Britain in 2021

A domestic impact assessment of the UK after exiting the transition period.

What will Britain look like from 1st January 2021?

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Executive Summary

Change is coming. Whether the UK ends its Brexit transition period at the end of 2020 with a Free Trade Agreement (FTA) with the European Union, or fails to agree such a deal, introducing a new trade relationship with Europe from 1st January will have a negative impact on the UK economy, which will simultaneously be experiencing a coronavirus induced downturn.

In the event of no trade deal being agreed with the EU, or a 'thin' trade deal coming into effect at the end of the Brexit transition period, the impact on the UK's gross domestic product (GDP) and on local economies will be much larger than if the UK were to agree to a comprehensive Free Trade Agreement. This will disproportionately affect so-called Red Wall voters who live in seats stretching from the North West to the East Midlands. Analysis by the Social Market Foundation for Best for Britain in June 2020 revealed that half of all local areas in the North West will be exposed to the highest level of risk – placed in Category 5 (the highest quintile of impact-risk) – with a further 40 per cent in the second highest quintile, because of their exposure to a double economic hit based on the Gross Value Added of sectors locally.[1]

Using 16 areas of trade outlined in Best for Britain's August 2020 document '*The UK's Negotiations with the EU on a New Trading Future – Aspirations, Benchmarks and Measures of Success*', this report assesses the multifaceted and wide-ranging sectoral impact of a no deal or 'thin' deal exit.[2] From 1st January 2021, trade in goods and services is likely to experience severe

[1] Best for Britain and the Social Market Foundation, Assessing the economic implications of coronavirus and Brexit. 31 May 2020.

[2] Tim Ward and Namali Mackay, THE UK'S NEGOTIATIONS WITH THE EU ON A NEW TRADING FUTURE Aspirations, Benchmarks and Measures of Success, August 2020

disruption. This will be compounded by the Government's lack of clear advice to industry or strategy in negotiations – in 2018 the CBI found 94 per cent of businesses are struggling to prepare for Brexit because of a lack of information, while survey from July this year found three in four were concerned about further economic shock arising from a non-negotiated exit from the EU.[3] Where goods are concerned, we anticipate, amongst other impacts, huge delays at the border, heavy administrative burdens on small and medium enterprises, and significant tariffs applied to imported staple food items and exported automotive goods. In the service sector, UK workers will face new and internationally varied immigration and professional regulations if they are to continue living or working in Europe, while businesses which provide audiovisual, financial or digital services in Europe will face significant barriers and administrative costs. The cumulative impact of all these formal and informal barriers to trade will be heavy.

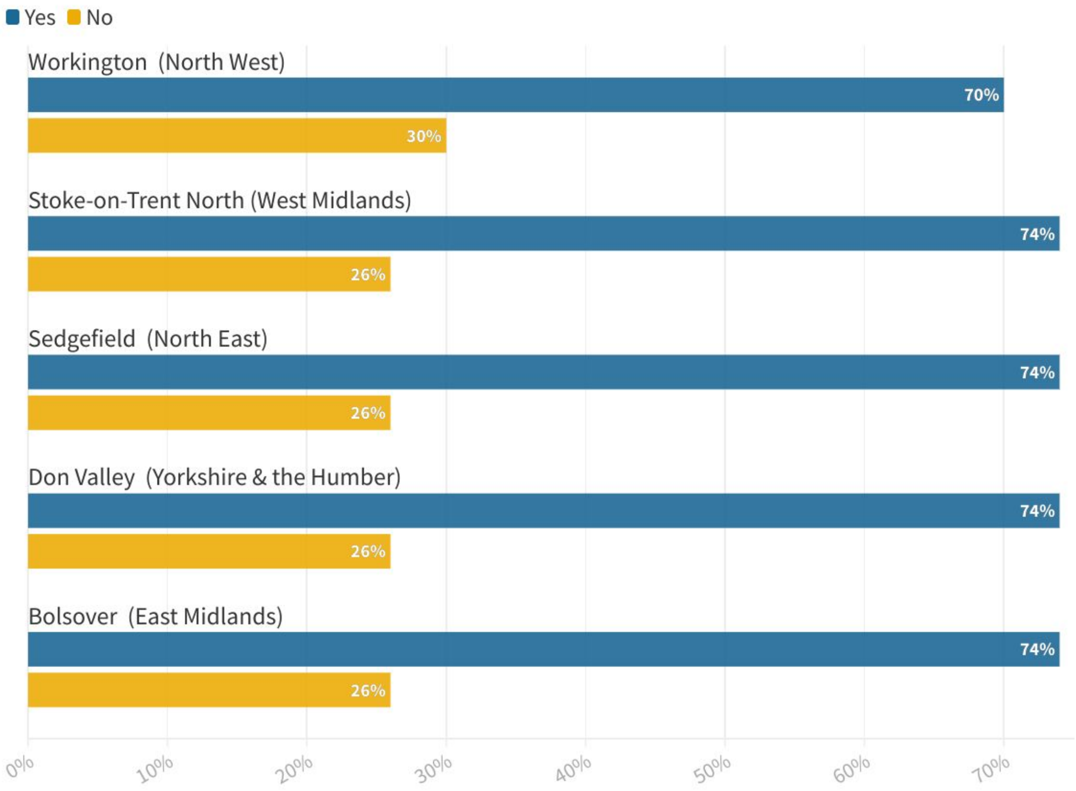
On a local scale, the double economic hit of Covid-19 and Brexit is already being observed by voters in seats that were crucial to the Conservative Party's victory in December last year. Best for Britain's September 2020 constituency-level polling analysis of 44 seats, that switched from Labour to Conservative at the last election, shows local economic collapse has been clearly noticed among the electoral group (so called 'Red Wall' voters) that was key to the Tories' landslide victory. In the totemic seat of Workington, 70 per cent of voters observed local shop closures and job losses in their area, growing to 74 per cent in seats such as Sedgefield and Don Valley. Our latest polling shows that the combination of Covid-19 and Brexit could form a 'perfect storm' for high street businesses this Christmas. A weaker pound, tariffs on goods, and extra red tape if we don't get a trade deal, could force businesses with limited reserves further into cashflow difficulties, while consumer confidence is at an all-time low. We therefore call on the PM to ***make good on his election promises*** and strike a Brexit deal that supports the country's economic recovery.

[3] Confederation of British Industry, Data reveals firms' concerns over non-negotiated EU exit and lack of preparedness as Brexit talks continue, 31 July 2020; Confederation of British Industry, CBI survey: how businesses are preparing for Brexit, 2018.

Shop closures and local job losses

Best for Britain's latest polling shows that, throughout the country, voters have already noticed local economic decline caused by the double economic hit of Covid-19 and Brexit. The constituency with the lowest number of respondents who had noticed shop closures and loss of jobs locally is Great Yarmouth (65 per cent) and the highest is Streatham, in London (87 per cent),

Q. Have you noticed shop closures or loss of jobs locally?

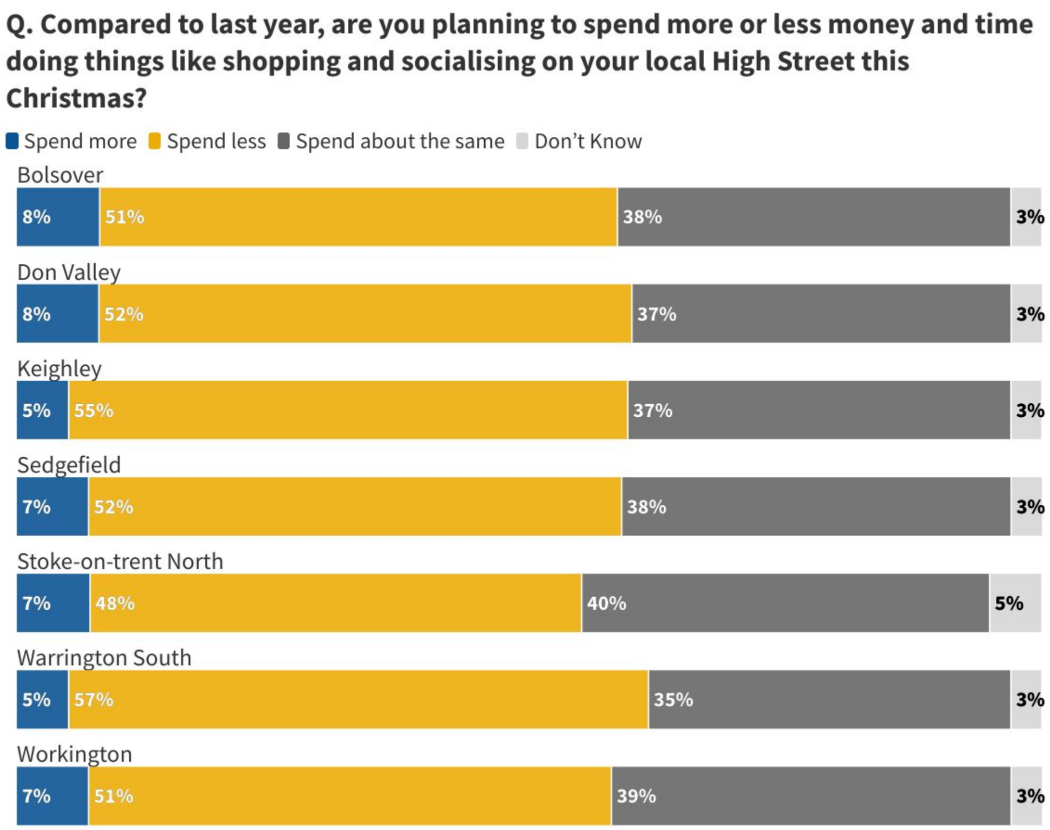


Fieldwork dates: September 19th-September 23rd 2020, sample size: 8152. 'Don't Knows' were excluded, see annex for figures including 'Don't knows'.

In the totemic seat of Workington, of those who have an opinion, more than two-thirds (70 per cent) have noticed local shop closures and job losses, growing to almost three-quarters (74 per cent) in Sedgefield, Don Valley, Bolsover and Stoke-on-Trent North.

Decline of the local high street

When asked about how much they are planning on spending this Christmas, less than one in ten Britons say they will spend more on their local high street this Christmas, while more than half say they will spend less (Brits are about seven times as likely to spend less on their high street as they are to spend more). Around a third say they will spend 'much less'. Throughout the country, there are 57 seats where the most common response is to spend 'much less'. In 28 of these seats, more than a third of respondents say 'much less'. Again analysing the picture in the Red Wall, 30 out of the 44 seats we looked at show more than 50 per cent of respondents



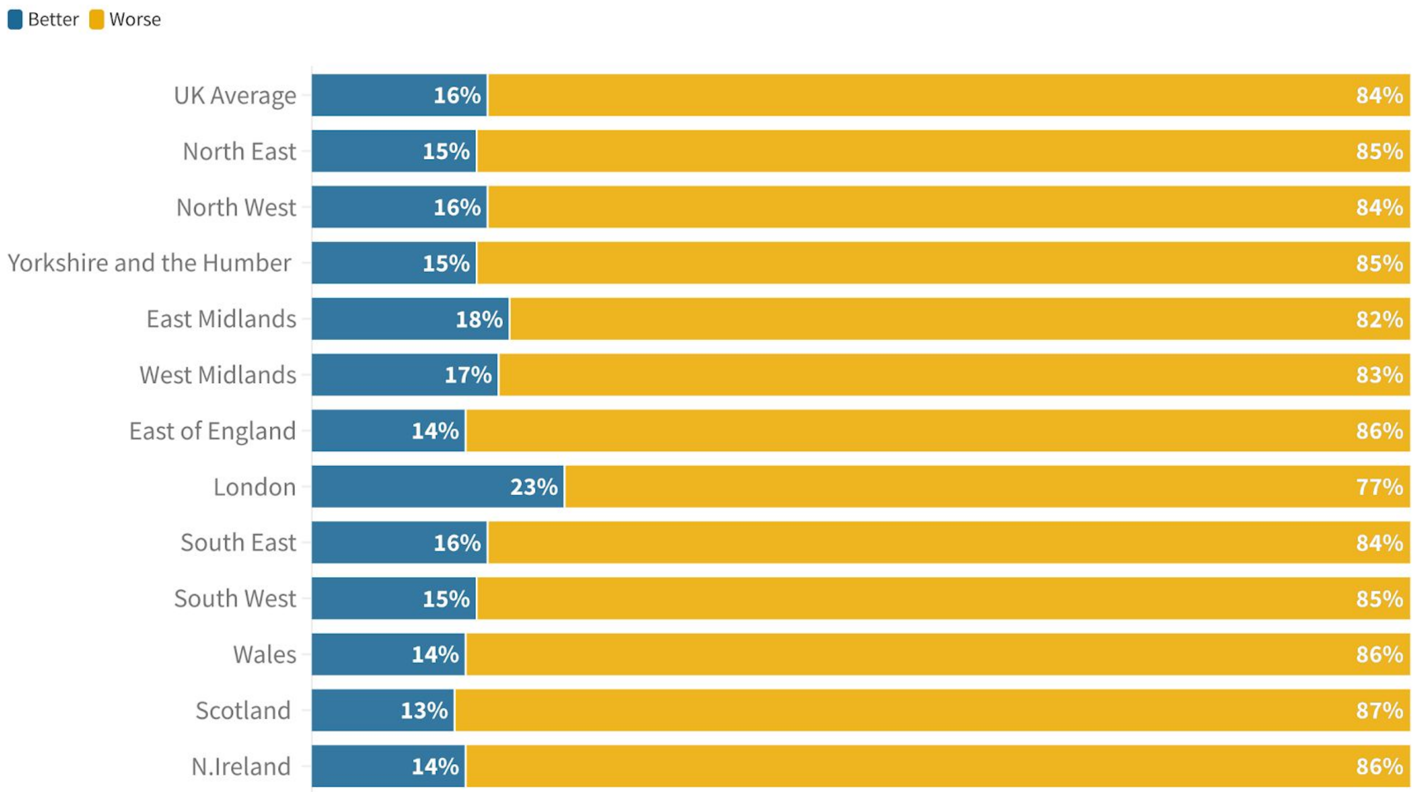
Fieldwork dates: September 19th-September 23rd 2020, sample size: 8152.

saying they will spend less on their local high street this Christmas. In just seven Red Wall seats does the total number who say they will spend more this Christmas exceed 10 per cent.

Decline of the local economy

Overall, 84 per cent of UK voters (of those who have an opinion) say they believe their local economy will get worse in the next 12 months. Regionally, Yorkshire and the Humber, the East of England, Wales, Scotland and Northern Ireland are all more worried about the economic decline of their local area than the national average, with the number of respondents saying they fear it will get 'worse' being above the national average.

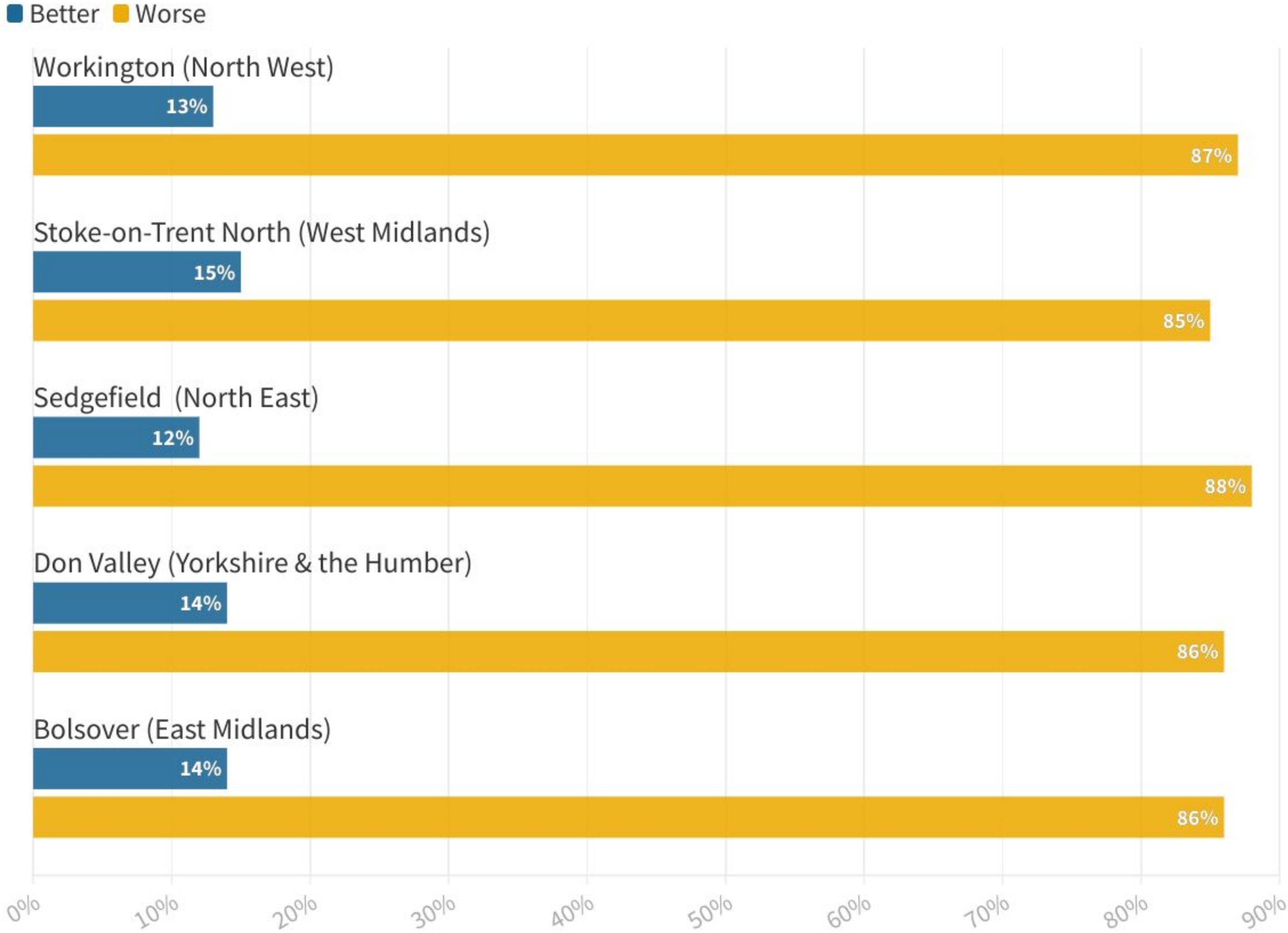
Q. Over the next 12 months do you expect the economy in your local area to get better or worse?



Fieldwork dates: September 19th-September 23rd 2020, sample size: 8152. 'Don't Knows' were excluded, see annex for figures including 'Don't knows'.

In totemic Red Wall constituencies, an average of 88 per cent of respondents who have an opinion say they believe their local economy will get 'worse' over the next year:

Q. Over the next twelve months do you expect the economy in your local area to get better or worse? (Focus on 'Blue Wall')



Fieldwork dates: September 19th-September 23rd 2020, sample size: 8152. 'Don't Knows' were excluded, see annex for figures including 'Don't knows'.

NB: For more detail on public opinion by constituency on shop closures and job losses, including figures for 'don't knows', please see Annex.

Preparedness

Operation Brock is a package of measures designed to prepare Kent to avoid massive congestion around Folkestone, in the event of a No Deal Brexit . Part of the eastbound M20 – the main artery to Dover and the Eurotunnel at nearby Folkestone – will be closed to normal traffic and made exclusively available to lorries.[4] However, this plan, and preparations of the Channel border, have been heavily criticised by the haulage industry.

Key IT systems designed to overcome TBTs (technical barriers to trade) are unfinished, with three months to go until the UK leaves the EU single market. The Government wants to use a 'Smart Freight' system, allowing lorry drivers to submit and declare all electronic paperwork needed in an app. But it is looking unlikely that these technological solutions will be ready in time, meaning massive queues at Dover on day one of leaving the transition period with no deal in place. Each lorry will have to be checked manually. That means a huge amount of freight will be stuck at the border on 1st January.

Businesses also do not seem prepared for a No Deal exit, largely because of Covid-19 and a lack of clear information from the Government. The same government report estimated between 60 and 80% of small and medium sized businesses are not prepared for new border crossing rules. For enterprises with limited resources, dealing with Covid-19 has understandably taken up much of the transition period, a time meant to be used for Brexit preparation. And of course, it is difficult to plan for a deal which is yet to be made. The CBI conducted a survey of

[4] The Guardian, 'No Deal Brexit contingency plan implemented on Kent roads', October 2019

300 enterprises and a broad consultation of many more to determine businesses' preparedness for Brexit. The need for clear and consistent information is most acute for logistics or freight businesses. Road Haulage Association chief executive, Richard Burnett, said the industry was keen to make preparations for a no deal, but "how on earth can they prepare when there is still no clarity as to what they need to do?".[5]

Key sectors also face considerable administrative burdens and costs at the beginning of next year. At an evidence session with representatives from the chemicals and pharmaceutical sectors held by the Commons' Future Relationship with the European Union Committee on 30th September 2020, the Chief Executive of BASF emphasised that leaving the EU's REACH regulatory framework to join the UK's REACH arrangements would incur a bill of approximately £1 billion in registration fees across the UK chemicals industry, adding "no tangible value" the sector.[6]

[5] The Guardian, 'Lorry drivers will face de facto Brexit border in Kent, confirms Gove', September 2020

[6] Evidence Session, *Future Relationship for the European Union*, 30th September 2020: https://www.parliamentlive.tv/Event/Index/74db15a8-29f7-4936-82cd-f561a21ad80c [Time code; 09:41:30 -09:43]

Tariffs and Quotas

No deal means the average grocery shop will skyrocket as staple items face tariffs

A tariff is a tax on goods being imported into a country. Quotas can also be applied, limiting the amount that can be sold of a certain good. In the Political Declaration the UK Government signed with the EU, it promised no tariffs, fees or charges for any amount of any goods coming from Europe into the UK. However, so far, neither side has released its proposals for UK-EU tariffs or quotas in negotiations.

Earlier this year, the UK Government published its UK Global Tariffs regime, which places tariffs on goods imported into the UK. This system will effectively be the default position for trade between the UK and the EU if no deal is struck come 1st January 2021.

In a No Deal scenario, and under the UK Global Tariff system, this means tariffs will be applied to staple food items, leading to an increase in price.

Basic necessities such as tinned tomatoes and pasta are set to increase by 10-20 per cent in real price terms. A packet of pasta, for example, which could provide the basis of a cheap meal for a family of five, will go from costing 53p to 65p. The UK consumed 343, 200 tonnes of pasta last year. While the itemised price increase may sound small, it represents an increase of more than £20million for British consumers every year[7].

But why can the UK not produce its own pasta or tinned tomatoes? Many of our staple items are impossible to produce domestically, or source reliably outside the EU through an FTA partner nation.

Pasta production capacity does exist in the UK, but only by a single company. It currently does not have the capacity to meet UK demand but, if it could (343,200 tonnes last year, 80 per cent of which was imported from Italy), a monopoly would be created. However, monopolies do not tend to lead to decreases in prices, quite the contrary. Even if Government incentives and investment could increase and diversify UK pasta production capacity, producers would still have to pay a duty of 14.3p/kg on the raw material, durum wheat. This is equivalent to a 31 per cent increase in cost[8].

Similarly, the UK does not have the capacity to produce the metal cans needed to hold tomatoes, or any other tinned products. Even if the UK invested in its own tomato growing, processing and canning, tinned tomatoes would still incur a duty for the import of the tin can. The component material in tinned tomatoes, tomato paste, similarly incurs a 14.4 per cent duty, or the equivalent of 8-10p per kilo on the raw material. Additionally, CO_2 emissions associated with growing produce unseasonably using heated greenhouses may be greater than the CO_2 emissions associated with transport from a seasonable climate. Nor would companies be incentivised to import tariff-free raw materials and tin them domestically, due to this extra cost[9].

While these may seem like small cost of living increases, they will have a significant impact on different families and regions in the UK, who will already be faced with the effects of a coronavirus-induced recession.

[7] The Affordable Food Deal, 'Keeping Britain's food affordable', 2020

[8] Ibid

[9] Ibid

The Affordable Food Deal Report, 2020

Tariffs are costly but the real impediment to international trade today is non-tariff barriers[10]. Non-tariff barriers, as we shall see below, refer to any measure other than customs tariffs, which act as a barrier to international trade.

Trade deals such as the Comprehensive Economic and Trade Agreement (CETA) and the Transatlantic Trade and Investment Partnership (TTIP) focus on reducing non-tariff barriers such as regulation and intellectual property requirements, as well as reducing tariffs[11].

During the TTIP negotiations for example, the EU aimed to remove the US's 1.25 per cent tariff on cars, but more important were the non-tariff barriers, which added 26–27 per cent to the cost of selling cars to the US[12].

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[10] Institute for Government, 'Non-tariff barriers'

[11] Ibid

[12] Institute for Government, 'Non-tariff barriers'

Most of the potential new UK-EU relationships will involve new non-tariff barriers. One of the advantages cited of leaving the EU was the freedom not to adhere to certain EU regulations. Regulatory divergence from the EU will, however, inevitably make it harder for the UK to trade certain goods, as it will be faced with non-tariff barriers to ensure various requirements are met, such as rules of origin.

Rules of origin

No Deal means additional costs for the car manufacturing sector as rules of origin kick in

Rules of origin, a non-tariff barrier, determine where goods originate from, not where they have been shipped from, but where they have been manufactured. This is known as their 'economic nationality'. In turn, this determines what fees need to be paid based on the tariff classification, value and origin of the particular good.[13]

Preferential rules of origin apply in the context of reciprocal trade preferences (i.e. regional trade agreements or customs unions) or in non-reciprocal trade agreements (i.e. preferences in favour of developing countries or LDCs)[14].

Non-preferential rules of origin are those which apply in the absence of any trade preference, that is when trade between two countries is conducted on a most-favoured nation basis[15], under WTO rules.

[13] EU, 'Rules of Origin'

[14] WTO, 'Rules of Origin'

[15] Ibid

Rules of origin help govern the global trading system. The World Trade Organisation (which has partial oversight of them) says they establish 'the criteria needed to determine the national source of a product', Different countries trade on different terms, meaning we need a system for working out which items 'originate' from where[16].

Simply put, this means that goods may be exported from one country but have their 'economic origin' in another. A small item such as a toy, for example, might have parts from two or three different countries, while a larger item might have components from three dozen. At the moment, as part of the EU customs union, Britain is part of the largest free-trade bloc in the world, which streamlines its trading process completely, meaning UK businesses don't have to think about any of the above when exporting to the continent. This, however, will change come 1st January, when Britain leaves the customs union[17].

While both the Political Declaration and the Withdrawal Agreement promised appropriate rules of origin that would not stifle trade, it is currently looking unlikely that the EU will accept the UK's proposals on cumulation in their present form. Cumulation would allow a product to change its nation of origin (or 'economic nationality) if it is altered a certain amount in a new nation, according to a set threshold. The UK automotive industry which uses auto parts, electric cars, batteries and bicycles imported from Japan and Turkey pushed for cumulation, to allow parts moderated in the UK, to be counted as British.. It was however reported on 30th September, that the EU would not accept this, meaning the auto industry may face tariffs even in the event that a free trade agreement is secured[18].

It is important to note that even if Britain and the EU were to strike an FTA including provisions for cumulation, businesses would still need to prove that they meet the set threshold. This would be time consuming and confusing for businesses which currently have little experience

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[16] Prospect, 'Rules of origin: the biggest Brexit problem you didn't know about', 2018

[17] Ibid

[18] BBC, 'Brexit: Blow to UK car industry in search for EU deal', September 2020

of such a process[19].

The EU's preferred solution would be for the UK to join the Regional Convention on pan-Euro-Mediterranean preferential rules of origin (PEM convention). The 23 signatories of this convention essentially agreed to replace protocols of rules of origin in the FTAs between each other with the rules of origin laid down in the PEM Convention, streamlining procedures across the zone. The PEM Convention also allows for cumulation between all signatories to the agreement.[20] As of yet, the UK has not agreed to join the PEM convention.

Administrative costs and impeded trade will be inevitable as the UK leaves the EU customs union. For complex manufactured goods, with parts from all over the world, exporting for businesses could become much more complicated and much more costly.

In a No Deal scenario, the UK would deal with the EU on non-preferential terms, as a 'third country'. This would mean even higher tariffs applied on cars exported to Europe. As 80 per cent of British cars are exported, of which 54 per cent go to Europe, the British automotive industry is likely to suffer significantly as a result of this.[21]

Geographical Indications: No Deal means protected trademarks will be under threat, jeopardising £1bn of revenue

A geographical indication (GI) designates products which have a specific geographical origin and possess qualities or a reputation that are due to that origin.[22] For example, a cheese cannot be called parmesan unless it is made in certain parts of northern Italy under GI rules, while

[19] Ibid

[20] Institute for Government, 'Trade: rules or origin', March 2020

[21] European Automobile Manufacturers Association, 'Automotive trade between the United Kingdom and its main EU partners', April 2018

[22] World Intellectual Property Organisation,'Geographical Indicators'

cheddar must be from the West Country. The EU actively supports and enforces its GI protected products in its international trade deals. As a member of the EU, British products were protected. But now the UK has left the European Union, EU-registered GIs will have to be transferred, and the UK will have to seek and enforce its own robust protections in any future trade deals.

Scotch whisky is registered as a Geographical Indication in the EU. The EU accounted for almost 40 per cent of Scotch whisky exports by volume in the first half of 2018; and just over 30 per cent by value. In a full year – that's well over £1billion of revenues.[23] As such, it is protected from misuse, imitation, evocation and any other practice liable to mislead consumers.[24] It is protected under the EU's intellectual property laws: If the UK leaves with no deal in place, Scotch will no longer be protected. DEFRA has promised GIs will be in place by the time we leave the EU. However, Lindesay Low, deputy legal director of the Scotch Whisky Association (SWA), has pointed out how complicated this process could be. While GIs and access for Scotch were protected through the EU's many free trade agreements around the world, in a No Deal scenario, the UK will have to ensure protections in each of the markets.[25]

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[23] ScotchWhisky, 'What would a no-deal Brexit mean for Scotch?', January 2019

[24] Scotch Whisky Association, 'Protecting Scotch Whisky outside the UK'

[25] Scottish Field, 'Protecting Scotch whisky in Brexit's aftermath', August 2019

Technical Barriers to Trade (TBTs)

No Deal means significant queues at Dover as lorries are stopped and checked at the border

Technical barriers to trade are essentially regulatory barriers between the UK and the EU, that must be resolved at the border. This includes differences in labelling or standards (on food, for example, to show whether it is organic or low in fat)[26].

Although TBTs are designed to protect the public interest, they can have a severe effect on market access and competitiveness for exporters. Additional production, packaging or labelling requirements increase production costs and time-to-market for exporters. Moreover, having to comply to multiple sets of standards tends to favour large businesses which can better afford compliance relative to small and medium-sized enterprises[27].

The UK government promised to address regulatory barriers while preserving both the UK and the EU's right to make their own regulations. An agreement of transparency and co-operation at the border is possible, but what happens if and when UK and EU regulations diverge is not yet clear.

Over time, technical barriers to trade would risk becoming more substantial if regulatory practices were to diverge. This could, however, be avoided if committed regulatory cooperation became institutionalised in an FTA. That is contingent on clear procedural measures and a commitment from both sides regarding regulatory approaches, an area where the EU's negotiation position is considerably stronger[28].

[26] LSE Blog, 'Rule-takers and rule-makers: why TBTs are so crucial to Brexit', July 2018
[27] Ibid
[28] Ibid

In the event of No Deal, the UK would lose regulatory alignment with the EU overnight, which would lead to immediate queues at the border with lorries being stopped and checked to see whether they comply with TBTs such as UK or EU standards or labelling.

A leaked 'reasonable worst case scenario' from the Government released in September suggested there could be queues of 7,000 lorries at Dover on 1st January[29], as border agents are under-equipped to deal with checking every lorry coming in the UK from the EU. Visas and driver permits for lorry drivers, customs and tariff checks for goods, and animal and food safety checks will be needed. Each of these checks is the responsibility of a different Government department, each with its own IT monitoring system, making the overarching system rather complex.

In response to this leaked document, Michael Gove announced plans for a de facto border around the county of Kent in the event of No Deal. To prevent the massive congestion expected at the Channel port, Gove announced that hauliers will need a 'Kent Access Permit' (KAP) to enter Kent for onward travel to the EU.[30] Drivers will be granted a KAP if they have completed the required paperwork to enter Europe. The Government has stated police patrols and Automatic Number Plate Recognition (ANPR) technology will be used to ensure this is enforced.

This policy has drawn harsh criticism from the haulage industry. Duncan Buchanan, the Road Haulage Association policy director for England and Wales, said the Kent permits were 'useless' and 'pointless' as nobody could enforce them.[31]

[29] Kent Online, '7,000 lorries to queue in Kent' warns leaked Brexit report', September 2020

[30] The Guardian, 'Lorry drivers will face de facto Brexit border in Kent, confirms Gove', September 2020

[31] Ibid

Sanitary and Phytosanitary Measures (SPS)

No Deal means additional veterinary certifications will be needed for livestock under new SPS check, when we already do not have enough vets

SPS are rules on the trade of organic material, designed to stop contamination and the spread of pests and diseases.

The Withdrawal Agreement stated SPS measures should protect health and the environment while facilitating trade, and the Political Declaration considered cooperation with EU agencies such as the European Medicines Agency (EMA), the European Chemicals Agency (ECHA) and the European Aviation Safety Agency (EASA).

Proposals on SPS are similar in the UK and EU draft texts, which means an agreement can be reached. The problem remains as to whether the UK will have the functional capacity to certify whether its products meet EU requirements. Any future divergence from common standards is likely to be met with very close scrutiny by the EU, particularly if the EU changes its SPS requirements in the future.

To stop the spread of diseases, live animals, such as cows, products of animal origin, including meat, or germplasm, plant cuttings or seeds, must have special certification. Previously, as the UK was in the EU customs territory and had identical standards of health for these organic products, documentation was simple.

From the first day of No Deal, exporters will require an 'export health certificate' to bring any animal product to the EU. That means all eggs, dairy products, meat and fish must be checked.

It is estimated that up to 1.9million certificates will be needed to be issued to accompany food going to the EU. Certificates must be signed by an official vet or, in some cases, a certification support officer (CSO), although a qualified vet must have a final sign-off.

The DEFRA permanent secretary has estimated another 100 full-time vets and another 200 environmental health officers will be needed for this. The president of the British Veterinary Association has raised concerns about capacity, as Northern Ireland is already operating with a 10-12 per cent shortage of qualified vets.[32]

It is unclear yet if the UK has enough qualified vets or CSOs to make the checks needed to issue sufficient export health certificates. It seems increasingly likely there will be almost immediate backlogs of meat waiting to be exported from 1st January, disrupting the delicate agrifood supply chain, and costing businesses in spoilage and waste. In fact, the UK will not be able to trade in these products at all on 1st January, unless the UK is designated 'third country' status.[33]

Customs Measures

No Deal means more administrative hurdles for traders and delays in medical supplies

Customs measures control the flow of goods in and out of a country. The UK Government said an agreement should provide for streamlined customs arrangements covering all trade in goods, further stating there must be no hard border on the island of Ireland.

[32] BBC, 'More vets needed to certify animals in a no-deal Brexit', September 2019

[33] DAERA, 'Export health certificates - Brexit questions and answers'

While both the UK and the EU are committed to cooperation and transparency in customs procedures, there remain major differences in how these are to be set out. Traders can expect streamlined customs procedures, however there will inevitably be friction at the border compared with what we presently enjoy as part of the single market.

As it stands, UK customs should prepare for significant changes at the border, both in terms of capacity and capability, once the UK exits the EU customs union, as new systems, staff and infrastructure will be needed to control goods being imported from the EU by hauliers.

While hauliers previously did not require any customs checks as part of the EU customs union, benefitting from a seamless journey off a ferry and on to a motorway, this will change after December 31st. Lorries will have to wait while each separate pallet is checked, requiring extensive investment in parking facilities at UK ports and port towns[34].

This increased need for administrative and physical checks will put ports' customs checks under severe strain, risking creating delays and a backlog of lorries. The Road Haulage Association warned that, in the event of No Deal, it 'Expects that movements will rapidly grind to a halt as vehicles back up waiting to be processed by customs authorities'[35].

The impact of increased customs checks will significantly vary between ports, depending on the proportion of the trade that comes from or goes to the EU. Ports such as Dover, where more than 99 per cent of all trade is with the EU, are expected to see increases in customs declarations of more than a hundredfold[36].

Last month, Richard Burnett, Chief Executive of the Road Haulage Association, told the Commons Future Relationship with the European Union Committee that he feared there was a

[34] Oxera, 'Brexit: implications for the transport sector', June 2016

[35] Financial Times, 'How 'no deal' could bring Britain to a halt'

[36] UK Government, 'Port and domestic waterborne freight statistics: data tables (PORT)', August 2018

real lack of preparedness. Citing the lack of customs agents, the uncertainty over what will happen at new customs sites and the fact that development of a new border IT system has not been completed, Mr Burnett warned there was an 80 per cent chance of chaos in Kent once the transition period comes to an end[37].

In a recent reply to a parliamentary question[38] on pharmaceutical and medical supplies after the transition period, the Department for Health and Social Care recognised that seaports risk not being ready by January 1st, saying that suppliers have been asked to consider airfreight as an alternative.

In the event of No Deal and no arrangements between the UK-EU on customs measures, the UK's supply of lifesaving and time-sensitive supplies such as medical radioisotopes (used for nuclear cardiology and tumour detection) risks being jeopardized.

> *"The Department, in consultation with the devolved administrations and Crown Dependencies, is working with trade bodies, product suppliers, and the health and care system in England to make detailed plans to help ensure continued supply of medicines and medical products, including medical radioisotopes and over-the-counter medicines, to the whole of the United Kingdom at the end of the transition period in all scenarios.*
>
> *The Department understands that a flexible approach to preparedness may be required for medicines that cannot be stockpiled, such as some medical radioisotopes. We have asked suppliers of those products to use airfreight, which some suppliers are already doing now."*[39]
>
> ***Edward Argar MP, Minister of State for Health, Department of Health and Social Care***

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[37] Kent Online, '80% chance of 'chaos in Kent' after Brexit transition period, says haulage boss' ,September 2020

[38] PQ: To ask the Secretary of State for Health and Social Care, what steps he is taking to ensure access to medical radio-isotopes in the event that an agreement is not reached on a future relationship with the EU by the end of the transition period.

[39] Ibid,

Day 1: Brexit & Trade in Services

General provisions

No Deal means UK citizens will have to comply with many different, complex regulations and barriers to trade

The UK promised a level of openness in services trade above and beyond the baseline level under WTO allowances. The EU, however, will offer only what has previously been offered to other third-country markets in FTAs. This will result in significant barriers to UK services exports into the EU. Overall, both the WTO allowances and any existing EU FTA provision will give a lower level to service trade than what the UK presently enjoys.

The UK service sector accounts for 80 per cent of total economic output. Services account for around 46 per cent of UK exports, and the EU is the UK's largest export market for services, accounting for 41 per cent of all service exports.[40] There are two main ways services are traded: through people travelling abroad, and through cross-border services, online or through other channels. The specific elements making up the general provisions for trade in services are covered below, from mutual recognition of equivalent qualifications and temporary stay for business purposes to the impact on trade to equivalent laws on data-sharing and banking to allow the trade in digital or financial services.

In a No Deal scenario, the UK would have to follow the WTO's General Agreement on Trade in Services (GATS), as well as any additional rules and regulations set by individual EU member states on the treatment of 'third countries'. GATS offers a general baseline for more liberal trading policies, such as not restricting the number of foreign firms that may operate in a country and ensuring that foreign firms are not treated any less favourably than domestic ones. It is the domestic regulations of a nation which would erect barriers to trade in services, such as through immigration laws, their regulations on professional qualifications and their intellectual property laws.[41]

Without a comprehensive European deal, UK citizens will have to contend with many different, complex regulations and barriers to trade, depending on the EU country they are dealing with. This will significantly impact small and medium-sized enterprises, which are unlikely to be equipped for such challenges, and unable to devote the necessary resources to prepare for these changes.

[40] House of Commons Library, 'Trade in Services and Brexit', December 2019

[41] The UK in a Changing Europe, 'What would trading on WTO terms mean?', May 2020

Cross-border services

No Deal means businesses providing services to/in EU countries will be affected

The British Government promised that an agreement should include measures to minimise barriers to the cross-border supply of services on the basis of existing FTAs, such as CETA and EU-Japan, drawing on precedent from trade negotiations where the EU has made offers to other third-country partners.

In areas of key interest, such as professional and business services, there may be scope to go beyond these commitments. Nevertheless, there will be a number of new barriers to accessing the EU market from the UK in each sector, including due to limitations on discriminating in favour of local suppliers (national treatment).

Barriers come in many forms and include countries actively discriminating against foreign suppliers; arduous qualification requirements placed on temporary workers; non-transparent, complicated and discriminatory licensing regimes; a refusal to recognise foreign-derived qualifications as equivalent; and constraints on where a supplier can be physically located. While the WTO has gone some way towards lowering barriers to trade in services, it has been able to do so only to a limited extent. All parties to the WTO's GATS have general obligations and specific commitments. General obligations automatically bind all parties to the agreement while specific commitments vary by member[42].

The UK has limited scope to negotiate much access on cross-border services within its limits of standard FTAs and without a significant trade-off on the UK's part.

[42] Center for European Reform, 'Brexit and Services: How deep can the UK-EU relationship go?', December 2018

If you work in one EU country but live in another and return there daily, or at least once a week, you count as a cross-border commuter under EU law[43].

No Deal would affect cross-border commuters and UK businesses relying on sending 'natural persons' to provide services in EU countries (eg consultancy, hospitality, construction). For example, while most services are 'traded' through commercial presence (a service is provided by a UK service supplier established in another country), businesses which establish themselves abroad may also be reliant on cross-border supply, supplying UK services into another country, and through the movement of natural persons to another EU country. It is easier to establish a branch of a bank in another country if you are also able to parachute in staff to get it off the ground, and continue to carry out certain processes cross-border from the home office while the subsidiary is finding its feet[44].

This also represents a significant impact on British nationals working in another EU country, for an EU employer. It is at present unclear whether or not this category of workers will still be able to carry on working in the EU as cross-border workers/commuters once the transition period ends. This will depend on the agreement reached between the UK and the EU.

[43] Your Europe, 'Cross-border commuters'

[44] Center for European Reform, 'Brexit and Services: How deep can the UK-EU relationship go?', December 2018

Temporary entry and stay for business purposes

No Deal means administrative burdens for individuals travelling for work in the EU

The UK Government wishes for both parties to offer reciprocal commitments on the temporary entry and stay of individuals, in order to allow short-term business trips, and to supply services. In practice, however, UK businesses will have to obtain a visa appropriate to whatever EU country they want to visit and/or operate in, as well as which service they are providing. Even if special visas and work permits are given to skilled professionals, this will cause significant restriction and paperwork to trade in services.

Without a comprehensive trade deal, or an arrangement comparable to the CETA's chapter on regularising the 'temporary entry and stay of natural persons for business purposes', there will be significant administrative barriers to people who work abroad in Europe.[45] UK citizens will have 'third country' status and will be subject to individual member states' rules, as well as some general rules for the Schengen Area. At present, the Government advises that travelling for business purposes requires additional documentation, on top of what will be required of ordinary holiday-makers.

For example, if someone regularly travels to Denmark to do consulting work, under general EU rules, they will have to ensure they have certain documentation. They may have to show extra documentation, such an onward travelling ticket or evidence of travel or health insurance, as their European Health Insurance Card will no longer provide UK citizens with healthcare in the EU.[46] They must have at least six months validity on their passport. They will be allowed to stay only 90 days within any 180-day period, which may not be enough time to complete their

[45] Fragomen, 'Is CETA a model for EU-UK migration post-Brexit?'

[46] Brodies LLP, 'Business travel after Brexit: what do employers need to know?'

business. Under Denmark's domestic laws, they will also have to apply for a work permit through their company. If they are self-employed, it could be particularly difficult to locate the proper proof of their intention to work in Denmark.[47]

This will be a significant administrative burden to those travelling to the EU for business, and will stifle the export of UK service to the EU.

Financial Services

No Deal means Brits living abroad might see UK bank accounts close

The UK Government has stated its commitment to preserve financial stability and fair competition, while respecting both sides' regulatory autonomy. The agreement should include legally binding obligations on market access and fair competition, in line with recent CETA and EU-Japan EPA precedents.

Essentially, the UK wants equivalence, meaning a decision by one state to recognise another state's legal requirements for regulating a service, even though they may not be exactly the same. The UK will, however, have to push for an 'equivalence-plus' system to be agreed for financial services.

At present, there appears to be no sign of agreement to this from the EU side, meaning significant barriers will result to the trade of financial services.

[47] UK Government, 'Denmark: providing services and travelling for business from 1 January 2021', February 2019

If a deal with the EU is not reached, EU-wide banking rules will cease to apply to Britain, and UK banks will no longer be allowed to provide services to countries in the EU without the appropriate banking licences, and vice versa.

EU-wide banking rules initially allowed banks to trade freely (known as 'passporting') in any other state in the European Economic Area (EEA) without the need for more authorisation.

While some banks will still offer banking services to people residing in EU countries, others have stated they do not consider it worthwhile commercially, saying it would be too costly to operate in some countries without a EU licence.

This is the case for Barclays and Lloyds, which have both notified Britons living in the EU that, unless they can provide a UK address, they will see their account(s) close[48].

This will make the market harder to navigate as a customer. It will be less certain, and could lead to less choice, higher interest rates and lower saving rates due to less competition[49].

Digital Services

No Deal means UK businesses will need to produce more costly and complex bespoke contracts to handle data

The UK wants its agreement with the EU to support digital trade, going beyond the WTO's Joint Statement Initiative on E-Commerce. A major sticking point in the negotiations is the

[48] BBC, 'My bank is shutting my account because of Brexit' September 2020

[49] Ibid

cross-border transfer of electronic information, the 'onward flow' of data to countries such as the US and the use of data by UK intelligence agencies.[50]

While significant agreement could be reached on this chapter, it will hinge on a data adequacy arrangement being agreed to allow the free flow of data which supports numerous UK services exports.

This will have massive implications for business administration, logistics and apps which use data across borders. Data sharing is the basis of many industries: the Government estimated UK exports of data-enabled services to the EU were worth around £80billion in 2017.

At present, the UK is part of the pan-European General Data Protection Regulation regime (GDPR), which regulates data protection and privacy in the EU, as well as addressing the transmission of personal data outside of the EU. It provides some of the best data protection in the world. Under GDPR, UK operators can process data in other European countries just like they do at home.[51] The UK is set to leave the GDPR at the end of the transition period, while the Government's National Data Strategy threatens to make any data adequacy arrangement less and less likely.

From day one of No Deal, this will pose a problem for businesses which handle data. After a No Deal exit, UK operators will have to make bespoke contracts for the transmission of personal data to EU processors, known as Standard Contractual Clauses (SCCs). This will make providing digital services in EU countries more costly and complex for UK businesses. Failure to reach adequate equivalence on data laws will have a knock-on impact on all kinds of sectors, public and private, which rely on data-sharing. Law enforcement agencies, banking, health and insurance sectors will be unable to access the data they need.

[50] LSE blog, 'UK's post-Brexit data regime: between EU privacy law and surveillance law', July 2020
[51] Ibid

Transport

No Deal means a significant administrative burden for haulage operators operating in EU countries

Regarding transport, the UK Government wants similar access to Switzerland, and promised to secure reciprocal commitments allowing any number of commercial transport vehicles to provide services in each other's nations, cooperating on monitoring and enforcement.

However, the EU's position is that, once it has left, the UK should have lesser levels of access than it presently enjoys. Without concessions from the UK on regulatory alignment, there is a real risk that the EU will resort to numerical quotas for haulage operators, effectively treating the UK as a third country.

UK drivers exporting goods to the EU will need to apply for operator licences and permits, ensure the driver is eligible to drive abroad[52], check and conform to the rules regarding the specific goods being transported, as well as have the right export documents for those goods.

Moreover, exporting businesses will also be responsible for the documentation of their freight forwarder, including a Movement Reference Number. Drivers will need to ensure that they have the right vehicle documentation and the right insurance and documents to drive abroad, according to local road rules[53].

[52] HMG, 'The Border with the European Union: importing and exporting goods', October 2020
[53] UK Government, 'Transport goods out of the UK by road: step by step'

Recognition of Professional Qualifications

No Deal means UK professional qualifications will not be recognised in the EU

Similar to financial services, the UK wishes for 'comprehensive coverage', which would ensure that qualifications requirements do not become an unnecessary barrier to trade in services, and wishes to explore how authorities could recognise applicants who demonstrate that they meet the host states' standards.

The EU has no blanket system of recognising professional qualifications from third countries across all member states in a uniform way, as states tend to recognise qualifications individually.

While there is potential for agreement and the UK is open to a mutual recognition of UK-EU qualifications, underpinned by regulatory cooperation, the UK will need more than just a framework of discussions to guarantee comprehensive coverage. This will require trade-offs from the UK.

Initially, the Government said there would be no system of mutual recognition of professional qualifications between the EEA states, Switzerland and the UK, but there would be a new system which required UK regulators to recognise EEA and Swiss qualifications which are of an equivalent standard to UK qualifications.[54] However, this advice was withdrawn in October 2019.

Now the Government says individuals need to have their UK professional qualification officially recognised if they want to work in a profession that is regulated in the EEA or Switzerland. It will

[54] UK Government, 'Providing services including those of a qualified professional after Brexit', October 2018

need to be recognised by the appropriate regulator in each country where someone intends to work. Even if they are working occasionally or temporarily, they will need to do this.[55]

Under No Deal, an auditor who has worked in France for many years, but who took their exams in the UK, may no longer be qualified to practice from 1st January.[56] If they do not seek proper accreditation in France in time, they will no longer be able to sign audit reports, and may well lose their jobs.

The Government has stated recognition of UK audit qualifications in EEA countries 'may be' part of a future deal with Europe – but gives little time or guidance for professionals who need to know if they must be re-accredited before the end of this year. This will create a significant barrier to the trade in services between the UK and the EU and likely disrupt the livelihoods of many UK citizens.

Audiovisual

No Deal means a strain on talent, competitiveness, asset mobility and financing for the audiovisual industry

When it comes to audiovisual, the UK also wants frictionless trade in these services, by ensuring fair access and treatments. The EU, however, wants to exclude audiovisual services from the agreement, as it has done in other recent FTAs. It will therefore be down to the UK to consider trade-offs for audiovisual to be included.

[55] UK Government, 'Selling services to the EU, Switzerland, Norway, Iceland and Liechtenstein from 1 January 2021', June 2019

[56] UK Government, 'Auditing for UK auditors and audit firms operating in the EEA from 1 January 2021', May 2019

Creative industries are international and mobile by nature, and their success depends significantly on the ease of movement of people and assets[57]. A No Deal or a deal with significant restrictions (migration quotas, punitive visas or excessive salary qualification threshold) would put significant administrative burdens on industry, with small industries suffering the most[58]. This would also seriously affect the UK screen industry's competitiveness, as well as its ability to attract international productions, festivals and events which bring together professionals across borders[59].

Moreover, the 'Country of Origin' principle makes the UK an attractive market for foreign broadcasters. Without it, the UK risks losing its title of EU broadcasting hub, as foreign broadcasters decide to relocate to other EU countries to benefit from single market access. Leading broadcasters such as Sky have warned that, in the absence of single market membership or bilateral agreements, broadcasters will stop relying on Ofcom licences to broadcast cross borders, instead having to turn to uncertain and costly solutions[60].

Keeping the status of 'European works' for UK works is moreover crucial for the industry. If UK works were to become non-European, they would be heavily impacted by EU quotas, meaning tariffs on UK content, decreased exportation of UK works to the EU, as well as impact financing for UK film and TV production, particularly high-end series, given that EU secondary sales have been an important element in the export performance of UK works[61].

Finally, continuing participation in EU programmes such as Horizon 2020 is one of the Brexit red lines of the creative industry, which sees these programmes as essential for facilitating

[57] European Audiovisual Observatory, 'Brexit: the impact on the audiovisual sector', 2018

[58] Ibid

[59] Ibid

[60] Ibid

[61] Ibid

partnerships and providing investments which have helped the UK industry to prosper and innovate[62].

[62] Creative Industries Federation, 'Our red lines on Brexit'

Annex

Shop closures and local job losses (with don't knows included)

Q. Have you noticed shop closures or loss of jobs locally?

Constituency	Region	Yes	No	Don't know
Sedgefield	North East	71%	25%	4%
Workington	North West	67%	29%	4%
Bolsover	East Midlands	71%	25%	4%
Don Valley	Yorkshire and the Humber	71%	25%	4%
Stoke-on-Trent North	West Midlands	70%	25%	5%

Fieldwork dates: September 19th-September 23rd 2020, sample size: 8152.

Decline of the local economy (with don't knows included)

Q. Over the next 12 months do you expect the economy in your local area to get better or worse?

Region	Better	Worse	Don't know
UK Average	**13%**	68%	19%
North East	12%	69%	19%
North West	13%	70%	17%
Yorkshire and the Humber	12%	69%	19%
East Midlands	14%	66%	20%
West Midlands	14%	68%	18%
East of England	12%	69%	19%
London	18%	61 %	20%
South East	13%	68%	19%
South West	11%	66%	23%
Wales	11%	68%	21%
Scotland	11%	71%	18%
N.Ireland	11%	69%	20%

Fieldwork dates: September 19th-September 23rd 2020, sample size: 8152.

Constituency	Region	Better	Worse	Don't know
Sedgefield	North East	10%	71%	19%
Workington	North West	10%	70%	20%
Bolsover	East Midlands	11%	70%	19%
Don Valley	Yorkshire and the Humber	12%	69%	19%
Stoke-on-Trent North	West Midlands	12%	67%	21%

Fieldwork dates: September 19th-September 23rd 2020, sample size: 8152.