

BCC BRIEFING: The UK's departure from the EU, 31 January 2020

As the UK marks its official departure from the European Union, and the start of an 11-month transition period, Dr Adam Marshall, Director General of the British Chambers of Commerce, said:

“In our business communities, this historic moment will bring a mixture of regret for some and celebration for others – but this is just the end of the beginning, not the beginning of the end.

“Decisions made during the next phase of negotiations will influence the business environment for decades to come. Businesses are likely to face significant changes in the way they trade, both in Europe and across the world. The government must clearly communicate what those changes will be – and provide timely guidance and support to help firms adapt and make the most of new opportunities as Britain sets its own trading policies.

“Our business communities are pragmatic and want to move on from the emotional arguments around Brexit that have stymied confidence and investment for so long. They want to work with ministers to get the details right on issues like customs, regulation and immigration – and they are desperate to avoid more of the cliff-edges that have affected their operations in recent years.

“On the domestic front, spades in the ground for new infrastructure, better skills and training, and action to lower the up-front costs facing UK businesses are urgently needed to boost confidence and unlock investment.”

Background briefing points

- **What changes will businesses face from 31st January 2020?**

The Withdrawal Agreement provides for business-as-usual trading arrangements between the UK and the EU during the transition period until the end of 2020. Businesses should not experience rule changes, require new licences, or face new trade frictions in this time. However, much could change thereafter and businesses will need information in a timely fashion and help so they can make the necessary preparations.

Business know that UK-EU market access arrangements will change and the details will be set out in the new trade agreement.

At the moment, all businesses have is official guidance that relates to no-deal outcomes; some that relates to the transition period, but nothing concrete for 2021 and compliance changes that flow from a new UK-EU relationship that hasn't been agreed yet. Firms need clarity of information and guidance with plenty of time for implementation.

- **Trade with third countries**

However, trade with third countries with whom the UK traded under EU agreements may be affected. The UK requires the consent of those countries to continue 'business-as-usual' trade. The UK and EU are both committed, via the Withdrawal Agreement, to working with those countries to ensure this. But businesses still do not have a complete picture about how these trade agreements will apply after Jan 31st. Firms need this information gap to be closed before Brexit.

Even if business-as-usual arrangements are agreed across the board – it is still possible that officials at third-country ports are unclear about the correct documentation for goods heading to and from the UK.

A new deal with Europe: what are the key areas that concern businesses?

- **Tariffs and customs for imports and exports**

Businesses want an agreement that minimises frictions and new costs, be they from tariffs. Businesses will need training and support during 2020 for any changes being implemented. This should not be left to last minute.

Ministers must also provide answers on what additional procedures – and therefore costs – businesses could face when trading between Great Britain and Northern Ireland, particularly in the unwelcome event that a new agreement with the EU cannot be reached before the end of 2020.

- **Port capacity and potential hold-ups**

The potential imposition of customs checks by the UK and ‘new’ third countries following 31 December 2020 could result in delays for businesses importing and exporting goods which would also affect other consignments coming through the same port.

- **Regulation**

Our business communities have differing views but are prepared to be pragmatic about coming changes to regulation. Uncertainty around the extent of divergence risks firms moving their production elsewhere.

The government must clearly communicate these changes in a timely way and provide substantial support to help firms adapt. Otherwise they will struggle to make the most of new opportunities as Britain sets its own trading policies.

The application of industrial *standards* – often designed by international organisations like ISO, CEN and CENELEC – allows UK businesses to comply with regulations, avoid product failures or recalls, and enable entry to new markets. A lack of input into the design of standards or a divergence in standards could reduce the competitiveness of UK firms when trading internationally. BCC supports the continued membership of standards-setting bodies at the European level by the British Standards Institute (BSI).

- **Data**

Businesses have gone through a major period of transition to become GDPR compliant. Therefore, they will not want to undergo any large-scale change. As such, the EU and the government should conclude a data adequacy agreement as quickly as possible to ensure the continued free flow of data between businesses.

- **Immigration**

Unless there is an extension to the transition period, freedom of movement will end after 31 December 2020. How a new immigration system would work—and how businesses can employ EU workers domiciled either within or outside the UK - is yet to be defined.

Businesses want the government to introduce a simple, fast, flexible and affordable immigration system that provides access to skills at all levels according to business needs, that minimises administrative burdens and works for the whole country.

- **Mobility and recognition of qualifications**

Businesses will require clarity on any additional legal requirements around the use of skilled workers who live in the EU, but work part time or on a consultancy basis in the UK. They also need to know if the current system of reciprocal recognition of professional qualifications will no longer apply after the end of the transition period.

- **Trade in services**

Post-transition, EU market access for UK firms in the services sector will be more limited than under current arrangements as per the UK's new status as a third country. Market access will be based on 'equivalence', which means recognising each other's regulations and can be withdrawn with 30 days' notice

Currently, equivalence does not cover basic business banking products and services such as bank lending. It remains unclear whether this will impact UK firms' access to finance or other financial products and services. The political declaration does keep open the prospect of improved arrangements but offers little detail on this.

- **Business consultation**

Under intense pressure of time, UK negotiators will be assessing trade-offs and business-related issues that will impact firms for years to come. The BCC believes that Ministers should establish a 'room-next-door' mechanism in trade negotiations to ensure the timely inclusion of business expertise.

BCC gave its full account of how business consultation should be conducted in trade negotiations to the House of Commons international trade committee.

Key dates for the Brexit process

- • 31st Jan – UK leaves the EU/enters the transition period
- • 30th June - current deadline to extend the transition
- • 31st Dec 2020 - current end of transition period