



HOUSE OF LORDS

European Union Committee

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Rt Hon David Davis MP
Secretary of State for Exiting the European Union
Department for Exiting the EU
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2 November 2017

Dear David,

EU Committee report - Brexit: trade in goods

Thank you for your letter of 30 October 2017, enclosing the Government's response to the EU Committee's report *Brexit: trade in goods*. There are a number of issues on which the response does not provide enough information, as follows.

First, the response states that the Government "will seek to transition all existing EU trade agreements and other EU preferential arrangements". Does the Government expect all these transitional deals with third countries to come into effect from 29 March 2019?

Second, the paper reiterates that under the 'highly streamlined customs arrangement model' (in *Future customs arrangements - a future partnership paper*), the UK could implement "unilateral improvements to our domestic regime", but that "the promotion of the free flow of trade ... would require the EU to implement equivalent arrangements at its borders with the UK". What actions is the Government taking to encourage EU countries to implement equivalent measures, and how confident are you that EU countries will do so?

Third, the Committee's conclusion that leaving the EU customs union would result in costly administrative procedures for companies, and delays in consignments of goods, is not addressed in the response. Has the Government undertaken an assessment of the cost implications for businesses under either of the two proposed customs arrangements outlined in *Future customs arrangements - a future partnership paper*, and if not, does it intend to do so, and to what timescale?

Fourth, your response states that "all departments are developing plans to deal with exiting the EU". We note that the Cabinet was informed on 31 October that an additional 3,000 – 5,000 staff will be recruited by HMRC next year. Did HMRC undertake an assessment on which this staffing figure is based, and if so, which options did it consider?

Fifth, your response states that, of the UK's imports from third countries, only "8% of goods are identified for further control requiring examination of paper documents or physical inspection." In preparing for the possibility of a 'no deal' scenario—trade between the UK

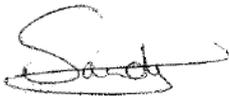
and the EU under WTO rules—what assessment has the Government made of the percentage of goods imports from the EU that would require further examination after Brexit?

Sixth, your response states that the new Customs Declaration Service (CDS) is “on track” and that the contingency plan for any overrun on implementing CDS is to run the existing system, CHIEF, in parallel. However, your response then notes that “CHIEF cannot cope with the full scale of new functionality necessary under the Union Customs Code”, before going on to state that “trade will continue to flow as expected”. These statements seem somewhat contradictory. Which elements of the Union Customs Code (UCC) cannot be handled by CHIEF? What additional contingency arrangements has the Government put in place to manage these UCC elements in the event that CDS is delayed, and only CHIEF is operational?

Seventh, your response on trade promotion is unclear. Please provide us with further information on what is meant by: “global export promotion exercises are prioritised by identifying the sector-market combinations that present the greatest opportunities”. Your response also refers to a study of export-promotion agencies in 2015. Please provide us with the list of countries to which the UK was compared in this regard. Our original question (paragraph 311 of *Brexit: trade in goods*) referred specifically to the comparative staffing of the embassies of European countries, and we would welcome your response on this specific point. Will the Government be increasing the resources available to the Department for International Trade for trade promotion, in the light of the opportunities it has identified?

We look forward to your response within the usual 10 working days.

I am copying this letter to The Chair of the House of Commons European Scrutiny Committee; Lynn Gardner, Clerk of the House of Commons European Scrutiny Committee; Les Saunders, at the Department for Exiting the EU; Richard Cleary and Michael Shantry at the Department for Exiting the EU; and Chris Taylor at the Department for International Trade.



Baroness Verma
Chair of the EU External Affairs Sub-Committee