The Edge of the Cliff? Some Brexit Problems

1. Civil Aviation:
   "The Government's Brexit 'Great Repeal Bill' has already been renamed the 'EU Withdrawal Bill'. But in the light of the blithe assurance from David Davis that the ever more intractable problems piling up around his negotiations will all somehow be miraculously resolved at the 59th minute of the 11th hour', it should really be retitled the 'It'll Be All Right on the Night Bill'.
   "One issue coming lately to the fore, since I first reported it months ago, is whether, from March 29 2019 when we leave the EU, our airlines and airports will be legally permitted to operate at all. Every detail of this is currently authorised only by a thicket of 200 legal instruments, all of which will have to be replaced. And the problem here is that, by choosing to leave not just the EU but also the wider European Economic Area (EEA), we become to the EU a 'third country'.
   "As Ryanair explained to a Lords committee back in March, 'the traffic rights underpinning the bulk of air traffic to and from the UK will no longer exist'. To fly anywhere outside the UK, we will have to negotiate more than 100 complex bilateral agreements with other countries. Our airlines must also apply to the EU to become a 'third country operator'. But they can only do this once we have left the EU; and by a devilish Catch-22 in the rules, it then takes 30 days before they can fly again.
   "All of this will be hard enough to negotiate if we do get a deal. With Theresa May's 'no deal', forget it. But when the Commons Transport committee recently interviewed luminaries from the airline industry, none of it got mentioned.
   "Like David Davis, the chief executives of British Airways and Heathrow merely assured MPs in effect that somehow everything will be 'all right on the night'. No one present seemed to have the faintest idea of just what a disaster we could be heading for. But, yet again, if only we had chosen to stay in the EEA, none of these problems would arise."

   Christopher Booker, *Sunday Telegraph*, 5th November 2017
2. Agriculture
   a) Some products may lose their EU export markets;
   b) Some products may face increased competition from imports under trade agreements with other countries;
   c) Large-scale subsidies from the EU will have to be redesigned and then replaced by subsidies from the British government;
   d) EU migrant workers are absolutely necessary to this sector.

   "The UK food and drink industry is a global force representing the UK's fourth largest exporting sector, with exports of agricultural commodities alone valued at £6.25 billion a year. The UK's trading relationship with the rest of the world underpins the productivity and profitability of its farm businesses, as well as exposing them to the peaks and troughs of global market dynamics. …..
   "….. EU membership has also defined how the UK industry has invested and structurally evolved over the past 40 years. Globalisation, combined with seismic shocks such as BSE and Foot and Mouth Disease, mean processing capacity is

lower than needed to cope with all production within the UK in some sectors. Future trade agreements could impact the viability of some agricultural products as a result, if raw materials are subject to tariffs when exported for processing. In the short to medium term, while there is still little clarity around the detailed terms of Brexit, global investors may also struggle over capital investment decisions into UK interests."

Agriculture and Horticulture Development Board, "What might Brexit mean for Trade in Agricultural Products?", *Horizon*, 12th October 2016

"Dr Alan Greer, Associate Professor in Politics and Public Policy at UWE Bristol, outlined UK farmers' reliance upon CAP payments:
"It has been estimated that EU subsidies make up between 50 and 60 per cent of farm income in the UK as a whole. However it is estimated that 87 per cent of total farming income in Northern Ireland, 80 per cent in Wales, and three quarters of total income from farming in Scotland is contributed by CAP payments."

House of Lords, European Union Committee, 20th Report of Session 2016-17, "Brexit: Agriculture", p 58.

"The exact proportion of EU labour is unknown, but it is clear that EU migrants make up a substantial proportion of the workforce across all agricultural sectors in the UK. Dr Viviane Gravey, Dr Brian Jack and Dr Lee McGowan from Queen's University Belfast told us: "Of the 80,000-seasonal workforce in horticulture alone, 98% are migrants from elsewhere in the EU." According to Dairy UK, "On average non UK born [labour] accounts for around 11% of the processing workforce" in the UK dairy industry, while the British Egg Industry Council told us that approximately 40% of staff on egg farms and approximately 50% of staff in egg packing centres were EU migrants. We heard from the National Pig Association that "one in five farms and businesses connected to the pig industry would struggle to survive without migrant labour", and from the British Poultry Council that "Of the 35,900 direct employees [in the British poultry meat industry] around 60% (21,540) are migrant workers". According to the BMPA "around 63%" of the workforce of the British red and white meat processing industry are "from the EU27 countries (mainly, but not exclusively, central and eastern Europe)".

Ibid, p 68

"Farmers leave fruit to rot amid shortage of EU pickers." *Financial Times*, 4/11/17, p 3.

3. Some trade issues
   a) What happens to existing trade deals? "Britain currently does 49 per cent of its trade with the EU. But a further 12 per cent of UK trade is conducted with some 65 non-EU states, most notably South Korea and Switzerland, with which Brussels has signed FTAs. … the UK has profited hugely from the EU's FTAs. As Sir Simon Fraser, the former head of the Foreign Office, pointed out earlier

this year: the EU FTA with South Korea 'eliminated 97 per cent of tariffs and broke new ground in coverage of services. In its first five years, EU exports to Korea rose by 55 per cent and the UK benefited more than most EU countries'." James Blitz, *Financial Times*, 2nd November 2017. How could the UK secure better terms from Japan or Canada than the EU has secured? What happens to Britain's trade with these countries during the two-year "transitional" period sought by Britain? Are all 65 countries required to accept it?

b) Most favoured nation rules: "If it fails to sign a trade agreement with the EU, the UK will be obliged to levy the same, so-called most-favoured-nation (MFN), tariffs on imports from the EU as from other partners. Current policy is that the UK will adopt current EU MFN tariffs after Brexit, which implies that after the transition or implementation period, tariffs on clothing, footwear, beverages and tobacco will rise by 10 per cent or more, those on dairy products will rise by 45 per cent and those on meat products by 37 per cent."

Resolution Foundation, "Changing Lanes: the impact of different post-Brexit trading policies on the cost of living", October 2017, p 6.

c) Potential partners of "Global Britain misbehaving. US wants the Saudi IPO for New York, not London; US slaps tariffs on aircraft produced in Northern Ireland. Australia and New Zealand want Britain to take over the entirety of their agricultural quotas with the EU; the US, our most important partner after the EU does not accept an EU-UK proposal on quotas, in spite of President Trump's declared support for a "fantastic" trade deal: "In a fast-developing second trade spat, Washington has teamed up with Brazil, Argentina, Canada, New Zealand, Uruguay and Thailand to reject Britain's proposed import arrangements for crucial agricultural goods such as meat, sugar and grains after Brexit."

www.politico.eu/article/us-rounds-on-britain-over-food-quotas-as-post-brexit-trade-woes-deepen/

4. Pharmaceuticals (as one example).
"The pharmaceutical industry is at risk from Brexit. Border delays, R&D disruption and regulatory divergence pose hazards to this important industry."
writes Jianwei Xu, *Financial Times*

5. US-UK: Conditions for a deal.
The US Commerce secretary, Wilbur Ross, has welcomed the possibility of a trade deal with the UK but spelt out some conditions which could be difficult for the UK to meet

"Washington has told Britain to avoid signing up to 'hindrances' to trade in its Brexit negotiations, putting London on notice that a deal with the US will require lower tariffs and compromise on long-held EU practices in areas such as food regulation. Wilbur Ross, US commerce secretary, said it was important that a final Brexit deal between the UK and the EU 'takes into account our [Washington's] commercial interests and does not hinder the development of a closer US-UK relationship'. …. Mr Ross set out the US's ambitions for a 'historic trade deal' that would establish the UK as its 'number one trading partner worldwide'. He said that, although the UK was prohibited from formal negotiations with the US until it had left the EU, the two countries were holding "preliminary scoping discussions" that "put us in a good position for eventual trade talks". But he warned London to avoid "unnecessary" divergences in regulation with the US as negotiations with the EU proceed.

“’Key hindrances’ to transatlantic trade cited by Mr Ross included the US’s limited or non-existent access to the EU’s standard-setting process; a lack of transparency and a lack of ability to participate in the EU’s regulatory process; potential barriers to trade and investment ‘in the digital space’ and, finally, the ‘limited role of science in assessing risk especially in sanitary and phytosanitary matters’. …. This last referred to the EU’s longstanding resistance to imports of some US agricultural goods, such as chlorinated chicken and genetically modified foods. Mr Ross added that the US and UK were likely to reach deals before Brexit in some sectors, such as aviation. In a briefing with British media, he noted that loss of “passporting”, which allows the UK to sell financial services throughout the EU, could also ‘become a real barrier in services’.

Financial Times, 6/11/17

The arithmetic suggests that the US will determine Britain’s economic future; Some 60% of UK trade is either with the EU or with countries already with an FTA with the EU. Trade with the US accounts for 20%, that is half the remainder. Note that many working-class people in Britain are culturally much closer to the US than to continental Europe.

6. The Irish Question
   EU negotiators argue that it is the UK’s responsibility to avoid a hard border between the six nd the twenty-six counties. No sign of a resolution yet. The Irish are concerned that their access to UK markets (including to Northern Ireland) will be impaired. Note that it was access to non-eurozone markets which permitted Ireland’s rapid growth after the crisis.
   Simon Coveney, Irish foreign minister: “an outcome ‘that is good for the British economy and the Irish economy … requires a sensible and pragmatic approach towards a transitional arrangement. For me that’s closer to four or five years rather than two.’”

   FT, 9/11/17

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