists as creating new separation between Northern Ireland and other parts of the United Kingdom. The Protocol was agreed out of a sincere desire on all sides to protect all aspects of the Belfast/Good Friday Agreement, and to protect the integrity of both the EU Single Market and the UK Internal Market. If implemented in the right way, the Protocol could achieve these aims. However, as things stand there is more progress to be made to reduce the frictions on intra-UK trade and address concerns about protecting all dimensions of the Belfast/Good Friday Agreement.

(Chapter 3, paragraph 28)

- 4. The UK and Irish Governments and the EU should work together to ensure that trade friction on GB-NI trade under the Northern Ireland Protocol is as low as it can possibly be. In doing so they must recognise the utmost importance of protecting all dimensions of the Belfast/Good Friday Agreement. We suggest some specific actions that could be taken in the section on ‘implementing the new trading arrangements’ below. We note that the UK Government has introduced the Northern Ireland Protocol Bill, but that its preference remains for a negotiated solution. We also note the EU's concerns regarding the legality of the unilateral action proposed in the UK's Northern Ireland Protocol Bill. The UK and the EU need to continue negotiations in order to achieve that negotiated settlement.**

(Chapter 3, paragraph 29)

5. Early evidence suggests that Brexit has had significant effects on patterns of trade both within the UK and between the UK and Ireland. However, more can be done to understand these effects, particularly regarding trade between Great Britain and Northern Ireland.

(Chapter 4, paragraph 38)

- 6. The UK and Irish Governments should each review their arrangements for collecting trade data on UK-Irish trade. They should aim to provide six-monthly statistical updates on North-South and East-West (both GB-NI and GB-Ireland) trade, and make their data publicly available to the greatest extent possible to enable public scrutiny. To ensure consistency, the relevant statistical authorities should agree a common methodology for recording and reporting this data. The Committee finds it concerning that a common basis does not currently exist. These arrangements should be put in place within the next 12 months and reported to the Assembly.**

(Chapter 4, paragraph 39)

7. Brexit has created new possibilities for some UK and Irish businesses, but has also created new challenges for others. In some cases Brexit has contributed to higher prices and reduced availability of goods for consumers.

(Chapter 4, paragraph 52)

8. The UK and Irish Governments and the devolved administrations should support businesses to access the possibilities of the post-Brexit trading environment. At the same time, there are both winners and losers from Brexit and care should be taken to protect long-standing patterns of trade and consumers' interests

(Chapter 4, paragraph 53)

9. Delays in political decision-making have made it more challenging for businesses to prepare for the future and adapt to the post-Brexit trading environment.

(Chapter 5, paragraph 60)

10. The UK and the EU, when considering the implementation of the Northern Ireland Protocol, must work constructively to reach agreed solutions that provide clarity and stability for traders and for the UK and Irish economies. We note that the UK Government has introduced the Northern Ireland Protocol Bill, but that its preference remains for a negotiated solution. We also note that the EU has objected to the provisions of the Northern Ireland Protocol Bill, and has launched infringement proceedings against the UK for non-compliance with aspects of the Northern Ireland Protocol.

(Chapter 5, paragraph 61)

11. We have heard that creative thinking and dialogue have helped to overcome some of the initial challenges traders faced in January 2021.

(Chapter 5, paragraph 66)

12. We welcome the work governments and agencies have done so far to find practical solutions to traders' problems. We encourage both sides to continue to show flexibility and to prioritise outcomes for the people and businesses of our islands.

(Chapter 5, paragraph 67)

13. The current definition of ‘goods not at risk’ is fairly narrow, reflecting the EU’s understandable caution about protecting the Single Market. However, over time it may be possible to broaden this definition and so reduce trade frictions and costs to businesses and consumers.

(Chapter 5, paragraph 74)

14. The UK and the EU should cooperate and share data to develop a sophisticated understanding of the real risks posed to the Single Market by goods entering from the UK. This data should then be used to refine the definition of ‘goods not at risk’ of entering the Single Market over time, so that trade frictions can be limited to the level strictly necessary to limit the risk to the Single Market to an acceptable level. We recommend that the necessary data-sharing arrangements are established as soon as possible, and no later than twelve months after the publication of this report.

(Chapter 5, paragraph 75)

15. Sanitary and Phytosanitary controls are one of the major sources of trade friction in the Irish Sea. The island of Ireland was treated as a single epidemiological unit even before Brexit, and it is right that some controls should be maintained to contain disease. However, the UK and the EU are both committed to high food and animal health standards, and this commitment means there is scope for reducing the administrative burden and the frequency of checks. The European Commission’s recent proposals are a positive development in this regard.

(Chapter 5, paragraph 82)

16. The EU and the UK should seek to reach an SPS agreement to reduce the administrative and cost burden of animal health checks for products crossing the Irish Sea. The UK and the EU need to continue negotiations in order to achieve that negotiated settlement.

(Chapter 5, paragraph 83)

17. Stakeholders told us they needed certainty about the trading environment to be able to plan for the future. We heard that uncertainty about the UK's plans for introducing full import controls on goods entering Great Britain from Ireland was unhelpful.

(Chapter 5, paragraph 86)

18. The UK Government should prioritise the needs of traders when setting and communicating its plans for implementing post-Brexit trading arrangements. Specifically, it should not set a further date for the introduction of controls on goods entering Great Britain from Ireland until it is sure that target will be met. Traders should be given a lead-in time of at least six months to be able to prepare for the new arrangements.

(Chapter 5, paragraph 87)

19. Both the UK and Ireland were able to prevent significant day one disruption at ports. There are longer term challenges for the UK around preparing permanent infrastructure both in Northern Ireland and in Great Britain. Some GB ports have expressed concerns that the way checks are conducted on goods entering GB from Ireland could create market distortions.

(Chapter 5, paragraph 90)

20. In particular, there are concerns that some routes would need to charge for using facilities while other facilities would be free to use. It is likely that these costs would ultimately fall on hauliers, their clients and consumers.

(Chapter 5, paragraph 91)

21. The UK Government should clarify its policy on charging for use of inland inspection facilities for goods arriving from Ireland. It should ensure that its policy does not create market distortions that favour or penalise the use of some trade routes over others and increase costs for hauliers, their clients and consumers.

(Chapter 5, paragraph 92)

22. Traders who move goods from GB to the island of Ireland face higher costs because of the need to comply with EU rules. The UK Government's free Trader Support Service and

Movement Assistance Scheme have mitigated the impact of this, but the long-term future of these services is uncertain.

(Chapter 5, paragraph 94)

23. The UK Government should clarify the future of the Trader Support Service and Movement Assistance Scheme. It should consider what long-term support it will make available to support traders with the costs and administrative burdens of moving goods across the Irish Sea. Consideration should be given to making the Trader Support Service and the Movement Assistance Scheme permanent.

(Chapter 5, paragraph 95)

24. It is likely that trade in goods from Ireland to Great Britain will also result in extra paperwork and costs once full controls are imposed.

(Chapter 5, paragraph 97)

25. While we recognise the support already in place through Enterprise Ireland and other state agencies, the Irish Government should consider how it will support traders to meet any new requirements on trade with Great Britain once full controls are imposed. The experiences of GB-based traders, HMRC and the Trader Support Service could be instructive.

(Chapter 5, paragraph 98)

2. Introduction

1. The United Kingdom's departure from the European Union is the beginning of a new chapter in the relationship between the UK and its neighbours. The British-Irish relationship is likely to be particularly affected by this new context because of our nations' shared geography and history, and because of the unique circumstances that exist in Northern Ireland.
2. One of the effects of Brexit that has been felt most immediately has been the impact on trade. The UK's departure has altered the conditions in which trade occurs between the UK, Ireland, and mainland Europe. The conditions for trade between Great Britain and Northern Ireland have also changed as a result of the Northern Ireland Protocol. These are vitally important trading relationships: Ireland is the UK's fourth largest export market and Northern Ireland's largest (sales to Great Britain are not treated as exports);¹ the UK is Ireland's second largest export market;² and Great Britain is Northern Ireland's largest market for external sales, with more than half of external sales being sold there.³ The ability of goods to transit through Great Britain and Ireland is also important for Northern Ireland and Ireland's trading relationships with continental Europe. Brexit's effect on these relationships therefore has significant implications for economies across our islands.
3. At our meeting of March 2021, recognising the importance of this issue, and following reports of trade disruption following the end of the transition period in January 2021, we decided to undertake a programme of work examining the effects of the post-Brexit trading environment on UK-Irish trade.
4. Between March 2021 and October 2022 we sought evidence from a number of experts and stakeholders across our islands, including representatives from ports, the logistics sector, and the revenue authorities in both the UK and Ireland. A full list of organisations

¹ Office for National Statistics, [UK total trade: all countries, seasonally adjusted](#), accessed 16 August 2022; Northern Ireland Research and Statistics Agency, [Overview of Northern Ireland Trade](#), 18 May 2022, p. 7

² Central Statistics Office, [Goods Exports and Imports June 2022](#), 15 August 2022

³ Northern Ireland Statistics and Research Agency, [Northern Ireland Broad Economy Sales and Exports Statistics: Trade in Goods and Services Results 2020](#), 6 April 2022, p. 16

we heard from is included as an appendix. We also visited Belfast Harbour, Liverpool Port and the Port of Holyhead to hear about the effect the new trading arrangements are having on the ground. We are very grateful to all those who took time to host the Committee or to give evidence to our inquiry, and to everyone who helped to support the Committee's work in the challenging context of the Covid-19 pandemic.

5. Our findings are set out in the following report. The report includes an assessment of how Brexit has changed the trading environment for UK-Irish trade, the consequences of this change, and suggestions for practical steps that could be taken to address some of the outstanding issues that remain to be resolved. The report is a result of our deliberations in October 2022. We recognise that the situation is fluid and that further developments are likely.

6. For clarity, references to Great Britain or GB in this report refer to England, Scotland and Wales. References to the United Kingdom or UK in this report refer to England, Scotland, Wales and Northern Ireland.

3. The post-Brexit trading environment

7. During the period when the UK and Ireland were both EU Member States, both countries were part of the EU Single Market and Customs Union. This meant that goods produced in the UK could be freely transported and sold in any part of the EU, and vice versa, and were not subject to trade tariffs or quotas. Following the UK's withdrawal from the EU, it is no longer part of either the Single Market or the Customs Union.
8. The UK's new relationship with the EU is governed by the EU-UK Withdrawal Agreement and the Trade and Cooperation Agreement (TCA). The EU-UK Withdrawal Agreement also includes a Protocol on Ireland/Northern Ireland to address the unique circumstances of Northern Ireland, prevent the emergence of a 'hard border' between Northern Ireland and Ireland, and protect the Belfast/Good Friday Agreement. We consider the Protocol in the section 'The Northern Ireland Protocol' below.
9. Together, the Withdrawal Agreement and the Trade and Cooperation Agreement avoid the vast majority of tariffs on trade between the UK and the EU (although traders must be able to prove that their goods meet rules of origin requirements—see next paragraph). The EU and the UK were not able to reach agreement in other areas, including on a customs union, on goods regulation, and sanitary and phytosanitary (SPS) standards for human and animal health.
10. As a result, under the new relationship trade frictions exist that had not been in place during the UK's time as an EU Member State. For example, importers who bring goods into the EU (or Northern Ireland) from the UK must now provide customs declarations to prove that the goods being imported qualify for tariff-free trade. Some goods are also being charged tariffs, despite the commitments in the TCA. In some cases this is because the goods in question do not comply with 'rules of origin' requirements. As a result, products that are moved from third countries (i.e. non-EU and UK countries) into Great Britain for processing before being moved to Ireland or Northern Ireland have attracted tariffs; in these cases goods have been charged tariffs twice: once when they enter Great Britain from the third country, and again when they enter Ireland from Great Britain.

One example of a sector that has been particularly affected by rules of origin is the fashion industry, where Great Britain often acts as a distribution hub for garments originally imported from third countries. Other goods that have attracted tariffs include those which are subject to EU trade defence measures, such as steel. The proportion of goods that are charged tariffs can be substantial: the UK Trade Policy Observatory estimated that during January 2021 around 40 per cent of goods imported into Ireland from Great Britain were charged tariffs, although this proportion has fallen since.

11. Importers of products of plant or animal origin must also prove that those goods comply with the EU's SPS regime, and so the goods must be certified and inspected in line with the EU's Official Controls Regulation. This means that the goods in question must be accompanied by an Export Health Certificate, their arrival in the EU must be notified on the EU's TRACES-NT system, and the goods may be physically inspected at a Border Control Post depending on the level of risk posed. The UK has not yet fully implemented its new Border Operating Model (see next paragraph), but under that model goods moving from the EU to the UK will require plant or animal products to be accompanied by a health certificate and be notified on the UK's Import of Products, Animals, Food and Feed System (IPAFFS).⁴

12. The UK has not yet implemented every part of its Border Operating Model. Customs controls on goods entering from the EU have been in place since January 2022, although the UK has said that customs controls will not be required for goods arriving from Ireland as long as discussions on the Northern Ireland Protocol are ongoing.⁵ Other parts of the model, such as safety and security declarations and Export Health Certificates, are not yet in place. The UK Government's initial plan was to phase in these controls between January and July 2021, but this process has been subject to multiple delays. Most recently, in April 2022 the UK Government confirmed that the introduction of controls would be delayed again, with the end of 2023 as the new target date.⁶ In the meantime, goods entering the UK from Ireland are subject to fewer checks and controls

⁴ UK Government, [The Border with the European Union: Importing and Exporting Goods](#), June 2022

⁵ UK Government, [News story: Full customs controls start on 1 January 2022](#), 1 December 2021

⁶ House of Commons, [Written Ministerial Statement HCWS796](#), 28 April 2022

than goods moving in the other direction. This has prevented significant disruption to trade on this route.

13. Ireland, meanwhile, operated the full range of checks and controls required on goods entering from the UK from January 2021. We heard that the Irish Government had invested in new facilities at Dublin and Rosslare ports to manage the increased volume of controls required, and that there had not been significant disruption at ports as a result.

14. Businesses representatives in both the UK and Ireland told us that navigating the new environment had been difficult in the early part of 2021, with one representative describing the shift as "seismic." While the majority of issues had been resolved the new arrangements still represented what one representative termed "a dramatic and profound change," and had added to the cost and complexity of doing business. We discuss these further in the chapter on 'Economic and social impacts' below.

15. The UK's departure from the European Union has resulted in greater friction for trade between Ireland and the United Kingdom. Since Brexit, the UK is no longer a member of the Single Market and the Customs Union, and so has the option to pursue international trade policies which produce greater or lesser trade friction if it judges these to be in its best interest. At the same time we note that, as a general principle, free trade between our nations has historically been to the benefit of all the people of our islands. We hope that both the UK and Irish Governments maintain a strong commitment to encouraging free trade.

16. The UK and Irish Governments and the EU should work together to ensure that trade friction between the UK and Ireland is as low as it can possibly be in the new post-Brexit context. This should include working to ensure that new legal requirements entail the minimum possible burden on traders. We suggest some specific actions that could be taken in the section on 'implementing the new trading arrangements' below.

The Northern Ireland Protocol

17. Trade between Great Britain and Northern Ireland has different arrangements, governed by the Protocol on Ireland/Northern Ireland that was agreed as part of the Withdrawal Agreement. The Protocol was the solution agreed to protect the Belfast/Good Friday Agreement and to prevent the creation of a 'hard border' between Ireland and Northern Ireland.

18. The Protocol keeps Northern Ireland formally in the UK internal market and customs territory. However, it requires Northern Ireland to continue applying EU law in a number of areas, including many areas of customs law, goods regulation and sanitary and phytosanitary (SPS) controls. For the purposes of goods moving from Great Britain to Northern Ireland, this means that traders are required to meet many of the same requirements as would need to be met if the goods were being moved into the EU, such as customs declarations and Export Health Certificates. The Protocol includes some flexibilities designed to reduce trade friction. For example, the UK and the EU agreed 'grace periods' for particular products like food and medicines, which enable authorised traders (such as larger retailers) to bring those goods into Northern Ireland using simplified processes; these grace periods are temporary, but they have been extended on multiple occasions, most recently through unilateral action by the UK on 16 September 2022. Even with these flexibilities, it is still the case that under the Protocol there are greater frictions on GB to NI trade than existed before Brexit.

19. Businesses gave us examples of these frictions. Representatives from the Road Haulage Association told us that a typical delivery of food to a major supermarket required 31 entries of paperwork, and that a lot of time and staffing resource was needed to do this compliance work. We heard examples of businesses which had taken on new staff to deal with the additional complexity of the new trading rules, or which had paid external customs experts to help them comply. We heard that these additional costs were contributing to higher prices for consumers in Northern Ireland.

20. It is also the case that tariffs have been levied on some goods moving from Great Britain to Northern Ireland. As explained in the previous section, this is because the goods do

not satisfy rules of origin requirements or because they are subject to trade defence measures. Northern Ireland has also not been able to access either UK or EU trade quotas for certain goods such as wheat and maize, which can place businesses based in Northern Ireland at a competitive disadvantage compared with their counterparts in Ireland or Great Britain.⁷

21. We heard that one result of these frictions was that some products were no longer available in Northern Ireland. During the early part of 2021 there were press reports of some products no longer being available in supermarkets, and a number of online retailers were reported to have temporarily ceased delivering to Northern Ireland.⁸ Over time many of these products and services have become available, but some gaps remain.⁹ Some specialist goods have faced particular difficulties. For example, Northern Ireland's Jewish community have experienced shortages in the supply of kosher food, which is normally sourced from Great Britain.¹⁰

22. The Protocol has had both positive and negative impacts in Northern Ireland, and presents potential advantages. Businesses representatives in Northern Ireland pointed out that under the Protocol Northern Ireland has access to both the UK Internal Market and the EU Single Market, and that this was an advantage that could attract investment to the NI. The creation of 1,000 new jobs by the pharmaceutical company Almac was given as an example.¹¹ We also heard that some sectors were enjoying increased export opportunities: in Ireland, Northern Irish goods were displacing products that used to be sourced from Great Britain, while in GB Northern Irish goods were displacing goods which previously came from the EU.

23. We explore the economic impacts of the Protocol, and the post-Brexit trading environment more widely, in the next section.

⁷ [Evidence from the Ulster Farmers' Union to the House of Commons Northern Ireland Affairs Committee](#), 6 January 2021, Q392

⁸ For example, see Financial Times, [N Ireland shoppers face empty shelves as Brexit snags supply chains](#), 11 January 2021; The Irish News, [Several major companies have stopped or paused deliveries to Northern Ireland after Brexit](#), 8 January 2021

⁹ BBC News NI, [Brexit: John Lewis resumes NI home deliveries](#), 23 March 2021

¹⁰ Equality Commission for Northern Ireland, [Call to alleviate food shortages for Jewish community](#), 16 December 2021

¹¹ BBC News NI, [Almac: Northern Ireland pharma firm plans 1,000 new jobs in NI](#), 9 November 2021

24. Many in Northern Ireland's unionist community believe the trade frictions resulting from the Protocol weaken Northern Ireland's position in the United Kingdom and its internal market. This is one of several ways in which unionists have argued the Protocol undermines the Belfast/Good Friday Agreement. Unionists have also objected to the continued application of EU law in Northern Ireland when Northern Ireland is not represented in the EU institutions, the jurisdiction of the Court of Justice of the European Union in Northern Ireland, and the design of the consent mechanism for renewing the Protocol, which they argue is not compatible with the principle of cross-community consent.
25. Because of these concerns, many unionists see the Protocol as unacceptable and argue it should be removed, replaced or significantly reformed. The largest unionist party, the Democratic Unionist Party, withdrew its First Minister in February and has refused to nominate new ministers or a Speaker in the Assembly until its concerns about the Protocol are addressed.¹² During this period Northern Ireland has been without fully functioning government. The Protocol has also been subject to an application for judicial review brought by several prominent unionists. In the early part of 2021 there were several riots reported in loyalist areas, and reported threats and intimidation targeting port workers, which some claimed were connected to the Protocol.¹³ Brexit and the Withdrawal Agreement, including the Protocol, have therefore had a societal as well as an economic impact in Northern Ireland.
26. The EU and the UK both recognise that the Protocol has contributed to economic and societal difficulties in Northern Ireland, although they have often disagreed over how best to respond. The EU-UK Withdrawal Agreement Joint Committee and the Specialised Committee on the Protocol on Ireland and Northern Ireland have met on a number of occasions to attempt to address issues arising from the Protocol. While some constructive discussions have taken place, significant disagreements remain. Following

¹² BBC News NI, [DUP: NI First Minister Paul Givan announces resignation](#), 3 February 2022

¹³ BBC News NI, [NI riots: What is behind the violence in Northern Ireland?](#), 14 April 2021; The Irish Times, [Some Belfast, Larne port staff withdrawn over safety amid Northern Ireland protocol tensions](#), 1 February 2021

the UK Government's introduction of the Northern Ireland Protocol Bill (see below) the negotiating relationship has suffered, and the Joint Committee has not met since February, limiting opportunities for progress towards a negotiated solution. The resumption of discussions in October is a positive development.

27. On 13 June 2022 the UK Government introduced the Northern Ireland Protocol Bill, which it said would "fix parts of the Northern Ireland Protocol - making the changes necessary to restore stability and ensure the delicate balance of the Belfast/Good Friday Agreement is protected." The Bill would disapply parts of the Protocol in UK law and allow UK ministers to make alternative regulations to replace them. In effect, the Bill enables the UK to unilaterally change aspects of the Withdrawal Agreement that relate to Northern Ireland.¹⁴ The European Commission argues that this would constitute unilateral action by the UK to not implement the Northern Ireland Protocol as agreed, and would be unlawful. The Irish Government shares this view: in an official statement following the UK Government's introduction of the Northern Ireland Protocol Bill, Simon Coveney TD, the Irish Minister for Foreign Affairs, expressed disappointment that "the British government is continuing to pursue its unlawful unilateral approach on the Protocol on Northern Ireland" and urged it to "return to constructive dialogue with the EU in pursuit of jointly agreed, long-lasting solutions".¹⁵ The UK Government is of the position that the provisions of the Northern Ireland Protocol Bill would be justified in international law by the 'doctrine of necessity'.¹⁶ Nevertheless, it has stated that its decision to introduce the Bill does not mean it has given up on a bilateral solution, and that "the Government's preference remains a negotiated outcome."¹⁷

28. Brexit, which resulted in the Withdrawal Agreement and the Northern Ireland Protocol, has resulted in trade frictions between Great Britain and Northern Ireland. This change has impacts in Northern Ireland, in part as it is perceived by many unionists as creating new separation between Northern Ireland and other

¹⁴ [Northern Ireland Protocol Bill](#), Clause 1; see also the [Explanatory Notes to the Bill](#)

¹⁵ [June - Statement by Minister for Foreign Affairs Simon Coveney TD on the Northern Ireland Protocol Bill - Department of Foreign Affairs \(dfa.ie\)](#)

¹⁶ GOV.UK, [Policy paper: Northern Ireland Protocol Bill: UK Government legal position](#), 13 June 2022

¹⁷ GOV.UK, [Policy paper: Northern Ireland Protocol Bill: UK Government legal position](#), 13 June 2022

parts of the United Kingdom. The Protocol was agreed out of a sincere desire on all sides to protect all aspects of the Belfast/Good Friday Agreement, and to protect the integrity of both the EU Single Market and the UK Internal Market. If implemented in the right way, the Protocol could achieve these aims. However, as things stand there is more progress to be made to reduce the frictions on intra-UK trade and address concerns about protecting all dimensions of the Belfast/Good Friday Agreement.

29. The UK and Irish Governments and the EU should work together to ensure that trade friction on GB-NI trade under the Northern Ireland Protocol is as low as it can possibly be. In doing so they must recognise the utmost importance of protecting all dimensions of the Belfast/Good Friday Agreement. We suggest some specific actions that could be taken in the section on ‘implementing the new trading arrangements’ below. We note that the UK Government has introduced the Northern Ireland Protocol Bill, but that its preference remains for a negotiated solution. We also note the EU's concerns regarding the legality of the unilateral action proposed in the UK's Northern Ireland Protocol Bill. The UK and the EU need to continue negotiations in order to achieve that negotiated settlement.

4. Economic and social impacts

Volumes and patterns of trade

30. Initial data indicates that volumes and patterns of trade between the UK, Ireland and the rest of the EU have changed since the start of 2021. Measuring the impact of the new trading environment is not straightforward for a number of reasons. For instance, the new trading arrangements came into effect during the Covid-19 pandemic, which has had far-reaching effects on international trade in its own right and makes direct comparison between pre- and post-Brexit trade difficult. A further challenge is that different agencies and jurisdictions compile and calculate statistics in different ways, meaning British and Irish figures often do not align. The data indicates ways in which Brexit may be affecting trade, and we recommend the governments find a consistent way of understanding this.

31. Data from Ireland's Central Statistics Office (CSO) shows that the value of goods trade between Ireland and Northern Ireland was higher in 2021 than in 2019 (the most recent pre-pandemic year). The CSO's data shows the value of Irish goods exports to Northern Ireland rose from €2,208million (£1,857million) in 2019 to €3,696million (£3,109million) in 2021, an increase of 67.4 per cent. Meanwhile, the CSO finds that Northern Ireland's exports to Ireland rose from €1,713million (£1,441million) to €3,956million (£3,328million), an increase of 130.9 per cent.¹⁸ Other sources show quite a different picture: HM Revenue and Customs (HMRC) shows a relatively small (though not insignificant) increase in imports from Ireland to Northern Ireland of 18 per cent (£2,401million to £2,834million or €2,852million to €3,366million) and says that Northern Ireland's exports to Ireland fell slightly, by 3.2 per cent (£3,217million to £3,114million or €3,821million to €3,699million). These differences make it hard to be certain about the true impact of Brexit on trade. However, there is evidence to suggest that the new trading environment has had a measurable effect on North/South trade.

¹⁸ Central Statistics Office, [Statistical release: Goods Exports and Imports December 2020](#), 14 February 2021; Central Statistics Office, [Statistical release: Goods Exports and Imports December 2021](#), 15 February 2022

32. For trade between Ireland and Great Britain, the CSO data shows a mixed picture. The value of exports from Ireland to Great Britain rose from €13,582million (£11,427million) to €14,409million (£12,123million), an increase of 6.1 per cent. Great British exports to Ireland decreased from €18,674million (£15,712million) to €15,367million (£12,929million), a fall of 17.7 per cent.¹⁹ HMRC statistics again show a different picture: they report that Ireland's exports to Great Britain have decreased by 16.6 per cent (£9,382million to £7,821million or €11,144million to €9,290million) while Great Britain's exports to Ireland have fallen by the relatively small amount of 1.4 per cent (£16,826million to £16,500million or €19,987million to €19,600million). Again, the discrepancies in these numbers make it difficult to draw strong conclusions, but do suggest that Brexit has had an impact on patterns of trade across the Irish Sea.

33. Analysing changes in goods trade between Great Britain and Northern Ireland is even less straightforward, as prior to Brexit the UK did not compile official statistics on this trade and so direct statistical comparisons of pre- and post-Brexit trade are not possible. We understand that HM Revenue and Customs is now collecting data on trade between Great Britain and Northern Ireland, and hope that this can be published in the near future. The Northern Ireland Statistics and Research Agency compiles experimental statistics on combined trade in goods and services between Northern Ireland and Great Britain, but the data for 2021 is not yet available so a comparison of pre- and post-Brexit trading arrangements is not possible.

34. Because of the absence of comprehensive data, it is only possible to form a partial picture of how Brexit has affected trade between Northern Ireland and Great Britain. Data from Seatruck Ports show that volumes of traffic moving through Northern Ireland's ports have increased: volumes moving through Warrenpoint are up 23.5 per cent; Larne 18.5 percent; and Belfast 14.7 per cent.²⁰ This does not necessarily mean sales from GB to NI have increased; the significant fall in volumes moving through

¹⁹ Central Statistics Office, [Statistical release: Goods Exports and Imports December 2020](#), 14 February 2021; Central Statistics Office, [Statistical release: Goods Exports and Imports December 2021](#), 15 February 2022

²⁰ LinkedIn, [Alistair Eagles](#), November 2021

Welsh and Irish ports suggests that trade that would historically have been transported via Ireland is being re-routed through NI ports instead.

35. Industry stakeholders were able to add some detail to the picture of Brexit's impact on trade; the impact appears to vary between sectors and from business to business. The manufacturing sector in Northern Ireland, for example, told us that manufacturing sales in Great Britain had increased as some of their members were able to displace products which had previously been sourced from the EU.²¹ The impact varied from firm to firm, and some NI manufacturers had seen sales to GB fall. In addition, surveys show that some manufacturers who rely on inputs from GB have found suppliers unwilling to deal with the additional complexities of the Protocol.²² The Food and Drink Federation told us that agri-food trade on the GB-NI corridor had remained largely stable, but that this was largely due to the grace periods currently in place. We heard that other sectors had seen more severe negative impacts, such as the textiles and vehicle trade, both of which had seen trade fall by more than 50 per cent during the early months of 2021 according to the UK Trade Policy Observatory. Some ports, meanwhile, had seen changes in the type of traffic they were handling; Irish ports in particular reported a decrease in Ro-Ro (Roll-on, Roll-off) trailers and an increase in container cargo during 2021.

36. Consumer research also suggests that Brexit and the Protocol may be affecting the quantity of goods moving from Great Britain to Northern Ireland. The Consumer Council for Northern Ireland found that 289 British retailers suspended delivery to Northern Ireland at some point in 2021, although many have now resumed this service.²³ The Consumer Council's research also found that two thirds of consumers surveyed had observed reduced availability of products in supermarkets, and a similar number had encountered companies who would no longer deliver to Northern Ireland when they were shopping online.²⁴ These findings do not necessarily mean that the overall quantity of goods moving from Great Britain to Northern Ireland has fallen, but do strongly

²¹ See ManufacturingNI, [Traders Experience of the NI Protocol 1 year on](#), 5 January 2022, p. 7

²² ManufacturingNI, [Traders Experience of the NI Protocol 1 year on](#), 5 January 2022, p. 5

²³ Consumer Council, [Evidence to the House of Commons Northern Ireland Affairs Committee](#), June 2021

²⁴ The Consumer Council, [The Northern Ireland Consumer Perspective, An overview: Early perceptions and experiences of EU Exit](#), September 2021, p. 17, p. 30

suggest that there are cases where the post-Brexit trading environment has prevented movements that would previously have taken place.

37. The analyses above give an indication of Brexit's immediate impact on trade. There remains a great deal of uncertainty around the data, particularly regarding trade between Great Britain and Northern Ireland where different sources report significantly different findings. Furthermore, the post-Brexit trading environment is still relatively new and it is likely that markets have not yet fully adjusted to the new situation. Future analyses may find evidence of further consequences for UK-Irish trade. It will be important for the UK and Irish Governments to understand these consequences to help them manage their important trading relationship.

38. Early evidence suggests that Brexit has had significant effects on patterns of trade both within the UK and between the UK and Ireland. However, more can be done to understand these effects, particularly regarding trade between Great Britain and Northern Ireland.

39. The UK and Irish Governments should each review their arrangements for collecting trade data on UK-Irish trade. They should aim to provide six-monthly statistical updates on North-South and East-West (both GB-NI and GB-Ireland) trade, and make their data publicly available to the greatest extent possible to enable public scrutiny. To ensure consistency, the relevant statistical authorities should agree a common methodology for recording and reporting this data. The Committee finds it concerning that a common basis does not currently exist. These arrangements should be put in place within the next 12 months and reported to the Assembly.

Business responses to the new trading environment

40. Where the impact of Brexit can be clearly demonstrated is in changes in trader behaviour. We heard a number of cases where businesses and supply chains had adapted to the new environment to avoid or mitigate challenges, or in some cases to take advantage of new opportunities.

41. One of the most significant effects has been the re-routing of goods. Ports and hauliers moving told us that models for moving goods from Great Britain to the island of Ireland had shifted away from southern routes (i.e. between Welsh and Irish ports) towards northern routes (i.e. between the Mersey/Scottish and Northern Irish ports) because it was less administratively complex—for example, we heard that the notice period for incoming freight was 24 hours in Dublin, compared with just 4 hours in Northern Ireland ports. As more than one stakeholder put it: "goods will always find the path of least resistance."
42. The effects of this re-routing were significant: we heard that prior to Brexit around 30 per cent of goods destined for Northern Ireland went via Dublin, but now this figure was nearly zero; meanwhile trade on the NI corridor had increased by around 20 per cent. This has had a significant effect on Welsh ports, as we heard when we visited the Port of Holyhead. We were told that before Brexit approximately a third of trade passing through the port was destined for Northern Ireland via Dublin, but that much of this was now being rerouted either via the NI corridor or on direct routes between Cherbourg and Irish ports, and so freight volumes moving through Welsh ports were around 25 per cent lower than pre-Brexit levels. Hauliers told us that re-routing freight through the NI corridor resulted in longer drive times and higher fuel costs, which had implications for driver hours and the environment respectively We heard that there was still demand for the land bridge route as it was quicker than the alternatives, and remained the cheaper option even when taking into account the cost of customs compliance. Irish and Welsh stakeholders also noted that routes between Irish and Welsh ports remained important for passenger transport.
43. Goods movements between Ireland and the continental EU have also been re-routed, with an increasing number of shipments taking direct ferries rather than using the UK 'land bridge'. Port operators in Ireland told us that whereas previously around 70 per cent of their traffic had been Ireland-UK, compared with 30 per cent Ireland-EU, the split was now much closer to 50-50. Rosslare Europort had seen its traffic from the EU more than quadruple, and this had created a significant market for new sailings directly from the port to continental Europe.

44. The pharmaceutical industry provides an instructive example of re-routed trade, The industry faces specific challenges using the land bridge because of the requirements of the EU's Falsified Medicines Directive. This requires each package of medicines to have safety features, which must be deactivated when the package leaves the EU. This creates difficulties for shipments moving via the land bridge, because each package's security features must be de-activated when it leaves the continental EU for Great Britain then re-activated again when it enters Ireland/Northern Ireland, creating delays. As a result, the sector is re-orienting its supply chains to bypass Great Britain entirely: whereas in 2020 almost all medicines used in Northern Ireland were transported there via GB, by the end of 2022 it is expected that around 70 per cent will come directly from mainland Europe or via Ireland.
45. We were told that these changes were not without costs. Hauliers explained that while re-routing goods reduced risk, it also increased driver hours and fuel costs and therefore the cost and environmental impact of each journey. These costs are passed on to traders themselves and ultimately to consumers. The increased journey time also meant businesses were facing longer lead-in times for some products, causing delays in supply chains and reducing the shelf life of perishable goods.
46. We also heard that some supply chains had been re-oriented entirely, with some traders choosing to source products from different suppliers as a result of new frictions emerging in their existing supply chains. In particular we heard that there was a significant increase in North/South trade on the island of Ireland, because companies were finding it more difficult to source goods from Great Britain and were looking to alternatives on the other part of the island. Representatives of Irish businesses also told us it was increasingly common for Irish companies to establish a presence in the UK to help them overcome regulatory hurdles and improve their market access.
47. Traders were also responding to new administrative challenges, particularly when moving goods from Great Britain into either Ireland or Northern Ireland. The requirement to make customs declarations and meet sanitary and phytosanitary (SPS)

requirements on these movements creates additional work for traders. We heard this was particularly true for the agri-food sector, where products required an Export Health Certificate, and in some cases multiple certificates. Some businesses were taking on new employees or employing external consultants to help them meet these new requirements. We heard that at present the UK Government's Trader Support Service and Movement Assistance Scheme were able to minimise the administrative and cost burden for traders at present. However, these are temporary services and there was concern that once their contracts expire the cost of moving goods will increase significantly.

48. We heard that there were fewer requirements for movements from goods from Ireland or Northern Ireland to Great Britain, because the UK Government has not yet introduced full controls on these movements. In the case of Northern Ireland, this is because the UK Government has pledged to guarantee 'unfettered access' from Northern Ireland to the rest of the UK Internal Market. In Ireland's case, it is because the UK has not yet implemented its full Border Operating Model for goods arriving from Ireland, and the Revenue Commissioners anticipated new trade frictions would emerge once the full suite of controls is introduced.

49. Although in many cases businesses were able to adapt to the new trading environment, there were some cases where historical trade across the Irish Sea became prohibitively difficult, either because of rising costs or because of specific regulatory challenges. One example of the latter was the movement of pedigree breeding sheep and cattle for livestock shows, which has become more complex following Brexit. The complexity is a result of the EU's residency requirements for livestock. Prior to Brexit, Irish or Northern Irish animals could, if unsold at livestock shows in Great Britain, return to their place of origin with only a 30 day quarantine period. Post-Brexit, Great Britain was treated as a third country and so animals were subject to a six-month residency requirement, during which they cannot return to their place of origin. The Ulster Farmers' Union (UFU) and UK breeders societies said this led to Northern Irish breeders being isolated in the UK livestock market.²⁵ The EU introduced legislation in Autumn

²⁵ [Evidence to the House of Commons Northern Ireland Affairs Committee](#), 28 April 2021, Q659-666

2021 which it claimed would address issues with livestock movements.²⁶ The UFU says that, while progress has been made, significant issues persist.²⁷

50. We heard that the trade impacts of Brexit have contributed to changes in the wider economy. Irish trade union representatives noted that some retailers had cut jobs in the country, such as Marks & Spencer and Debenhams, and that the banking sector had also seen closures and job losses. The haulage sector was also reported to be experiencing pressure on driver hours and wages. And as we showed in the previous chapter, research by the Consumer Council for Northern Ireland has found that two thirds of consumers have experienced price rises or goods being unavailable since the new trading arrangements came into effect.²⁸ The representatives we spoke to said it was difficult to disentangle the effects of Brexit from other factors affecting the global economy, such as the Covid-19 pandemic, and that the full outworkings of Brexit had not yet been seen.

51. Although many of the actions taken by businesses were taken to mitigate challenges arising from Brexit, we also heard examples where businesses had adapted to the new trading environment to take advantage of what they saw as new opportunities. For example, we heard that the increased availability of ferries from Ireland to continental Europe had resulted in new opportunities for Irish hauliers to do business on the continent. We also heard that the re-orientation of some supply chains towards a North/South model had been to the benefit of hauliers which operate on an all-island basis, and many were looking to expand as a result. There was also some evidence of companies investing or relocating in Northern Ireland to take advantage of its unique access to both the EU and UK markets. In November 2021 the pharmaceutical company Almac announced its intention to locate 1,000 new jobs in Northern Ireland; we heard this decision was informed by Northern Ireland's dual market access, which enables regulatory sign-off for both the UK and EU markets. Businesses we spoke to were clear

²⁶ European Commission, [Protocol on Ireland/Northern Ireland: Movement of animals and animal products into Northern Ireland](#), 21 February 2022

²⁷ Ulster Farmers' Union, [written evidence to the House of Lords European Affairs Committee Sub-Committee on the Protocol on Ireland/Northern Ireland](#), 16 June 2022

²⁸ Consumer Council for Northern Ireland, [The Northern Ireland Consumer Perspective, an overview: Early perceptions and experiences of EU Exit](#), September 2021

they wanted these advantages to be preserved as part of any new settlement between the EU and the UK.

52. Brexit has created new possibilities for some UK and Irish businesses, but has also created new challenges for others. In some cases Brexit has contributed to higher prices and reduced availability of goods for consumers.

53. The UK and Irish Governments and the devolved administrations should support businesses to access the possibilities of the post-Brexit trading environment. At the same time, there are both winners and losers from Brexit and care should be taken to protect long-standing patterns of trade and consumers' interests.

5. Implementing the new trading arrangements

54. Although the United Kingdom has left the European Union, a number of outstanding questions remain both at a political and a practical level. During the course of our work, many of those we spoke to pointed to aspects of the post-Brexit trading environment that were still uncertain, or which had not yet been fully implemented. We explore some of these outstanding issues in this chapter.

55. It should be noted that, in addition to raising the issues we comment on below, many of the individuals we spoke to praised aspects of the way post-Brexit trading arrangements have been implemented. Ports told us that, as a result of forward planning and communication with business, the feared day one disruption to the flow of traffic through ports did not occur. Ports in Northern Ireland told us that although the Border Control Post facilities currently in place were temporary, they were suitable for their purpose and had worked smoothly so far. We also heard that the IT systems developed by both Ireland and the UK to facilitate trade under the new arrangements were working well. Despite the challenges associated with the Northern Ireland Protocol, it has succeeded in a key respect by avoiding new barriers to North/South trade.

56. Nonetheless, some aspects of the new trading arrangements have not been fully implemented. The UK is yet to complete the introduction of its full Border Operating Model for goods arriving from Ireland, and some political decisions—for instance, on whether to charge for the use of Border Control Posts—have not yet been made. The UK has also not met some of its obligations under the Northern Ireland Protocol, such as enforcing EU SPS rules and providing the EU with data on goods entering Northern Ireland. The European Commission has launched a number of separate infringement proceedings against the UK, the first being on March 2021.²⁹ On 15 June 2022, it progressed this initial infringement to the second stage, and launched two new

²⁹ European Commission, [Withdrawal Agreement: Commission sends letter of formal notice to the United Kingdom for breach of its obligations under the Protocol on Ireland and Northern Ireland](#), 15 March 2021

infringement proceedings.³⁰ This was followed by an additional four infringement proceedings launched on 22 July 2022.³¹

Delays in political decision-making

57. A number of stakeholders observed that delays in political decision-making had made it challenging to prepare for Brexit. Key decisions about the operation of the Northern Ireland Protocol, such as which goods would be subject to tariffs, were only reached by the Withdrawal Agreement Joint Committee on 10 December 2020, three weeks before the changes were to take effect. Some aspects of the new trading environment, such as the rules for shipping parcels, were only confirmed on 31 December 2020. Businesses were therefore not able to use the 2020 implementation period to prepare for Brexit as they would have liked, and the Government officials responsible for delivering the new arrangements were not able to provide authoritative guidance on how businesses should prepare.

58. We were told that political uncertainty continued to interfere with businesses' planning, most notably in relation to the UK's introduction of full controls on goods arriving from Ireland, which had been repeatedly delayed. The continuing uncertainty about the Northern Ireland Protocol was also seen as an obstacle to long term planning, and we heard that some potential investors had been reluctant to invest in Northern Ireland because of the current political uncertainty.

59. Some UK stakeholders told us they did not feel sufficiently consulted by politicians about how post-Brexit trading arrangements would operate or about the ongoing negotiations. Representatives from the haulage sector told us this had resulted in politicians designing systems which might work in theory, but created problems on the ground, and there was an appetite from business to be more involved in co-designing solutions to trade issues. In particular we heard a desire for the Northern Ireland Protocol to be implemented in a more pragmatic way. Trade union representatives said they had

³⁰ European Commission, [Commission launches infringement proceedings against the UK for breaking international law and provides further details on possible solutions to facilitate the movement of goods between Great Britain and Northern Ireland](#), 15 June 2022

³¹ European Commission, [Protocol on Ireland/Northern Ireland: Commission launches four new infringement procedures against the UK](#), 22 July 2022

been excluded from discussions on UK trade deals despite commitments from the UK Government, and expressed concern about the impact UK trade deals could have on labour rights and public services. Generally, Irish stakeholders reported a positive experience of working with the Irish Government, which was reported to have taken an "inclusive" approach. We noted that both UK and Irish stakeholders reported positive experiences of working with their respective governments' agencies, but that it was not always possible for officials to give definitive answers because political decisions had not been taken.

60. Delays in political decision-making have made it more challenging for businesses to prepare for the future and adapt to the post-Brexit trading environment.

61. The UK and the EU, when considering the implementation of the Northern Ireland Protocol, must work constructively to reach agreed solutions that provide clarity and stability for traders and for the UK and Irish economies. We note that the UK Government has introduced the Northern Ireland Protocol Bill, but that its preference remains for a negotiated solution. We also note that the EU has objected to the provisions of the Northern Ireland Protocol Bill, and has launched infringement proceedings against the UK for non-compliance with aspects of the Northern Ireland Protocol.

Progress since January 2021

62. When the new trading arrangements took effect in January 2021 a number of challenges became apparent, to which Governments and businesses have spent considerable time attempting to find solutions. The majority of challenges have related to the Northern Ireland Protocol. and The EU-UK Withdrawal Agreement Joint Committee and the Specialised Committee on Ireland/Northern Ireland held a number of meetings during 2021 to try to address some of the issues raised.³² Statements from both sides indicated

³² European Commission, [Meetings of the EU-UK Joint Specialised Committees under the Withdrawal Agreement](#), accessed 7 October 2022

that progress had been made towards solutions on some issues, although key differences remained.³³

63. The UK and the EU have both published proposals for addressing many of the challenges relating to the Northern Ireland Protocol. The UK published a Command Paper, Northern Ireland Protocol: the way forward, in July 2021, in which it proposed ways of "finding an agreed new balance" on how the Protocol should operate.³⁴ This was later followed in June 2022 by the Northern Ireland Protocol Bill, which would allow the UK to make unilateral changes to the Protocol; nevertheless, the UK Government has stated that its preference is for an agreed bilateral solution.³⁵ The European Commission has also published proposals on how to address concerns raised about the operation of the Protocol. In October 2021 it published four non-papers on customs, SPS, medicines, and engagement with Northern Ireland Stakeholders.

64. On the basis of their respective proposals, the two sides met regularly during the latter part of 2021 to try to agree a way forward. Despite reports of constructive talks,³⁶ areas of significant disagreement remain and the two sides have not been able to reach a comprehensive agreement on a way forward. The UK Government has cited a lack of progress as the impetus for its Northern Ireland Protocol Bill, stating

"we can only make progress through negotiations if the EU are willing to change the Protocol itself - at the moment they aren't. In the meantime the serious situation in Northern Ireland means we cannot afford to allow the situation to drift".³⁷

Discussions between the UK and the EU are reported to have resumed in October.

³³ GOV.UK, [Press release: UK statement on the meeting of the Withdrawal Agreement Joint Committee: 9 June 2021](#), 9 June 2021

³⁴ UK Government, [Northern Ireland Protocol: the way forward](#), July 2021

³⁵ GOV.UK, [Policy paper: Northern Ireland Protocol Bill: UK government legal position](#), 13 June 2022

³⁶ European Commission, [Joint Statement by Vice-President Maros Sefcovic and the Foreign Secretary of the United Kingdom, the Rt Hon Elizabeth Truss MP, Co-Chairs of the Joint Committee of the Withdrawal Agreement](#), 21 February 2022

³⁷ GOV.UK, [Government introduces bill to fix the Northern Ireland Protocol](#), 13 June 2022

65. Although no agreed solution has been reached, the EU has unilaterally amended legislation to support the continued supply of medicines to Northern Ireland. The changes allow UK-based regulators to carry out regulatory functions for generic medicines which would previously have needed to be located in the EU or Northern Ireland. UK regulators are also able to grant temporary authorisations for novel medicines, without needing to wait for central authorisation from the EU (although if the medicine is subsequently not authorised for use by the EU, it will need to be withdrawn in Northern Ireland). The requirement to decommission security features on medicine packages has also been delayed for three years.³⁸ The UK Government has acknowledged the EU's changes, but maintains that the package is "not comprehensive" and that its preference is to remove medicines from the scope of the Protocol entirely.³⁹ Nevertheless, the Commission's unilateral action has helped to avoid immediate disruption to supply.

66. We have heard that creative thinking and dialogue have helped to overcome some of the initial challenges traders faced in January 2021.

67. We welcome the work governments and agencies have done so far to find practical solutions to traders' problems. We encourage both sides to continue to show flexibility and to prioritise outcomes for the people and businesses of our islands.

68. A key issue in negotiations is how to assess the risk posed to the EU Single Market by goods entering Northern Ireland from Great Britain. The Protocol requires physical and documentary customs checks on goods to prevent unauthorised goods finding their way into the Single Market, and SPS controls to prevent the spread of disease and so protect public health; these controls are aimed at protecting the integrity of the Single Market. The Protocol recognises that some goods which arrive in Northern Ireland are at greater risk of onward movement into the Single Market than others, and so does not apply tariffs to goods that are 'not at risk', as defined by the EU-UK Withdrawal Agreement

³⁸ European Commission, [Protocol on Ireland/Northern Ireland, Supply of medicines: What flexibilities has the European Union implemented to ensure continued long-term supply of medicines to Northern Ireland?](#), 12 April 2022

³⁹ [Letter from the Minister of State for Europe and North Africa to the House of Lords European Affairs Committee Sub-Committee on the Protocol on Ireland/Northern Ireland](#), 28 March 2022

Joint Committee. The Joint Committee agreed the current definition of 'goods not at risk' in December 2020.⁴⁰ The Protocol does allow the definition to be changed.⁴¹

69. The UK Government has argued that some goods that are destined for the Northern Ireland market are at no risk of entering the Single Market and so should not be subject to such controls. It has proposed that goods staying in the UK could use a 'green lane' and enter Northern Ireland without completing customs and SPS procedures, while goods intended for the EU market would continue to face full controls.⁴²

70. Some businesses felt that the current level of controls between Great Britain and Northern Ireland is disproportionate, and so supported an approach like the one proposed by the UK Government. They pointed to reports that 20 per cent of all customs checks carried out in the EU take place on goods crossing the Irish Sea, even though just 0.2 per cent of goods entering the Single Market arrive via that route. Some of the representatives from ports emphasised that as a proportion of vehicles passing through their terminals the level of checks was low, with fewer than 5 per cent of vehicles sent to their 'triage facility', and only a fraction of those subject to further inspection. Hauliers pointed out that even consignments that are not stopped or subject to inspection still felt the impact of controls because every consignment still needed to be accompanied by the right documentation. They added that the requirements would become stricter when the grace periods end.

71. Understanding the level of risk posed to the Single Market is challenging. The European Commission has given examples of attempts to smuggle goods via the GB-NI route which have been thwarted by border controls, including smuggling of electronic products, tobacco, medicines and illegal drugs,⁴³ showing that some risk exists. At present there is insufficient data to understand the scale of this activity. In December 2020 the EU-UK Withdrawal Agreement Joint Committee agreed principles for real-

⁴⁰ [Decision of the Withdrawal Agreement Joint Committee on the determination of goods not at risk](#), 17 December 2020

⁴¹ [Protocol on Ireland/Northern Ireland](#), Article 5(2)

⁴² GOV.UK, [Policy paper, Northern Ireland Protocol: the UK's solution](#), 14 June 2022

⁴³ The Irish News, [Smugglers trying to move counterfeit goods into single market via Northern Ireland, says EU](#), 15 June 2022

time data sharing,⁴⁴ However, the EU says the UK has not provided access to the real-time data necessary to monitor and analyse this risk.⁴⁵

72. There are also challenges in understanding the risk posed by SPS goods. During the early part of 2021 the UK was not fully compliant with its obligations under the Protocol in respect of SPS goods, and an audit by the European Commission found that:

"The system is not fit for purpose, does not comply with EU rules and cannot provide sufficient assurances that only compliant animals and SPS goods are permitted to enter the EU SPS area through the designated border control posts in Northern Ireland".⁴⁶

It is not known what steps the UK has taken to improve compliance since. The absence of fully functioning controls makes it difficult to accurately assess the risk posted to the Single Market by goods entering Northern Ireland from Great Britain.

73. As more data becomes available, the level of risk posed to the Single Market is likely to become clearer, allowing for a finer balance to be struck between protecting the Single Market and enabling the free flow of trade through more targeted monitoring and enforcement.

74. The current definition of ‘goods not at risk’ is fairly narrow, reflecting the EU’s understandable caution about protecting the Single Market. However, over time it may be possible to broaden this definition and so reduce trade frictions and costs to businesses and consumers.

⁴⁴ [Decision of the Withdrawal Agreement Joint Committee on arrangements under Article 1\(2\) of the Protocol, 17 December 2020](#), Article 5

⁴⁵ European Commission, [Questions and answers on the Commission's reaction to the United Kingdom's bill overriding core parts of the Protocol on Ireland/Northern Ireland](#), 15 June 2022

⁴⁶ European Commission, [Draft report of a commission control carried out in the United Kingdom from 21 to 30 June 2021 on the system of official controls on entry of animals and goods into Northern Ireland and verification of compliance of border control posts in Northern Ireland with European Union requirements](#), February 2022

75. The UK and the EU should cooperate and share data to develop a sophisticated understanding of the real risks posed to the Single Market by goods entering from the UK. This data should then be used to refine the definition of ‘goods not at risk’ of entering the Single Market over time, so that trade frictions can be limited to the level strictly necessary to limit the risk to the Single Market to an acceptable level. We recommend that the necessary data-sharing arrangements are established as soon as possible, and no later than twelve months after the publication of this report.

76. Another important area of negotiation concerns Sanitary and Phytosanitary (SPS) checks on food and products of plant and animal origin. Some of the traders we spoke to highlighted SPS compliance as a particular burden on businesses, particularly when supplying supermarkets in Northern Ireland from Great Britain. We heard that supermarkets were supplied by groupage loads, where a single vehicle carried as many as 400 different items at a time, and that each individual item required separate certification. We also heard that multi-ingredient products, such as lasagne, required multiple ingredients to be traced and certified. This was particularly challenging for businesses outside of the retail sector, such as in hospitality, which currently cannot benefit from the simplified processes allowed under the grace periods.

77. As things stand, the level of SPS checks required to move goods between the UK and Ireland is likely to increase in the future. The UK has not yet introduced SPS controls on agri-food goods moving from Ireland to Great Britain, and when these controls are introduced it is likely there will be greater friction on trade in agri-food goods on that route, including trade that is bound for continental Europe via the land bridge. The current grace periods under the Northern Ireland Protocol also mean that many traders moving agri-food products from GB to NI are doing so under simplified processes; if the grace periods expire then friction on those movements may also increase. Furthermore, a European Commission audit has found that during 2021 the UK did not carry out the required level of checks at Border Control Posts in Northern Ireland;⁴⁷ if

⁴⁷ European Commission, [Draft report of a commission control carried out in the United Kingdom from 21 to 30 June 2021 on the system of official controls on entry of animals and goods into Northern Ireland and verification of compliance of border control posts in Northern Ireland with European Union requirements](#), February 2022

the UK were to meet its legal obligations then the friction caused by checks would increase. Finally, the Movement Assistance Scheme which currently covers the cost of SPS compliance on behalf of traders is due to expire in December 2023; we heard that when the service is no longer available this will create a significant financial cost for traders.

78. The UK Government's view is that SPS goods entering Northern Ireland should be subject to the same risk principle as other goods. In its July 2021 command paper it argues that goods which are not expected to leave Northern Ireland do not pose a risk to the Single Market and so should not be subject to controls. Representatives from the agri-food sector observed this would be the case for most agri-food products brought into Northern Ireland, as they estimated around 95 per cent of such goods did not leave NI. Exceptions would apply to live animals and certain plants, which would be subject to more stringent checks; indeed, even before Brexit all live animals entering Ireland from Great Britain were subject to inspection. Goods destined for Ireland or the wider EU would be subject to the full range of SPS controls.⁴⁸ In essence, the UK's proposal would apply the same system of green and red lanes proposed for customs to SPS checks.

79. The European Commission has also put forward proposals, which would simplify the processes required to move SPS goods into Northern Ireland from Great Britain. Rather than each SPS product requiring its own certificate, only one certificate would be needed for each vehicle. The range of businesses eligible for these simplified processes would be expanded beyond the current list, and the frequency of identity and physical checks on goods would be reduced by more than 80 per cent.⁴⁹

80. Several participants in our meetings told us that an SPS/veterinary agreement could help to reduce frictions on trade in both directions across the Irish Sea, noting that the EU and the UK had established a Specialised Committee on Sanitary and Phytosanitary

⁴⁸ HM Government, [Northern Ireland Protocol: the way forward](#), July 2021

⁴⁹ European Commission, [Protocol on Ireland/Northern Ireland, Sanitary and Phytosanitary Rules \(SPS\): What has the European Commission suggested?](#), 21 February 2022

Measures under the Trade and Cooperation Agreement that could aim at reaching such an agreement. Such an agreement would not only reduce trade frictions on GB to NI movements, but also reduce friction on Irish products entering GB or moving to continental Europe via the land bridge.

81. The UK has said that an "appropriately designed SPS agreement" could help reduce the need for controls,⁵⁰ while the EU has said that an agreement "could be negotiated very quickly and would address many concerns."⁵¹ However, SPS agreements can take many forms and the two sides have not been able to reach a mutually acceptable solution. The UK's view is that the two sides could agree to mutually recognise each other's high SPS standards (and therefore the low level of risk posed by each other's products), while the EU proposes that the UK aligns with EU SPS rules.

82. Sanitary and Phytosanitary controls are one of the major sources of trade friction in the Irish Sea. The island of Ireland was treated as a single epidemiological unit even before Brexit, and it is right that some controls should be maintained to contain disease. However, the UK and the EU are both committed to high food and animal health standards, and this commitment means there is scope for reducing the administrative burden and the frequency of checks. The European Commission's recent proposals are a positive development in this regard.

83. The EU and the UK should seek to reach an SPS agreement to reduce the administrative and cost burden of animal health checks for products crossing the Irish Sea. The UK and the EU need to continue negotiations in order to achieve that negotiated settlement.

The UK and Irish Governments' implementation of the new trading arrangements

84. Some of the difficulties of the new trading environment will need to be addressed through negotiation between the UK and the EU. At the same time, during the course of our inquiry we also heard there were specific issues facing trade which were the

⁵⁰ HM Government, [Northern Ireland Protocol: the way forward](#), July 2021, p. 18

⁵¹ Reuters, [EU urges UK to accept Swiss-style deal to end agri-food standoff](#), 6 July 2021

responsibility of national governments, and where the UK and Irish Governments had the power to act now to support trade.

85. One issue that was raised by several stakeholders was the uncertainty around the introduction of full controls on goods being moved from Ireland to Great Britain. During the course of our inquiry the introduction of border controls was delayed three times; most recently, the planned introduction of full controls scheduled for 1 July 2022 was put back, with the end of 2023 as the new target date.⁵² Representatives from ports and the logistics industry told us this uncertainty was very unhelpful, as it made it impossible for them to advise their customers or for their customers to plan for the future as there had been a number of "false dawns" in the past. They added that the uncertainty was preventing the market from stabilising. They asked that the UK Government clarify its intentions and, in doing so, give businesses sufficient lead-in time to be able to plan with confidence.

86. Stakeholders told us they needed certainty about the trading environment to be able to plan for the future. We heard that uncertainty about the UK's plans for introducing full import controls on goods entering Great Britain from Ireland was unhelpful.

87. The UK Government should prioritise the needs of traders when setting and communicating its plans for implementing post-Brexit trading arrangements. Specifically, it should not set a further date for the introduction of controls on goods entering Great Britain from Ireland until it is sure that target will be met. Traders should be given a lead-in time of at least six months to be able to prepare for the new arrangements.

88. Other unanswered questions relate to port infrastructure and the Border Control Posts used to carry out checks. We heard that the UK and Ireland had managed to provide sufficient infrastructure at Irish Sea ports to prevent disruption to the flow of vehicles

⁵² House of Commons, [Written Ministerial Statement HCWS796](#), 28 April 2022

in 2021, but that more challenges were on the horizon. Northern Irish ports told us they needed a better understanding of what infrastructure would be required to implement the Northern Ireland Protocol once the current grace periods expire and any new changes agreed by the UK and the EU are implemented.

89. On the GB side, there was uncertainty about whether UK Government would charge for the use of its inland inspection facilities. We heard that the decision had the potential to create market distortions. Ports told us that inspection facilities on port sites would be run by ports themselves, while inland facilities would be run by HMRC; any difference in the charges levied between the two could potentially provide incentives for hauliers and traders to use one route over another. This potentially presented a disadvantage for some ports, which had invested in the construction of facilities on their sites and so may need to recover costs through charges; if the UK Government chose not to charge for use of their facilities this could affect the competitiveness of ports which had little choice but to do so. HMRC told us that their inland facilities were currently free to use, but that the UK Government was currently reviewing this policy and that HMRC were keen to avoid market distortions.

90. Both the UK and Ireland were able to prevent significant day one disruption at ports. There are longer term challenges for the UK around preparing permanent infrastructure both in Northern Ireland and in Great Britain. Some GB ports have expressed concerns that the way checks are conducted on goods entering GB from Ireland could create market distortions.

91. In particular, there are concerns that some routes would need to charge for using facilities while other facilities would be free to use. It is likely that these costs would ultimately fall on hauliers, their clients and consumers.

92. The UK Government should clarify its policy on charging for use of inland inspection facilities for goods arriving from Ireland. It should ensure that its policy does not create market distortions that favour or penalise the use of some trade routes over others and increase costs for hauliers, their clients and consumers.

93. A further concern raised by UK businesses was the temporary nature of the support offered by the UK's Trader Support Service (TSS) and Movement Assistance Scheme (MAS), which assist traders with completing customs and SPS processes respectively. TSS and the MAS are intended as temporary services only, with TSS's current contract due to expire at the end of 2022 (although HMRC confirmed there was an option to extend it for a further two years) and the MAS due to end in December 2023. Traders emphasised that when these services expire, traders would be either required to complete all the necessary processes themselves or to outsource the work to private providers. They said that in either case there will be a "huge financial cost", noting that the paperwork associated with a single typical consignment—of which there might be hundreds in a single vehicle—cost £150.

94. Traders who move goods from GB to the island of Ireland face higher costs because of the need to comply with EU rules. The UK Government's free Trader Support Service and Movement Assistance Scheme have mitigated the impact of this, but the long-term future of these services is uncertain.

95. The UK Government should clarify the future of the Trader Support Service and Movement Assistance Scheme. It should consider what long-term support it will make available to support traders with the costs and administrative burdens of moving goods across the Irish Sea. Consideration should be given to making the Trader Support Service and the Movement Assistance Scheme permanent.

96. Further changes to the post-Brexit trading environment are likely to occur in the future, and the experience of GB traders shows how change can create challenges for businesses. It is likely that further challenges will arise when the UK introduces full controls on the movement of goods from Ireland. The Revenue Commissioners warned that the introduction of SPS controls in particular could introduce new complexity to what have previously been simple movements between Ireland and Great Britain. They said they were mindful of the need to communicate effectively with businesses so that they were properly prepared to comply with the new rules when they come into force. Enterprise Ireland pointed to actions the Irish Government had taken since the UK's

Brexit referendum in 2016 to help businesses prepare for the new trading arrangements with the UK, including its Ready for Customs initiative. As the post-Brexit trading environment continues to evolve it is likely businesses will face new challenges.

97. It is likely that trade in goods from Ireland to Great Britain will also result in extra paperwork and costs once full controls are imposed.

98. While we recognise the support already in place through Enterprise Ireland and other state agencies, the Irish Government should consider how it will support traders to meet any new requirements on trade with Great Britain once full controls are imposed. The experiences of GB-based traders, HMRC and the Trader Support Service could be instructive.

Appendix: List of organisations who gave evidence to the Committee

The following is a list of organisations who gave evidence to the Committee, either in writing, as part of a visit, or as part of a virtual meeting:

- Association of the British Pharmaceutical Industry
- Belfast Harbour
- British Exporters Association
- British-Irish Chamber of Commerce
- Confederation of British Industry Northern Ireland
- Dublin Port
- Enterprise Ireland
- Food and Drink Federation
- Foyle Port
- HM Revenue and Customs
- Irish Business and Employers Confederation
- Irish Congress of Trade Unions
- Irish Ferries
- Irish Rail
- Irish Road Haulage Association
- Logistics UK
- Manufacturing NI
- McBurney Transport Group
- McCulla Ireland
- Northern Ireland Retail Consortium
- P&O Ferries
- Peel Ports (Port of Liverpool)
- Port of Larne
- Revenue Commissioners
- Road Haulage Association
- Rosslare Europort

- Stena Line (Port of Holyhead)
- Trades Union Congress
- UK Trade Policy Observatory, University of Sussex
- Warrenpoint Port

We are grateful to all those who gave evidence.