

Brexit and Beyond

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Dawning realities

Having initially spoken of there being some bumps in the road, Michael Gove last weekend told businesses to prepare for “significant disruption” as a result of Brexit. He was right to do so, because on top of the extensive difficulties traders were already experiencing, outlined in my previous post, this week there have been reports of “a high volume of vehicles being refused and delayed” at ports. Couriers are reporting that “Brexit delays and costs are escalating rapidly” whilst DPD, one of the largest couriers, has temporarily suspended all UK-EU road services.

These distribution problems are now leading to some shortages in shops and they are set to get worse. Northern Ireland is the worst affected place, despite there being a three-month grace period during which full certification rules on food coming from Great Britain are waived, which may or may not be extended. As regards exporters, one of the worst affected industries seems to be the Brexit icon of fisheries, unsurprisingly since this is a highly perishable product and the EU is its main market. (It shouldn't be forgotten that EU fishermen are also suffering from Brexit – in which they had no say – especially in Ireland, although there is an EU support fund to help them and the other businesses being damaged.)

It is irrelevant that there are no big queues at ports because the overall volume of traffic is still much lower than normal, not least because part of the damage lies in hauliers simply not undertaking journeys. So even with turn-backs and delays there aren't, at least for now, queues building. Beyond that, an under-appreciated point, made by Shane Brennan, head of the cold chain trade body, is that there is not simply a single, physical, border. Rather, hauliers, customs agents, vets, and government agencies each, in effect, act as ‘borders’ – making decisions and undertaking processes which determine whether or not a laden truck actually passes or even reaches the physical border.

This in turn is a reminder that customs formalities are only one of the new barriers to trade that Brexit has created (or revived). There are also issues such as product labelling and veterinary checks. To put that another way, we are experiencing the consequences of Great Britain being outside both the customs union and the single market. In this sense, talk from Boris Johnson and others of using Article 16 of the Northern Ireland Protocol is misplaced as the disruptions are the foreseeable result of what was agreed (the idea is flawed for other reasons, too). I'll return to the Article 16 issue in more detail in a future post if it starts being raised as a serious possibility. For now, the point is that what we are seeing is the start of what Brexit looks like, at least when a very narrow definition of sovereignty is made the overriding priority in its execution.

What will it mean when things 'settle down'?

This means that even when the immediate disruptions 'settle down', as in due course most of them very likely will, there will most definitely not be a return to the pre-Brexit situation. For one thing, some firms may not survive these immediate problems, or will permanently have lost customers. But in any case, any such settling down will merely conceal rather than remove the newly (re)instated barriers. It will consist either of firms simply not doing all or any of the trade that they used to – with knock on effects on jobs and product availability – or doing so with additional costs which will, most likely, be passed on to UK customers in the form of higher prices.

That may mean anything from a few more pence on some vegetables to many hundreds of pounds on a new car, as was announced this week by Ford explicitly as a result of the new post-Brexit terms of trade (in this case, tariffs due to the application of rules of origin). An illustration of the scale of the costs caused just by the new border friction is that “the average cost of transporting a lorryload of goods to Britain from Germany was 26 per cent higher in the first week of 2021 compared with the average for the third quarter of last year” (£).

Whether visible as disruption or hidden by being incorporated into new standard procedures, these new barriers and their consequences do not indicate that the Trade and Cooperation Agreement (TCA) is a 'bad deal' in itself. Rather, for the most part they would exist regardless of what was in the TCA precisely because no such agreement could prevent all the effects of leaving the single market and customs union. So, they are the result of that decision rather than

the TCA which flows from it, as are the even less visible impacts on services trade.

Accordingly, they are not going to be 'fixed' by further discussions with the EU about the TCA, or by the operation of the Partnership Council and its sub-bodies. As regards Northern Ireland, specifically, they derive from what is I think the still under-recognized fact, plain since Johnson's Withdrawal Agreement, that Brexit has put an end to the UK single market.

So as and when the visible disruptions settle down what will emerge will be an underlying and permanent readjustment and downgrade of the UK economy (though Northern Ireland may well benefit from being by far the most attractive part of the UK for investment in manufacturing). This will not, as some Brexiter MPs are claiming, be offset by the government's recently signed trade deals because these only (at best) replicate agreements the UK had via the EU. In due course there may be trade deals with countries that the EU does not have deals with, but that will take time – during which plenty of damage will have been done - and is highly unlikely to come close to making up for lost trade with the EU.

Beyond the immediate disruption

It would also be wrong to think that all that is at stake is a temporary period of disruption followed by a new (albeit worse) normal. That may describe the situation as regards things like customs formalities for goods trade, but coming down the line are some potentially greater disruptions. One will depend on what the EU decides to grant the UK financial services sector in terms of regulatory equivalence. The TCA only provides a temporary fix, and reaching the permanent outcome is likely to be a long, drawn-out process with, depending on what is decided, a potentially major effect on the British economy given the size of the sector.

Another crucial issue will be the EU decision on UK data protection adequacy, for which the TCA again only provides a temporary bridging mechanism pending that decision. As with the VAT issue discussed in my previous post, it is an area of great technical complexity but with a huge practical significance for a wide variety of businesses of all sectors and sizes, as well as for security cooperation. The outcome will potentially add another swathe of administrative processes and costs. There's a good discussion of the issues by Dr Karen McCullagh of

University of East Anglia on the DCU Brexit Institute blog, including an explanation of the way that, as in so many other areas, Brexiter ideas of 'sovereignty' conflict with the practical realities of modern life.

Of course, the adverse realities of Brexit are not just about trade, any more than EU membership was just about trade, even though that is how generations of British politicians have represented it. One example is losing access to the Erasmus scheme for student exchange. More generally, the many advantages of freedom of movement have now disappeared, restricting the opportunities and impoverishing the lives of those who might otherwise have made use of them.

For that matter – and it's the reason why freedom of movement of people is one of the indivisible four freedoms of the single market – losing this freedom itself has an economic aspect, illustrated by the case of touring musicians and other performers. There was a strand of Brexit support which seemed to imagine that it would only affect people coming from the EU to the UK and not vice versa. Even if that had been so it would still have been a wretched thing, but of course it wasn't. Hence, now, reports of the dissatisfaction of British owners of second homes in Spain.

The causes of the disruption

The main reason why the current and ongoing consequences of Brexit may not be very well-understood is that the Brexiters lied about them, and many still are.

This also partly explains why the visible disruptions are occurring. For years, businesses were told that talk of disruption was just Project Fear or, if it came from the EU, derided as a threat of 'punishment', rather than being a simple statement of fact. That slowed government preparations and made some businesses underestimate the scale of what they had to prepare for. And although some government preparation was done earlier, it was not until February of last year that any government minister – Michael Gove – formally admitted that there would be border frictions.

As regards the Irish Sea border, the Prime Minister and other ministers maintained it would not exist, and the Northern Ireland Secretary still is. To do so whilst also asking people to prepare for the coming changes was, to massively understate things, giving a hopelessly mixed message.

In addition to this, the government's approach to the TCA negotiations, based as it was on taking them to the last minute in anticipation of the EU 'blinking', baked in the disruptions that we are now seeing. It meant that businesses had to try to absorb highly complex new processes which were not fully specified until days, or in some cases hours, before they had to be implemented. That this was over the Christmas and New Year holidays and during the deepening coronavirus crisis could only compound the difficulties. It is again an understatement to say that this was grossly irresponsible.

Alongside the lies told about Brexit, there were two other features which have contributed to the current problems which, whilst involving untruths, were not in most cases deliberate lies. One, which I first remarked on several years ago, was a pervasive sense amongst Brexit supporters that, somehow, nothing much would change as a result. That was obviously linked to the lies about how it would be quick, easy and cost-free but was different to them in treating Brexit as a symbolic act (of, perhaps, freedom) that had no connection with the taken-for-granted systems that make modern life work – for example in terms of putting food in shops or planes in the air. So, you could leave the EU, and it would be a wonderful liberation, and then carry on as before. As Sally Jones, trade strategy and Brexit lead for the EY consulting firm, speaking of the re-introduction of barriers to trade, put it, “people forget just how difficult things were in the past”.

Related to this was a lack of understanding about how these systems actually worked. That's not unreasonable – few of us understand the inner workings of our computer or our car. This perhaps explains why we do not hold votes on whether to rip out the motherboard or crankshaft in the name of consumer sovereignty. Similarly, few understand the hidden complexities of trade, customs, supply chains etc.. Indeed, Brexit throws up so many technical niche areas that no one person could possibly be conversant with them all.

What is unreasonable is that Brexiters ignored or denied this, and derided those who pointed it out. For example, in March 2017 I wrote about how Brexiters almost invariably talked about trade as if it were a simple once-only movement of goods from country A to country B. We are seeing the results of the naivety now with, for example, the stories of how pan-European distribution hubs in the UK face tariffs when they re-export goods and, more generally, the problems faced by international supply chains of all sorts.

This isn't a betrayal of Brexit – it's the reality of Brexit

So, decisions about Brexit, lies about Brexit, the way Brexit was undertaken, and misunderstandings about what Brexit meant are now having the consequences we are seeing (for a regularly updated list of them, see Yorkshire Bylines' 'Davis Downsides Dossier'). It's important to keep on saying this for two reasons.

One is the way that, all too predictably, some are now already talking of there having been a Brexit 'betrayal', for example over fisheries and Northern Ireland (£), and of the TCA being a 'disaster' in particular for its limited services coverage. But these and other consequences were entailed by hard Brexit rather than being a betrayal of it. The criticism should be of the denial that there would be such consequences. It's a crucial distinction because, without it, Brexiters can and will continue the lies by pretending that, done differently, there was a hard Brexit that avoided the consequences.

Secondly, recalling the underlying reasons matters because another prevailing reaction seems to be a general shrugging off of what is happening as if it were 'just one of those things'. I don't think that is just because coronavirus is the main preoccupation as it is very similar to how the collapse of sterling after the referendum vote, which would in other times have been a major crisis, caused barely a political ripple. Similarly, imagine the reaction if in the past there had been the kinds of disruptions described at the start of this post. The explanation, at least in part, is that the Brexiters have so aggressively attacked those who draw attention to such things that the media and some politicians have become cowed.

What is to be done?

As the realities of Brexit continue to emerge, it's crucial to be honest about what it means and about how we got here. From that point of view the near political silence about what is happening, with the partial exception of fisheries, is both disappointing and – if anything about the Brexit process could be so any more - astounding.

Obviously the pandemic is the dominant issue at the moment but the significance of the Brexit-induced disruption should surely not be ignored. The government won't, for obvious reasons, want to talk about it but the Labour opposition certainly should. Not only would it be right to do so in its own terms,

simply because it is a growing crisis, but it would also be a way of setting in train what Labour's policy towards EU relations would be if it won the next election. That could be one part of meeting the challenge to Keir Starmer, as posed by Rafael Behr this week, to "narrate a journey to a better Britain".

It is neither right, nor electorally prudent, to remain silent for fear of alienating 'red wall' voters or of inviting Johnson's predictable 'remoaner' jibes. And whilst parties in Scotland, Northern Ireland and Wales are raising it, Labour as the official opposition has a particular role to play and it isn't – with some limited exceptions – doing so. In particular, it seems truly extraordinary that Starmer did not use even one of his six questions to the Prime Minister this week to raise the extensive disruptions to trade which are occurring and their longer-term significance.

Starmer's stance through 2020 was that it was for the government to deliver its promised deal and that Labour would hold Johnson to account for it. So now we have the deal, but where's the holding to account? Worse, how can there be any holding to account when he has just said Labour would not seek any major changes to the TCA if in power? In consequence, at least as regards the two main political parties, there is now a virtual conspiracy of silence about Brexit, compounded by Jacob Rees-Mogg closing down the cross-party committee that would have scrutinised the deal.

That said, even if it were not for coronavirus and regardless of the immediate political reaction, it is far too early to expect the kind of serious 'national conversation' about Brexit that we need to have. The wounds of the last five years are still too raw and the divisions too entrenched. Moreover, it will have to be informed by broader considerations than those of the current disruptions. A Chatham House report this week discussed what kind of global role is now feasible for the UK, and that is one part what needs to be considered. So too are the strategic implications of a regionalised and multi-polar world, and an understanding of the strategic issues which led the UK to join the EU (EEC) in the first place, which – as Professor Robert Saunders argues in an excellent essay - Brexit now re-poses.

Still, an honest account of the immediate disruptions is not irrelevant to that and perhaps the first step towards it. It is probably necessary to experience the realities of what leaving means in order to expose the lies of those who led us so carelessly to abandon our membership.