



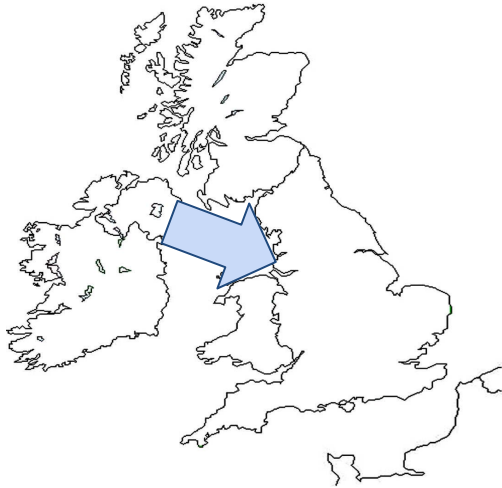
HM Treasury

**NI Protocol:**

**Unfettered access to the  
UKIM**

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# Unfettered access from NI to GB in the new NI Protocol



- The new NI Protocol maintains the UK's commitment to protecting the UK internal market by ensuring that NI goods have “unfettered access” to GB. However, this is constrained by the international obligations applying to NI by application of EU law.
- At minimum, this means that exit summary declarations will be required when goods are exported from NI to GB, in order to meet the EU's obligations under the SAFE framework.
- However, significant policy questions remain for the UK. HMG will need to balance the benefits of unfettered access against the risks of reduced control over imports.

*Article 6: “Nothing in this Protocol shall prevent the United Kingdom from ensuring unfettered market access for goods moving from Northern Ireland to other parts of the United Kingdom's internal market. Provisions of Union law made applicable by this Protocol which prohibit or restrict the exportation of goods shall only be applied to trade between Northern Ireland and other parts of the United Kingdom to the extent strictly required by any international obligations of the Union. The United Kingdom shall ensure full protection under international requirements and commitments that are relevant to the prohibitions and restrictions on the exportation of goods from the Union to third countries as set out in Union law”*

## Interpretations of unfettered access

- Lack of restrictions on goods being placed on the market?
- Regulatory alignment?
- Administrative costs/burdens?
- Physical inspections and/or related delays?

### SoSNI amendments

- Limits on processes for Northern Ireland goods on arrival in Great Britain
- Limits on restrictions on access for Northern Ireland goods

# Previous commitment to ‘unfettered access’

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- Previous commitment ensured that NI goods could be placed on the market in GB, regardless of regulatory harmonisation
- No tariffs, quotas or Rules of Origin from GB to NI
- Same VAT area
- Limited checks on industrial goods – at premises or market
- Checks on SPS goods
- Customs declarations GB-NI

## Potential fetters to E/W trade

'Fetter'	East-West	West-East
Tariffs (no FTA)	Y	N
Tariffs (FTA)	?	N
Customs declarations: import	Y	?
Customs declarations: export	?	Y
Rules of Origin (no FTA)	N	?
Rules of Origin (FTA)	Y	?
Safety & Security	Y	Y
SPS checks	Y	?
Regulatory checks	Y	?
Other non-fiscal checks/barriers	?	?

# Key Variables

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1. Trade friction E/W depends on **negotiation with EU**:
  - Zero-tariff FTA
  - Regulatory alignment
  - Customs/other regulatory facilitations
  - Joint Committee assessment on goods at/not at risk
2. Trade friction W/E depends on **UKG unilateral measures, WTO rules and negotiation with the EU**:
  - UKG's appetite for risk
  - UCC export procedures
  - Safety & Security documentation
  - MFN, CITES, Kimberley, TRIPS

# Overview of NI trade with GB

Sales to GB: £11.3bn (53% external sales/17% total sales)

39% of this attributed to 2% of 'exporters'

98% of 'exporters' = SMEs

Top 3 goods sectors:

1. Manufacture of food, beverage and tobacco products
2. Wholesale trade
3. Manufacture of motor vehicles, trailers and semi-trailers

Purchases from GB: £13.3bn (60% external purchases/30% total purchases)

70% of goods meant for the 'high street'; remaining in various manufacturing sectors (e.g. food products; transport equipment)

Majority finished goods

57% of large businesses (>250) buy from GB; 22% of micro businesses

# Economic impact on NI

- Customs declarations and documentary and physical checks on W/E and E/W trade will be highly disruptive to the NI economy
- There is therefore a clear case for reducing the burden on NI traders

## Exports

- 98% of NI exporters to GB are SMEs who are likely to struggle to bear this cost
- These account for 61% of exports to GB and 10.4% of total NI sales by value
- However, large businesses exporting to GB are likely to be better equipped to withstand increased friction → 39% of GB exports by value

## Imports

- High street goods likely to increase in price → likely to affect business profitability
- Key employment sectors such as retail likely to be hit
- Constitutes tariff equivalents on 30% of purchases in NI



# Economic impact on GB

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## Macroeconomic impact

- NI represents just 2% of the UK economy
- GB as a whole is far less exposed to trade with NI than vice versa
- It is likely that the macroeconomic effect of E/W friction will be limited but is likely to result in reduced trade activity overall

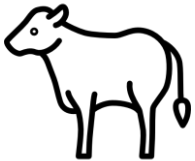
## Regional Impacts

- Localised impacts are not yet fully understood
- Wales represents under 4% of the UK economy; Scotland around 9%
- Comparatively low-value trade disruption may have a more significant effect on local economies in Scotland and Wales
- Trade flows unknown → more research needed in this space

## Compliance risks created by unfettered access



**Fiscal:** With no controls N/S or E/W, NI could become a back door into the GB market for the avoidance of import duties. Even with a zero-tariff UK/EU FTA, the risk would remain for third country goods and goods which don't meet origin requirements.



**Regulatory:** In the same way, there would be a risk of substandard goods entering the UK. This risk would increase if GB diverged from EU regulatory standards, particularly if the UK implemented higher standards in particular areas e.g. animal welfare.



**International law:** Lack of controls N/S and W/E could be a breach of the WTO's MFN principle, although the breach would arguably apply at the N/S border, rather than the W/E border.

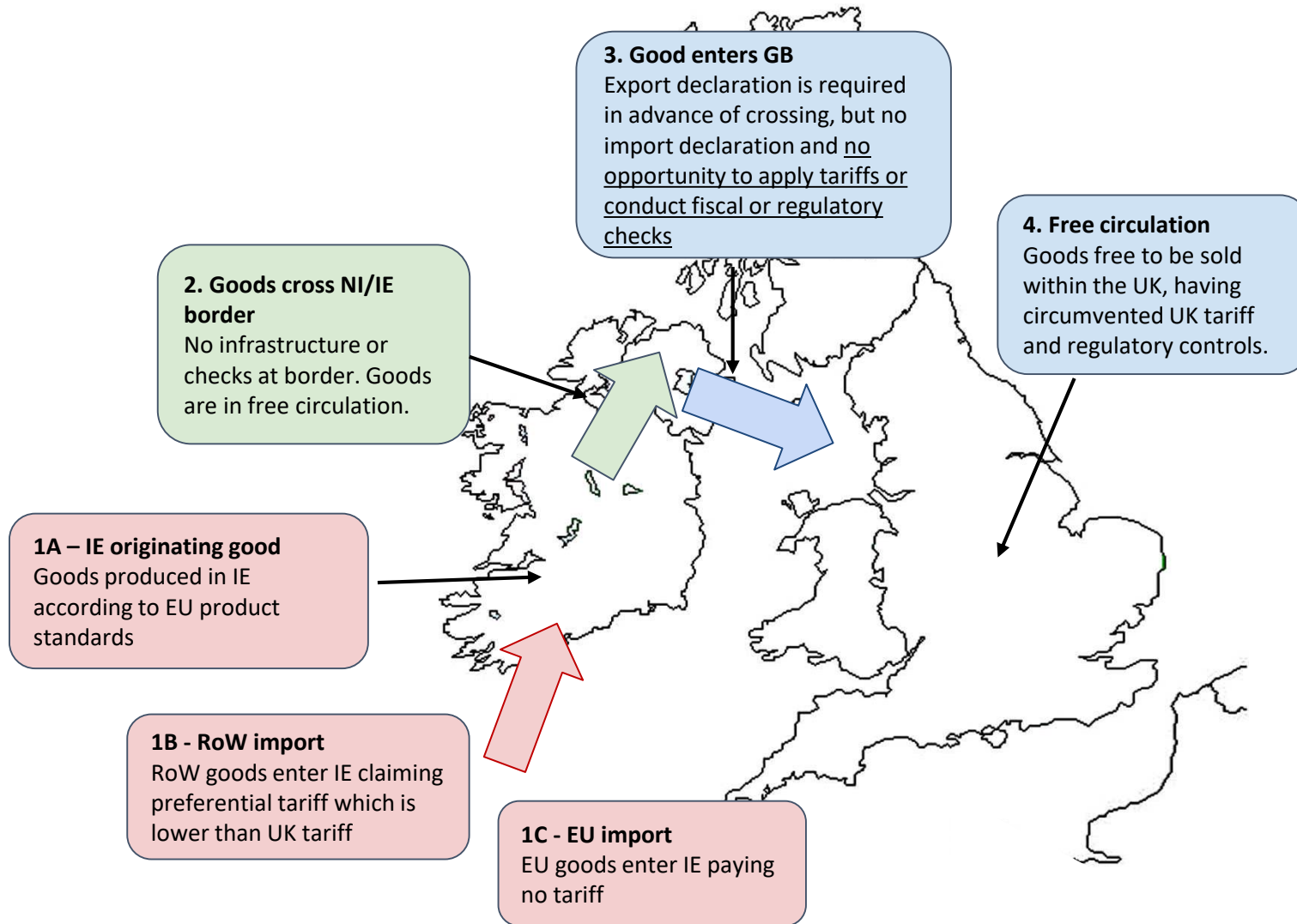


**Confidence:** NI businesses may feel that reduced control W-E adds to a perception of non-compliance linked to the land border, and undermines confidence in NI products – a commonly stated worry about the no-deal model



**Trade policy:** Third country goods with preferential access to the EU market could bypass UK tariffs, recreating the "Turkey Trap" and reducing incentives for EU FTA partners to agree FTAs with the UK.

# Circumvention risk created by unfettered access W-E



# Internal Market – Political & Constitutional issues

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## High level effects

- The WA has the potential to separate NI in practice from whole swathes of the UK's internal market
- Unfettered access has the potential to undermine the coherence of the UKIM and embed a fundamental asymmetry in its functioning

## Political reaction

- SG and WG have expressed displeasure at NI exceptionalism and its participation in the EU's single market
- Likely to push back strongly against any perceived advantage to NI businesses

## Constitutional effects

- NI symbolically separated from the Union/economic union undermined
- Precedent set for differential treatment for a constituent part of the UK

# Internal Market – Practical Impact

## SoSNI WAB Amendments

- NIO have proposed enshrining in the WAB amendments preventing control processes being imposed on qualifying NI goods and restrictions on NI goods entering the GB market
- Current drafting means that this commitment would be enforced on the DAs too

## UKIM incoherence

- Post exit various competencies to be repatriated from the EU Commission including:
  - Regulation of goods & services
  - State Aid
  - Other LPF provisions
- Significant divergence across these areas may be more difficult to control/manage without DA buy-in → unfettered access likely to undermine the UKIM's own LPF
- Increased risk of SG/WG protective action against NI goods and/or race to bottom

# Impacts

Friction (E/W – W/E)	Political	Economic	Compliance	Trade	UKIM
High-High	No commitment to unfettered access.	High negative impact in NI as frictions on imports and exports  Limited negative overall impact on GB  Unknown regional impacts	Low risk of fiscal and regulatory compliance issues  Low risk of WTO breaches	Risk of perceived barriers to entry for third-country goods	NI effectively outside UKIM – GB-only market  NI at a competitive disadvantage in UKIM  Reduced risk of S&W protective action (race to bottom etc)
High-Low	Partial commitment to 'unfettered access' (compared to previous)  Risk of SG/WG/Eng nationalist grievance	Significantly less negative impact on NI exporters but negative on importers  Limited negative overall impact on GB  Unknown regional/sectoral impacts (potentially negative)	Risk of fiscal and regulatory compliance issues  Risk of WTO breaches	Risk of disincentive to negotiate FTAs if back door via IE  Risk of UK gaining negative international reputation	NI partially inside UKIM – impact of divergence difficult to control  NI exporters at a competitive advantage over GB  High risk of S&W protective action

# Impacts

Friction (E/W – W/E)	Political	Economic	Compliance	Trade	UKIM
Medium-Low	<p>Partial commitment to 'unfettered access' (better than High-Low)</p> <p>More limited risk of SG/WG/Eng nationalist grievance</p> <p>Will likely require some GB alignment</p>	<p>Significantly less negative impact on NI exporters and less negative impact on importers</p> <p>More positive for GB exporters to NI</p> <p>Regional impacts unknown (less negative)</p>	<p>Risk of fiscal and regulatory compliance issues</p> <p>Risk of WTO breaches</p>	<p>Risk of disincentive to negotiate FTAs if back door via IE</p> <p>Risk of UK gaining negative international reputation</p>	<p>NI partially inside UKIM – impact of divergence difficult to control</p> <p>NI exporters at a reduced competitive advantage over GB</p> <p>Risk of S&amp;W protective action</p>
Medium-Medium	<p>No commitment to 'unfettered access'</p> <p>Will likely require some GB alignment</p>	<p>Negative impact on NI exporters and (less negative on) importers</p> <p>More positive for GB exporters to NI, negative for GB importers</p> <p>Regional impacts unknown</p>	<p>Reduced risk of fiscal and regulatory compliance issues</p>	<p>Risk of perceived barriers to entry for third-country goods</p>	<p>Position of NI to be explored</p> <p>More level playing field (depending on measures)</p> <p>Reduced risk of S&amp;W protective action</p>

