

# Johnson's legacy – soundbites or reality bites

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Beverley Nielsen is hosting our 'Manufacturing – The Impact on the Region' panel at this year's online Centre for Brexit Studies Annual Conference 'Global Birmingham – Beyond Brexit', taking place on Wednesday 23 September 2020. She will be joined by Professor David Bailey, Ian Henry, Raquel Ortega-Argilés, Jack Dromey MP and Tom Leeson. Find out more and register for FREE tickets [here](#).

Who can know whether Boris Johnson will feel proud of what may come to be known as his single biggest achievement – the unwinding of the UK's part in the EU Single Market.

Given that building it was one of the biggest achievement of his predecessor, Margaret Thatcher, who can know what that Iron lady would make of it. There can, however, be no doubt this U-turn would have had many lesser mortals turning in their graves.

When it comes to building the Single Market I too have played my own part. In the early '80s whilst working for the CBI in London and Brussels, I was researching the impact of Non-Tariff Barriers (NTBs), on British business and how issues such as product conformity, technical standards, regulations and labelling were imposing additional costs and impacting competitiveness.

I was amongst those helping to link business into the vast network of trading opportunities and policy development in Europe through the network of European employer organisations.

The European Single market has since become the largest and most developed single market on earth covering **500 million** consumers and 21 million small and medium-sized enterprises (SMEs). As the destination for almost half our exports it can be viewed as an enlarged domestic market providing the platform for developing economies of

scale, just-in-time supply chains and production efficiencies enabling investment into the costlier non-EU markets with higher trade barriers.

The EU Commission has set out its stall stating the main goal of this Single Market has been to ensure the free movement of goods and services, setting high safety standards for consumers along with environmental protections.... the same standards that our government has so far refused to enshrine into law post-Brexit.

In the 1980s NTBs were judged to be critical impediments, holding back business growth and productivity and requiring the removal of customs borders, the development of shared standards and facilitating frictionless supply chains to deliver better consumer standards and lower prices.

This led to the UK becoming the favoured European destination for Foreign Direct Investment which having grown over thirty years has declined since 2017 [falling between 2018-19 from 2072 to 1782 projects and by -24% and -54% for new and safeguarded jobs respectively](#), impacts felt before coronavirus hit.

In '*taking back control*' this government will have built at least one 'boom industry' as the FT wryly observed in *No-deal Brexit for a bruised economy?* (10/09/2020). The article suggests 50,000 people will be needed as customs agents, making up a 'new army of form-fillers' required to protect our hard won sovereignty. Lorry parks and inspection points, customs checks and trade barriers will be the order of the day for businesses delivering our balance of trade, the same businesses who say they're simply not ready for further changes, whether a 'skinny' or no-deal Brexit, following the body blow dealt by Covid-19.

In contemplating this, the West Midlands Regional Board of [Make UK](#), the Manufacturers organisation, has been focussing on getting businesses back on their feet as they grapple with continuing Brexit uncertainties. Manufacturers are, they say, fully stretched and lacking the bandwidth needed to spin many 'unprecedented plates' at once.

It may look as though these challenges impact only a small percentage of UK small and medium-sized firms (SMEs). Those who export number just 32,000 out of 5.86m SMEs, less than 10% of the

total. However a much higher proportion of large businesses export, 3,500 firms out [of 8000. These, in turn, employ more than](#) 40% of the UK's private sector employees being responsible for the livelihoods of 11m citizens.

When asked at the last meeting of the Make UK's Midlands and East Regional Board how prepared they were for imminent changes to trading arrangements following the end of the transition period, the majority of firms, or 80%, stated they were only 'somewhat prepared' with just 10% feeling 'prepared'.

When asked if they would need support due to ongoing Brexit impacts, 55% were looking for support with customs formalities and checks and controls on goods; 30% with proposed migration, business travel arrangements and importer/exporter obligations. A further 25% wanted support with VAT and excise duties, export certificates and authorisations, goods labelling, company and civil law. A smaller number, just 5%, wanted more help with data, digital and intellectual property rights.

35% of Make UK's Midlands and East members move goods between Great Britain and Northern Ireland emphasising the importance of the smooth operation of this border between our two UK nations. Whilst business thought these matters had been settled under the [Northern Ireland Protocol, the recent publication of the UK's Internal Market Bill](#) demonstrated that even agreed agreements could no longer be counted on, piling further uncertainty into the mix.

The number of businesses exporting to at least one overseas market, at 45%, broadly mirrors the UK national average. With 20% of their member firms exporting to Japan that Free Trade Agreement (FTA) has remained a further challenge with the Japanese government refusing to grant better terms than those currently enjoyed by the UK flowing from current EU member arrangements.

I was lucky enough to catch up with Richard Rumbelow, Director of International Affairs & Export Services at Make UK, talking through the Brexit impacts on manufacturers on 10<sup>th</sup> September 2020.

Richard emphasised that member firms had been 'wholly preoccupied' with Covid-19 over the past six months which had 'still

not disappeared' bringing first half declines to the forefront for many of them. With the current round of trade negotiations ongoing and government clear that the transition would not be extended, companies were adding Brexit to their already extensive 'to do' lists. He explained:

“Over the past 3-4 years we have alerted members to the issues we've known about. Manufacturers have looked at what they can plan for, but there's been a lot they haven't been able to plan for. A lot of them have had to remain focussed on managing their businesses, seeing Brexit as something to worry about nearer the end game.”

Companies were gravely concerned about the current rhetoric from government and the increased risk of a no-deal Brexit along with continuing Covid constraints. Another reason for being on 'high alert' was the realisation that the UK was leaving the Single Market and the Customs Union as manifested in the [Border Operating Model](#) document.

“Those who've studied this document realise that whatever EU deal we get there'll be significant border changes and increased administration at borders. This one announcement alone has shaken businesses to the core as they know they have to get to grips with it.”

In terms of trading goods (as opposed to services) the implications were far reaching. Firms appreciated the need for documentation around tariff payments and the potential non-tariff barriers involved through additional paperwork concerning transit of goods and exports of controlled goods including Sanitary and Phytosanitary (SPS) certification requirements.

However, as Richard Rumbelow outlined, additional non-tariff barriers also existed when companies started working through issues relating to product conformity. “We're having to remind members that the CE mark won't apply in UK anymore and that they'll need other labelling which remains a big worry.

“Rules of Origin can be quite tricky too as people don't know how to define 'country of origin'. Even for larger firms it's hard to define this beyond tier 2 suppliers. Getting into the depths of any supply chain to the real sources for sub-components and raw materials is hard. It's

really tricky to get into the detail because the firms they transact with do not always have records of where they purchased their goods from.”

Make UK stress that the trade in services is equally important for manufacturers...Not just insurance and finance, but the various elements easing and facilitating trade in goods. Once out of the transition period EU mutual recognition of qualifications would cease to be applied, at least until the UK has a framework covering the Mutual Recognition Principle for Professional Qualifications (MRPQ), with Richard Rumbelow explain how this would add further uncertainty:

“Until then we won’t be able to send a qualified service engineer to a plant in the EU to service it as the EU qualifications are no longer mutually recognised. Getting this framework in place will take years to complete. Over the years the EU has recognised our qualifications enabling the transfer of people between countries.”

With digital connectivity continuing to transform the way we operate, the ability to freely exchange data with other companies across the EU remained critical as Richard noted.

“If we do not have automatic provision for data exchange between the UK and EU then the UK will have to apply to be considered as a safe location for data. In the interim we would have to run a separate GDPR process involving requirements for UK holders of EU data to notify all their data subjects of these changes and requiring approval for data records covering personal, financial and corporate records.”

Rights of establishment were a further area involving businesses with a significant existing presence in EU. “In future these firms may have to set up a trade office in the EU. This might involve looking at their accounting and auditing regimes and UK nationals wouldn’t be able to hold a senior management role in an EU entity.”

The implications of Brexit on manufacturing are far-reaching. However for Make UK the focus on the current trade talks round were very clear with Richard Rumbelow concluding:

“Our focus has always been that a deal has got to be done. The last PM and current PM promised that a deal would be done. Our priority is for them to achieve this promised deal. No Deal is not an option. We want a deal which is not disruptive to trade. If we are going to have inconvenience at borders it must be kept to a minimum. Even a skinny deal does not provide that detail. We need a full FTA providing the context for these arrangements.

“In addition, there has to be a way of ensuring that with any changes taking place our businesses are given adequate time to prepare. Even with a no-deal Brexit. We need managed divergence allowing us to implement these changes progressively. Government needs to support and protect jobs across the economy as a whole, not just because of Covid but recognising that even a lightweight deal will have impacts on jobs across UK.”

As some ponder whether the ‘oven-ready deal’ with the EU was a half-baked idea dreamt up by an overactive soundbite machine, manufacturers and exporters are having to get a grip as reality bites.

***The Centre for Brexit Studies Annual Conference ‘Global Birmingham – Beyond Brexit’ is bringing together industry experts and big names from across the West Midlands and wider UK. Keynote speakers include Sir Vince Cable, Former Leader of the Liberal Democrats, Anand Menon, Professor of European Politics and Foreign Affairs at King’s College London and Director of UK in a Changing Europe and Fiona Allan, Artistic Director and Chief Executive of Birmingham Hippodrome. Other panel discussions alongside our Manufacturing debate, include Commonwealth Games, HS2 and Future of the West Midlands. [Find out more and register for FREE tickets here!](#)***