Twitter Thread by David Henig

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How to make sense of the increasing number of UK-EU trade disruption stories?

In short - outside of a single market product checks and people working restrictions are inevitable. And outside a customs union you will have tariffs and / or rules of origin.

Detail ---> 1/

The UK decided to leave a Customs Union. Within that Customs Union, no tariffs, just a common external tariff or preferential rates for bilateral deals or developing countries. Hence, distribution hubs in one country for all make a lot of sense. 2/

Outside a Customs Union our choice was tariffs under WTO rules or remove them subject to rules of origin with a deal. We chose the latter, but it means we can't just import from China, rebadge, and get zero tariffs from the EU. As we could until December 31. 3/

Net result of being outside of the Customs Union - it no longer makes sense for the UK to be a distribution hub for the whole of Europe. Particularly when so many neighbouring countries remain in it. No trade deal changes that. 4/

Now, product checks, of the sort causing problems for food exporters (see Scottish seafood). In the single market, we shared regulations, so a safe product in the UK was safe in France. No inspections. We chose to leave that system, as we want to change some regulations. 5/

All developed countries have extensive safety regulations, particularly on food and drink products. They have stringent entry checks. Outside of a single market, you face the full weight of those checks. They take time. 6/ https://t.co/3NY7zgXRet

Countries outside a single market can negotiate with each other to reduce the number of product checks. Agreements usually involve commitments on both sides to build trust, such as not changing regulatory standards. The UK chose not to pursue this on food. 7/

You could be forgiven for wondering why if I knew all of this, the UK government, MPs, and businesses did not. But you recall there was a campaign for the purest possible Brexit. You may recall Brexit central. Not everything written there was true... 8/ https://t.co/PuppVdIHWZ

Individuals who said leaving the single market and customs union meant product checks and rules of origin were told we were biased. We weren't invited to advise government. Business was not encouraged to say this. EU-shills. Code for inconvenient. Anyway, enough Trumpism... 9/

There is a whole category of restrictions we are hardly seeing yet, on services. We aren't travelling to the EU for work right now, because of covid. After covid it will be because of work permit restrictions. Financial services changes are coming. 10/ https://t.co/ankZwPqeUp

For services like goods, it no longer makes sense for London to be the hub serving the EU, when there will be barriers in terms of trade, people, perhaps data. The UK's European HQs are threatened. Hard to know how exactly this might unfold, but there will be change to come/ 11/

But the UK government is not powerless to prevent the erection or maintenance of EU trade barriers. It was a choice not to prioritise easing of regulatory checks. We chose a quick deal, with little regulatory alignment. We could choose differently. 12/

The UK government can choose to prioritise easing checks on food exports to the EU. But it will probably mean less regulatory divergence. We can choose to prioritise a data equivalence agreement, but that might require certain commitments. 13/

The government could argue that global Britain means pursuing deals and regulatory freedom elsewhere. Thus for example a US trade deal to change our food standards. That again is a choice. Can Scottish seafood be sold to the US? Such are the choices. 14/

But this is where we are now. A government supposed committed to free trade has chosen high barriers to £670 billion (approx 50%) of our trade. It can try to reduce them, or accept the consequences. It can try to replace EU trade with further away countries. Tricky. 15/

All of this was known last year and before. What is happening now the inevitable consequence of the decisions taken. But we also need to talk about the future choices. Alignment and reduced checks, divergence and higher barriers. No getting out of it, whatever partisans say. 16/

Goods regulatory checks and to a lesser extent rules of origin also apply to Northern Ireland - Great Britain trade. As widely stated when the Withdrawal Agreement was signed in 2019 but denied by the Prime Minister. 17/

Finally, element of "told you so"? Sure, not denying it. It isn't always easy being told that facts = bias, doors in government being closed because easier to listen to those who are factually wrong but politically right. But more a hope we start dealing in reality. 18/ end

PS a telling little detail. A modern trading relationship is made up of numerous such decisions, and on them will trade and investment depend. https://t.co/1Mt8xjslnf

> E.g. I attended an event at HoC where we discussed the implications for aerospace of UK leaving EASA. The gov minister said the gov would never do this as they understood the issues.
> They then decided to leave without any further consultation with the industry.
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> — Simon Hancock (@simonhancock_uk) January 8, 2021