POLITICAL INSIGHT UK

‘BREXIT OPPORTUNITIES – A SHORT GUIDE FOR BUSINESS’

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INTRODUCTION

The Political Insight team specialises in Brexpertise,® the unique skill we have developed as a team of former MPs, MEPs and Brexit supporters with strong, longstanding government links.

Our aim is to help you take advantage of the significant opportunities Brexit will bring, and enable your organisation to thrive in a new political landscape, which will move away from EU regulations and directives, and towards new UK-centric policy-making.

This report by former Conservative MEP David Campbell Bannerman will be the first in a series from our experts exploring what the post-Brexit political and economic landscape could look like, and how we could all benefit.

BREXIT OPPORTUNITIES – A SHORT GUIDE FOR BUSINESS

When you hear of Brexit changes in the media, inevitably, perhaps, there is an emphasis on the negatives of Brexit: lorry delays, increased paperwork, and the loss of benefits such as pet passports, free movement, and the end of the expensive Erasmus student programme, even though it has now been replaced by the UK Global Turin programme.

The 'Re-join the EU' campaign has already started, and so this negative focus is ideal when it comes to perpetuating failed and tedious 'Project Fear' claims. But, strangely, Dover and the other ports are now flowing freely again and journalists have given up hanging around there in the hope of seeing major disruption.

Who, though, is pushing the positives? What real post-Brexit business opportunities should senior executives be getting their heads round now, to ensure their businesses come out the traps ahead of the competition?

The truth is, amidst a media diet of Brexit doom and gloom, there are many benefits offered by leaving the EU. Here are some of those just waiting to be utilised.

NEW FREE TRADE OPPORTUNITIES

The UK has gone into superdrive when it comes to signing new free trade agreements (FTAs) with nations worldwide. FTAs with 63 countries, covering trading relationships that were worth £885 billion in 2019, came into effect on 1st January 2021. [1]

Yes, it is true that quite a number of these deals have been rolled over from pre-existing EU trade deals, and adapted for a post-Brexit UK, but even these deals are going further than the EU's own. The UK, being less protectionist than the EU, is seen as a more favourable free trading partner for many countries, and this is reflected in the UK deals being struck.

I am confident the UK will prove itself able to do deals the EU has failed to do. For example, the EU has failed to deliver on 12 years of negotiations with India but the UK is now in prime position to do a deal. I was the Standing Rapporteur responsible for the EU-India FTA, meaning that had the EU deal reached completion, it would have been my report that went to parliament. I can see real benefit for the UK in a FTA with India, particularly in cutting massive taxes on 'luxury goods' – from Scotch whisky to Jaguar cars.

A US trade deal would be of great benefit to the UK, and at least five negotiation rounds have taken place. Although rumours that Joe Biden will be cooler on a USA-UK deal than Trump, being more 'Europhile,' his image would be done no harm by delivering a ready to go trade deal. Given the length of negotiating trade deals, it is quite common for political opponents to complete deals started by rivals. Again, I know this from my personal experience involved in the EU-Canada CETA deal, having met Prime Minister Trudeau in Strasbourg, in my role as spokesman on the deal for the ECR group in the European Parliament.

Then there are the opportunities to join trade blocks fast outpacing the EU, such as the Comprehensive and Progressive Trans-Pacific Partnership, which accounts for 14% of the global economy. Countries such as Japan and Australia are backing our membership.

CUTTING EU RED TAPE AND OVERREGULATION

At the time of the EU Referendum, the official Leave campaign, Vote Leave, assessed the combined total of the EU's body of law, the Acquis Communautaire, at 700,000 pages, equivalent to a Nelson's Column of paper. Now, it will be even more. One of the main reasons for dissatisfaction with the EU amongst businesses was the scale and unsuitability of this body of law.

The UK won a vital battle in the EU negotiations: not to be tied into EU laws. We no longer have to slavishly adopt new EU legislation, as, for example, Norway must, being bound by the European Economic Area (EEA) Agreement. Neither are we under any obligation to retain existing laws through any 'non regression' clauses.

The time is now ripe for the UK government, ideally in collaboration with business, to assess what EU laws – all of which were incorporated into UK law by the European Union (Withdrawal Agreement) Act 2020 should be improved, retained or swept away. This is one crucial

reason why businesses would be advised to partner with an organisation such as Political Insight if they wish to have any say in the matter, as we have the expertise to help you plot a course through the process of political decision making and policy development, post-Brexit. The Chancellor Rishi Sunak has just announced he will chair a Better Regulation Committee to cut red tape.

The first indication of new Brexit freedoms is the banning of live animal exports for slaughter and fattening, a process that can be extremely distressing to animals if transported over long distances, but nevertheless a practice EU Single Market legislation protects.

In bigger terms, there is now a push to review the Working Time Directive. When this was introduced in 2009, the cost of employing locums almost doubled for the NHS, pushing the total bill to over three-quarters of

1 https://www.express.co.uk/news/politics/1378554/brexit-global-britain-trade-deals

a million pounds. [2] The annual bill had risen to £3 billion by 2015, at which point the government placed a cap on the hourly rate that trusts could pay. [3] Why did spend increase so quickly? Because in addition to cutting regular working hours, the Directive was, for example, responsible for such practices as counting the time surgeons spent sleeping overnight in a hospital, to ensure an early start as working, as part of their working day. Historically, the UK rejected the Working Time Directive under Social Chapter legislation when John Major was Prime Minister, but it was nevertheless forced through by the EU under Health and Safety laws which could not be vetoed.

Then there is the Agency Workers Directive which impacted eight out of ten agency jobs across UK. This sought to make the self-employed employees, thereby increasing costs for businesses after 12 weeks of work. Given that Britain's more flexible economy puts a greater value on self-employment, and many contractors prefer to be self-employed, this too can be reviewed or removed.

The EU's REACH Chemicals Directive also seeks to place onerous and costly demands on small business in particular, and could be be reworked to suit British needs and sensibilities. Chemicals are an important business to the UK, and one we have considerable expertise in.

A real win for smaller businesses is the opportunity Brexit offers to access a greater share of the UK Government's public procurement schemes. Current EU rules suit larger companies both in the UK and the EU, while making it harder for British SMEs to compete for a share of this £292 billion market. Central Government procurement contracts are worth some £12.4 billion a year and Prime Minister Boris Johnson is on the record as saying in July 2019, when campaigning to lead the Conservative Party, that he would 'roll back the influence of the state' by changing public procurement rules in order to favour UK companies when bidding for billions of pounds worth of Government work and turbo-charge the advantages of the UK economy. [4] Johnson also intends to change contract-awarding criteria to include investment in apprenticeships, environmental standards and past performance on value for money. This will be an obvious benefit to UK-based SMEs and the 5.8 million people they employ, and perhaps the country generally: the coronavirus pandemic has highlighted the need for more dependable domestic supply chains.

Another benefit could be the abolition in the UK of the EU Landfill Directive, legislation, which has resulted in fortnightly collections for households, and fines levied on local councils. The additional cost to local government was estimated to increase by £1 billion, even ten years ago, according to research by the Local Government Association. [5]

This was a lowest common denominator example: the UK has more old quarries to fill, whilst the Netherlands has very few given its low-lying geography, so that an environmentally responsible review is possible; whilst still encouraging widespread recycling.

These are just a few examples of savings and reform that can be made from those 700,000+ pages of EU laws, with the potential to save billions in costs, and the creation of many new business opportunities.

RE-ALLOCATION OF EU MEMBERSHIP FEES

Whilst the extent of our former EU contribution has been a controversial area, it was true that the gross contribution to the EU was around £19 billion a year (£350 million a week under EU control), with £11 billion a year being the net contribution after deductions for returned monies such as research grants and farming subsidies. Contributions are not as simple as Treasury cash transfers; for example, a contribution of around £2 billion to EU international aid was not accounted for.

If that seems modest, think of the period of our membership at 47 years, which equates to £517 billion, the near equivalent to clearing our Covid support package of £280 billion twice over (whilst saving £40 billion plus in additional contributions to the EU Covid scheme - had we stayed in the EU).

Personally, I would like to see a proportion of this – say 15% or £1.65 billion a year, over 15 years - spent on reopening local railway lines and improving local roads. The money has, until now, been going to building transport infrastructure in other EU nations to date. So why not hypothecate for our trains, our roads, other transport instead, to help restart the British economy?

2 https://www.bmj.com/content/341/bmj.c6450
3 https://www.bmj.com/content/364/bmj.l297
4 https://www.telegraph.co.uk/politics/2019/07/06/boris-johnson-pledges-roll-back-influence-state-scrap-eu-rules/
5 https://www.theguardian.com/environment/2009/oct/13/rubbish-landfill-taxes

CUTTING THE COST OF LIVING

An immediate benefit of leaving the EU's Customs Union is a significant drop in the UK cost of living. Opponents have tried to obscure such benefits in the haze of extra paperwork, border controls and EU supply hold ups, yet the reality is that the UK is now deploying its own system of tariffs and quotas which are simpler and far less onerous that those in the EU.

Think of the Customs Union as a castle with high tariff walls designed to keep imports away or to reduce the amount let in by raising the barrier. This is why food prices actually went up 20% when the UK joined the EEC in 1973. Now, the British equivalent, the UK Global Tariff schedule (UKGT), involves lower walls, more open gates and fewer barriers. The result will be good news for consumers and producers alike. Admittedly, the UKGT is not easy reading but it cuts import taxes: only 47% were tariff free when we remained in the EU, a figure that has now risen to 60%, and which should rise to 80% with further trade deals. LED lamps, for example, go from 3.7% to zero; copper alloy tubes from 5.2% to zero; cocoa powder for cooking 8% to zero. The former head of the British Chamber of Commerce, John Longworth, estimates that food costs could eventually be 40% cheaper.[6]

RESTORING TAX FREEDOMS

We did not have full tax sovereignty while we were in the EU. One small, but highly symbolic illustration of this is the so-called 'tampon tax,' where a 5% VAT rate could not be abolished while we were in the EU, but was removed immediately on Brexit. VAT is the second largest UK tax, and it is mandatory for all EU members. It formed much of the payment of our membership fee, alongside customs duties, which are now also returning to HM Exchequer.

In theory, VAT could now be abolished and replaced with a number of other more local taxes, perhaps even a return to the UK Retail Sales Tax (Purchase Tax) that VAT replaced. Alternatively we could usher in a new US-style layering of sales taxes, with some going to national assemblies, or some to city mayors or counties, to reflect devolution reality. The possibilities are endless.

Before we left, the EU was also moving in on Corporation Tax receipts through the creation of a Common Consolidated Tax Base, where richer members subsidised poorer members. The intention is also to label low Corporation Tax as a form of 'state aid,' with Ireland and Belgium in the frame. The Commission has fought several court cases on this in the European Court of Justice, albeit unsuccessfully, so far.

ESTABLISHING REAL FREEPORTS

It is claimed, incorrectly, that the EU has 'freeports,' that is, a specifically designated area inside the boundary of a country, but considered a separate entity for the purpose of customs, so tariffs on imports are either substantially cut or waived in the hope of stimulating economic growth and trade. In fact, the EU versions must follow EU Single Market rules and tax policies, and the European Parliament called for them to be scrapped across the EU in April 2019. With many ports and harbours around our islands, Britain is in pole position to introduce a number of true freeports, with low or zero taxes, and light regulation, to compete effectively with lower cost areas around the world, and bring local jobs and training to areas needing major economic development. Manufacturing businesses in particular will benefit by being able to make cheaper components. Helpfully, the current Chancellor Rishi Sunak, is extremely supportive of freeports.

The UK can also now run its own shaped, appropriate regional aid schemes, free of the prescription of EU programmes which were heavily weighted towards benefiting poorer areas of the EU, and frequently ruled unavailable to UK regions, a frustration I experienced frequently as an MEP. The UK Shared Prosperity Fund, which is to replace EU structural funding, offers huge potential for British businesses.[7]

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6 https://www.theguardian.com/commentisfree/2017/jan/23/complaining-brexit-economic-benefits-government-cost-of-living-multinationals
7 It is worth mentioning here that Britain was denied the successful Enterprise Zones of the Thatcher era by EU rules.

TRADE IN SERVICES BENEFITS

Again, negative briefing has intervened on the UK-EU trade deal being a 'thin deal' because it doesn't include services. The reality is that services do not have tariffs and therefore tend to be secondary in FTAs, despite the UK and EU economies being around 70-80% services-based. There is not much on services in the EU-Canada CETA deal either, despite Toronto being the 10th largest financial centre in the world, well ahead of Frankfurt and Paris.

The real benefit of service treatment is leaving EU interference and intervention behind, rather than specifically reducing non-tariff barriers, which can come later.

For example, with follow up agreements in data and financial services and equivalence between the UK and EU expected, there will be substantial scope for regulatory divergence across wide areas of technological and financial regulation. For example, the unpopular Alternative Investment Fund Managers (AIFM) Directive, which hit the City of London and hedge fund managers hard, can be revisited and even removed. The EU's Solvency II legislation, that codifies and harmonises the EU insurance regulation, and which requires excessive insurance capital holding, can be eased. The City will also escape the potentially devastating threat of the EU's proposed Financial Transaction Tax.

REBUILDING BRITAIN'S FISHING INDUSTRY

British fishermen have not got all they desired from the UK-EU deal immediately. The system of catch allocations is complex, and we will not have full sovereignty over British waters for at least another five years. However, fishermen are still getting a substantial increase in quota, as the share of British waters fished by British boats is to rise from 75% from 50% over 5 years. After that, a trade off can be enacted between achieving more quota and losing preferential access to the EU market for UK caught fish.

Importantly, the industry has a chance now to rebuild, from Scotland to Cornwall, after the devastation experienced as a consequence of the EU's Common Fishing Policy. The government has also pledged a £100 million fund able to help the industry with new boats, facilities and skills. [8]

8 https://www.msn.com/en-gb/money/other/fishing-industry-reacts-to-100m-funding-pledge-in-brexit-deal-it-s-not-really-significant/ar-BB1ck0kc

RESTORING BRITISH FARMING

Similarly, the EU's Common Agricultural Policy (CAP) did few favours to Britain's farming industry. The CAP heavily subsidised French and Polish farmers in particular, to the UK's cost. Leaving the EU with a deal avoiding heavy agricultural tariffs has brought extraordinary harmony in a future that will promote a fairer, more suitable and more innovative vision between farmer representatives, the food industry and environmental groups, which bodes well.

Calls to continue the Erasmus Student programme may have proved popular among those young people inclined to favour remaining in the EU, but the new £100 million UK Global Turin Scheme that will replace this scheme will open up truly international opportunities, enabling around 35,000 students in universities, colleges and schools to go on placements and exchanges overseas, starting in September 2021. [9]

RETAINING THE BEST OF THE EU

The UK has left the EU but not Europe, nor the 47-nation Council of Europe. In addition, as many non-EU European and some non-European nations do, Britain can choose to continue to remain in favoured EU programmes, by paying a membership fee for each. Significantly, the Northern Ireland Peace Programme continues, supporting reconciliation in Northern Ireland; and Britain stays in the Horizon research and innovation programme - one area the UK did do well out of while an EU member, as it provided funding for scientists, researchers and businesses.

9 https://www.msn.com/en-gb/money/other/fishing-industry-reacts-to-100m-funding-pledge-in-brexit-deal-it-s-not-really-significant/ar-BB1ck0kc

CONCLUSION

Many of the benefits of Brexit have been deliberately and unhelpfully rubbished or obscured, for political reasons. But now, with five years since the Referendum, it is time to move on together, united as one, and together to seize the very real opportunities Brexit now presents our country and its businesses.

DEVELOPING BREXPERTISE ®

Political Insight's experience as Brexit campaigners and well-informed Leave voting MPs and MEPs gives us our unique Brexpertise ®, meaning we are ideally positioned to help you take advantage of the significant opportunities Brexit offers.

As David Campbell Bannerman has outlined above, with Brexit comes enormous potential for innovation, fresh thinking, and tariff-free access to new international trade markets. Leaving the EU also heralds an unprecedented opportunity to influence public policy, as EU legislation is repealed and new UK legislation introduced. We will guide you step-by-step in the move from Brussels' based policy development towards a brave new world of parliamentary sovereignty and global expansion.

There has never been a better time to harness our expertise, apply your influence, and benefit your business.

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