

Joint Oireachtas Committee on Foreign Affairs and Trade and Defence Eoin

O'Neill, President, British Irish Chamber of Commerce Oral Submission, 1

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Firstly, I would like to thank the members of the Committee for inviting me, on behalf of the British Irish Chamber of Commerce to give evidence today on this hugely important issue. I am joined in this session by my colleague Katie Daughen who is head of Brexit Policy with the Chamber and who was lead author of our recently published paper; *How to make Brexit work for all: Big Principles for a Strong Brexit Partnership*.

For those who do not know us, the British Irish Chamber of Commerce is the only organisation representing business activities with interests across our two islands. Our raison d'être is to champion, protect and grow the trade between the UK and Ireland - trade that is worth in excess of €65 billion a year and that sustains over 400,000 jobs, evenly spread across Britain and Ireland.

As President of the Chamber, I take great pride in the work we have done to date in promoting this trade. However, we now find ourselves in uncharted waters and every effort must be made to ensure that this trade that supports jobs, economies and communities across both islands does not become the first casualty.

The UK is Ireland's largest two-way trading partner. In 2016, Ireland exported 14% of its goods and services to the UK while we imported 11% from there. In goods trade alone, the UK is the source for nearly a quarter of all Irish imports. The significance of the UK market to Ireland is most evidently seen in our food and drinks sector. Despite a fall in the overall share of exports destined for the UK, 35% of our food and drink output still ends up in this market and exports to the UK grew by 7% last year to €4.4 billion.

The British Irish Chamber of Commerce works on behalf of its members, large and small, North, South, East and West, connecting them to fresh business opportunities between and from these two islands, growing trade, investment and jobs. We want to ensure that this work continues beyond the current political crisis that now faces us.

The implications for business that arise because of the UK's vote to leave the EU is an issue that consumes the British Irish Chamber of Commerce and our work around Brexit. As the only organisation representing business interests in both Ireland and the UK, we are uniquely placed to see both the opportunities and challenges that now face the business community as they try to prepare for what is currently an uncertain future.

The British Irish Chamber of Commerce welcomes the publication of the Joint Report on phase one of the negotiations by the EU Commission and the UK Government last December. Its adoption meant that an important milestone was reached on phase one of the negotiations which now allows us to look to the future of UK and EU relations and the trade environment that might emerge after Brexit.

What was agreed in December has given rise to much debate. By taking the text of the Joint Report and reading Paragraphs 49 and 50, it would seem to state that should an agreement not be reached that avoids the need for *“any physical infrastructure or related checks and controls”* on the island of Ireland, then *“the United Kingdom will maintain full alignment with those rules of the Internal Market and the Customs Union which, now or in the future, support North-South cooperation, the all-island economy and the protection of the 1998 Agreement.”* Furthermore Paragraph 50 states that no new regulatory barriers will develop between Northern Ireland and the rest of the UK.

This then means that any solution found on a north-south basis should equally apply on an east-west basis. The easiest way to achieve the above would be for

the UK to remain in both the EU Customs Union and Internal Market. Should this not be possible, the adoption of a future framework such as that outlined in the Chamber's "Big Principles for a Strong Brexit Partnership" would also meet the conditions as set out in the Joint Report.

Where the confusion arises is that even after the UK signed up to the Joint Report, its Government stated that the UK still intends to leave the EU Internal Market and pursue its own trade deals. This is a circle that simply cannot be squared. It is not possible for the UK to pursue its own trade agenda while maintaining borderless trade with Ireland and therefore the rest of the EU. Rules of Origin, Standards, and Regulatory Compliance checks as well as the collection of customs duties, all take place at borders.

In order to maintain the integrity of the EU internal market, it is essential that all goods entering this market from external markets are checked to ensure it is not compromised. Even if the UK is to retain full alignment with the EU on regulations and standards so that goods entering the UK under its own deals would be fully compliant with EU conditions, border checks of some type would still need to take place in order to collect the appropriate customs and duties on these goods. Until the UK comes forward with proposals on how it will address the above conundrum, business will remain uncertain about what its future trading environment will ultimately look like.

The above is mainly concerned with the trade of goods, but the UK is a service economy and the risk that Brexit poses to the City of London and the broader service sector is real and should not be underestimated. The Chamber was recently in Brussels for extensive engagement with EU Brexit Negotiators and senior representatives where it was said to us on many occasions and from various sources that without single market membership, there is zero possibility of the UK keeping its passporting licence for financial services into the EU. This is a hard reality and if anything reflects some of the anger and

anti-UK sentiment that is developing in Brussels and across the EU over Brexit.

It is for these reasons that the British Irish Chamber of Commerce has taken a proactive approach and put forward a solution that we believe addresses many of the above concerns while also taking account of the political reality within the UK. What we are proposing is a politically ambitious but technically achievable solution that outlines the Chamber's vision for a possible trade framework for the UK and the EU post-Brexit.

The key objectives of the Big Principles for a Strong Brexit Partnership include:

- A trade relationship between the UK and the EU that is effectively borderless (including in Ireland and at UK ports) and free from tariff and non-tariff barriers, enabling trade in both goods and services
- An alignment of the UK's tariffs with the established Common External Tariff and continued regulatory alignment to both maintain standards and protect both the UK and the EU from an influx of cheaper, lower quality goods which would endanger citizen safety in manufacturing and food production
- A solution to the island of Ireland border issue and protection of the Good Friday Agreement
- A joint approach to mutually beneficial trade deals rather than the UK's sole pursuit of Global Britain, which we view as being of less benefit
- Ability for the UK to set out its own migration policy
- An alternative model to the CJEU for dispute settlement, just as in other EU trade deals

The paper proposes that the above be achieved through a *Customs Arrangement* between the UK and the EU that will cover the trade of goods between both parties post-Brexit. Continued regulatory and tariff alignment are key pillars of the proposal.

Alignment in both would remove the need for regulatory, standards and customs checks to take place along borders and ensure both the UK and the EU are protected from an influx of cheaper, lower quality goods which might compromise standards in manufacturing and food production. In addition, such measures will also protect the integrity of the EU's Internal Market and Customs Union, making the possibility of borderless trade between both markets more achievable.

Unlike previous EU customs agreements, this proposed arrangement goes further in terms of trade with third countries. It is proposed that the UK have an input (but no veto) into future trade deals and automatically have access to these markets under the same conditions as those for the EU. If the EU was to complete all its trade deals that it is currently negotiating, 88% of UK trade would be covered by these deals. Furthermore, Prime Minister May previously stated that the UK, in its international trade negotiations, is willing to mirror deals made between the EU and third countries (Japan being a prime example of this concession). This model would at least provide the UK with input into the negotiation of these deals.

The proposal also recommends that the *Customs Arrangement* be coupled with a comprehensive deal on the trade in services. It points to CETA and the EU's Deep and Comprehensive Free Trade Areas (DCFTAs) with Ukraine, Georgia and Moldova as possible models to follow to achieve this.

As the UK will be leaving the Single Market, the proposal allows the UK to meet its stated objectives of managing its own immigration policy and removing itself from the direct jurisdiction of the Court of Justice of the EU

(CJEU). It is proposed that the final agreement be governed by an international dispute resolution mechanism where grievances and complaints can be brought and whose judgements should be binding.

We are now at a crucial stage. Discussions are due to start this month on the shape and conditions of a transition arrangement. The EU has been clear in its recent directive that for a transition phase to be accepted, the UK would have to retain all current obligations and requirements of EU membership (including financial contributions) while losing its voice and representation in the EU institutions. Also, worthy of note and potentially worrying for business, the EU has recommended that the transition phase should end on the 31st December 2020 meaning it would be shorter than the two-year period previously requested by Prime Minister May. It should be welcomed that last week Secretary of State David Davis while giving evidence before the House of Commons EU Select Committee seemed to accept these conditions.

Both the conditions of the transition phase and the full Withdrawal Agreement text will need to be finalised by October this year to allow time for ratification across the EU Institutions and in Westminster. Talks on the framework for the future relationship are expected to begin in March and would need to be finalised during the transition phase if we are to avoid a cliff-edge scenario. The nature of the future relationship will not be discussed in detail until after the UK has left the EU on 29th March 2019.

This timeline shows that the clock is indeed ticking, and that we need to see some urgency from the UK Government in putting forward its proposals for its future relationship with the EU. Brexit is possibly the biggest economic challenge of this generation and we should not let it happen without ensuring that the risks are well known to all. The British Irish Chamber of Commerce will continue to put forward and advocate strongly for sensible solutions that best protect the prosperity and trade that both our islands currently enjoy.

I welcome any questions that the Committee may have.