With the Economy Under Pressure, Can We Afford Brexit-Related Obstacles at UK Ports

By Vicky Pryce

This past weekend has seen one of the most chaotic periods for lorries trying to leave the UK for continental Europe- compounded by the misery for passengers trying to get away for the Easter break. There have been special factors of course. Disruptions to P&O services following their controversial decision to fire some 800 workers and replace them with cheaper agency workers from abroad has not helped. Services are meant to resume soon but regulatory approval is still being awaited. But the problem has been compounded by a Brexit systems failure, something that now feels almost inevitable as we transition from an era of virtually no checks at the border to one with a multitude of checks, even if the Trade and Cooperation Agreement between the UK and the EU managed to negotiate a tariff- free goods regime.

The issue is a malfunction- actually it seems an outage- of the IT system supporting the goods vehicle movement service (GVMS), a new trade portal run by HMRC[i]. It is meant to make the movement of goods easier by providing traders and lorries with a barcode that proves that a customs declaration has been made and thus speed up the movement of lorries in and out of the country. But of course, that type of system, or any requirement for such proof, was just not needed pre-Brexit. One presumes that it cost HMRC a considerable amount of money to develop it. And the costs to the economy are even greater. There were already fears that bureaucracy of this sort, including the time cost of actual physical checks that may need to be made at the border- or at an outpost near it, would be adding something like £20b a year to the costs of industry. It will be interesting to get an estimate soon of the costs of the disruption for just last weekend.

Yes, the glitch in the system might indeed be sorted out soon. But in the meantime, goods will perish, passengers will miss their pre- booked crossings, tempers will fray, lots of money will be lost. And why should anyone bother to either sell to or do any business with Europe under these circumstances. We have in fact already seen a reluctance by European firms to sell and transport merchandise or parts to the UK if the way back is so messed up. Higher costs all round, less trade, more supply chain problems, higher final prices, British industry and consumers the losers. And this on top of a cost of living and input crisis which if anything the authorities should be urgently trying to alleviate. Add to this people in Kent unable to move around, due to the M20 motorway by all accounts blocked with parked lorries preventing workers and businesses from being able to supply goods and services and earn a living[ii].

What a state of affairs. And this at a time where the war in the Ukraine has added to pressures for all. The omens for the economy are not good. GDP in February, before the Russian invasion started in earnest, grew by only 0.1%. The British Chambers of Commerce warns of a possible drop in GDP in the second quarter of this year[iii]. The Office for Budget Responsibility (OBR) has already slashed its own forecasts for 2022 from 6% to 3.8% and many other forecasters are following suit- some are even more pessimistic.

Interestingly the 'B' word is featuring large in the OBR analysis yet again, adding to the many headaches of the Chancellor right now. In the documents accompanying the March 23 Spring Statement, they looked again at the evidence from trends in other comparable nations and concluded that while at the start of the pandemic there was a drop in UK exports of similar magnitude to other advanced economies, the UK , as they put it, 'has since missed on much of the recovery in global trade'.[iv] They point out that while by Q4 2021 trade volumes by advanced countries overall were some 3% above pre-pandemic levels, exports from the UK were still some 12% below. As a result they saw no reason to change their earlier assumptions that Brexit had led to a 15% reduction in UK trade intensity since the TCA was implemented.

In the current environment, with worries about growth intensifying, the extra disruption in the flow of goods in and out of the country is hardly welcome. Putting companies off trading in the first place makes very little sense for them but also for the economy as a whole. It is worth always reminding readers that companies that export tend to be more productive and invest more so they remain competitive. The economy overall loses out, and not just in the short term, if that is in any way interrupted.

Vicky Pryce is Chief Economic Adviser and board member at the Centre for Economics and Business Research and a Visiting Professor at BCU and King's College, London

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[i] https://www.theguardian.com/uk-news/2022/apr/07/customs-it-meltdown-adds-to-long-delays-at-port-of-dover

[ii] https://www.independent.co.uk/news/uk/politics/brexit-dover-port-queues-congestion-b2054546.html

[iii] High prices and low growth should nip UK and eurozone interest rate rises in the bud | Interest rates | The Guardian

[iv] https://obr.uk/box/the-latest-evidence-on-the-impact-of-brexit-on-uk-trade/