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Minister of State for Trade Policy  
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27 March 2017

Dear George and Mark,

**Brexit: the options for trade**

Thank you for your letter of 28 February, responding to the report *Brexit: the options for trade*.

The EU External Affairs and Internal Market Sub-Committees have considered your response to the conclusions and recommendations of the report. We are disappointed not to have received it until just before the debate in the House of Lords on 2 March, and at the quality of the document, which the Sub-Committees felt was often repetitive. A number of the responses did not address the issues raised by the Sub-Committees, and in other cases points were not addressed with the appropriate level of rigour and analysis. This suggests that the Government is not taking our concerns, or those of our expert witnesses, as seriously as it should.

The response rules out the negotiation of an “unlimited transitional status”. The report did not recommend an “unlimited” transitional arrangement, and we would welcome a response on whether a time-limited transitional arrangement is being considered.

We would like to request clarification on whether the Government is considering membership of the European Economic Area (EEA)—through the European Free Trade Association (EFTA) pillar—as a potential transitional arrangement. At the evidence session on 13 October 2016, in response to questions on the shape of a potential transitional

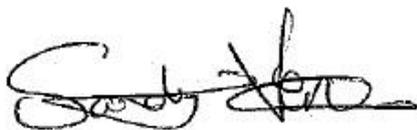
arrangement and whether this might entail an ongoing role for the Court of Justice of the European Union, Lord Bridges said: “I cannot go further in talking about a putative transitional arrangement” (Q51). On 27 February—during the debate on the European Union (Notification of Withdrawal) Bill—in response to a question by Lord Liddle asking whether the Government was not ruling out EEA membership for a transitional period, Lord Bridges stated: “I have nothing further to add [to remarks on 13 October 2016], other than to say that it is a matter for the negotiations. It is a matter for the negotiations and I am not going to go further.” However, your letter of 28 February stated that “we will not seek membership of the EEA”. Please could you clarify whether this categorical response refers to membership of the EEA in the longer term only—as set out by the White Paper (Cm9417)—or also to a transitional period?

Your response states the intention of achieving “frictionless” trade. We would welcome clarification on what this means, and how it could be achieved, in particular with regard to non-tariff barriers such as rules of origin, regulatory standards and customs administration. Your letter also raises the use of digital technologies and infrastructure as a means by which trade that is “as frictionless as possible” may be achieved. We would welcome examples of such technologies and infrastructure.

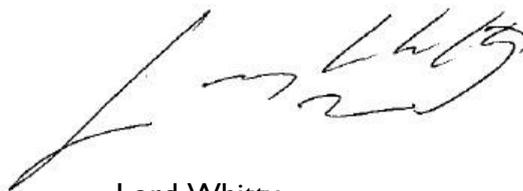
We note that there was disappointingly little detail in your response on the issue of the border with Ireland, and how this challenge might be resolved. We would welcome further information on this.

Finally, your response states, in relation to the possible dispute resolution mechanisms outlined in the White Paper, that “none ... involve direct authority of the Court of Justice of the European Union.” We would welcome clarification on whether the Government would be willing to accept some form of indirect oversight or authority, through a similar arrangement as seen in the EFTA Court, or in a disputes procedure that involved some sort of joint jurisdiction.

We are copying this letter to Sir William Cash, Chair of the House of Commons European Scrutiny Committee, Eve Samson, Clerk of the European Scrutiny Committee, Les Saunders at the Department for Exiting the European Union, Thomas Marsh at the Department for International Trade, and Kate Lalor and Narinder Sahota at the Department for Exiting the European Union.



Baroness Verma  
Chairman of the EU External Affairs  
Sub-Committee



Lord Whitty  
Chairman of the EU Internal Market  
Sub-Committee