



## **Brexit – The United Kingdom has left the EU. What Now?**

### **Background**

The electorate of the United Kingdom voted to leave the EU on 23<sup>rd</sup> June 2016, after over three years of political wrangling, the government finally won a majority vote in December 2019 which meant the Withdrawal Bill was approved by Members of Parliament in Westminster and the bill subsequently passed through both the House of Commons and the House of Lords and resulted in the United Kingdom leaving the European Union on January 31<sup>st</sup> 2020.

So what happens now...?

### **The Transition Period**

The UK has now entered what is known as “The Transition Period”. This is an agreed period between both the EU and the UK where there will be no change in the current relationship which means;

- Travelling to and from the EU including the use of driving licences and pet passports continues.
- Freedom of movement, including the rights to work in the EU and vice versa remains the same
- UK-EU Trade will continue without any checks or charges being introduced.

The Transition Period will last until December 31<sup>st</sup> and in this period, the UK and the EU must reach agreements on key areas such as trade and immigration.

**So as it stands between now and December 31<sup>st</sup> 2020, everything stays as it was before the UK left the EU.**

### **What Needs to be Completed in The Transition Period?**

The UK has £1.3 trillion worth of trade with the EU, made up of goods and services so a key task will be to agree a free trade deal which will allow the UK to continue to trade with the EU without tariffs or quotas. A free trade deal however does not necessarily mean goods will move between the EU and the UK without checks.

The UK will also have to reach trade agreements with other countries such as the USA, Australia and other international trade partners.

The table below shows the current balance of trade for the UK, this means 89% of all trade is either with the EU or with countries who have current deals with the EU.

European Union	49%
Countries with EU Trade Agreements	40%
Rest of the World	11%

Clearly, trade is not the only area that needs to be agreed, listed below are other areas that need to be negotiated and agreed within the timescale;

- Law Enforcement
- Aviation Standards
- Fishing Rights
- Supplies of Utilities such as electricity & gas
- Licensing & Regulation of Medicines
- Immigration - once Freedom of movement ends

If a trade deal is agreed before the 31<sup>st</sup> December 2020 and any of the above are not agreed, it is likely the trade agreement would proceed at the end of the Transition Agreement and contingency plans would be implemented for each of the areas not agreed.

If no trade deal is agreed by the end of the Transition Agreement then the UK will leave the EU Under WTO (World Trade Organisation) Rules meaning the UK would be subject to tariffs until an agreement is reached. It is very unlikely that the UK will look for or be granted an extension to the Transition Period.

#### Summary

The UK has now left the EU but until the end of the year, nothing changes. The potential for change to FOH in the future is dependent on the outcome of the negotiations on a trade deal. Regardless of whether an agreement is reached, **transport times from the EU to the UK are likely to increase which may result in increased freight costs**, this needs to be checked with our freight partners. If no agreement is reached and the UK leaves on WTO terms, tariffs will be introduced.

John Reeves

Dtangle – February 2<sup>nd</sup> 2020