Uncertainty and Deadlines
Make "no deal" Brexit Planning Crucial

by Katie Daughen

The risk of a disruptive, "no deal" Brexit is now greater than it possibly has ever been throughout the Brexit process. So much so that in July the Irish Government published its updated Contingency Action Plan calling on businesses to prepare for this scenario.

The recent victory of Boris Johnson in the Conservative Party leadership contest and his appointment as Prime Minister of the United Kingdom has put "no deal" back on the political agenda. His actions since taking up office firmly indicate that he is serious thus far, about carrying through the "do or die" exit promised during his leadership campaign.

The Prime Minister's stated intentions of renegotiating the Withdrawal Agreement and removing the Protocol on Ireland/Northern Ireland (the "Backstop") have been rejected by the European Commission. So far, the line has remained that the current Withdrawal Agreement is the only deal on offer and while flexibility remains over the wording of the Political Declaration, negotiations on the Withdrawal text are now closed.

At present it seems unlikely that the European Council will meet again before their next scheduled meeting on 17-18 October. Without such a meeting there will be no mandate for the Commission's Article 50 Taskforce to offer the UK Government any new terms on the Withdrawal Agreement.

"The Irish Government has predicted that unemployment could rise by 50-55,000"

There is also now much speculation about the possibility of an election before the Brexit deadline of 31 October. Some view this as an almost certain prospect with Labour indicating that they will lay down a motion of no confidence when Parliament returns in early September. Others argue that an election could be pushed back until after the Brexit deadline meaning such an event would have no impact on whether the UK leaves with a deal or not.

While the majority of MPs remain firmly opposed to a "no deal" outcome and while the ability of the Prime Minister to prorogue (essentially suspend) Parliament to obtain such a result has been limited; without a ratified Withdrawal Agreement in place, a "no deal" exit remains the default outcome of the process.

With Brexit now edging ever closer, the current political climate presents many challenges for businesses over the coming months.

Warnings of the economic damage that could be brought about by a "no deal" exit have been stark. The Irish Government has predicted that unemployment could rise by 50-55,000, while the Irish Central Bank has estimated that there could be 34,000 fewer jobs by the end of next year, rising to 110,000 over the next decade.

Other consequences of "no deal" Brexit for the Irish economy include reduced economic growth, disruption to time sensitive supply chains, further depreciation in sterling hitting exporters, and an immediate increase in costs for businesses that will have to pay tariffs and comply with new systems for trade between the UK and Ireland.

Similar consequences will be faced by businesses in the UK. Vauxhall is the latest car manufacturer in the UK to announce that they may have to cut jobs and cease production depending on the outcome of Brexit. The Head of the Bank of England, Mark Carney, has warned that many businesses could become uncompetitive overnight.

It's for these reasons that the British Irish Chamber of Commerce has long warned of the dangers of "no deal" and has advocated to public representatives on all sides to avoid this disastrous outcome. As the only organisation solely dedicated to the bilateral trade between the UK and Ireland, we are only too aware of the costs and consequences for businesses that a "no deal" Brexit would cause. While Brexit will not end our bilateral trade, it has the potential to be highly disruptive and costly for the many businesses that currently benefit from the frictionless and close trading relationship between these two islands.

Unfortunately, businesses have no control over how Brexit will be resolved, but they can control how prepared they are for all possible scenarios. In the immediate aftermath of the referendum vote, businesses were unprepared for the sudden depreciation of sterling and lessons must be learned from this painful experience to ensure the same mistakes aren't repeated.

Regardless of the outcome, the UK will remain an important trading partner for Ireland and vice versa. Our similar tastes, business outlook, cultural ties and geographic proximity make us natural business and trading allies. While Brexit might disrupt this relationship, those in business will find ways to overcome these hurdles and maintain these vital links.

There are practical steps that business can take now to offset any potential pain in the future. Many have no financial cost although they will take time and energy – something we know is difficult for SMEs in particular, many of whom are already running on tight margins and with very little extra capacity.

The first thing businesses should do is register for an Economic Operators' Registration and Identification (EORI) number. Having an EORI will be a basic requirement for trading with the UK if there is no deal. Registration should be one of the first steps in any business' Brexit plan. It is a simple, online process and free of charge. Revenue have produced a helpful step by step guide that can be found on their website at

www.revenue.ie/en/online-services/services/common/register-for-an-eori-number.aspx

EORI registration figures to date have been worryingly low with Revenue stating that around 60,000 traders have yet to register. This is an easy process and there is no reason why businesses should not have already taken this step.

Currency management is also going to be key for businesses that trade with the UK. The value of sterling continues to be volatile and further depreciation is likely if the UK leaves the EU without a deal. The Bank of England has previously predicted that sterling could move to parity with the euro or potentially fall even lower.

Businesses should not take a chance on currency. Practical steps that businesses can take now include renegotiating contracts in the currency of operation and hedging. If business production costs are all paid in euro, it only makes sense that selling costs should also be charged in the same currency. Similarly, hedging is also a prudent way to negate the anticipated further decline in sterling if there is no deal.

Other actions that businesses should now take include:

- review supply chains to identify any potential pinch points/regulatory issues;
- learn how new customs/trade rules might impact operations; and
- explore available trade facilitations that might help limit this impact.

It's not all negative though. There are opportunities for those willing to take them. Businesses should look at forming strategic partnerships with likeminded UK firms to secure market share and access and vice versa. There is also an opportunity for Irish firms to take over international trading licences for the EU market held by UK firms. And finally, for those reliant on the UK market for their survival, now may be the time to put boots on the ground and to expand your business internationally.

Now is the time to prepare. Engage with State Agencies and avail of business supports. Go through the Government's Brexit Preparedness Checklist. The recently launched Clear Customs Training is free and is a highly valuable resource for businesses involved in goods trade with the UK. The latest UK notices for preparing for "no deal" can be found on the Gov.UK website at

www.gov.uk/government/collections/how-to-prepare-if-the-uk-leaves-the-eu-with-no-deal.

The British Irish Chamber of Commerce is also here to provide information and guidance. Our Brexit Toolkit is a free resource and a great place to start when it comes to thinking about what you might need to do to prepare. Our Brexit Supports page also catalogues the latest no deal contingency plans from Ireland, the UK and EU and provides links to the supports available for businesses to help them prepare.

About the British Irish Chamber of Commerce

The British Irish Chamber of Commerce is a private sector trade organisation, founded in 2011 to represent businesses and employers with interests in the two islands of Great Britain and Ireland. The Chamber's mission is to highlight, protect and grow the trade between Ireland, Northern Ireland, Scotland, Wales and England. That trade is worth over €1.3 billion a week or €70 billion a year and it supports 400,000 jobs, about evenly between the two islands.

This article went to print on 2nd September.

"Unfortunately, businesses have no control over how Brexit will be resolved"

Katie Daughen,
Head of Brexit Policy British Irish Chamber of Commerce