

# The Northern Ireland Protocol: What should be done?

*Briefings for Britain* economist **Harry Western** outlines the numerous problems being caused by the Northern Ireland Protocol. Various potential solutions have been mooted, but how should the UK Government proceed?

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## The problems with the Protocol

The NI protocol as it currently stands is unworkable, and EU demands for it to be implemented in full would cause significant economic harm to NI. The protocol has various problematic elements, including whether it will affect competition policy in the UK as a whole, and whether it will cause regulatory drift between GB and NI over time, damaging the position of NI producers in the UK market. But the main problem area is the implementation of EU SPS (food safety) checks on agrifood movements from GB to NI. Key points related to this are:

- **EU SPS rules are not designed for, and cannot cope with, the large and diversified food trade between GB and NI** which has grown up as part of an integrated, barrierless market. Indeed, they are designed in part to suppress food trade. Their normal mode of operation is in relation to large consignments of undifferentiated agri-food products from distant economies. GB to NI

agrifood trade is not like this – it consists of thousands of products, including lots of processed food products which contain many different ingredients.

- The **paperwork burden** required to process the kind of agrifood trade that exists from GB to NI is enormous – in particular, the need for vet-signed export health certificates (EHCs) for products of animal origin, dairy etc. Lorry loads of food destined for NI supermarkets could in principle need dozens, even hundreds, of such certificates covering separate items.
- Paperwork needs are at present being constrained by the **various grace periods**. But even with these in place, NI is processing more of it than France, which has 40 times its population. Without the current grace periods, paperwork will rise dramatically further.
- **Veterinary capacity** to process the scale of EHCs needed to fully implement the protocol **simply does not exist** in NI or in GB (it is already strained by new rules on GB-EU trade). It is unrealistic to think it could be increased to the level needed except in the long run. Veterinary costs are also relatively high.
- From the above, it should be clear that 'full implementation' would mean **major disruption to GB to NI food trade**, and probably **large price rises**. Firms selling agrifood from GB to EU are reporting that border bureaucracy is adding costs worth

7-10% of the value of their goods.

- Re-orientating supply chains from GB to EU, as the EU suggests, would also be costly. The ROI is a small economy that cannot supply the range of products GB does to NI at a similar cost. Shipping costs from other EU countries would also add to prices. Some estimates suggest grocery prices in ROI are 20% higher than in NI/GB.

## What are the potential solutions?

- **The UK government could take over all the compliance costs** of the protocol from NI and GB firms, effectively expanding the Trader Support Scheme. This would be costly (a ballpark figure is perhaps £0.5-1 billion) and may not be WTO compliant. It is also not clear how this would work for smaller NI traders and the scale of paperwork needed for mixed supermarket loads would also probably mean delays and costs would continue.
- **Radical shift to EU supplies from GB supplies.** This is the EU 'solution' – but comes with significant additional costs (see above). Importantly, this also implies a lot of disruption as it implies a total reworking of existing supply chains. Higher prices and shortages would be likely, in the short term at least.
- **NZ-style veterinary agreement.** This would be based on 'equivalence' of regulations, not

UK following EU rules. Importantly, this would NOT do away with most SPS checks. It would reduce physical inspection checks but not remove the need either for EHCs or document checks. Notably, NZ exports of agrifood to UK are about £500 million, of which over 80% are just meat and wine. GB food sales to NI are somewhere between £2-3 billion and much more diversified.

- **Swiss-style veterinary agreement.** This involves the UK following all EU agrifood rules, in perpetuity ('dynamic alignment'). Claims that the Swiss have a degree of flexibility in this area look misleading. They have had different rules on hormone-treated beef but only because the EU lost a WTO case on the issue and the Swiss did not want to be dragged in. It was a minor loophole.
- **UK-EU agreement on a 'risk-based' approach.** This has been the subject of recent discussions. It seems sensible in principle but the EU has reportedly already rejected it and demanded dynamic alignment instead.
- **UK government unilaterally overwriting parts of the protocol.** The obvious approach would be to restrict its operation sharply, for example by expanding the scope of goods not 'at risk' to cover SPS rules and cover all goods delivered to a registered NI retailer. Alternatively, the need for EHCs could be waived with detailed information on flows used to run a system of light-touch spot checks instead.

## What the UK Government should do now

- **Dynamic alignment should be ruled out.** It would scupper the UK's independent trade policy and NI would not want to be seen to be responsible for this. Similarly, fudged versions of this such as 'temporary' alignment to get to 2024 should also be rejected.
- Detailed data is needed on GB to NI trade flows, with quantities, product breakdown etc., with appropriate time series for recent months to understand what has been happening to trade flows since the NIP started.
- The government should commission research into the economic costs of the protocol so far and if fully implemented. It is plausible in our view that these costs could be in the range of 2-4% of NI's long-term GDP which is a high figure (equivalent to a permanent loss of income of £300-£600 per person in NI).
- The UK government should make it clear it believes **the conditions for using Article 16 are already in existence**. There are societal difficulties, actual trade diversion (as Irish trade data for January-February shows) with much more to come when grace periods expire, and potential significant economic hardship. If the EU refuses to negotiate a sensible and workable light-touch system the

UK government should make it clear it will invoke Article 16, design a new system itself in conjunction with NI business and politicians, and present this as a fait accompli to the EU.

- The UK government should make it clear it will fully respect a vote by the NI assembly in 2024 to scrap the protocol and that it will also support a campaign for such a vote if the protocol is not radically revised in the meantime.

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