

BUSINESS POST-BREXIT – EUROPEAN COMPETITIVENESS COMPROMISED?

On 22 October 2019, the UK's Prime Minister Boris Johnson managed to secure the backing of the House of Commons for his Brexit deal in a landmark vote. Mr Johnson did succeed where Theresa May failed three times, but he immediately faced a pushback from lawmakers who voted down his timetable of delivering Brexit by 31 October. With the deadline now pushed until 31 January 2020 and the UK general election scheduled for the 12 December 2019, there is a significant possibility of the Withdrawal Agreement Bill being heavily amended or indeed pulled altogether.

Regardless of whether the UK leaves or remains a part of EU's common economic structures in some way, a new set of rules and regulations governing the relations between the two will be required. Though Brexit might present an opportunity for the UK and the EU to boost their respective business ventures, it is likely to burden international businesses with extra administrative and/or procedural costs, or worse, discouraging or preventing them from trading in one or the other entirely.

This might seriously compromise the competitiveness of UK and EU businesses and indeed of the EU itself. The trade war between the United States and China has already accelerated the slowdown of some of the biggest EU economies including Germany, bringing the Eurozone economy close to a standstill. Car manufacturers are especially vulnerable to both the potential trade tariffs and the still not ruled out possibility of a no-deal Brexit. The banking sector too will be affected, with London striving to maintain its position as a global banking centre. Whether this will present a threat or an opportunity remains to be seen.

Key recommendations

Based on the focus group discussion held at Tatra Summit 2019, the following policy recommendations can be highlighted:

Agree on an ambitious EU-UK trade deal that ensures continuity

Today, the UK, as an EU member, benefits from more than 40 trade deals. Losing these deals can come at an enormous cost - almost 50% of UK exports are directed towards EU countries and the EU enjoys a significant trade surplus with the UK. Beyond that, the UK has always been a free trade champion and a leading European voice in developing EU's market liberalism and a strong competition policy. Whilst both sides realise that they must face the deconstruction process of a deep integration, it remains in their joint economic interest to ensure a smooth transition and to remain closely aligned even after the 'divorce', especially when it comes to trade, competition policy and regulatory frameworks. An ambitious EU-UK trade deal should therefore be of an utmost priority. It is also crucial that the deal safeguards the achievements of the Good Friday agreement while creating a strong basis for a partnership of customs.

Private sector in particular seems to be showing a certain exhaustion towards the prolongation of pre-Brexit discussions and is already taking steps to move into the post-Brexit negotiation phase between the UK and EU. Brexit poses an opportunity for international companies to diversify their businesses and

benefit from the different advantages offered by new hubs, such as Amsterdam, Dublin, Frankfurt, Paris and others. However, this must be done without the UK's competitiveness being too compromised.

Finally, though the option of the UK leaving without a deal has been taken off the table for now, it is worth reiterating that a no-deal should be avoided at all costs. In case of a no-deal, the frictionless trade in goods would end overnight. The checks at Dover, the nearest UK port to Europe which handles approximately 2.6 million trucks of imports and exports a year, would cause enormous delays and damages, exacerbated by lack of appropriate infrastructure. Though most businesses are expected to get over the initial hurdles, the transfer of perishable products especially poses a significant challenge that must be taken into account.

Advance on a post-Brexit immigration system

EU countries, especially those in the former Eastern bloc owe UK a great deal – Britain welcomed them into the EU and supported their integration throughout. An entire generation of Central and Eastern Europeans has benefitted from the UK opening its borders to them. That being said, the region today sees the need to attract its graduates and professionals to return home in order to achieve some of its EU Cohesion Policy goals, and this must be managed on the basis of mutual cooperation between the UK and the member states in the region. Negotiating the post-Brexit immigration rules in a way that would allow businesses to benefit from a competitive advantage is equally crucial, as the post-Brexit immigration policy could affect their decision to move their headquarters and/or operations to mainland Europe. Finally, the future EU-UK relations in the field of research and innovation, including UK's participation in the EU's Horizon 2020 program, will have a significant impact on the future EU budget, as well as directly affecting immigration arrangements of researchers and their families. As such, negotiations in this area should start as soon as possible and should focus on reciprocity as a key criterion.

Form a strong partnership on the geopolitical scene

The high-water mark of globalization seems to have passed. Our society has profited enormously from it, but Europe needs to be prepared to adapt to change. The global focus is increasingly on China and other 'up and comers', who are fast in adopting legislation which runs against the principles of free trade. The EU needs to strengthen its position on the world stage and learn its lessons from Brexit. Rather than focusing on the idea of a divorce, it needs to identify the right tools for regional cooperation and aim for unity and consensus displayed during the negotiations. At the same time, it is also against the UK's best interest to be part of an uncertain future in terms of its relation to the rest of the EU, being subjected to the same conversation that the EU has been having with Turkey for example. The new structure of the European Commission seems to reflect EU's preparations in becoming a stronger building block for the long term. The EU should not be dependent on the US for security, on Russia for energy and on China for trade. A strong partnership between the UK and the EU, especially in the realm of security, should form a key part of EU's future, whatever shape it might take.