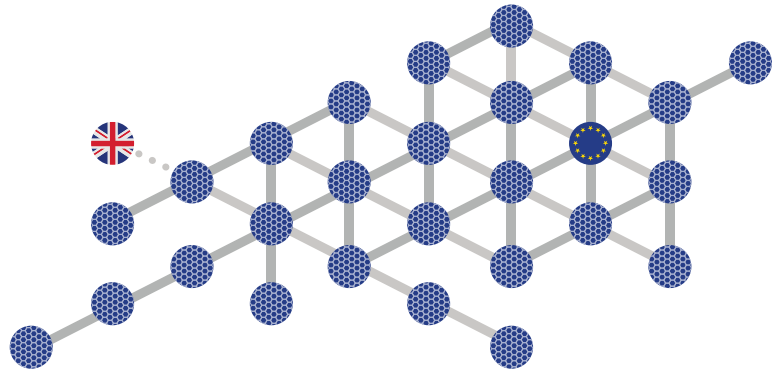




Deal or no deal: international trade 'hot topics'

Brexit Briefing Note



The return of a Conservative Government with a clear popular mandate for Brexit appears to have swept aside the parliamentary hurdles faced by Prime Minister Boris Johnson in seeking approval for the passage of the UK Government's European Union (Withdrawal Agreement) Bill 2019-20. As a consequence, it now appears virtually certain that the United Kingdom will leave the European Union on 31 January 2020.

In this update, we look at some of the practical implications for businesses, which for many remain profound, in particular organisations active in the food and drink sector. Our Brexit Advisers are already addressing many of the most pressing questions to help our clients navigate this complex and uncertain legal and constitutional landscape, and to overcome the challenges and seize the opportunities ahead, particularly in relation to the UK's post-Brexit trade arrangements.

Below are some of the 'hot topic' issues we are addressing with clients:

- Assuming both the House of Commons and House of Lords approve the Withdrawal Bill and it is ratified by both the UK and EU Parliaments, the stage is set for a formal move to the transition period at 11pm on 31 January. Boris Johnson has vowed to "get Brexit done" by the end of 2020. However, EU leaders are already on record warning that an extension to the 11-month transition period will be required (this must be sought by the UK Government by 30 June) otherwise the UK will face a very real risk of not having negotiated a trade deal with the EU27 in the time available. The UK Government will face a delicate balance – agreeing terms with the EU that allow a deal, but avoiding accusations of capitulation to the EU and the wrath of its backbench MPs. The alternative is no deal and an exit on World Trade Organisation (WTO) terms.
- In October, the EU made it clear the agreed text for the withdrawal agreement included a condition that any such trade deal must reflect regulatory alignment with EU standards as a condition of any future deal. Its reported position is that in order to reach a deal ensuring zero tariffs and zero quotas on British goods, the UK must respect core EU standards on workers' rights, state aid, and environmental and consumer protection. In short, if the UK wants free trade with the EU, it cannot shrug off alignment as easily as it might wish, despite the Prime Minister's assertions to the contrary. That does not bode well for the much hyped UK/US trade deal, which will wish to see UK standards relaxed to permit US market access. There is a real risk of two irreconcilable objectives.
- For the food and drink sector the warnings have been sounding for some time – there is a clear industry voice wishing to maintain high UK food standards, and these are almost universally aligned with those of the EU. A relaxation of these may open the door to cheaper non-EU food imports, which could swamp the domestic market.
- The recent WTO imposition of 25% tariffs on Scotch Malt Whisky, shortbread and some non-food products showed the danger of retaliatory tariffs – and rumours persist of Scotch salmon and other valuable Scottish exports being next in line. Scottish food and drink producers will need to be very nimble to maintain access to both EU and US markets without significant cost challenges.
- The risk of a no-deal Brexit remains if at the end of the transition period there is no agreed UK/EU trade deal. In this case, all of the risks faced by food and



drink producers of needing to address transport and customs clearance delays, labelling and importation through EU established Operators will remain. We have been actively advising companies on such preparations, and businesses should leave plenty of time for preparation for a no-deal Brexit at the end of 2020 if no extension has been sought and agreed by 30 June 2020.



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