

# EU-UK: Why we need to extend the post-Brexit transition period



The Trade Justice Movement, alongside many other organisations, is calling on the government to request an extension to the post-Brexit transition period. This is for several reasons:

1. To enable full focus on tackling the coronavirus pandemic
2. To prevent a highly disruptive 'no deal' at the end of 2020
3. To allow time for a gold-standard EU-UK trade deal to be agreed

## **Trade negotiations and the coronavirus pandemic**

The EU is, by some margin, the UK's most important trading partner, representing around half of our total international trade.<sup>1</sup> We also have a strong history of collaboration over vital issues such as environmental protection, climate action, labour standards and human rights. The EU-UK future relationship provides an opportunity to preserve the best elements of this collaboration, while giving the UK the freedom to push forward independently. However, the UK is at serious risk of reaching the end of the transition period with either a poor trade deal or no deal at all with the EU. This is because:

- There has been limited progress in negotiations as attention has been focused on the Covid-19 response. Negotiators have been unable to meet in person, which appears to be contributing to an oppositional approach with little compromise on either side.<sup>2</sup>
- Parliamentary scrutiny of the negotiations is even more difficult than usual, and public attention is understandably elsewhere.

No deal or a poor deal could be extremely disruptive to the UK's society and economy (see below). Adding this disruption to the severe recession that the pandemic is predicted to cause risks compounding the significant job losses and business collapse that is already anticipated. It is vital that the UK avoid further instability and change at this time. This could be worsened even further, as diminished resources due to Covid-19 have meant that the government's and businesses' exit and no-deal preparations have been significantly hampered.

Furthermore, the world will be different after this pandemic. The new EU-UK relationship should be responsive to the changed economic and social landscape that coronavirus will bring, and should incorporate lessons learned from the pandemic including the need for stronger supply chains, the prioritisation of public health and healthcare, and the need for government policy space to respond to crises. The EU-UK trade deal should be shaped to this new reality; rushing into a deal will preclude this.

## **Risks of no deal or a poor deal between the UK and EU mean for trade justice?**

No deal, or a deal similar to the UK government's current proposals,<sup>3</sup> would both lead to:

- A loss of protection for social and environmental regulations, as there would be no 'level playing field' to hold up minimum standards.<sup>4</sup> Emerging regulatory differences would cause additional border friction, affecting the price of goods and the viability of many jobs. This risks causing supply chain issues for developing country products that enter the UK via Europe (e.g. cut flowers).

<sup>1</sup> <https://commonslibrary.parliament.uk/research-briefings/cbp-7851/>

<sup>2</sup> [https://www.bbc.co.uk/news/world-europe-52944700?intlink\\_from\\_url=https://www.bbc.co.uk/news/topics/c4vm89lx8e8t/eu-uk-post-brexit-trade-talks&link\\_location=live-reporting-correspondent](https://www.bbc.co.uk/news/world-europe-52944700?intlink_from_url=https://www.bbc.co.uk/news/topics/c4vm89lx8e8t/eu-uk-post-brexit-trade-talks&link_location=live-reporting-correspondent)

<sup>3</sup> <https://www.tjm.org.uk/resources/briefings/analysis-of-the-uks-draft-fta-for-the-eu-uk-relationship>

<sup>4</sup> <https://commonslibrary.parliament.uk/research-briefings/cbp-8852/>

No deal would mean the UK's trade and regulatory relationship with the EU reverts to the baseline World Trade Organisation (WTO) rules. This would cause considerable disruption, with severe economic risks:

- Tariffs would be applied to EU-UK goods trade, contributing to border friction and the availability, price, job viability and supply chain issues arising from that.
- Services suppliers may struggle to operate across the border, as they may lose recognition of their qualifications or official registration, potentially affecting service industry jobs.
- Total economic impacts are estimated by the government as a GDP loss of 7.6% over ten years, while other modelling puts this at 8.1%.<sup>5</sup> This reduced growth could be used to justify further austerity including a reduction in aid spending.

However, the UK government's proposed FTA for the EU-UK relationship has a number of concerning provisions,<sup>6</sup> which could have the following implications:

- The NHS and other public services may be 'on the table' (i.e. covered by trade liberalisation rules). This could lock in privatisation and outsourcing, even where it has been shown to fail.
- Our ability to ensure that digital products and services are safe and fair would be hampered by new digital trade rules. Extractivist models of digitalisation could be locked in, affecting opportunities for digital industrialisation worldwide.

### **Opportunities arising from a good EU-UK deal**

The deal proposed by the EU contains some innovative features such as the 'level playing field', which would cement social and environmental standards in a way not seen before in trade law.<sup>7</sup> This protection could be yet more meaningful if the parties were to adopt measures recommended by the Trade Justice Movement in our model deals for the EU-UK relationship,<sup>8</sup> such as:

- Making the applicability of trade advantages (e.g. zero tariffs) fully dependent on compliance with strong, enforceable social and environmental standards.
- Full exemption from trade pressures for all public services, including the NHS, social care, schools, colleges and universities, utilities such as water and energy, and public transport.
- Full freedom to regulate the digital economy, to ensure online safety, privacy protection and the fair sharing of digital revenues with workers and citizens that contribute to them.

### **Conclusion**

With sufficient time, scrutiny and public engagement, the new EU-UK relationship could foster positive trade justice outcomes. These negotiations provide a chance to move trade law forward, but this opportunity will be squandered if the talks are rushed or aborted.

As well as wasting an opportunity for progress, there is the potential for truly harmful outcomes if transition is not extended. A poor deal would set a worrying precedent for the UK's future trade arrangements. No deal would contribute to economic hardship at a time when the UK can least bear the strain.

The Trade Justice Movement calls on the UK government to urgently request an extension to the post-Brexit transition period. Extension is the only responsible way forward to protect the interests of people in Britain and forge a new relationship with the EU based on prosperity and justice.

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<sup>5</sup> <https://ukandeu.ac.uk/wp-content/uploads/2020/05/Revisited-What-would-trading-on-WTO-terms-mean-1.pdf>

<sup>6</sup> <https://www.tjm.org.uk/resources/briefings/analysis-of-the-uks-draft-fta-for-the-eu-uk-relationship>

<sup>7</sup> <https://ec.europa.eu/info/sites/info/files/200318-draft-agreement-gen.pdf>

<sup>8</sup> <https://www.tjm.org.uk/resources/briefings/sustainable-regulation-and-trade-agreements-for-the-eu-uk-relationship>