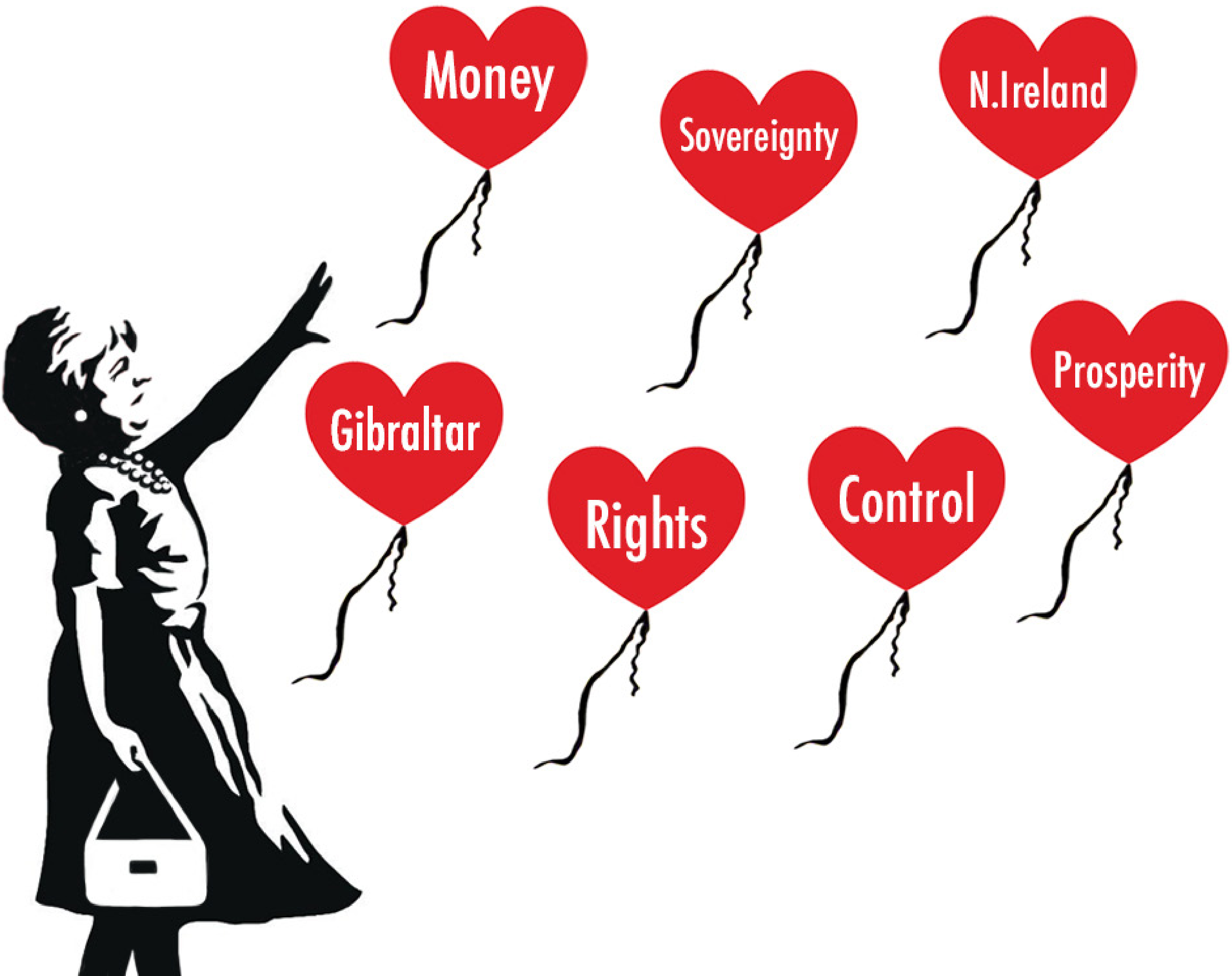
end the chaos!

Real-Life Implications of Mrs May's Withdrawal Agreement



Real-Life Implications of Mrs May's Withdrawal Agreement

"It's not so much what the Agreement says…it's more what it doesn't say."

1. The WA "deal" is really "no deal" for 85% of the UK economy

The WA and PD - Political Declaration - focus on goods, but leave services, which account for 85% of the UK economy, out in the cold.

It also ignores capital investments and the freedom of companies to set up and operate in other Member States. The UK has made a real success of the EU single market in services from 1992 since when it has acted as the "gateway" to the EU. Companies could set up their HQs in the UK, and then operate across all 31 States of the European Economic Area (EEA).

The gaps in the WA mean that most service providers (think banks, insurance companies, accountants, lawyers, construction, transport, engineering, research and development services, management consulting and other business services, travel and transport services) are having to relocate their operations to other Member States. The implication is that their earnings and tax contributions will go with them.

Don't be fooled that we can make up the difference by exporting services to markets outside the EU. The EU Single Market is the most progressive services regime in the world – the WTO's GATS (the World Trade Organisation's General Agreement on Trade in Services) framework is nowhere as sophisticated and has not opened services markets or removed regulatory barriers. Commitments to market access vary widely and there are exemptions from Most Favoured Nation treatment (MFN).

Most countries are protective about their service industries. The Northern Irish Government commissioned a report at the beginning of March 2019 which estimates that the economic burden of trying to deliver services outside the EU is 31%, whereas within the EU it is 7%.

What does that mean for you?

The public may have little sympathy with lawyers and bankers, but their taxes pay for your pension and public services. The service sector generates over 85% of our GDP and contributes most tax revenues to fund public services like schools, hospitals, prisons, social care and mental health.

Read about the effects of austerity cuts to local authority budgets over the last decade? Read about parents having to contribute to school budgets to fund basic needs like toilet paper? Read about NHS waiting lists and mental health cuts? Expect a lot more of this if the WA goes through.

The Organisation for Economic Co-Operation and Development Services Trade Restrictiveness Index has quantified the compliance cost burden for different services - in some cases, it is over 30% tax equivalent (legal and accountancy) or as high as 45% (couriers and air transport).

These UK service companies will be forced to pass on these additional costs by charging their clients more.

2. Goods

If the UK signs up to the WA, it will have to adopt the EU common rulebook for all goods that it wishes to export to the UK and goods that it wishes to import from the EU. That rulebook includes sanitary and phytosanitary (plants) standards and restrictions, product safety standards, food quality, labelling.

Of course, the full details of trade post-Brexit have still to be negotiated and will take years so passing of the WA will not mean Brexit is over or that parliamentarians won't be discussing Brexit for the medium to longer term. So, for the length of the transition period and possibly longer, the UK will not "take back control" and remove itself from the EU regulations.

Instead, we will have to accept them wholesale (including future changes and legislation), even though UK citizens will not be able to elect their own MEPs to participate in the legislative process and will not have any UK officials in the Commission or the Court to oversee the enforcement process.

So, voting for the WA will create a greater democratic deficit than before than the UK being members of the EU. The UK will become rule takers, not rule makers. What is more, it is likely that, in practice, the UK will need to continue accepting EU standards in any further trade agreements that it manages to negotiate with other countries around the world.

Most of those countries will have signed up to EU rules for their exports and will not want to adjust their production lines to accommodate a smaller fringe market like the UK.

If the UK wishes to sign up to trade deals with larger, more powerful countries like the US, then it may find itself in a situation of “mid Atlantic conflict” where it cannot keep two powerhouses happy.

If UK businesses must comply with EU rules, such as high levels of product safety or food hygiene, they may not be able to accept imported components or “transit imports” with lower standards from the US or the rest of the world – such as chlorine-washed chicken and hormone-injected beef, toy standards and chemicals in paints. If the UK opens the back door to lower standard goods from elsewhere, then it will lose market access with the EU, its largest neighbouring market comprising over 55% of its trade.

Manufacturers and importers would be forced to charge higher food prices to consumers if they have to pay import tariffs for products from non–EU states that we used to get tariff-free under the 40 or so international trade deals that UK benefitted from via its EU membership.

Important new EU trade deals are in the pipeline (e.g. with Japan and China) yet we will not benefit from them. Until we can negotiate our own deals with those countries (which may not have as beneficial terms as the EU Free Trade Agreements) we will have to pay tariffs on imports and exports.

We import a lot of our fresh fruit and vegetables from third states – lamb from New Zealand, cars, electronics and consumables from Asia. Ironically, some companies are leaving or downsizing from the UK (e.g. Honda, Toyota, BMW). So, in future UK consumers will have to pay tariffs on cars from these manufacturers from Japan or Germany, whereas EU consumers will get them tariff-free under the new Japan-EU trade agreement and other existing trade deals.

The price of all these products will go up until and unless we can agree free trade deals, which will take years.

3. Free movement

UK citizens abroad

- Loss of ability to travel visa-free to the EU after December 2020
- Loss of rights to study, work, live or retire in another EU country
- Loss of European Health Insurance Card
- Loss of Consumer compensation scheme for flight delay or cancellation
- Loss of Insurance and MIB (Motor Insurers' Bureau) cover for road traffic accidents abroad
- Loss of EU citizenship rights in the EU Charter
- You may be able to move to one Member State and reside there but no ability to move from state to state
- Self-employed particularly hard hit as no freedom of services

EU workers here

- Large sectors of the economy dependent on labour from the EU, e.g. the NHS, social care, child care, mental health, leisure, hotels and restaurants, agriculture
- EU workers found to contribute more in tax and NI contributions (research)
- Split up families
- Families forced to choose between UK and European citizenship (Spain)

4. Medicines, chemicals and energy

The WA and PD has no firm commitment to the UK's continued role in the European Medicines Agency, Chemicals Agency or Euratom or European Reference Networks (ERNs). All it says is that

"The Parties will also explore the possibility of cooperation of United Kingdom authorities with Union agencies such as the European Medicines Agency (EMA), the European Chemicals Agency (ECHA)…"

There are similar provisions for cooperation and exchange of information within Euratom. Euratom – the European Atomic Energy Community – established a single market for the trade in nuclear materials and technology. Euratom ensures that Europe's - including the UK's - nuclear plants are operated safely and guarantee a secure supply of nuclear fuel.

There is no guarantee that participation in these important regulatory frameworks will be included in the Future Agreement. If it is, then we will have to pay for any access granted. The PD only provides for cooperation which is the minimum form of engagement. Cooperation as a third state is not as deep and extensive as the current full participation rights that we currently enjoy as part of our special EU membership.

At present, the UK plays an active role in scientific research and regulatory decision-making – from December 2020 we will be a rule taker.

What does that mean for you?

Medicines

At best, delayed access to new cancer drugs as the UK will no longer be part of the EU authorisation regime for medicines. Drugs will have to go through a separate UK process and there may be a six-month delay as the UK will not qualify for priority status.

If there are delays to shipments, cancer patients may have to wait for radiation, chemotherapy or scanning treatments which require medical isotopes or chemicals from the EU. There may be hold-ups with drugs or clinical devices that we do not manufacture here in the UK – such as insulin for diabetics.

Most importantly, the UK will leave EU research programmes and funding arrangements (such as Horizon 20/20) so patients in the UK will not have access to the best and latest research regarding the treatment of cancer and rare diseases.

Nuclear fissile materials

Nuclear power in the United Kingdom generates around a quarter of the country's electricity as of 2016, projected to rise to a third by 2035. Leaving Euratom will have three key consequences for the UK. Firstly, it will be far more difficult to ensure a long-term supply of nuclear fuel, particularly when UK investment in its own plants is failing. Secondly, it risks an immediate shortage of medical isotopes that are used in cancer treatment and other medical diagnosis. Finally, UK may no longer enjoy access to research facilities and funding.

5. Transport

Air

The European Aviation Safety Agency (EASA) is the European Union Agency responsible for civil aviation safety. As an EU member state, the UK is currently part of the EASA system, which means that we have a common set of harmonised aviation safety rules.

The UK may get access to EASA and Open skies, but likely to be fixed at 2019 routes so no future growth or new destinations. There will be no ability for airlines to provide connecting routes within and across Europe, just departure and one destination arrivals.

Many UK airlines are relocating or being taken over to gain continued access to European markets – loss of tax revenues.

Rail

Network Rail has stated that they will not implement European Union (EU) standards on all their projects after Brexit to save money, which could lead to lowered standards, not least in terms of safety.

This could very well lead to an increase in both delays and mechanical problems across the British Rail Network, which are already overburdened and subject to many delays every day.

This could also lead to an increase in risks to train drivers, railway workers, maintenance staff and commuters, as safety standards that are enforced by European law will likely drop.

Road

While roads are managed by national, regional or local authorities, the EU provides funding to improve roads and other transport infrastructure projects, through its regional development funds, the European Investment Bank.

6. Farming

There will be the loss of benefit of EU FTAs (Free Trade Agreements) with countless countries around the world so we will have to negotiate our own trade deals over the next seven years. In the meantime, we will have to pay tariffs on agricultural exports, which are very high on exports, like lamb and beef. If the UK adopts a tariff-free strategy, then UK farmers will not be able to compete with lower price agricultural imports from other countries.

There are fears that farmers may be delayed from access to EU markets for up to six months and would have to cull flocks in the meantime.

7. Digital broadcasting

Many global broadcasting companies – such as Disney, Discovery, Google, Netflix and Facebook have made the UK their home and use their UK HQ as their "European hub". From that base, they can broadcast their programmes in all 31 States of the EEA – one format dubbed into different languages. Likewise, we can easily download our favourite programmes (such as Scandi dramas, sports). The PD does not cover the UK's participation in the new EU Audio-visual regime that will be adopted post Brexit so will not benefit from the home territory principle.

Many broadcasting companies (including their programmers and distribution networks) are now relocating to other Member States. That means the loss of an important sector of the UK economy, limited opportunities for the creative industries and lower tax revenues for public services. UK consumers may have to pay subscription or access charges to download programmes.

8. Education

Leaving with the WA will result in the loss of Erasmus – the European Community Action Scheme for the Mobility of University Students - and the opportunities to travel, study and work abroad.

We will so be giving up on the Horizon 20/20 programme – the biggest EU Research and Innovation programme with nearly 80 billion euros of funding available over seven years - so reduced funding for universities and research programmes. We will also be leaving research networks for scientific, AI and medical research.

In the UK, we have been suffering from a shortage of school teachers, and the UK has increasingly come to depend on EU teachers to fill the gaps, with 4,795

Qualified Teacher Status (QTS) awards going to EU/EEA Teachers in 2016. This was 17% of all new teachers, up from 4,351 on the previous year.

The fall in EU immigration following the EU Referendum vote in 2016 is already making it significantly harder to recruit subject specific qualified teachers for our schools. Teachers that are here are also actively being enticed away from the UK with offers of higher salaries, better working conditions and a less hostile environment. The education sector predicts this will continue to lead to less teachers across state and possibly private schools, and in Universities.

This in practical terms means increased class sizes, non-specialist staff giving lessons – e.g. a PE teacher teaching Chemistry (this is from a real case study) - schools having to drop non-core subjects, fewer school trips and enrichment activities, less support for many pupils and families, and schools possibly closing one day a week which is being contemplated by some headmasters.

Fewer foreign language teachers will place our youngsters at global disadvantage when it comes to competing and doing business in a global world. All of which will lead to lower standards of education in our schools.

9. Telecoms, broadband and Mobile roaming

The UK will leave the EU's regulatory telecoms framework so will no longer be party of common rules regarding mobile communications.

Consumers will lose the benefit of roaming rights when they travel to other EU States. That means they will have to pay when they receive calls on their mobiles and they will have to pay for text messages and data downloads according to the international tariffs charged by their mobile network operator.

This means every time we want to use Facebook, Skype, WhatsApp, Instagram, YouTube and Snapchat abroad in a European country we will get charged. And if you receive phone calls in the UK from friends with mobiles registered abroad, you will have to pay to receive the call.

Connectivity and broadband

The EU has provided considerable funding towards the roll out of superfast fibre networks in the UK. Look at the stickers on the fibre cabinets at the end of the road. This has meant that urban and rural communities have benefitted from new broadband infrastructure.

From 2019 this funding will cease and the remaining “white spots” in remote rural areas will not be digitally connected as quickly as had been hoped. Similarly, there will be no funding for disadvantaged social groups (such as the vulnerable or elderly) who may remain disconnected in a digital world.

10. Checks on our own Government

Citizens

EU law provides UK citizens with important rights that you can assert against your own local or central Government, such as the right to equal treatment, education, health, disability and retirement. If the UK Government fails to implement or protect those rights properly, then you can force them to by going to court. You can also claim damages for any loss suffered.

Businesses

Likewise, businesses also have important rights and protections, so the Government cannot favour certain companies or sectors over other industries – it cannot give subsidies to certain companies that distort competition. The Government must ensure that all companies have equal opportunities.

The EU Withdrawal Act removes these rights and remedies as of 29 March 2019. The WA does not provide for any direct rights that are enforceable by individuals. This means that you will no longer be able to hold the Government to account or to complain to the European Commission if the UK fails to keep its side of the bargain. You effectively forfeit the right to appeal.

Conclusion

Looking at the above, one thing is now clear. The choice between Mrs May's WA and no deal is not as simple as a fork in the road between deal or no deal. That binary choice is, like the referendum question, far too simplistic for a complex and multifaceted issue like leaving the EU after 46 years.

MPs should not be bullied into thinking Mrs May's Deal is much better than no deal if we believe in preserving our sovereignty and safeguarding people's everyday lives. A huge part of the problem lies in the aspirational "wish-list" in the non-legally binding PD – a mere 26-pages- which is subject to a "best endeavours" clause and a concession that the relationship "might evolve over time".

It is vital that MPs look carefully at the language used – there is no mention of "frictionless trade" at all, there is no right to passporting of services or mutual recognition of no professional qualifications.

Access to some regulatory frameworks (such as medicines, energy, chemicals) will be by "invitation only", offering mere observer status rather than active participation and rule-making. Further, the UK will have to pay access fees for any privileges granted or sectors where the UK may want to cherry-pick. There may be a political recognition of "equivalence" for select sectors (like financial services) but not most of the service industry. So professional advisors or consultants (like architects, accountants or lawyers) will have to re-qualify and comply with at least 31 different and conflicting sets of national rules and regulations if they want to provide a pan European service.

In terms of certainty and continuity, equivalence can also be removed by the EU at will as a sanction in any trade dispute – even if the dispute relates to unconnected issues like immigration.

This all comes down to what Brexit was all about – or at least how it was sold to the public – in the first place. The WA does not mean taking back control of our money or laws, creating certainty for business investment or growth or creating new opportunities for the next generation.

What it clear is that the WA will certainly not bring closure to the debates on Brexit so it does not even placate those people who say they "just want to get this all over with and move on." Sorting out the bare terms of divorce is just the start of a longer and much more complex negotiating process on the future deal. In addition, as a third state outside the EU club, we will be negotiating, both with the EU and the wider world, from a weak position that does not guarantee the UK any of the benefits we have enjoyed - but perhaps taken for granted - over the last 45 years.