

Going, going, gone...

by John McGrane

John McGrane examines what it might ultimately mean for how businesses operate and trade following Brexit.

At 11pm GMT on Friday 31 January, the UK formally left the EU. While there has been little change for consumers and businesses thanks to the transition period and the temporary standstill for trading arrangements between both parties; the UK is no longer part of the EU and its institutions and has relinquished all formal representation in the EU decision making rooms of the European Council, Commission and Parliament.

This historic moment marked the end of 47 years of UK membership of the European Union, nearly four years of uncertainty since the referendum vote and just under three years of negotiations.

While many businesses are relieved to see an orderly withdrawal for the UK under the arrangements negotiated in the Withdrawal Agreement, businesses really shouldn't be complacent about Brexit and what it might ultimately mean for how they operate and trade.

The Withdrawal Agreement is only a stepping-stone towards the much more important future trade talks. It is these talks that will ultimately decide how businesses across these islands interact and trade with each other over the longer term. While the Protocol for Northern Ireland / Ireland provides some clarity for trade arrangements on the island of Ireland, the future of East- West trade is still far more uncertain.

This is hardly surprising as East-West trade between Ireland and Great Britain has always been viewed as a phase two issue both by the Irish Government and the European Commission. While future trade arrangements have somewhat seeped into the phase one

withdrawal talks, it has only ever been in relation to how trade interacts with border arrangements in the context of the border on the island of Ireland.

As a result, our only indication of how future trade might be managed is what is included in the Revised Joint Political Declaration and from what has been said by leaders and negotiators from both sides. While the updated Political Declaration remains ambitious in its scope and breadth, it includes some revisions that significantly point to a more distant relationship between both parties than what was envisaged by the current UK Prime Minister's predecessor.

Separately, talk of non-alignment and not agreeing to level playing field provisions sets the scene for what will be very difficult negotiations to be completed in an unprecedented amount of time.

Since the New Year, the British Irish Chamber of Commerce has been engaging extensively with stakeholders and decision makers from both the UK and EU in advance of the publication of negotiating mandates. Insight from these discussions will provide little comfort to those businesses interested in maintaining close business and trade links with the UK after Brexit.

Discussion with contacts from the EU suggest that given the end of year deadline and public statements from UK Government Ministers regarding non-alignment, the best that can be hoped for is a bare-bones free trade agreement (FTA) for the trade of goods and with little to offer in terms of services trade. Even on the goods side, the offer of a zero-tariff and zero-quota deal is contingent on the inclusion of Level Playing

Field provisions – something the UK Government has already indicated it will not agree to.

On the UK side, there has been a dramatic change in Westminster as opposition MPs, backbench MPs and external stakeholders all get used to working with a Government that has a substantial and stable majority. It is currently expected that the UK will not ask to extend the Transition / Implementation period and that Customs Union and Single Market membership will therefore end on 31 December 2020.

It is being suggested that by the end of the year the UK and EU will have some level of FTA in place and that new contingency arrangements (transition by a different name?) will come into play for the detailed needs of sectors where negotiations are still ongoing. This view is in contrast to statements made by the Taoiseach that specifically ruled out a piecemeal trade deal between the UK and the EU.

What this means for businesses is that plans, and preparations need be made and maintained for a significant change to trade between the UK and EU. If an extension to the Transition Period is not agreed by 1 July and if a FTA is not agreed by the end of the year, then trade between the UK and EU will be on the world trade organisation terms – an outcome similar to a 'no deal' Brexit but with the Protocol arrangements kicking in for trade on the island of Ireland.

If, on the other hand, a bare bones FTA is agreed between the UK and EU, **there will still be significant challenges for business** and the reality may feel a lot like the above scenario. This outcome would involve the complete introduction of

customs controls and paperwork for trade, possible regulatory checks on goods, significant changes for the trade in services and potentially the re-introduction of tariffs and quotas. It's really important for businesses to note that even if a tariff-free and quota-free FTA can be agreed in relevant goods sectors, there will still be a need for checks and controls on East-West trade regarding rules of origin, SPS etc.

Anything better or more comprehensive than the above will require a political shift from both sides of the negotiations.

Getting a deal agreed by the end of

the year is a tall order on its own. Adding in the need to operationalise the Protocol and to build up domestic regulatory capacity in the UK for areas previously under EU control, the task soon looks Herculean.

However, there is hope that now the UK is no longer an EU member, a more practical approach will emerge from both sides that will take account of legitimate business interests and concerns. Both the UK and EU have yet to finalise their negotiating mandates for the next round of talks so there is still an opportunity for business to influence the direction of the next phase.

The British Irish Chamber of Commerce will continue to positively input ideas and solutions into the debate. To this end, we began the year by publishing our How to Make Brexit Work for All Part 2: Signposts for Services paper, which highlights the potential disruption that services trade might face and provides a roadmap for negotiators to achieve an unparalleled deal that gives effect to the ambition stated in the Joint Political Declaration such as the mutual recognition of professional qualifications and the granting of an adequacy decision to the UK regarding data flows, which are crucial to continuity of key services trade after this year.

In the meantime, **businesses must continue to prepare** to ensure they are able to continue to do business and trade in any scenario that might emerge over the coming months. The Chamber will continue to support its members over this period, and we welcome engagement from businesses on all issues relating to the future trade talks.

To input into this process, please email paul.lynam@britishirishchamber.com.



John McGrane,
Director General, British Irish Chamber of Commerce

John McGrane is Director General of The British Irish Chamber of Commerce, a private sector organisation which he co-founded in 2011 to represent businesses with interests in the two islands and their economies. He is a retired financial services professional having completed a 40-year career with the Royal Bank of Scotland / Ulster Bank Group in Ireland.