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Brexit - Anything to declare?



In his new look monthly column, **Professor Frank Peck** of the University of Cumbria's Centre for Regional Economic Development will tackle the burning issue of Brexit. This month, he focuses on the progress - or lack thereof - made since the triggering of Article 50

As we approach the anniversary of the triggering of Article 50 this month, it is appropriate to reflect on the progress that has been made over the past 12 months.

There has obviously been much negotiation on some issues but regarding trade and movement of goods and services, the situation is much the same.

For business, the key word is still "uncertainty".

Uncertainty though is unavoidable. A soft Brexit (akin to Norway) is unlikely to be politically acceptable as it would require continued financial contributions to the EU and compliance with the EU regulatory machinery to remain part of the single market.

At the other extreme, most commentators agree that a hard Brexit "no deal" option would be highly punitive.

So the most likely outcome is something between the two - a "trade deal" of some kind negotiated with the EU.

The fact is, no one can know for certain what this might produce. Brexit is therefore not one of a set of options on the shelf but a negotiation process with an uncertain outcome.

This, however, does not prevent speculation. In early February 2018, a debate about the Customs Union became a prominent part of political discourse.

Theresa May was reported to have categorically ruled out remaining in the

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● Prime Minister Theresa May signing the Article 50 letter declaring the UK's intention to leave the EU

Customs Union at least in its present form.

For those who are committed to the UK's ability to negotiate trade deals around the world, belonging to the Customs Union is clearly not compatible.

The debate about the customs union has served one good purpose - it has drawn attention to the significance of non-tariff barriers for business after Brexit.

These could in fact be more punitive than tariff barriers. Leaving the Customs Union would probably lead to the introduction of new "rules of origin" for goods produced in the UK which could contain materials or componentry originating from third countries.

Some of these origins, of course, could be EU member states, or countries covered by other EU trade deals but some might not.

Insights into the possible effects of "rules of origin" can be distilled from a Parliamentary report published in March last year.

The prospect of "rules of origin" was

greeted with some anxiety by a range of sector spokespeople. Many of the industries covered in this report are represented in Cumbria, like the food and drink, chemical, aerospace and defence, automotive and pharmaceuticals.

Applying new "rules of origin", it seems, could be a costly business with considerable reach. Many small and medium-sized firms in supply chains would need to comply even though they may not buy or sell internationally themselves.

Contrary to expectations of some, leaving the EU could generate a huge increase in regulatory burden. Of course, some (perhaps even many) of these situations could be avoided or minimised by sensible negotiation of a trade deal that includes sector specific preferential rules of origin (goods can be regarded as "UK" if they originate from countries that are part of other EU trade deals or "sufficiently processed" locally).

Extending the time for negotiation of a trade deal could clearly be time very well spent.