



House of Commons
Exiting the European Union
Committee

**The consequences
of “No Deal” for UK
business**

Fourteenth Report of Session 2017–19

*Report, together with formal minutes
relating to the report*

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Exiting the European Union Committee

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Conclusions and Recommendations

Introduction

1. The Government’s own economic assessment shows that a “no deal” exit from the EU would be the most economically damaging outcome for the UK, with the effect most pronounced in the North East and the West Midlands, and the chemical, retail, food and drink and manufacturing sectors would be hardest hit. These findings are reflected in the recent statements from senior members of the Cabinet, including the Chancellor of the Exchequer, the Chancellor of the Duchy of Lancaster and the Secretary of State for Business, Energy and Industrial Strategy. The Government’s own analysis reinforces our previous conclusion that attempting a “managed no deal” cannot constitute the policy of any responsible Government. (Paragraph 11)

Services

2. The nature of cross border trade in services means that non-tariff barriers are important. The Government has said that, if the UK leaves the EU without a deal, then UK businesses would be treated as third-country service providers by the EU. The UK would risk a loss of market access and an increase in non-tariff barriers. This is reflected in the Government’s own modelling which found that moving to WTO terms, and the consequences of non-tariff barriers being raised, would have the greatest impact on UK services compared to all the possible outcomes. (Paragraph 38)
3. A no deal exit would not allow for future arrangements on mutual recognition of professional qualifications. This would have an impact on the ability of some UK services to export to the EU as they do now. It is possible that mutual recognition could be negotiated, but that would require a deal with the EU. Furthermore, it raises concerns as to the long term international standing of UK professional qualifications. (Paragraph 39)
4. Ensuring that personal data can continue to flow between the EU and the UK as it can now has been a major challenge for the UK in the negotiations so far. The priority for the UK has been to secure a data adequacy decision from the European Commission, a process that takes a considerable time. This is exactly the type of process, to allow the UK and the EU to negotiate and adapt to a new relationship, that the transition period was intended for. Leaving without a deal would abruptly remove the transition period and create considerable bureaucratic and legal obstacles for businesses that depend on the free movement of data. In addition, the UK is set to lose its ability to influence how EU policy on data evolves in the future, because it will no longer have a seat on the European Data Protection Board (EDPB). It is difficult to see how leaving without a deal would create the atmosphere necessary for the UK to try to negotiate any sort of input to the EDPB. (Paragraph 40)
5. Leaving without a deal would mean the UK will be outside the EU regulatory regime for services. One way to mitigate this loss of market access is for UK businesses to open a presence in an EU27 Member State. This could lead to a reduction in services delivered by Mode 4 (temporary movement of the person delivering the service) and

an increase in services delivered by Mode 3 (establishing a commercial presence within the EU27). The UK is creating circumstances that incentivise the UK services industry to relocate part of its operations outside the UK. (Paragraph 41)

6. The services sector should not necessarily be looked at in isolation from the goods sector. If barriers to trade are introduced between the UK and the EU, as a consequence of the UK leaving the Single Market and the Customs Union, with no agreement in place to mitigate the current terms of trade, then barriers to trade in goods could have implications for the ability of UK services to export to the EU. (Paragraph 42)
7. If the UK leaves without a deal, then there would be considerable uncertainty on the terms under which workers in the UK services sector would be able to travel to the EU for work. This would be important for certain sectors which need flexibility in how quickly they can send staff across the EU. It would also have implications for sectors where the nature of their work involves less predictable schedules or touring, such as in the creative industries, and for smaller businesses that are less able to manage red tape as a consequence of being outside the Single Market. (Paragraph 43)
8. Many businesses are still not taking all the measures necessary to prepare for no deal. Smaller businesses are less likely to take steps to prepare. They may not have the capacity. Many simply need to know what the future trading circumstances will be so when they invest time and resources in making changes, they can do so knowing that they will only have to do so once. It appears likely that a proportion of businesses, especially SMEs, will not be able to prepare until there is more certainty on the outcome. (Paragraph 44)
9. If the UK leaves without a deal, then the UK would be separating itself from important sources of EU funding. The UK Government will be under considerable pressure leading up to a no deal exit to commit to fund the shortfall in any current EU funding streams. It is unclear how leaving without a deal on 31 October 2019 will help cultivate goodwill and the necessary conditions for the UK and EU to resolve this situation quickly. (Paragraph 45)
10. The situation will be particularly challenging for small and medium sized enterprises (SMEs). We call on the Government to set out what financial support it will provide to SMEs in the event of no deal, where SMEs should go for clear communication explaining the specific support for SMEs in the event of a no deal, and how this support will be delivered from 1 November 2019. (Paragraph 46)
11. This Committee is concerned that the UK’s position as the clear front-runner destination for venture capital investment in technology firms—an area seen as a future growth sector—will be jeopardised by a no deal exit. (Paragraph 47)
12. Given that services account for 80% of UK GDP, and that alignment with the EU’s Single Market is the only way in which friction can be removed from UK-EU trade in services, it is vital that the future trading relationship between the UK and the EU is based on close alignment with the EU’s Single Market. Membership of the customs union alone would do relatively little to support the UK services sector. (Paragraph 48)

Automotive sector

13. Leaving the EU without a deal would mean that the UK automotive sector would be subject to the EU’s Common External Tariff on its exports to the EU27, its largest market, adding costs estimated at around £2,700 for UK cars. These costs would undermine the competitiveness of UK exported cars compared to cars manufactured and traded within the EU and cars manufactured in countries, including South Korea and Japan, with free trade agreements with the EU. (Paragraph 65)
14. Without any agreement on cumulation with the EU, it would be difficult for UK-manufactured cars to benefit from any trade deals reached with third countries as, for most lines, the proportion of UK-produced content is currently below 50%. There may be potential for some onshoring of supply chains in the automotive sector, and in manufacturing more generally, but there is also evidence of jobs being lost in the supply chain as manufacturers in the EU27 reduce their own exposure to the disruption of a no deal exit. (Paragraph 66)
15. Turkey is currently a major supplier of components to the UK’s automotive sector. As a member of a customs union with the EU, a no deal exit would also require Turkey to erect new barriers and checks in its bilateral trade with the UK, placing further costs on the UK automotive sector. The Committee notes that trucks attempting to enter the EU via the border between Turkey and Bulgaria can be subject to tailbacks of up to 17km and delays of up to 30 hours. (Paragraph 67)
16. The UK automotive sector relies on highly integrated supply chains. Delays at the border will create disruption and inefficiency for businesses relying on components arriving “just in time” and in the correct sequence. Failure to maintain these processes risks putting the UK automotive sector at a competitive disadvantage in a highly competitive industry. Planning for a no deal has also already placed a substantial cost on the UK automotive sector and has had a chilling effect on investment in the sector. (Paragraph 68)
17. It is clear that a no deal exit would result in the UK automotive sector—a great British success story—being put at a competitive disadvantage. (Paragraph 69)

Food and farming

18. The Government’s provisional no deal tariff schedules would allow many agricultural products to enter the UK tariff-free while UK producers would face high tariffs exporting to the EU, currently the market for over two-thirds of UK agri-food exports. Sheep meat would face a tariff approaching 50%, bringing the viability of that sector into question. While on the island of Ireland, products moving from south to north would not face tariffs but those moving north to south would. Northern Irish milk products would no longer be certified to cross the border to be processed, putting the continued business of Northern Irish milk producers at risk. (Paragraph 82)
19. Requirements for customs and sanitary and phyto-sanitary checks at the border are expected to create delays in agri-food supply chains, 40% of which currently pass through the short straits crossings to Dover and Folkestone, the busiest crossings

most likely to be subject to delay. Delays at the short straits are likely to lead to selective and unpredictable shortages in certain foodstuffs, as well as price increases. (Paragraph 83)

20. A no deal exit will also see the UK cut off from the European Food Safety Authority and Rapid Alert System for Food and Feed which ensures that food health risks can be quickly notified and managed. We call on the Government to clarify urgently what replacement provisions will be put in place to ensure the safety of the UK’s food. (Paragraph 84)
21. The Department for Environment, Food and Rural Affairs has worked constructively with the food and farming sectors. However, we have no reason to doubt the concern that no deal would lead to some interruptions to food supplies in respect of certain products or to doubt the analysis of the NFU that no deal would be “disastrous” for UK farming. (Paragraph 85)

Pharmaceuticals and chemicals

22. The success of the UK’s chemical and pharmaceutical sectors rests on highly-integrated just-in-time supply chains. A disorderly no deal would disrupt these supply chains overnight, and, according to the Government’s own figures, would reduce GVA for the pharmaceutical and chemical sectors by over 20% over 15 years, compared to what it would have been had the UK not left the EU, as a result of tariff and non-tariff barriers. Pharmaceutical industry representatives were clear in evidence to us that no deal is a leap into the unknown, but that it would likely harm the life sciences sector and increase risks to patient safety, affect the supply of medicines and could lead to price rises for the NHS. For the chemical industry, which is at the top of supply chains for numerous other sectors, disruption at the border will have profound consequences for UK manufacturing, with resulting costs to the UK economy. (Paragraph 117)
23. Under no deal, chemical and pharmaceutical companies operating in the UK will be cut off from EU regulatory systems and databases, which protect the environment and patient safety. Companies operating in both markets will need to register chemicals or seek marketing approvals for drugs twice, in the UK and the EU, an expensive and bureaucratic process that will reduce the attractiveness of doing business in the UK. Chemical companies will need to undertake new commercial negotiations with competitors to secure data needed to register chemicals. For the pharmaceutical sector, no deal will mean the UK’s relegation from the first to the second league of international markets, and the likelihood of longer waiting times for certain medicines as a result. (Paragraph 118)
24. The EU has said that in the event of no deal, the UK will be treated as a third country and there would be no provisions in place on the exchange of data between the two entities. This carries harmful consequences for the life sciences sector which relies on the exchange of data for clinical trials, pharmacovigilance and the detection of unsafe or counterfeit medicines. The risk of any reduction in patient safety is unacceptable. The industry has already invested in the implementation of

the Falsified Medicines Directive and the Government must set out urgently options for a replacement safety framework to eliminate the risk of unsafe and counterfeit medicines entering the UK supply chain. (Paragraph 119)

25. The manufacturing process for pharmaceuticals and chemicals often entails components crossing borders multiple times. The sudden introduction of tariffs would therefore seriously challenge the viability of the two industries’ supply chains. While the Pharmaceutical Tariff Elimination Agreement would soften the impact of a no deal based on WTO terms, it has not been updated for nine years and does not cover a wide range of finished pharmaceuticals, components and equipment, meaning tariff barriers would be imposed on the newest, most innovative medicines and components that are traded between the UK and the EU. (Paragraph 120)

Research and higher education

26. The UK is widely recognised as a world leader in science and research. A number of UK universities consistently rank in the top 50 worldwide. The UK’s economic wellbeing and industrial success is enhanced by its cutting-edge scientific and technological innovation. (Paragraph 135)
27. The Government has made positive strides towards supporting Higher Education and research through an immediate post-exit funding crisis through the Horizon 2020 underwrite. The Settled Status Scheme is also providing some certainty for long-term researchers and academics. However, the overwhelming message we received from this sector was that leaving the EU without a deal would cause a short-term shock and longer term reputational damage from which the UK Higher Education sector would struggle to recover. (Paragraph 136)
28. Anticipation of no deal has already precipitated a decline in applicants to research and technician roles and for UK based grants. EU students, who form a vital part of the highly skilled diverse student population in the UK, are turning down places because of continued uncertainty and modelling has suggested this could have severe consequences, including course closures, for some academic institutions. The UK is losing out on high profile research projects as funding uncertainty is leading to more projects being EU based. (Paragraph 137)
29. Although the scope exists to negotiate association to many EU projects, this is unlikely to be straightforward in the event of an acrimonious no deal. (Paragraph 138)

Conclusions

30. It has been suggested that the UK could leave the EU without a deal and rely on Article XXIV of the GATT to maintain tariff-free trade with the EU in the absence of a negotiated agreement. Article XXIV is the GATT provision that allows for an interim agreement between two parties in anticipation of a free trade agreement or customs union. It requires an agreement between the two parties, a plan as to how the end state will be reached, and for this agreement to be notified to all parties to the WTO. By definition, leaving without a deal means there is no agreement. Article XXIV does not provide a means to mitigate the risks to EU-UK trade in the event of a no deal exit. (Paragraph 139)

31. It is clear from the evidence that we have received in preparation of this report that the economies of the UK and the EU27 are closely entwined through highly integrated supply chains operating in the car industry, other areas of manufacturing and the agri-food sector. UK exports of goods and services to its largest and closest market also operate on the basis of frameworks of regulatory provision applicable to transport of food produce, pharmaceuticals, chemicals, automotive parts and the flow of data. The UK’s exports of services and its higher education system rely on agreed provisions on recognition of qualifications and frameworks for collaboration in research and student exchanges. A no deal exit would represent a sudden rupture for all of these sectors. A no deal, non-cooperative relationship cannot be the desired end state for UK-EU economic relations. The closeness of the economic relationship is most evident in the agri-food sector on the island of Ireland. Those businesses that have not prepared for no deal will clearly be more affected than those that have. (Paragraph 140)
32. The EU has consistently maintained that the Withdrawal Agreement, including provisions for the settlement of the UK’s financial obligations, guarantees for citizens’ rights and provisions to ensure that there is no hard border on the island of Ireland, will not be re-opened and that, in a no deal scenario, discussion of future cooperation would require settlement of these three issues as a pre-cursor to any further negotiation. The UK would also risk a great deal of goodwill by pursuing a no deal exit. (Paragraph 141)
33. Some have argued that a no deal exit would bring the EU “back to the table” and that the UK would secure a better deal as a result. This is, at best, a gamble. At worst, it could lead to severe disruption of the economy, pose a fundamental risk to the competitiveness of key sectors of the UK economy, and put many jobs and livelihoods at risk. (Paragraph 142)

1 Introduction

1. The House of Commons has voted three times to reject the draft Withdrawal Agreement that was negotiated between the UK and the EU in November 2018 (the Withdrawal Agreement).¹ After the first of those votes, we reported that there were four options for the House to consider—holding another vote in Parliament on the Withdrawal Agreement and Political Declaration; leaving the EU with no deal; seeking to re-negotiate the deal; and holding a second referendum to allow the British people to decide either what form of exit they wanted from the EU or whether they wished to remain in the EU.² In this report, we examine the implications of leaving without an Article 50³ Withdrawal Agreement, a “no deal” exit, on a number of different sectors of the UK economy. We are conscious that the consequences of no deal may well not just be economic. There may be substantial constitutional implications too, including for the unity of the UK.⁴ However, in this report we concentrate on the economic consequences.

2. The Government’s own economic analysis has concluded that a “no deal”⁵ exit would reduce cumulative GDP growth in the UK over 15 years by between 5% and 10.3%. However, this effect would not be even across different sectors of the economy or regions of the country.⁶ The most pronounced effects on sectoral Gross Value Added would be in chemicals, rubber and plastics (c.16% reduction); retail and wholesale trades (c.11% reduction); food and drink (more than 9% reduction); and motor vehicles and parts and other manufacturing (both more than 8% reduction). The impact on regional GVA of a “no deal” exit was most pronounced in the north east (16% reduction) and the West Midlands (c. 13% reduction) with London the least affected, with an estimated 3% reduction. Philip Rycroft, the former Permanent Secretary at the Department for Exiting the EU, has said that a “no deal” exit would amount to a “very abrupt change to our major trading relationship”; he added “I think everybody should be worried about what happens in a no-deal situation. We would be taking a step into the unknown.”

3. The Chancellor of the Exchequer has said that “The government’s analysis suggests that, in a disruptive no-deal exit, there will be a hit to the Exchequer of about £90bn.”⁷ Rt Hon David Lidington MP, Chancellor of the Duchy of Lancaster and Minister for the Cabinet Office, said that, in the event of a no deal exit there would be “an immediate shock to the economy”.⁸ Rt Hon Greg Clark MP, Secretary of State for Business Energy and the Industrial Strategy said on 12 July that “if you have the disruption that comes from a no-deal Brexit there will be people that will lose their jobs. It’s many thousands of jobs.[...] I think every person that considers the evidence that companies have given—whether its in

1 On 15 January and 12 March 2019 the House of Commons rejected the Withdrawal Agreement and Political Declaration (on the [latter occasion](#) with three additional documents relating to the Northern Ireland backstop); on 29 March the House rejected a motion approving the Withdrawal Agreement alone.

2 Eleventh Report of Session 2017–19, [Response to the vote on the Withdrawal Agreement and Political Declaration: Options for Parliament](#), HC 1902, paras 15 to 19

3 Article 50 of the Treaty on European Union (TEU)

4 [Qq4597–4600](#)

5 Throughout this report, leaving with “no deal” means leaving without an Article 50 TEU agreement.

6 EU Exit Analysis - [Cross Whitehall briefing](#); provided to the Committee on 6 February 2018 subsequent to the agreement of a Humble Address by the House of Commons on 31 January 2018 and published on 8 March 2018

7 HC Deb, 2 July 2019, [col 1053](#)

8 [Q4575](#)

the automotive sector, whether its in the food sector, whether its in aerospace, in industries up and down the country—you know if you become less efficient and your ability to trade is impeded, then of course losing your competitiveness means there will be jobs lost”.⁹

4. A no deal exit would mean leaving the EU with no transition period applicable to any of the elements of the UK’s relationship with the EU. In our Twelfth Report of this session, we expressed deep concern about the readiness of businesses for a no deal exit which would leave them facing an abrupt change in trading circumstances in respect of both goods and services.¹⁰

5. It has been suggested that the UK could leave without a deal, and then rely upon Article XXIV of the GATT¹¹ to maintain current tariff free trade arrangement with the EU for a period of time to allow negotiations on the future relationship. This proposal would appear to be intended as a substitute for the transition period negotiated in the Withdrawal Agreement. The Prime Minister¹² and the Secretary of State for International Trade¹³ have both said that Article XXIV would not apply in the situation that the UK would find itself in, if it left without a deal. Roberto Azevêdo, Director General of the WTO, has said “If there is no agreement, then Article XXIV would not apply, and the standard WTO terms would.”¹⁴

6. If the UK were to leave the EU without a deal, the European Commission has said that “the UK will become a third country without any transitional arrangements. All EU primary and secondary law will cease to apply to the UK from that moment onwards”.¹⁵ The UK would leave the Customs Union, losing the right to tariff free export into the EU and becoming subject to the customs checks which currently do not apply, trading with the EU on the basis of its Common External Tariff. It would also leave the Single Market, leaving the system of regulatory approval that provides that goods placed on sale legally in one Member State can be legally placed on sale in another, with no alternative regulatory arrangements in place.

7. We noted in our Twelfth Report the potential for major disruption at the UK’s borders, with changes to trade arrangements requiring increased checks. This risks interrupting the frictionless flow of goods with a knock on effect on time critical supply chains.¹⁶ The Government has said it will prioritise the flow of goods into the country but any steps taken by the UK authorities to mitigate disruption will be largely dependent on reciprocal action taken on the other side of the Channel. The Government will provide for “hauliers

9 [“Greg Clark: No-deal Brexit would kill ‘many thousands of jobs’”, Sky news, 12 July 2019](#)

10 Twelfth Report of Session 2017–19, Response to the vote on the Withdrawal Agreement and Political Declaration, [HC 1908](#), para 26

11 The General Agreement on Tariffs and Trade 1994 (which must be read with GATT 1947).

12 [HC Deb, 21 January 2019, col 42](#)

13 [HC Deb, 14 January 2019, col 868](#)

14 [“‘Jumping from league one to league three’: WTO insiders’ scathing assessments of a WTO Brexit”, Prospect, 8 July 2019. See also \[Q4445\]\(#\), \[Q4627\]\(#\)](#)

15 European Commission, “No deal” Brexit: European Commission takes stock of preparations ahead of the June European Council (Article 50), 12 June 2019; it is however our understanding that even if there was a transition/ implementing period as part of a ratified Withdrawal Agreement, the UK would in international and EU law be a third country even if treated as a “Member State” for most purposes. This change in legal status is recognised by the UK no longer being allowed to participate in the decisional processes of the EU such as voting in the Council or having UK MEPs.

16 Twelfth Report, Session 2017–19, [HC 1908](#), para 69

to pass through the border without stopping but they would be stopped if taking goods into [for example] France without the right paperwork.”¹⁷ The imposition of third country controls will impact traffic in both directions:

These impacts are likely to be felt mostly on the short straits crossings into Dover and Folkestone, where the frequent and closed loop nature of these mean that both exports and imports would be affected.¹⁸

8. We noted in our Twelfth Report that the Government’s own no deal technical notices across a number of sectors placed significant weight on assumptions about how the EU would respond in the event of no deal. However, since these assumptions could not be guaranteed, we concluded that “a ‘managed no deal’ cannot constitute the policy of any responsible Government”.¹⁹

9. We took evidence from representatives of citizens groups on 3 July and intend to take evidence from a Home Office Minister in the autumn. We will report further on the implications of a no deal exit for citizens rights. In this report, we have looked in particular detail at the implications of exiting without a deal agreed under Article 50 in six key sectors of the economy:

- Services;
- The automotive sector;
- The food and farming sectors;
- Chemicals and pharmaceuticals; and
- Research and Higher Education.

10. Mr Sydney Nash, Senior Policy Manager at the Society of Motor Manufacturers and Traders told us that:

One could debate what happens politically after no deal, and whether or not, as I just set out, this is actually a new state of affairs that lasts for a long period of time. I know others would disagree and say, “It forces the EU back to the table”. We could have that debate, but the reality is it is a gamble. To undertake no deal is a gamble. In truth, it is gambling with other people’s money and other people’s businesses, livelihoods and jobs. It is irresponsible to talk it up as an option.²⁰

11. The Government’s own economic assessment shows that a “no deal” exit from the EU would be the most economically damaging outcome for the UK, with the effect most pronounced in the North East and the West Midlands, and the chemical, retail, food and drink and manufacturing sectors would be hardest hit. These findings are reflected in the recent statements from senior members of the Cabinet, including the Chancellor of the Exchequer, the Chancellor of the Duchy of Lancaster and the Secretary of State for Business, Energy and Industrial Strategy. The Government’s own analysis reinforces our previous conclusion that attempting a “managed no deal” cannot constitute the policy of any responsible Government.

17 HM Government, [Implications for Business and Trade of a No Deal Exit on 29 March 2019](#), 26 February 2019

18 Cabinet Office, [Border planning assumptions in the event of a ‘no deal’ Brexit](#), 7 December 2018

19 Ibid, para 172

20 [Q4272](#)

2 Services

The importance of services to the UK economy

12. Services account for 79% of total UK GDP and nearly 45% of all UK exports. The UK is the second largest services exporter in the world and services trade is more important for the UK economy than for any other G7 country.²¹ In 2018, the UK recorded a trade surplus in services of £107 billion. This included a surplus of £29 billion with the EU.²² The highest value export services sectors in 2017 were business services—this includes legal, accounting, advertising, research, architectural, engineering and other technical services. The EU27 was the largest UK export market for business services (39% of its services exports); the US was the largest single country for UK services exports (28%).²³

13. Tariffs do not apply directly to services, but trade in services is sensitive to non-tariff barriers (NTBs). A UK Government paper on the implications of no deal for businesses said:

In a no deal scenario, UK businesses would be treated as third-country service providers by the EU. The UK would risk a loss of market access and increase in non-tariff barriers. UK businesses would face barriers to establishment and service provisions in the EU which they had not previously faced, including nationality requirements, mobility, recognition of qualifications and regulatory barriers when setting up subsidiaries in EU Member States.²⁴

14. The UK Government’s own analysis of the long-term economic impact of different modelled scenarios said barriers such as: restrictions on temporary mobility for business purposes; restrictions on investment and cross-border services activity for UK firms; regulatory burdens resulting from the loss of a framework for the recognition of professional qualifications; and restrictions on the exchange of personal data, would impact trade in services. The table below is from the Government paper on EU Exit Long term economic analysis.

Table 3.4: Summary of key estimates of changes to trade costs for services compared to today’s arrangements.

Compared to today's arrangements (per cent change)	Modelled White Paper				
	Modelled no deal	Modelled average FTA	Modelled EEA-type	Modelled White Paper	Modelled White Paper with 50 per cent NTB sensitivity ¹¹⁰
New tariffs (A)	Zero tariffs	Zero tariffs	Zero tariffs	No tariffs	No tariffs
New non-tariff barriers (B)	+12 (+5 to +18)	+9 (+4 to +14)	+2 (+1 to +4)	+8 (+4 to +12)	+8
Total changes to trade costs (A+B)¹¹¹	+12 (+5 to +18)	+9 (+4 to +14)	+2 (+1 to +4)	+8 (+4 to +12)	+8

Central estimates and ranges in brackets.¹¹²

Estimates are rounded to the nearest per cent. Owing to rounding, narrow ranges (less than one per cent variation) are not distinguishable in the table.

21 [Written evidence from the Department of International Trade to the International Trade Committee inquiry into UK Trade in Services \(TIS0011\)](#)

22 [House of Commons Library, Trade in Services and Brexit, 13 June 2019](#)

23 [House of Commons Library, Trade in Services and Brexit, 13 June 2019](#)

24 [UK Government, Implications for Business and Trade of a No Deal Exit on 29 March 2019, 26 Feb 2019](#)

15. It shows that:

In the modelled no deal scenario, additional trade costs on UK-EU trade are estimated to be equivalent to, on average, 5 to 18 per cent of the value of trade compared to today’s arrangements²⁵

16. Our witnesses told us that leaving without a deal for their sectors “raises very serious and significant concerns”, that a “messy and disorderly Brexit is a concern”, and that a no deal “would be probably the worst possible option of a number of different options”.²⁶ There was agreement that there had been very good engagement with Government for some time, and a confidence that departments understood the problems, but we were told that it was difficult to see evidence of it having effect—Martin Manuzi, Regional Director for Europe, Institute of Chartered Accountants in England & Wales (ICAEW), specifically referred to being “disappointed in the way in which services was addressed in the White Paper, the Chequers paper.”²⁷

17. Our witnesses emphasised the importance of a transition period and the value of clarity over the final UK-EU relationship. Claire Walker, Co-Executive Director, British Chambers of Commerce, said the transition period was “really important” and that it was “really critical” to have that time to plan.²⁸ Mr Manuzi said his sector wanted to avoid “legal voids” in the regulatory structure for audit, and that in doing so underlined the importance of an orderly withdrawal and a transition period.²⁹

Leaving the EU without a deal

18. Martin Manuzi suggested that leaving without a deal would mean the UK removing itself from a comprehensive system of working together with other European regulators for audit and audit professions. He also said “it is likely that after 1 November we may well see a flurry of profit warnings from companies finding themselves in completely unprecedented circumstances.”³⁰ He continued:

as a profession that supports businesses, that advises businesses, and particularly those that have a large reliance on access to European markets, in a situation where that access is, over one day, no longer there, it leads us to think that it is likely that those companies will be thinking again about what their prospects are and may need to communicate that to markets.³¹

19. Giles Derrington, Associate Director of Policy, techUK, suggested that the UK was no longer the only place for tech companies to invest in the EU where previously it had been the clear front runner,³² and pointed out that venture capital investment in the UK fell by about 58% in the first quarter of 2019, due to “Brexit uncertainty”.³³ He also said that this would have a disproportionate effect on new and innovative start-up firms.³⁴

25 [UK Government, EU Exit Long-term economic analysis, November 2018, Cm 9742](#)

26 [Qq4435–4437](#)

27 [Q4438](#)

28 [Q4444](#)

29 [Q4468](#)

30 [Q4446](#)

31 [Q4450](#)

32 [Q4482](#)

33 [Q4439](#)

34 [Q4440](#)

He made it clear that the UK’s position as the clear front-runner destination for venture capital investment in technology firms—an area seen as a future growth sector—will be jeopardised by a no deal exit.

Loss of regulatory environment and legal certainty

20. If the UK leaves the EU without a deal, it will become a third country for the purposes of service provision in the EU, meaning that mutual recognition of regulatory regimes will end, and UK service providers will have to abide by the host state rules of each Member State as opposed to a single set of EU rules. This may change how UK services are sold to customers in the EU27.³⁵ Trade in services will be governed by WTO rules, i.e. the General Agreement on Trade in Services (GATS).³⁶

21. Martin Manuzi acknowledged that there are limitations to the EU Single Market for services, but that it is “the only one of that type anywhere else in the world that gives a basis for market access.”³⁷ In comparison, the “WTO terms do not have any answers” when it comes to providing a regulatory framework for trade in services for accounting and audit across Europe. He said:

The WTO terms have absolutely no relevance to the questions that arise from the fragmentation of that system when the UK leaves.³⁸

Alan Vallance, Chief Executive of the Royal Institute of British Architects, told us that the Royal Institute of British Architects had worked with Frontier Economics to assess the impact of various Brexit scenarios on UK architecture. It found that a no deal Brexit was going to have the most impact, and that of the £500 million UK architecture earned from international work in 2016, a no deal exit could reduce UK architecture exports by £73 million per year.³⁹ Our witnesses highlighted two particular aspects of leaving the regulatory regime of the Single Market: professional qualifications and moving personal data.

Recognition of professional qualifications

22. The Mutual Recognition of Professional Qualifications Directive supports the principle of free movement of skilled professionals by enabling a professional qualification granted to an EU citizen in one Member State to be recognised in another Member State for the purpose of allowing the holder to practice a regulated profession.⁴⁰ EU citizens may also rely on the Directive to have qualifications obtained in a third country and recognised in a Member State to be taken into account by regulators in another Member State. Exiting the EU without a deal would bring the UK outside of the Directive. As of the withdrawal date, UK nationals will be third country nationals and Directive 2005/36/EC would no longer apply to them.⁴¹

35 [Sam Lowe, Brexit and Services, How deep can the UK-EU relationship go? December 2018](#)

36 [WTO, Services trade; UK in a Changing Europe, What would ‘trading on WTO terms’ mean? 2018](#)

37 [Q4441](#)

38 [Q4441](#)

39 [RIBA, Global Talent, Global Reach, 7 December 2017; Q4452](#)

40 Directive 2005/36/EC. There are two systems by which a professional can have their qualifications recognised – the automatic and the general system. The automatic list includes nurses, midwives, doctors, dentists, pharmacists, architects and vets.

41 [European Commission, Notice to stakeholders: Withdrawal of the UK and EU rules in the field of Regulated Professions and the recognition of Professional Qualifications, 21 June 2018](#)

23. Martin Manuzi summarised what leaving the EU without an agreement on professional qualifications would mean for members of the Institute of Chartered Accountants in England and Wales:

In short, in an exit on WTO terms, we will lose the legal certainty in relation to the professional recognition afforded to ICAEW, its qualification, and the other UK professional qualifications in accounting and I believe in other areas too, or the majority of other areas too. That is massively important to us in relation not only to individual migrant professionals, of which there are not a huge number, but it is massively important for our standing and the attractiveness of our qualification, both in Europe and globally⁴²

24. Alan Vallance said that UK qualified architects may also be disadvantaged by being outside agreements between the EU and third countries. He gave the example of Canada and the CETA agreement it has negotiated with the EU, which includes a mechanism for the mutual recognition of qualifications.⁴³ Access to markets of existing EU free trade agreements with countries like Canada, Japan, Switzerland and Norway depends on the successful roll over of these trade agreements, and whether the rolled over agreement caters for services—for example, the transitional UK-Iceland-Norway Agreement covers trade in goods only.⁴⁴

Data

25. If the UK left the EU without a deal, the UK would become a third country in the eyes of the EU for the purposes of moving personal data. The way that the legal framework governing transfers of personal data from organisations established in the EU to organisations established in the UK would change on exit.⁴⁵ Businesses will need to act to ensure EU organisations were able to continue to send personal data to the UK. The UK has said that it will seek an adequacy decision from the EU.⁴⁶ If the UK left without a deal, then the adequacy process would not be completed before exit day. Businesses in the EU would not be able to move personal data to the UK as they do now and would have to introduce one of the alternative measures available.⁴⁷ Giles Derrington told us that having an adequacy decision is “the most fundamental thing not just for our sector but, frankly, any businesses that is moving personal data around Europe”.⁴⁸

42 [Q4441](#), [Q4460](#); See also written evidence from RIBA, July 2019 NEG0042

43 [Q4441](#)

44 [Department for International Trade, Continuing the United Kingdom's trade relationship with Iceland and the Kingdom of Norway Agreement on trade in goods between, Iceland, the Kingdom of Norway and the United Kingdom of Great Britain and Northern Ireland April 2019, paras 13, 140 and 141](#) ; [The Agreement between the UK and Switzerland does not include services because “There is no comprehensive agreement on trade in services to replicate.” Department for International Trade, Continuing the United Kingdom's Trade Relationship with the Swiss Confederation, February 2019](#)

45 [In recognition of the unprecedented degree of alignment between the UK and EU's data protection regimes, the Government has made an Exiting the EU Statutory Instrument which would allow the transfers of data from the UK to EEA states after exit day, the Data Protection, Privacy and Electronic Communications \(Amendments etc\) \(EU Exit\) Regulations 2019 No. 419](#)

46 [European Committee B, Exchanging Data with non-EU Countries 23 Oct 2018, col 8](#); See also the [Prime Minister's Mansion House speech on our future economic partnership with the EU, 2 March 2018](#);

47 [Information Commissioner's Office, Data protection if there's no Brexit deal](#); the legal validity of one of these alternative arrangements, standard contractual clauses, is currently being challenged in the Court of Justice in the [Schrems II](#) case (C311/18). The preliminary opinion of the Advocate General is expected on 12 December.

48 [Q4465](#), Note this would have implications for trade but also for security arrangements between the EU and the UK. See the [Prime Minister's Munich Security Conference speech, 17 Feb 2018](#)

26. He stated further that an adequacy decision takes time, and that the fastest ever adequacy decision took 18 months. There are also indications that such a process for the UK and EU could take even longer “by a factor of years”.⁴⁹ A transition period would allow time for the adequacy decision process, but in the event of leaving without a deal, there would be “a clear gap” between leaving and an adequacy decision.⁵⁰ There are already indications that EU companies are not contracting with UK entities due to uncertainty around future arrangements.⁵¹

27. We have previously commented on the implications of the UK’s Information Commissioner no longer being part of the European Data Protection Board (EDPB).⁵² Not having a place on the EDPB means the UK will be outside the structures that ensure consistent application of data protection rules under GDPR, and outside the One-stop shop—a facility to enable companies to only have to deal with one data protection regulator in one Member State. Mr Derrington said that techUK thought that for the UK to maintain its membership of the EDPB “would be challenging in almost any scenario. Certainly, in a no-deal scenario that is simply not going to happen.”⁵³ If a UK business wants to take advantage of the benefits of the One-stop shop facility—only dealing with one regulator in terms of GDPR compliance and protection from multiple GDPR claims in different Member States—then it would need to have a base in an EU Member State and recognition by that Member State’s data protection authority.⁵⁴

28. Giles Derrington said it would also be important to consider the ability to move data between the UK and third countries that have received an adequacy decision from the EU.⁵⁵ He understood that there had been negotiations with third countries that have an adequacy decision with the EU to “provide some resilience” in the event of no deal, but:

There are questions around some of those about exactly how they all work. If I am honest, we have been trying to get very clear and detailed answers, with varying levels of success, out of Government about some of these.⁵⁶

He also referred to the fact that these arrangements could be transitional, as opposed to permanent, and that “it is unclear how long” any such “transitional period might be”.⁵⁷ Not being able to move personal data to and from third countries would inhibit not just the digital sector but also other service providers.⁵⁸

49 [Q4466](#); as a matter of EU law, the question of how long it may take for the UK to obtain a data adequacy decision depends on how quickly the EU can determine that the UK’s level of data protection is equivalent to the EU’s, taking into account the considerations specified in Article 45 (2)(a)-(c) of the GDPR, after obtaining the opinion of the European Data Protection Board. It is hard to estimate how long this process could take. We note that in the non legally-binding Political Declaration the EU said it would endeavour to complete the process by the end of 2020.

50 [Q4466](#)

51 [Q4467](#)

52 [Seventh Report of Session 2017–19, The progress of the UK’s negotiations on EU withdrawal: Data, HC 1317](#). The EDPB consists of representatives of the designated supervisory authority in each EU country along with representatives from the EU institutions and the Commission.

53 [Q4465](#)

54 [Q4465](#)

55 The UK has provided a transitional legal basis for the continued transfer of personal data from the UK to these third countries in an Exiting the EU Statutory Instrument. See the [Data Protection, Privacy and Electronic Communications \(Amendments etc\) \(EU Exit\) Regulations 2019 No. 419](#)

56 [Q4470](#)

57 [Q4470](#)

58 [Q4438](#)

Goods and services

29. Services often cannot be separated from traded goods, and services make up an increasingly important part of inputs in the production of many manufactured goods. Goods and services can be “bundled” together, for example where goods might be sold alongside an ongoing service contract. It may take the form of machinery sold with a contract that, in the event of a fault, an engineer can be on site, with the necessary parts, and within a specified time frame.⁵⁹ Claire Walker told us that some manufacturers of cranes also lease them, and that “there is a real linkage between the service sector and goods”.⁶⁰

30. Allan Vallance highlighted where services are delivered as a package with goods, and where the whole package would be sensitive to changes in tariffs on the goods element. He said:

When an architect is designing a building in the UK and getting construction materials from overseas, they need certainty around the basis on which tariffs may or may not be charged. Right now, we have members who are planning work that will happen after October who need to factor those sorts of things into their cost and pricing decisions. There are issues now around how that works going forward.⁶¹

Labour mobility

31. There is a link between the movement of people and providing services. Service provision is categorised in four different ways under GATS,⁶² and Mode 4 involves the temporary movement of a person to provide the service in the territory of another country. As such, the free movement of services and the free movement of people cannot be easily separated, and restriction on the free movement of people will affect the free movement of services between the EU and the UK.⁶³ Several trade associations and business representatives have highlighted the importance of being able to move people for their sectors.⁶⁴

32. Claire Walker described mobility as “a key issue for the service industry in a way that for goods it is less of a problem” and that this was “particularly important” for professional services and some of the creative industries—she referred to those who work in photography, film and music industries⁶⁵—and that:

59 [Q2355](#)

60 [Q4441](#)

61 [Q4441](#)

62 An individual service can be traded or supplied in multiple ways. These are generally categorised as: Mode 1 (cross border supply) service supplied from the territory of one country to the territory of another; Mode 2 (consumption abroad) a person travels to the country to buy the service; Mode 3 (commercial presence) a service provider opens a presence in another country; and Mode 4 (movement of natural persons) is a service provided through physical presence in another country. See [Q1084](#)

63 [Q3507](#); EU Exit Long-term economic analysis November 2018, [Cm 9742](#), para 135; Also see [Gavin Barrett, The Elephant in the Room? The Free Movement of Services and Brexit, May 2019](#); [Sam Lowe, Brexit and services How deep can the UK-EU relationship go? December 2018](#); [Sam Lowe, Restricting immigration means constricting trade in services, May 2019](#); [Olga Pindyuk, The future of UK services trade is unlikely to be bright, whatever form Brexit takes, June 2019](#)

64 [Royal Institute of British Architects \(TIS0006\)](#); [Creative Industries Federation](#); CBI, [5 Steps to Protect Services Post-Brexit](#); [The Law Society, Maintaining market access for lawyers post-Brexit](#); [Q2356](#) [Broadcasting]

65 [Q4441](#), [Q4475](#)

Very specifically, what they rely on is to be able to move people very quickly without friction.⁶⁶

The nature of their industries mean they may have to respond at very short notice to schedules that are very difficult to plan. She said there were concerns as to what the future requirements will be for those whose job takes them to Europe for more than 90 days.⁶⁷ Alan Vallance said it was a “very similar story” where architects may be working on a project that needed them to travel at very short notice, and:

It may be that they are needed for a short period of time or they are needed for a longer period of time, wherever the project might be within Europe.⁶⁸

33. Giles Derrington raised the international nature of the Tech industry and its workforce. He worried about the “reputational impact” of the UK somehow “closing itself off from the rest of the world” and that:

is having an impact on the kind of people who want to come and work within the sector, a sector that is already suffering from skills shortages.⁶⁹

Preparedness

34. We asked our witnesses whether businesses in their sectors were preparing for no deal. Claire Walker, from the British Chambers of Commerce, told us that “about a third” were “not doing any kind of preparations” and that the small and medium sized enterprises were less likely to have prepared.⁷⁰ Alan Vallance said 90 per cent of architecture firms employ fewer than 10 people and these smaller practices had less capacity to plan.⁷¹ Giles Derrington said the last techUK members’ survey showed around 42% “had taken no active steps” to prepare for no deal, rising to 65% for businesses with fewer than ten people. He explained the common reasons given for not preparing:

about 49%, is they simply cannot predict the impacts. [...] For about 22% of firms, there was also a lack-of-resources question. That raised to about 30% for smaller businesses, where they simply did not have the time and money to be able to do things like hire the lawyers you need to do the reformation of contracts.⁷²

35. Furthermore, Claire Walker said that one of the decisions businesses might be making is to open a presence outside the UK. She said:

businesses are making decisions that are probably the right ones for them to protect themselves over this uncertainty, but they may not be the right things for us as an economy as a whole. They will be making decisions to

66 [Q4474](#)

67 [Q4474](#)

68 [Q4475](#)

69 [Q4439](#); [Q1352](#) [UK Finance]

70 [Q4452](#); see also [London First Business Brexit Survey](#)

71 [Q4452](#)

72 [Q4453](#)

move offices overseas or to look at other ways of working. Those may be the right decisions for their bottom line, but may not necessarily, with this ongoing uncertainty, be the right decision for us as a country.⁷³

Mr Derrington said that techUK members were considering offers to invest in other countries “for regulatory purposes”.⁷⁴ He gave the example of firms “splitting the difference” and moving part of their operation, so where previously they would have invested 100% in the UK, now they are 50% in France and 50% in the UK.⁷⁵

Predictability of payments

36. We heard concerns about the implications of no deal on the predictability of funding and cash flow for businesses. The Royal Institute of British Architects pointed out the importance of the European Investment Bank (EIB) in funding UK infrastructure projects, and that without an agreement Britain will give up its stake in the EIB. Alan Vallance said that it was “critical” for there to be clarity around the funding arrangements for major projects.⁷⁶ Similarly, Claire Walker talked about the value of EU funding streams for smaller businesses. She referred to the value of Creative Europe, and the uncertainty surrounding its future funding stream:

We do have members who have managed to start some big-name projects such as Peppa Pig and others through that funding, and they are concerned about how that will be impacted.⁷⁷

The UK Government has acknowledged that, in a no deal outcome, it “may need to reach agreement with the EU” for UK organisations to be able to continue to participate in projects funded by Creative Europe after exit day.⁷⁸

37. When asked what provision was being put in place to assist SMEs which might experience problems with cash flow in the event of no deal, our witnesses could not point to specific mechanisms in place to support SMEs in such circumstances.⁷⁹ Claire Walker said that the British Chamber of Commerce was working with the Government and the private-sector on this but that “nothing has been agreed at this stage.”⁸⁰

Conclusions

38. The nature of cross border trade in services means that non-tariff barriers are important. The Government has said that, if the UK leaves the EU without a deal, then UK businesses would be treated as third-country service providers by the EU. The UK would risk a loss of market access and an increase in non-tariff barriers. This is reflected

73 [Q4441](#)

74 [Q4451](#)

75 [Q4451](#)

76 [Q4475](#); RIBA, [Brexit facts affecting architects, 25 October 2018](#). There is no clear process in the Bank’s Statute to deal with this situation.

77 [Q4474](#)

78 [Delivery of the HMG Guarantee for Creative Europe, Europe for Citizens, and Connecting Europe Facility in Telecoms, 22 March 2019](#)

79 [Qq4477–4478](#)

80 [Q4476](#)

in the Government’s own modelling which found that moving to WTO terms, and the consequences of non-tariff barriers being raised, would have the greatest impact on UK services compared to all the possible outcomes.

39. A no deal exit would not allow for future arrangements on mutual recognition of professional qualifications. This would have an impact on the ability of some UK services to export to the EU as they do now. It is possible that mutual recognition could be negotiated, but that would require a deal with the EU. Furthermore, it raises concerns as to the long term international standing of UK professional qualifications.

40. Ensuring that personal data can continue to flow between the EU and the UK as it can now has been a major challenge for the UK in the negotiations so far. The priority for the UK has been to secure a data adequacy decision from the European Commission, a process that takes a considerable time. This is exactly the type of process, to allow the UK and the EU to negotiate and adapt to a new relationship, that the transition period was intended for. Leaving without a deal would abruptly remove the transition period and create considerable bureaucratic and legal obstacles for businesses that depend on the free movement of data. In addition, the UK is set to lose its ability to influence how EU policy on data evolves in the future, because it will no longer have a seat on the European Data Protection Board (EDPB). It is difficult to see how leaving without a deal would create the atmosphere necessary for the UK to try to negotiate any sort of input to the EDPB.

41. Leaving without a deal would mean the UK will be outside the EU regulatory regime for services. One way to mitigate this loss of market access is for UK businesses to open a presence in an EU27 Member State. This could lead to a reduction in services delivered by Mode 4 (temporary movement of the person delivering the service) and an increase in services delivered by Mode 3 (establishing a commercial presence within the EU27). The UK is creating circumstances that incentivise the UK services industry to relocate part of its operations outside the UK.

42. The services sector should not necessarily be looked at in isolation from the goods sector. If barriers to trade are introduced between the UK and the EU, as a consequence of the UK leaving the Single Market and the Customs Union, with no agreement in place to mitigate the current terms of trade, then barriers to trade in goods could have implications for the ability of UK services to export to the EU.

43. If the UK leaves without a deal, then there would be considerable uncertainty on the terms under which workers in the UK services sector would be able to travel to the EU for work. This would be important for certain sectors which need flexibility in how quickly they can send staff across the EU. It would also have implications for sectors where the nature of their work involves less predictable schedules or touring, such as in the creative industries, and for smaller businesses that are less able to manage red tape as a consequence of being outside the Single Market.

44. Many businesses are still not taking all the measures necessary to prepare for no deal. Smaller businesses are less likely to take steps to prepare. They may not have the capacity. Many simply need to know what the future trading circumstances will be so when they invest time and resources in making changes, they can do so knowing that

they will only have to do so once. It appears likely that a proportion of businesses, especially SMEs, will not be able to prepare until there is more certainty on the outcome.

45. If the UK leaves without a deal, then the UK would be separating itself from important sources of EU funding. The UK Government will be under considerable pressure leading up to a no deal exit to commit to fund the shortfall in any current EU funding streams. It is unclear how leaving without a deal on 31 October 2019 will help cultivate goodwill and the necessary conditions for the UK and EU to resolve this situation quickly.

46. The situation will be particularly challenging for small and medium sized enterprises (SMEs). We call on the Government to set out what financial support it will provide to SMEs in the event of no deal, where SMEs should go for clear communication explaining the specific support for SMEs in the event of no deal, and how this support will be delivered from 1 November 2019.

47. This Committee is concerned that the UK’s position as the clear front-runner destination for venture capital investment in technology firms—an area seen as a future growth sector—will be jeopardised by a no deal exit.

48. Given that services account for 80% of UK GDP, and that alignment with the EU’s Single Market is the only way in which friction can be removed from UK-EU trade in services, it is vital that the future trading relationship between the UK and the EU is based on close alignment with the EU’s Single Market. Membership of the customs union alone would do relatively little to support the UK services sector.

3 Automotive sector

Introduction

49. The automotive industry accounts for 13% of total UK exports of goods and employs 186,000 people directly.⁸¹ The industry is characterised by highly integrated international supply chains. Industry analysts predicted in 2017 that global vehicle sales would slow through to 2020, amidst widespread concerns that automobile demand in many developed economies has peaked and new vehicle sales in China are declining faster than had been expected.⁸² The industry was also facing falling sales of diesel cars.⁸³

50. A number of announcements have been made concerning the UK automotive sector in the last six months including:

- February 2019, Honda announcing that it would close its Swindon plant (employing 3500 people) in 2021 blaming “unprecedented changes in the industry”;
- February 2019, Nissan cancelled its autumn 2016 decision to build the new X-Trail sport-utility vehicle in the UK (this will now be built in Japan).
- May 2019: Ford announcing a consultation on closure of its Bridgend engine plant (which employs 1700 people) as part of a global cost-cutting programme, blaming changing customer demand and lost contract work for JLR;
- June 2019, PSA Group announced that it would only build its new Vauxhall Astra at its Ellesmere Port plant if the UK avoids a no-deal exit;
- July 2019, BMW announced that it was moving production of engines to Germany citing the need to maintain compliance with rules of origin provisions in the EU-South Africa Free Trade Agreement (the cars are manufactured in South Africa);⁸⁴
- July 2019, JLR, by contrast, announced an investment of nearly £1billion to build electric cars in the UK, re-tooling its Castle Bromwich plant in preparation for the next generation of electric and hybrid Jaguar models.⁸⁵

51. Mr Sydney Nash, Senior Policy Manager, Society of Motor Manufacturers and Traders believed that “the fundamentals for UK automotive remain strong” but that, given global challenges, the decisions regarding the UK’s relations with the EU would “determine whether or not the sector continues to grow or we see more negative outcomes for UK automotive”. He added that:

81 SMMT: Driving the Motor Industry, [Automotive Brexit myths–busted](#)

82 [Global Automotive Industry report](#), Riedel Equity Research 2017

83 [Q4249](#)

84 The Financial Times, [“BMW shifts engine production to Germany from UK ahead of Brexit”](#), 9 July 2019

85 The Financial Times reported that Ralf Speth, Chief Executive of JLR, had said that securing a UK centre for battery production, around 40% of the cost of an electric car, was key to the future of UK carmaking; he said “Affordability will only be achieved if we make batteries here in the UK, close to vehicle production, to avoid the cost and safety risk of importing from abroad”. It also reported that several European countries were trying to attract “gigafactories” to make electric car batteries. [“Jaguar Land Rover to invest £1bn to build electric cars in Britain”](#), 5 July 2019

fundamental to ensuring we can still grow as a sector here in the UK is getting our relationship with the EU right, first and foremost, and about guaranteeing that frictionless trade. That is absolutely critical to our competitiveness, but it is also about maintaining the preferential access we have to global markets through EU FTAs,⁸⁶

He concluded that “for the automotive sector, no deal is simply not an option”.⁸⁷

Tariffs and Rules of Origin

52. In the event of a “no deal” exit from the EU, under “WTO terms” UK cars exported to the EU would be subject to the EU’s Common External Tariff. The standard tariffs on cars are 10% and, on average, 4.5% for vehicle components. In September 2018, the Society of Motor Manufacturers and Traders (SMMT) estimated that the cost of UK-built cars sold in the EU would rise, due to tariff costs by an average of £2,700, and light commercial vehicles by £2,000.⁸⁸ Around 56% of UK vehicle exports currently go to the EU. Adding such significant costs to UK cars exported into the EU would make them substantially less competitive within the EU.

53. Exiting the EU Customs Union will also require the introduction of new customs checks, including on rules of origin. These rules require that the originating status of goods must be proved in order for them to comply with either preferential rules of origin (where a free trade agreement with zero or reduced tariffs apply) or non-preferential rules. In a no deal scenario, UK trade with the EU and with Turkey, a major supplier of components for the UK automotive sector, would be subject to increased checks.

54. Preferential rules of origin, a standard element of Free Trade Agreements (FTAs), involve requirements specifying a minimum percentage of domestic content. They can be broadened by provisions for “cumulation”—so that components from outside a country can be treated as originating there for the purposes of applying the rules. The SMMT have said that new free trade agreements with third countries will require negotiation of new rules of origin provisions. It has recommended that, where the UK is negotiating new trade arrangements with third countries with which the EU has an FTA, it should look to include provisions for “diagonal cumulation” which would allow for both UK and EU content to be counted as “originating content”. The SMMT have noted that:

Existing EU FTAs require approximately 55% EU content if a finished vehicle is to benefit from the preferential terms of trade with a third country. Were new trade deals signed by the UK to require 55% UK content in a finished vehicle, a significant change in the supply chain would be needed. Vehicles produced in the UK currently contain approximately 44% UK content. This represents a growth in UK content in recent years but is still a long way from the 55% that would be required to enjoy preferential treatment under future trade deals.⁸⁹

86 [Q4258](#)

87 [Q4233](#)

88 Autocar, “[UK-built cars ‘to cost £2,700 more in EU’ with no-deal’ Brexit](#)”, 19 September 2019

89 SMMT [Issue Paper July 2019](#) - Rules of Origin

55. Mr Nash explained that standard provisions in Free Trade Agreements around minimum domestic content meant that, for the automotive industry, clarity on trading terms with the EU was essential:

For us, when it comes to UK future trade policy, the EU is by far the most important deal to do, first and foremost. It also then has knock-on implications for any further deal, particularly because of rules of origin and cumulation. As things currently stand, if you take the trade deal with South Korea, for example, we unlock the benefits of that trade deal because our originating content level meets the requirements to get the zero tariffs, but that is based on UK-EU content.⁹⁰

Supply chains

56. We were told that there are 1,100 trucks coming into the UK from the EU every day, delivering components to engine and car plants. Mr Nash told us that, in a no deal scenario, there would be disruption to supply chains in the automotive sector caused by any friction at the UK’s borders:

Looking at what happens at the border, we rely on frictionless trade, so the free movement of goods across the border. That cannot be guaranteed under a no-deal scenario and that will fundamentally undermine our competitiveness and our ability to manufacture at a competitive level with the rest of the EU.⁹¹

57. Supply chains in the automotive sector are highly integrated across the EU and are based on “just in time” delivery with minimal warehousing. Mr Nash told us that concerns around ability to move cars and components across the border was a concern around a no deal exit, adding that:

You cannot have a warehouse big enough to deal with two weeks, three weeks, four weeks, maybe several months indeed, of disruption and delay at the border. The reason that is so challenging is because it is a just-in-time industry, at least for the volume manufacturers. The way they operate is not to have a warehouse. It is to have the trucks as their warehouse. The component arrives just in time and just in sequence. If they are unable to do that, it will have an impact on production⁹²

58. We were told that the risk of disruption of supply chains was already having an impact on decisions made by businesses throughout those supply chains. Production on a just in time model required components to arrive within approximately five minutes of going into a vehicle. For manufacturers in the EU27 relying on components produced in the UK, disruption at the border also amounted to a risk, albeit one that could be mitigated by moving its supply chain outside the UK. Mr Nash told us that the SMMT had:

surveyed our members, which are largely suppliers, and a number of them have come back and said they have had to move operations because of the uncertainty and because of the risk of a no-deal Brexit. In some parts of the

90 [Q4252](#)

91 [Q4233](#)

92 [Q4271](#)

supply chain, we are seeing pressure from their customers to, essentially, be no-deal-Brexit-proof, for want of a better phrase. One of the ways to achieve that is to move your operations out of the UK and into the EU 27.⁹³

59. Across the manufacturing sector, Seamus Nevin, Chief Economist, Make UK, told us that there was evidence of some manufacturers shortening their supply chains, to reduce their dependence on imported components with some onshoring. However, this was not possible for all firms and the availability of the relevant skills was an obstacle to firms hoping to source more components locally. Mr Nevin noted that “88% of non-graduate employees working in the manufacturing sector would not qualify to meet the Home Office’s visa entry requirements under the proposals in the Immigration White Paper”.⁹⁴

Cost of preparation for no deal

60. We were told that the cost of the stockpiling exercise undertaken by the automotive sector to prepare for a possible no deal exit on 29 March was in the “tens of millions, in terms of the cost for just an individual company to prepare for no deal”, and that this covered costs including storage of stockpiles but also:

increased insurance costs. If a company is stockpiling chemicals it is increasing insurance and compliance costs as well. There are new IT systems, new staff, consultancy fees, legal fees; there is very long list of expenses related to no deal. Some of them are issues the companies themselves had not quite anticipated would be costs.⁹⁵

61. For example, we were told of the need to stockpile pallets which are specifically designed for moving specific components, another additional cost which we were told ran into the millions of pounds for the sector.

62. Mr Nash also set out what he described as “the cost of just the threat of no deal”. He explained that businesses had spent tens of millions of pounds on no-deal contingency planning, and invested thousands of hours of work. “Even with the best will in the world, no company can fully mitigate against all the risks of a no-deal Brexit. [...] It does not fill international investors with confidence either”.⁹⁶ Mr Nevin said that Make UK members had made clear for the manufacturing sector as a whole “that there is a direct link between politicians talking up the prospect of no deal and British firms losing customers overseas and British people losing jobs in British firms”.⁹⁷

63. In January, the SMMT reported that inward investment in the automotive sector fell by 46.5% in 2018 compared to 2017 citing “fears over the UK’s future trading prospects with the EU and other key global markets”.⁹⁸

93 [Q4265](#)

94 [Q4298](#)

95 [Q4270](#)

96 [Q4235](#)

97 [Q4235](#)

98 SMMT, “UK automotive on red alert as ‘no deal’ threat sees manufacturing and investment plummet”, 31 January 2019

Type approvals

64. When EU law ceases to apply in the UK, the UK’s Vehicle Certification Agency (VCA) will cease to be an EU type approval authority (TAA). EU approvals issued by the VCA will no longer be recognised in the EU27, and UK produced vehicles will not be able to be placed on the EU market without an approval from a TAA in the EU27. The Government’s Chequers proposals in July 2018 envisaged vehicle regulations and the EU type approval system forming part of the “Common Rulebook”, with the UK committing to ongoing regulatory alignment and earning recognition of VCA approvals. Mr Nash confirmed that a UK approval would not be valid in the EU under a no-deal scenario.⁹⁹ A majority of UK car producers are understood to have obtained approvals from a TAA in the EU27 prior to the end of March 2019 in anticipation of a no deal exit.

Conclusions

65. **Leaving the EU without a deal would mean that the UK automotive sector would be subject to the EU’s Common External Tariff on its exports to the EU27, its largest market, adding costs estimated at around £2,700 for UK cars. These costs would undermine the competitiveness of UK exported cars compared to cars manufactured and traded within the EU and cars manufactured in countries, including South Korea and Japan, with free trade agreements with the EU.**

66. **Without any agreement on cumulation with the EU, it would be difficult for UK-manufactured cars to benefit from any trade deals reached with third countries as, for most lines, the proportion of UK-produced content is currently below 50%. There may be potential for some onshoring of supply chains in the automotive sector, and in manufacturing more generally, but there is also evidence of jobs being lost in the supply chain as manufacturers in the EU27 reduce their own exposure to the disruption of a no deal exit.**

67. **Turkey is currently a major supplier of components to the UK’s automotive sector. As a member of a customs union with the EU, a no deal exit would also require Turkey to erect new barriers and checks in its bilateral trade with the UK, placing further costs on the UK automotive sector. The Committee notes that trucks attempting to enter the EU via the border between Turkey and Bulgaria can be subject to tailbacks of up to 17km and delays of up to 30 hours.¹⁰⁰**

68. **The UK automotive sector relies on highly integrated supply chains. Delays at the border will create disruption and inefficiency for businesses relying on components arriving “just in time” and in the correct sequence. Failure to maintain these processes risks putting the UK automotive sector at a competitive disadvantage in a highly competitive industry. Planning for a no deal has also already placed a substantial cost on the UK automotive sector and has had a chilling effect on investment in the sector.**

69. **It is clear that a no deal exit would result in the UK automotive sector - a great British success story - being put at a competitive disadvantage.**

99 Q4238

100 The Financial Times, [“Turkey border gridlock hints at pain to come for Brexit Britain”](#), 16 February 2017

4 Food and farming

70. The National Farmers’ Union (NFU) told us that a no deal exit “would be disastrous” for the farming sector due to the integrated and frictionless trading relationship the UK has with the EU on agri-food products through which around two-thirds of UK exports go to the EU. Tariffs on UK exports are a major concern in the farming sector in a no deal scenario as they are generally much higher for agricultural products than for other goods.¹⁰¹ For the food industry and farming, perishable goods such as dairy and meat produce and live animal exports are particularly sensitive to delays at borders where additional checks and customs processes could lead to supply chain disruptions.

71. Nick von Westenholz, Director of EU Exit and International Trade for the NFU, told us that the ramping up of no deal preparations ahead of the 29 March 2019 deadline came very late, which meant farmers had a short lead-in period to prepare. He did note the positive work done by the Department for Environment, Food and Rural Affairs (Defra), for example, in working with the Commission to secure approval status for the UK as an exporter into the EU of animal products and products of animal origin prior to the end of March, without which there would have been a complete embargo on UK meat, eggs, dairy products into the EU. However, notwithstanding these positive achievements, “there still remain many more concerns and issues that would have damaged the sector if we had left with no deal.”¹⁰² Stockpiling to mitigate the impact of no deal was of limited use in the food and drink sectors given the short shelf life of many products.¹⁰³

Tariffs

72. On 13 March 2019, the Government published details of the UK’s temporary import tariff regime for no deal.¹⁰⁴ Tim Rycroft, Chief Operating Officer, Food and Drink Federation, told us that the no deal tariffs were “a curious mix of some products that retained their status, some products that moved to a hybrid status and some products that were tariff-free.” He added, “there was no clear logic to try to understand why some of those decisions had been made, because of course there was no prior consultation with the industry about the tariff regime.”¹⁰⁵ Nick von Westenholz reiterated that the consultation leading up to the publication of the tariffs had been very limited. He did not expect the liberalisation of tariffs to be reciprocated by the EU:

While, in most instances other than sheep meat there was a reduction or a liberalisation of [UK] tariffs, with introductions of tariff-free quotas, we would of course be facing the [EU’s] common external tariff for all our exports into the EU. That tariff relationship is not reciprocated. As I said, most of our export trade is with the EU, so there would have been a significant imbalance because of the different treatment of imports and exports with the tariffs applied by the UK and by the EU.¹⁰⁶

101 According to the NFU’s “[Why would a no deal be catastrophic for British farming?](#)”, export tariffs to the EU would average 27% on chicken, 46% on lamb, 65% on beef, and range from €172 to €1,494 per tonne of pork.

102 [Q4268](#)

103 [Q4269](#) [Tim Rycroft]

104 HM Government, [Temporary tariff regime for no deal Brexit published](#), 13 March 2019

105 [Q4239](#)

106 [Q4239](#)

This situation was described to us as a “perfect storm” in which barriers would be erected for British exporters to their largest market while, at the same time, allowing tariff free entry for other countries’ produce into the UK market.¹⁰⁷

73. This would be most evident on the island of Ireland where products moving south to north would not face tariffs while those travelling north to south would. Tim Rycroft told us that this would have “very significant impacts on the market.” He argued that a lot of domestic product in Northern Ireland would have to be diverted into Great Britain as a result, which would lead to “massive surpluses and market distortion.”¹⁰⁸ We also heard from David Lidington MP, Chancellor of the Duchy of Lancaster, that Northern Ireland businesses had told him their trade would be at risk in a no deal scenario because the EU, from day one, would require businesses with customers and suppliers located in the Irish Republic to apply the obligations of the EU *acquis*.¹⁰⁹ He gave the following example:

a milk producer in Northern Ireland that sold milk regularly to a processing plant in the south would suddenly find that it would be unlawful for its buyer in the south to continue receiving Northern Ireland milk because it could not be certificated as complying with the relevant EU law.¹¹⁰

74. Nick von Westenholz noted that the UK could see quite big surpluses coming into the marketplace, for example, around sheep and cereals. He pointed to potential problems this would cause for meat products as we would need to find appropriate storage facilities.¹¹¹ He told us that a no deal would raise the question of whether sheep meat exports and products would be viable at all:

That is because of the very specific structure of that sector, where up to 30% of production is exported. I think around 95% of those exports are into the EU, tariff-free. They would suddenly face a tariff of approaching 50%. The modelling shows that would lead to a potential downward price pressure of around 30% on sheep meat [in the UK]. For an already marginal sector relying heavily on support, that really would be hugely damaging for the sector as a whole. At the same time, of course, we accept quite a lot of sheep meat imports, mostly from New Zealand, tariff-free. Those would continue to be imported into the UK tariff-free in a no-deal scenario.¹¹²

Food supply

75. In evidence to the Public Accounts Committee in February 2019, Clare Moriarty, then Permanent Secretary at Defra, said that the UK would not face a food shortage in the event of a no deal exit, given all the other places from which food comes. However, if there was significant disruption on the short straits between Calais and Dover as a result of the imposition of the EU external tariff and sanitary and phytosanitary checks on food and drink products, there would be a reduction in availability and choice, particularly of

107 [Q4247](#) [Seamus Nevin]

108 [Q4239](#)

109 The EU *acquis* is the entire body of EU law, including the Treaties, Charter, EU secondary and tertiary legislation and the case law of the Court of Justice of the EU.

110 [Q4576](#)

111 [Q4285](#)

112 [Qq4244–5](#)

perishable goods.¹¹³ We heard that some 40% of fresh food and drink imported into the UK crosses the short straits and that the Defra assumption is that capacity may be reduced by 80% for quite a long period of time over that crossing.¹¹⁴

76. As Tim Rycroft explained to us, the containers that take UK exports to the EU are the same containers that bring our imports back to the UK so there would be “quite a significant disruptive effect in the first few weeks”:

We would expect to see some selective shortages and probably some quite surprising ones, as it became clear there were some things that we did not expect would be hard to get hold of. Most food and drink has a short shelf life or is perishable, so any friction in the process not only reduces the shelf life for consumers but also brings into jeopardy contracts between suppliers and retailers, which will stipulate a minimum shelf life.¹¹⁵

77. Mr Rycroft told us that the UK could start to see some shortages after the first two weeks following a no deal exit. He said these shortages would likely include fresh fruit and vegetables, particularly as the end of October marks the point when the UK moves away from domestic production and becomes more reliant on imports. He noted that even though the UK produces a lot of chickens, they are sent to the EU for processing and then reimported. We also heard that the UK does not have enough milk powder processing capability which will impact on availability of confectionary and infant formula. Neither does the UK grow enough high-protein wheat, relying on a lot of imported wheat for bread. Mr Rycroft concluded that we would see “selective shortages and probably quite unpredictably.”¹¹⁶

Food prices

78. The Environment Secretary, Michael Gove, told the Environmental Audit Committee in December 2018 that friction and disruption between Calais and Dover which would impede the UK’s ability to get food, particularly perishable items, into the market would likely drive some price increases. He added that the costs of finding alternative routes into the UK, for example, if Spanish produce were to be routed by sea from Spain rather than go through the short straits, would likely add to the costs of that produce.¹¹⁷

79. Mr Gove explained that the Government were designing a no deal tariff schedule which would minimise the impact on consumers, while also trying to protect particularly vulnerable and vital areas of agriculture, with livestock being one sector where we would have tariffs. He added:

One would think that in those circumstances there would be a degree of import substitution, but I do think that there is a real risk, not significant, in the event of no deal of price spikes in certain foodstuffs.¹¹⁸

113 Public Accounts Committee, Oral evidence: Brexit and the UK border: further progress review, HC 1942, 13 February 2019, [Q199](#)

114 [Q4319](#) [Tim Rycroft]

115 [Q4241](#)

116 [Q4269](#)

117 Oral evidence taken before the Environmental Audit Committee on 19 December 2018, [Q28](#)

118 *Ibid*

Food safety

80. Tim Rycroft raised concerns about the impact of no deal on food safety and quality. He noted that it was unclear what the UK’s relationship with the European Food Safety Authority would be in a no deal scenario. Equally unclear was the UK’s access to the Rapid Alert System for Food and Feed, which acted as a network on risks enabling any food issues across Europe to be quickly identified and managed. It was not clear whether the UK would have access to these food safety mechanisms on 1 November.¹¹⁹

Working with Government

81. Both Nick von Westenholtz and Tim Rycroft told us they had a very positive working relationship with Defra. They had been meeting weekly or fortnightly with Ministers and senior civil servants to talk about no deal. Tim Rycroft described “a good level of dialogue” and that Defra had “a good level of understanding of the challenges.”¹²⁰ Mr von Westenholtz explained to us that the NFU had made representations to Defra that, in the event of a no deal exit, farmers would almost certainly need the Government to put in place emergency mitigating measures, acknowledging that the sheep sector would likely require immediate support. He told us that Defra had been receptive to that suggestion and had given the sense that it was willing to move quickly and talk to HM Treasury about what measures could be put in place. He noted, however, that it was not clear under what legal basis such emergency assistance would be provided. This would require the EU regulations to be adequately transferred into UK law ahead of a no deal exit.¹²¹ He added:

It is clear that there are constrictions as to what the UK Government would be able to do, in terms of providing support. They would not simply be able to just write a blank cheque. We also got the impression that we would need to show significant damage to the industry for the Treasury to be willing to come forward with emergency assistance. For the reasons I set out, we were expecting that we would be able to show that for the sheep sector, for instance. It was made clear to us that small or even moderate drop-offs in returns, prices or profitability, or however you might look at it economically, were unlikely to be enough to justify emergency measures. That, in itself, was worrying.¹²²

82. The Government’s provisional no deal tariff schedules would allow many agricultural products to enter the UK tariff-free while UK producers would face high tariffs exporting to the EU, currently the market for over two-thirds of UK agri-food exports. Sheep meat would face a tariff approaching 50%, bringing the viability of that sector into question. While on the island of Ireland, products moving from south to north would not face tariffs but those moving north to south would. Northern Irish milk products would no longer be certified to cross the border to be processed, putting the continued business of Northern Irish milk producers at risk.

119 [Q4300](#)

120 [Q4268](#)

121 [Q4277](#); The existing EU power (Article 219 of Regulation 1308/2013) to respond to significant market disturbances has been incorporated into UK law as retained EU law and the Government has made an Exiting the EU Statutory Instrument (The Agriculture (Legislative Functions) (EU Exit) (No.2) Regulations 2019) to ensure that the power is operable in the UK post-Brexit. This is a broad power constrained only by “any obligations resulting from international agreements”.

122 [Q4278](#)

83. Requirements for customs and sanitary and phyto-sanitary checks at the border are expected to create delays in agri-food supply chains, 40% of which currently pass through the short straits crossings to Dover and Folkestone, the busiest crossings most likely to be subject to delay. Delays at the short straits are likely to lead to selective and unpredictable shortages in certain foodstuffs, as well as price increases.

84. A no deal exit will also see the UK cut off from the European Food Safety Authority and Rapid Alert System for Food and Feed which ensures that food health risks can be quickly notified and managed. We call on the Government to clarify urgently what replacement provisions will be put in place to ensure the safety of the UK’s food.

85. The Department for Environment, Food and Rural Affairs has worked constructively with the food and farming sectors. However, we have no reason to doubt the concern that no deal would lead to some interruptions to food supplies in respect of certain products or to doubt the analysis of the NFU that no deal would be “disastrous” for UK farming.

5 Pharmaceuticals and chemicals

UK life sciences and chemical industries

86. The UK has one of the most productive life sciences industries in the world. In 2016, it generated £63.5 billion in turnover, employing 233,000 people. It exported 48% of its manufactured products to the EU. 74% of life science imports were from the EU in 2015.¹²³

87. According to figures published in January 2017, the UK chemical industry generated an annual turnover of £32 billion.¹²⁴ 60% of UK chemical exports went to the EU, and 75% of UK chemical imports came from the EU.¹²⁵ It employs 99,000 people directly.¹²⁶ The chemical industry is also at the top of the supply chains for many other sectors, including life sciences, aerospace and the automotive industry.¹²⁷

88. The two industries rely on just-in-time supply chains. For the life sciences and chemical industries, the UK will leave the EU’s regulatory system and UK authorisations will not be accepted in the Single Market. Tariffs would be imposed, along with the full range of EU regulatory and customs checks, which would lead to delays at the border and disruption to supply chains.¹²⁸

89. On 19 June 2019, we asked witnesses to summarise the impact of no deal on the life sciences and chemical industries. Steve Bates, Chief Executive of the BioIndustry Association (BIA), said, “A disorderly no-deal Brexit will negatively impact patients, public health and the life science sector.” Martin Sawyer, Executive Director of the Healthcare Distribution Association, said, “[...] we would expect medicine shortages and a lot of price rises for the NHS to happen pretty quickly, and some shortages in most constituencies around the UK for sure.” Nishma Patel, Chemicals Policy Director for the Chemical Industries Association, said, “It will mean that businesses face continuous price rises and costs. There will be inefficiencies. The chemical industry is a just-in-time industry, so there will be an impact on getting material in and out of the country.”¹²⁹

90. In November 2018, the Government published a long-term analysis of EU Exit, which stated that under a “modelled no deal”, Gross Value Added for the chemicals, pharmaceuticals rubber and plastic products sector would reduce by over 20% over 15 years, compared to what it would have been had the UK not left the EU, as set out in the chart below. It noted that due to an increase in tariff and non-tariff barriers, “chemicals, pharmaceuticals, rubber and plastics and motor vehicles and parts are estimated to see the largest reduction in economic activity.”¹³⁰ Nishma Patel told us that the Chemical Industries Association viewed the Government’s analysis as accurate.¹³¹

123 HM Government, [Life Sciences Sector Report](#), 21 December 2017

124 Environmental Audit Committee, [Written evidence submitted by the Department for Environment, Food and Rural Affairs \(ECR0067\)](#), January 2019

125 House of Commons Library Briefing, [Brexit and chemicals regulation \(REACH\)](#), 6 November 2018

126 HM Government, [Chemicals Sector Report](#), 21 December 2017

127 The Government’s chemical sector report states, “The sector inputs to a range of sectors such as aerospace and automotive through the provision of coatings, adhesives, rubbers and plastics, as well as providing intermediary ingredients to the pharmaceutical, cosmetics, agrochemical, personal care, paint and home care sectors.” See, HM Government, [Chemicals Sector Report](#), 21 December 2017

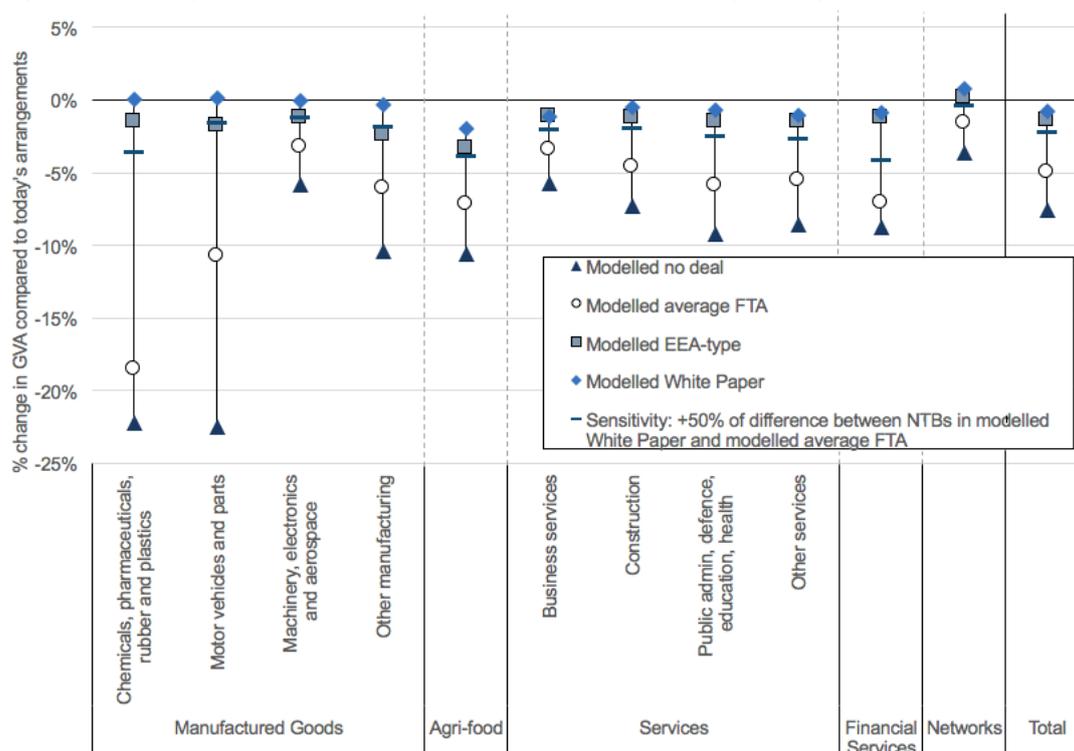
128 European Commission, [Brexit: preparedness notices](#)

129 [Q4341](#)

130 HM Government, [EU Exit: Long-term economic analysis](#), November 2018

131 [Q4349](#)

Figure 4.5: Summary of trade only impacts on UK sectors, compared to today's arrangements



Central estimates only.¹⁵⁷

This does not include migration or regulatory flexibility effects.

Other sectoral modelling suggests economic output in the agriculture sector could increase in a no deal scenario with EU MFN tariffs, although this is at the expense of consumers who face higher costs (see box on Agri-food additional modelling).

The benefits of new trade deals with countries outside of the EU are captured.

Sectoral GVA excludes tariff revenue.

Medicines supply

91. The most significant threat to an uninterrupted supply of medicines to the UK is from disruption at the short straits crossings. On 26 June 2019, Steve Oldfield, Chief Commercial Officer at the Department of Health and Social Care, wrote to suppliers outlining the level of disruption expected at the end of October. He said, “While the predicted flow rate across the short straits has improved slightly since 29th March, significant disruption would be expected for six months following a no-deal exit, with the most severe period being the first three months.”¹³²

92. Witnesses said that it was difficult to measure the extent of medicine shortages that would result from such disruption.¹³³ Martin Sawyer described the industry’s normal levels of resilience for supplying medicines and set out how no deal could exacerbate problems:

There are a lot of unknowns here. There are currently about 100 or 150 medicines every day that are in short supply. The supply chain works to try to fill those gaps. You might go into a pharmacy and be prescribed a medicine and they will say to come back the next day. We can usually get most medicines within 24 hours. [...]

132 Department of Health and Social Care, [Letter from Chief Commercial Officer to suppliers](#), 26 June 2019

133 [Q4347](#)

There are a lot of patient conditions where there may only be 2,000 people in the UK who require a medicine—things like motor neurone disease, or there was the EpiPen issue last year, which you probably recall. The other challenge is that there might be a global problem. They may only be manufactured on a couple of sites. There may be a regulatory issue. There may be a fire at a factory, or one may be closed down. We have had a lot of that.

So there is a shortage at any one time anyway, but [no deal] is to overlay that. Some products might have a short shelf life and may need to be refrigerated the whole time when they are coming across from the EU—50% of the medicines in our warehouses have touched the EU at some point, even though they may come from other countries outside of the EU.¹³⁴

93. Steve Bates said, “The question that is difficult for us to understand is, beyond the normal level of stock-outs and challenges within the supply chain, how much additional will there be from the Brexit challenge?”¹³⁵ We heard that preparing for no deal at the end of October is not the same as preparing for no deal at the end of March. First, there is significantly more pressure on warehousing capacity in October, because businesses are stocking up in the run-up to the Christmas period, constraining industry’s ability to stockpile adequately.¹³⁶ Second, the private sector is bearing the brunt of the costs of contingency planning and there are significant financial implications, particularly for smaller firms, from replenishing those stockpiled medicines with shorter shelf lives. Martin Sawyer said, “For smaller manufacturers—not the household names—that is going to be a challenge financially. The private sector is paying for all of this, largely anyway, in terms of stockpiling.”¹³⁷

94. On 23 August 2018, the Department of Health and Social Care requested suppliers stockpile an additional six weeks supply of medicines on top of their normal stock levels, and to ensure they have plans in place to air freight products that cannot be stockpiled, to avoid border delays.¹³⁸ The UK will continue to accept the batch testing of medicines carried out in the EU, EEA or other third countries with whom the EU has a Mutual Recognition Agreement.¹³⁹

95. On 26 June 2019, the Government set out further contingency measures, applying to critical, ‘category 1’ goods, including medicines, medical products, veterinary medicines and chemicals. It announced an express freight service to transport small medical supplies into the UK on a 24-hour basis, plans for additional ‘roll-on, roll-off’ freight capacity to support suppliers to re-route their supply chains away from the channel short straits, and “a freight capacity framework agreement” that will provide the Government with the ability to secure freight capacity to support critical supply chains when needed. It said, “This framework [agreement] does not commit the government to purchasing or

134 [Q4346](#)

135 [Q4347](#)

136 [Q4395](#)

137 [Q4385](#)

138 Department of Health and Social Care, [Letter from Secretary of State for Health and Social Care to pharmaceutical companies](#), 23 August 2018, and Department of Health and Social Care, [Letter from Chief Commercial Officer to suppliers](#), 26 June 2019

139 Batch testing is the process of confirming every batch of medicine has the correct composition, through laboratory tests. See, Department of Health and Social Care, [Batch testing medicines if there’s no Brexit deal](#), Updated 14 September 2018

reserving any freight capacity, but it does provide a flexible list of operators and options for the provision of the capacity that can be drawn upon if needed.”¹⁴⁰ Steve Bates told us that ferry capacity is “fundamentally important”.¹⁴¹

No deal and regulatory divergence

96. The UK’s life sciences and chemical industries are currently subject to stringent EU rules and each is regulated by EU agencies. Under no deal, the UK’s participation in the EU’s regulatory system will end, and the Government will have to establish its own systems in parallel with that of the EU for both chemicals and pharmaceuticals.¹⁴² We heard that this will impose significant costs on businesses who operate here, and it will have consequences for the attractiveness of the UK market.

Life sciences and regulatory divergence

97. EU rules cover the licensing of medicines, approval of clinical trials, post-market pharmacovigilance and inspections.¹⁴³ The UK’s life sciences industry is regulated by the European Medicines Agency (EMA), which is responsible for the scientific evaluation, supervision and safety monitoring of medicines in the EU, alongside ‘competent authorities’, which are based in each Member State. In the UK, the Medicines and Healthcare products Regulatory Agency (MHRA) is the competent authority.

98. Under no deal, and in the absence of any other agreement, the UK would be outside the EU’s regulatory architecture. For those medicines that are to be licensed and supplied in the EU, the EMA has said that marketing authorisation holders and the batch testing of medicines will need to be transferred to entities in the EU, and new medicines in the UK would need to be licensed separately. In November 2017, the Office of Health Economics said a no deal, WTO exit, would cost a large UK-based pharmaceutical company in year one an “estimated £86 million (£49.6 million implementation; £36.4 million annual maintenance).”¹⁴⁴

99. The MHRA would take on the functions that are currently undertaken by the EU for medicines on the UK market.¹⁴⁵ Applications for marketing authorisations for new medicines will need to be submitted both to the EU, following one of four approval routes, and separately to the MHRA for authorisation in the UK.¹⁴⁶ Witnesses said they are concerned that the need to submit applications twice would make the UK a less attractive market and could lead to the UK waiting longer for new drugs. Steve Bates told us:

140 HC 26 June 2019, Vol. 662, [HCWS1661](#)

141 [Q4348](#)

142 According to the Political Declaration, the Government’s preferred relationship with these agencies, is as follows: “The Parties will also explore the possibility of cooperation of United Kingdom authorities with Union agencies such as the European Medicines Agency (EMA), the European Chemicals Agency (ECHA), and the European Aviation Safety Agency (EASA).” See, European Commission, [Political declaration setting out the framework for the future relationship between the European Union and the United Kingdom](#), 22 November 2018, para 24

143 The Government has compiled a list of EU directives and regulations that apply to the life sciences sector. See, HM Government, [Life Sciences Sector Report](#), 21 December 2017, pp 12–14

144 Office of Health Economics, [Public Health and Economic Implications of the United Kingdom Exiting the EU and the Single Market](#), November 2017, p3

145 Medicines & Healthcare products Regulatory Agency, [Further guidance note on the regulation of medicines, medical devices and clinical trials if there’s no Brexit deal](#), Updated 26 February 2019

146 Medicines are required to go through one of four procedures for market authorisation, depending on the product that is being approved and its intended level of availability across the EU.

The question for us is—we have seen some of this concern from Japanese companies as well as other companies—where would they put the UK outside the EU in their thinking? My view is that it is more likely that the UK would become a second division market—a small market, less than 3% of the world’s market by value—so it is likely it would go down the priority list. It is hard to know. We don’t know. We will bat for the UK to continue and for patients to get access, but my judgment is that it will probably drop out of that top league, which is America, Europe, China.¹⁴⁷

100. Martin Sawyer said the risk was particularly acute for less common, low volume drugs. He said that the UK could “expect some critical shortage probably in the lower volume medicines, not the everyday ones, which are stockpiled very high.” Moreover, he said, “Unless prices go up, the medicine might not come to the UK. The manufacturer will sometimes not provide it to the UK if the prices are too low.”¹⁴⁸

Data and the Falsified Medicines Directive

101. Witnesses told us that, without provisions with the EU to continue to exchange data, the UK would be shut out of critical EU data exchanges on pharmacovigilance, falsified medicines and clinical trials.¹⁴⁹ We were told that the impetus behind data sharing in the pharmaceutical industry was attributable, in part, to the thalidomide tragedy. Steve Bates said, “Problems were spotted in one country, but thalidomide continued to be prescribed for a period of time in another country. It is the sharing of that data that enables patient safety rapidly, enabling judgments to happen quickly.”¹⁵⁰

102. Witnesses set out the impact of leaving the EU’s data exchange networks using the example of the Falsified Medicines Directive (FMD). Measures implementing that Directive in the UK have, since 9 February 2019, ensured that every pack of medicine put on the EU market has a unique barcode to be scanned before the medicine can be dispensed.¹⁵¹ Martin Sawyer told us that this is to prevent the distribution of unsafe or counterfeit drugs. Steve Bates said, “when you scan the barcode in the pharmacy it needs to go back to a database and then get a response from the database system, be it good or not. If you are cut off from that database, the scanning does not do anything.”¹⁵² In written evidence, the BIA said:

Should the UK leave the EU without a deal in place, packs of medicines would be expected to have their unique code decommissioned on export from the EU. In a no deal the UK would be a third country and without negotiating access to EU databases (the central data hub underpins FMD safety features) will not be able to be part of FMD. Therefore, as part of the UK Government’s ‘no deal’ contingency planning, the UK Government has

147 [Q4360](#) [Steve Bates]

148 [Q4346](#)

149 [Q4382](#)

150 [Q4364](#)

151 A written submission from the BIA said, “FMD safety features legislation came into force on 9 February 2019, including in the UK. The Falsified Medicines Directive (Directive 2011/62/EU) introduced measures such as: Obligatory safety features – a unique identifier and an anti-tampering device - on the outer packaging of medicines; a common, EU-wide logo to identify legal online pharmacies; tougher rules on import of active pharmaceutical ingredients; and strengthened record-keeping requirements for wholesale distributors.” See, BioIndustry Association, [Written evidence: NEG0041](#), July 2019

152 [Q4364](#)

stated the UK would revoke the FMD Safety Features legislation. Regulatory obligations relating to FMD safety features would therefore cease to apply in the UK.¹⁵³

103. The BIA said that there is a “real threat of counterfeit medicines entering the UK supply chain” and that the Government should reconsider its decision to revoke the implementing legislation. It pointed out that the importance of the FMD was demonstrated recently when the MHRA recalled medicines in the UK, including those for Parkinson’s, epilepsy and blood clots that were then removed from the supply chain.¹⁵⁴

Chemicals and regulatory divergence

104. REACH is the main EU legislation for the regulation of chemicals in the EU. Its main aims are to protect human health and the environment from the use of chemicals.¹⁵⁵ We were told that it is becoming the industry standard worldwide and that despite initial industry reservations, there is no appetite to diverge from its specifications:

On top of that, if we also look at other global economies, particularly where the chemical industry is quite significant in terms of its footprint, most of those, with the exception of the US I guess, are looking to or already have implemented REACH-like legislation. It would not really make much sense for the UK to diverge or do something different from that.¹⁵⁶

105. REACH requires substances that are manufactured or imported into the EU, in quantities of more than one tonne, to be registered with the European Chemicals Agency (ECHA), and it provides a framework by which the use of hazardous substances can be restricted. The Health and Safety Executive (HSE) is the UK’s enforcement authority for the industry.

106. Under a no deal exit, and in the absence of any other agreement, the UK would become a third party to REACH. REACH registrations for companies based in the UK would no longer be valid, as only companies in the EEA can register directly with the ECHA. To export chemicals to the EU, UK companies would still need to comply with REACH and other regulations. As of August 2018, UK businesses held over 12,000 REACH registrations. Under no deal, they would only be able to sell into the EU if they had transferred their existing registration to an EU-based entity. The Government’s no deal technical notice on REACH accepts this position. Nishma Patel said:

153 Securing Industry, “[More fake Avastin found in EU, thanks to FMD scanning](#)”, 27 June 2019 and, see, BioIndustry Association, [Written evidence: NEG0041](#), July 2019. The Government has said, “The UK is proceeding with implementation of the EU requirements for new safety features to prevent the entry into the legal supply chain of falsified medicinal products in the UK. However, as stated in the MHRA’s consultation, in the event of no deal, it is expected UK stakeholders would no longer be able to comply with the requirement to verify and authenticate. Therefore, the legal obligations related to this would be removed for all actors in the UK supply chain.” See, MHRA, [Further guidance note on the regulation of medicines, medical devices and clinical trials if there’s no Brexit deal](#), 26 February 2019

154 BioIndustry Association, [Written evidence: NEG0041](#), July 2019

155 REACH also aims to regulate the people who place chemicals on the market (manufacturers and importers responsible for understanding and managing the risks associated with their use.); to allow the free movement of substances on the EU market; to enhance innovation in and the competitiveness of the EU chemicals industry; and to promote the use of alternative methods for the assessment of the hazardous properties of substances. See, HSE, [What is REACH?](#)

156 [Q4377](#)

The European Chemicals Agency transfer fee for a single registration is around £1,500, excluding admin costs. Businesses would need to meet both UK and EU requirements when they register new chemicals or seek authorisation to sell into both markets, creating duplication of registration fees and additional administrative burdens. EU WTO tariffs of on average 5% would also apply.¹⁵⁷

107. The Government will need to establish a new UK system to govern how chemicals will be regulated here, and it has already passed legislation for this purpose. It has said that it will set up a ‘UK REACH’, and that the HSE would act as the lead UK regulatory authority, instead of the ECHA.¹⁵⁸ A new IT system “similar to the EU IT system” would be used for the registration of chemicals under UK REACH, administered by the HSE. The Government has set out details on how the system would operate to roll over existing REACH registrations into the UK system:

- Existing EU REACH registrations held by UK companies would be carried across into the UK regime;
- Within 60 days of leaving the EU, companies would have to validate their existing registrations with the HSE, providing “basic information on their existing registration”; and
- Companies would then have 2 years from the day the UK leaves the EU to provide the HSE with the full data package that supported their original EU registration

108. Environmental campaign groups are concerned that separating from EU REACH in a no deal scenario could result in lower standards of chemical regulation and safety. For example, on 13 June 2019, it was reported that CHEM Trust is threatening to take the Government to court over its UK REACH plans, which CHEM Trust has said omits EU equivalent oversight mechanisms.¹⁵⁹

109. We heard that while the Government’s no deal stakeholder engagement had improved, there were many UK ‘downstream’ companies, which do not hold an EU REACH registration and are currently purchasing chemicals from an EEA country, which will need to ensure the substances purchased are covered by a valid UK REACH registration. Nishma Patel said, “Those companies perhaps have no idea that they are going to be stung by the UK REACH regulation and will need to put in a registration that not only takes time but has a big cost implication.” She called for stakeholder engagement to continue to improve, “to make sure that everybody in the supply chain is aware of their obligations under no deal.”¹⁶⁰

157 HM Government, [Implications for Business and Trade of a No Deal Exit on 29 March 2019](#), 26 February 2019

158 The current responsibilities of the European Commission will pass to the Secretary of State for Environment, Food and Rural Affairs. For example, the Secretary of State will make decisions to authorise the use of a substance of very high concern or to restrict chemicals based on an opinion from HSE. A safeguard clause allows the Secretary of State and devolved Administrations to take urgent action where it is needed to protect human health or the environment. This must be followed up with the normal restriction process to see if there should be a UK-wide control. As REACH covers environmental protection, which is devolved, the Secretary of State must act with the consent of the devolved Administrations where a decision relates to an area of devolved competence. See HL Deb, 26 March 2019, Vol. 796, [Col. 1730](#)

159 ChemicalWatch, [NGO threatens to sue UK government over reduced post-Brexit oversight](#), 13 June 2019

160 [Q4379](#)

110. On 18 December 2018, Nishma Patel told the Environmental Audit Committee that the two-year deadline for full registration was ambitious:

[...] it is not just about moving a registration from one system to another; you need to entangle the legal contracts that go with it. You need to renegotiate the access to data. If you do not have it, you need to test, which takes a lot longer than two years to do in itself.¹⁶¹

111. Furthermore, she told us in June that “the UK is pretty much starting from scratch” in terms of having the data to register in full with the HSE, and that to get it, “a very hefty cost is attached to that.”¹⁶² She explained:

How the registration process works is, essentially, at the moment it is one substance, one registration. Whether you are a company in the UK, Germany or France, if you are making or importing the same, or a similar, substance it is one registration. The objective behind that is to minimise testing—particularly animal testing—so you are sharing data. This is all done under commercial negotiations. There is one data holder—perhaps not the UK company. They essentially get a letter of access to use that data for their registration for EU REACH purposes.

With UK REACH in place, there will need to be a further negotiation on the data in order to dissect that data and take it back out, and perhaps a commercial advantage to that EU data holder, or anywhere else in the world. Perhaps they would charge more to the UK company to access that data, and use it to submit under UK REACH for a UK chemicals database.¹⁶³

112. On 18 February 2019, the Chemical Business Association published results from a survey of the UK’s chemical supply chain. It found that three-quarters of companies do not own the testing data for registrations they currently hold under EU REACH.¹⁶⁴ Nishma Patel warned that without access to EU data some companies may decide that it is not commercially viable to invest in the UK. She said, “Some 70% of our members are globally headquartered. They already have registrations in the EU for the EU27 marketplace. If it is not cost efficient or worth getting for the UK, we lose a marketplace.”¹⁶⁵

Tariffs

113. Under no deal, the introduction of tariffs would challenge the viability of supply chains for a range of complex goods, including chemicals and pharmaceuticals, that cross borders multiple times. In February 2018, the Chemical Industries Association said that the most important aspect in any scenario is to facilitate frictionless trade between the EU and the UK, including the maintenance of tariff-free trade:

161 Environmental Audit Committee, Oral evidence: Chemical Regulation after the UK has left the EU, HC 1769, 4 December 2018, [Q66](#)

162 [Q4364](#) [Nishma Patel]

163 [Q4380](#)

164 The online survey, conducted between 6–15 February 2019, covered 38 key companies in the UK chemical supply chain that currently hold 351 registrations under EU REACH. See, Chemical Business Association, [CBA survey confirms industry’s concerns about UK REACH post-Brexit](#), 18 February 2019

165 [Q4383](#)

With most of our products going to or coming from the EU the imposition of tariffs and related non-tariff barriers will negatively impact trade in both directions. The manufacturing supply chains are well established, with materials crossing the channel four or five times for some complex products. Even minimal tariffs, when combined with the related bureaucracy and need for documents to precede goods at borders are likely to mean that companies will re-evaluate their manufacturing strategies.¹⁶⁶

A February 2018 report by Squire Patton Boggs, a law firm, and the Chemical Industries Association, said, “Consequently any presumption that 4–6% in average tariffs can be absorbed by companies is naïve and ignores the economic reality of UK Chemical Industry’s trade.”¹⁶⁷

114. For pharmaceuticals, the WTO’s Pharmaceutical Tariff Elimination Agreement means that finished pharmaceutical products, and certain components, are subject to 0% tariffs.¹⁶⁸ The Government has confirmed that the UK will continue to benefit from the Agreement:

The Pharmaceutical Agreement is extended on a Most-Favoured Nation (MFN) basis. This means that signatories extend the tariff eliminations to all WTO members. So, all WTO members enjoy the benefits of tariff free trade to signatory countries irrespective of whether or not they themselves are members. The UK will therefore continue to benefit from the tariff eliminations of negotiating parties and in line with our technical rectification approach, the UK will continue to place zero tariffs on pharmaceutical goods covered by the Agreement.¹⁶⁹

115. All finished pharmaceutical products are covered automatically by the Agreement, but active ingredients and intermediates, which are used in the manufacture of finished pharmaceuticals, do not qualify automatically and must be added formally to the list of eligible products, through the agreement of all signatories.¹⁷⁰ The Agreement includes a commitment to update the list every three years, but it has not been updated since 2010, and it has been estimated that up to 1,000 finished products and 700 ingredients are not currently included in the list and would therefore be subject to tariffs when traded on WTO terms.¹⁷¹ Steve Bates told us that the BIA had asked the Government to ensure that it maintains party to the Agreement, but warned:

new products that have been developed or the ingredients for those new products since 2010—nine years ago—are not covered by that agreement.

166 Squire Patton Boggs for the Chemicals Industry Association, [Making Brexit work for the chemicals industry](#), February 2018. The EU’s simple average of MFN applied duties is 4.5% for chemicals. See, HM Government, [Chemicals Sector Report](#), 21 December 2017

167 Squire Patton Boggs, [Making Brexit Work for the Chemical Industry](#), February 2018

168 Furthermore, the EU’s MFN applied duty is 0% for the majority of medical devices tariff lines

169 House of Lords, Supplementary Written Evidence from Lord Bridges of Headley MBE, Parliamentary Under Secretary of State for Exiting the European Union, Department for Exiting the European Union, and Lord Price CVO, Minister of State for Trade Policy, Department for International Trade on the future trading relationship between the UK and EU in goods and services, EU External Affairs and Internal Markets subcommittee, [FTG0027](#), 24 February 2017

170 HM Government, [Life Sciences Sector Report](#), 21 December 2017

171 Business, Energy and Industrial Strategy Committee, Ninth Report of Session 2017–19, [The impact of Brexit on the pharmaceutical sector](#), HC 382, 17 May 2018

Many elements that go into the manufacture of pharmaceuticals when they are made here, such as bioprocessing bags, are not covered by issues such as the pharmaceutical tariff.¹⁷²

116. In 2018, AstraZeneca told the Business, Energy and Industrial Strategy Committee that they could still face duties of between 4% and 6.5% for active pharmaceutical ingredients and intermediates in all countries, including EU Member States.¹⁷³

Conclusions

117. **The success of the UK’s chemical and pharmaceutical sectors rests on highly-integrated just-in-time supply chains. A disorderly no deal would disrupt these supply chains overnight, and, according to the Government’s own figures, would reduce GVA for the pharmaceutical and chemical sectors by over 20% over 15 years, compared to what it would have been had the UK not left the EU, as a result of tariff and non-tariff barriers. Pharmaceutical industry representatives were clear in evidence to us that no deal is a leap into the unknown, but that it would likely harm the life sciences sector and increase risks to patient safety, affect the supply of medicines and could lead to price rises for the NHS. For the chemical industry, which is at the top of supply chains for numerous other sectors, disruption at the border will have profound consequences for UK manufacturing, with resulting costs to the UK economy.**

118. **Under no deal, chemical and pharmaceutical companies operating in the UK will be cut off from EU regulatory systems and databases, which protect the environment and patient safety. Companies operating in both markets will need to register chemicals or seek marketing approvals for drugs twice, in the UK and the EU, an expensive and bureaucratic process that will reduce the attractiveness of doing business in the UK. Chemical companies will need to undertake new commercial negotiations with competitors to secure data needed to register chemicals. For the pharmaceutical sector, no deal will mean the UK’s relegation from the first to the second league of international markets, and the likelihood of longer waiting times for certain medicines as a result.**

119. **The EU has said that in the event of no deal, the UK will be treated as a third country and there would be no provisions in place on the exchange of data between the two entities. This carries harmful consequences for the life sciences sector which relies on the exchange of data for clinical trials, pharmacovigilance and the detection of unsafe or counterfeit medicines. The risk of any reduction in patient safety is unacceptable. The industry has already invested in the implementation of the Falsified Medicines Directive and the Government must set out urgently options for a replacement safety framework to eliminate the risk of unsafe and counterfeit medicines entering the UK supply chain.**

120. **The manufacturing process for pharmaceuticals and chemicals often entails components crossing borders multiple times. The sudden introduction of tariffs would therefore seriously challenge the viability of the two industries’ supply chains. While the Pharmaceutical Tariff Elimination Agreement would soften the impact of a no**

172 [Q4357](#)

173 Business, Energy and Industrial Strategy Committee, Ninth Report of Session 2017–19, [The impact of Brexit on the pharmaceutical sector](#), HC 382, 17 May 2018, Written evidence from AstraZeneca, [BRP0019](#)

deal based on WTO terms, it has not been updated for nine years and does not cover a wide range of finished pharmaceuticals, components and equipment, meaning tariff barriers would be imposed on the newest, most innovative medicines and components that are traded between the UK and the EU.

6 Research and higher education

121. The UK is renowned for its innovation and research and highly respected tertiary education. Dr Beth Thompson MBE, Head of Policy (UK and EU) Wellcome Trust, said “We have world-leading science and research in this country, and that should be celebrated.”¹⁷⁴ However, in an open letter to MPs of 4 January 2019, Universities UK, the Russell Group, Guild HE, MillionPlus and University Alliance wrote that they were “united in the view that the UK leaving the EU without a deal is one of the biggest threats our universities have ever faced.” They went on to state that the impact of no deal “would be an academic, cultural and scientific setback from which it would take decades to recover.”¹⁷⁵ Beth Thompson told us:

Even with the best preparation, no deal will leave a vacuum in the UK’s relationship with our biggest research partner. That is untenable and cannot be allowed to happen.¹⁷⁶

Funding

122. The UK is currently highly successful at winning EU research funding, accounting for 13.5% of the funding from EU framework programme Horizon 2020 to date.¹⁷⁷ This amounts to around €1 billion a year in funding according to Professor Tim Wheeler, International Director of UK Research and Innovation.¹⁷⁸ To mitigate the risks of a no deal exit to bodies in receipt of this funding, the Government has committed to underwrite successful bids to Erasmus+ and Horizon2020 to the end of those programmes.

123. While this is a considerable step towards preventing an immediate funding crisis, it does not address the risk of exclusion of UK institutes from consortia which are already forming to apply for the next funding cycle. UK based researchers would require either an additional underwrite guarantee for Horizon Europe, the successor to Horizon 2020, or for the UK to achieve association status as a third country. It also does not address the loss of other substantial funding streams. The loss to the UK of funding from the European Research Council and Marie Skłodowska-Curie Actions, two programmes which the Government has not guaranteed to underwrite, was estimated to amount to €1.3 billion from March 2019—the previously anticipated no deal date—through to the end of the programmes.¹⁷⁹

124. Vivienne Stern, Director of Universities UK International, explained that many UK universities are setting up a physical presence in Europe, or working to deepen existing strategic partnerships with European universities, as a route to continued collaboration on EU projects. She explained that these partnerships could not replace intra-EU collaboration:

Take for example the King’s partnership with the TU Dresden. It is focused on clinical medicine. If you think about the breadth of research that King’s

174 [Q4407](#)

175 Universities UK, [Letter to MPs](#), 4 January 2019

176 [Q4404](#)

177 Horizon 2020 runs from January 2014 to December 2020. UK Government, [Horizon 2020 funding if there’s no deal](#), 28 June 2019

178 [Q4418](#)

179 [Q4424](#)

would undertake with European partners, it seems to me that that initiative is pretty narrow. It might help in one discipline, but what will it do for the broader relationship? I think that is replicated in other fields. Lots of the strategic partnerships have quite a narrow focus. An exception to that might be the Oxford-Berlin partnership, which does seem to be quite broad-based, but if you look at what is actually going on, those institutions are contributing to a common pot so they can run workshops together and so they can pump-prime new research relationships. It is not an alternative to being able to draw on big European research funds. I suspect it is going to be helpful, whatever kind of Brexit we get, but it won't be a solution.¹⁸⁰

125. All the witnesses raised concerns that an acrimonious departure could taint the possibility of joining funding programmes as a third country. Moreover, the success of associated third countries at drawing on EU funding is far below the level required simply to replicate current funding levels. The Economist noted that while Britain won over 18% of the EU's research money between 2007 and 2013, the funding for all associated countries combined amounted to only 7%.¹⁸¹ The evidence we heard stressed that mitigating reputational damage and protecting current collaborations was more important in the long term than replacing the funding like-for-like. Beth Thompson pointed to the prestige of European projects:

it is not simply a case of substituting cash from one place to another. The EU programmes are very successful. They are world-leading and provide the UK with a great opportunity to network with other researchers.¹⁸²

Mobility of students, staff and researchers

126. For a highly mobile international community of researchers and academics in which “one in six individuals in the academic community in the UK are from other parts of Europe”, losing free movement rights would have a profound impact.¹⁸³ Recourse to either visa schemes or temporary leave to remain are, we were told, insufficient mitigation for this population. The Government's current proposed cap for a Tier 2 visa is £30,000. Vivienne Stern explained that Universities UK was pressing the Government for a reduction to a £21,000 cap, that would allow the visa to encompass academic and career researchers and technicians most likely to be caught out by the higher salary requirement.¹⁸⁴ Tim Wheeler and Beth Thompson agreed that the lower cap would help to retain those staff on whom the talent pipeline depended.¹⁸⁵

127. The cost of visas was also seen as detrimental to the UK's offer to EU nationals as costs were substantially higher than in other parts of Europe.¹⁸⁶ The offer was also described as “uncompetitive” when compared with that of the most common alternative choices, the US, Canada and Australia.¹⁸⁷ Beth Thompson cited a decline over the past two years in

180 [Q4408](#)

181 The Economist, “[What would a no-deal Brexit mean for universities and research?](#)” 4 March 2019

182 [Q4425](#)

183 [Q4411](#) [Wheeler]

184 [Q4411](#)

185 [Q4411](#)

186 [Q4411](#) [Thompson]

187 [Q4418](#) [Stern]

early career researchers applying for Wellcome Trust funding schemes, including a 20% drop in the past year, and a 50% drop in applications from EU nationals for Wellcome Sanger Institute PhD studentships in 2017.¹⁸⁸

128. Anticipation of no deal is having a more marked effect on numbers of EU nationals applying to work and study than on those currently based in the UK. Our witnesses shared anecdotal evidence of individuals leaving because of Brexit related uncertainties, however, overall universities were still able to retain and recruit staff. Vivienne Stern reported few complaints about the settled status scheme from those for whom it is applicable.¹⁸⁹ However, when it comes to more junior staff and researchers, Beth Thompson said:

We have heard from some of our centres and institutes that they are struggling, particularly at more junior levels, to recruit as many EU nationals as they once did.¹⁹⁰

She attributed this to uncertainty about future access to funding but also to a perception of the UK as somewhere increasingly unreceptive to immigrants.

129. Vivienne Stern told us that the Government’s no deal preparations proposed that students not eligible for Settled Status apply for temporary leave to remain and added:

We are deeply unhappy with the suggestion that European temporary leave to remain would be restricted to three years, because people arriving under that arrangement would not necessarily have confidence that at the end of that period they would be able to secure a visa. This scheme would only allow for a three year period of residency, leaving students uncertain of whether they would be able to complete the course to which they were applying.¹⁹¹

[...] the British Government are well aware that the standard undergraduate programme in Scotland is four years, so it is quite surprising that they have not managed to create a system that accommodates that.¹⁹²

130. The Government’s no deal sectoral analysis of Higher Education states that “In 2015, 25 per cent of internationally mobile EU students studying tertiary level courses in Europe chose to study in the UK, representing the greatest proportion to any EU country.”¹⁹³ These students are drawn to the UK’s strong academic offer but we were told that an Oxford Economics analysis suggests that moving to an international fee structure could deter up to 57% of them.¹⁹⁴ Government policy on what fees will apply to students starting courses in 2021 has not yet been announced. The impact of declining numbers of EU students would not be felt evenly but could favour higher profile universities, leading to

188 [Q4412](#)

189 [Q4414](#), [Q4417](#)

190 [Q4407](#)

191 [Q4414](#)

192 [Q4416](#)

193 [Higher education sector report](#), published 21 December 2017; Data from International student mobility – tertiary mobile environment, OECD, 2015

194 [Q4428](#) [Stern]

“catastrophic decreases in EU enrolment of up to 80%” and consequent course closures in others.¹⁹⁵ The Government’s explicit commitment to counter this by actively recruiting more international students was seen as positive, but insufficiently ambitious.¹⁹⁶

Networks and Collaboration

131. Witnesses repeatedly stressed the value of UK-EU networks. They emphasised the need to maintain a positive working relationship with the EU27 in order to facilitate future collaborations and association to future framework programmes but also to preserve the ability to work across borders with ease. The focus on the short-term shock from no deal was distracting from consideration of what was described to us as the more critical issue of long-term damage to the relationship between the UK and the EU.¹⁹⁷

132. Although there was universal praise for the work of Chris Skidmore MP, Minister for Universities, Science, Research and Innovation, Department for Business, Energy and Industrial Strategy, and his officials, for the effort they have put into no deal planning, we were told that too much uncertainty remains on the strategy for a future relationship. Beth Thompson warned that “no deal will fracture our relationship with the EU in a way that is going to be very difficult to come back from.”¹⁹⁸ Vivienne Stern said:

my view is still that there is now a short-term focus where there really needs to be a long-term focus. In leaving the EU, we need to be as mindful of the relationship we want in the long-term as we are about the short-term mechanics of the departure itself.¹⁹⁹

Pointing to the strength of the UK’s academic reputation, Vivienne Stern also told us:

we have had such influence based on people’s respect for our system. We have to really think about how we can preserve the fundamental strength of our university and research system so that we don’t end up being an object of pity as we lose ground from a previous position of prestige. That has to be the challenge both for domestic policy and our future UK-EU relationship.²⁰⁰

Data across borders

133. Cross border data flows are fundamental to much of the research and innovation at which the UK excels such as clinical trials.²⁰¹ In the event of a no deal, the UK would have no data adequacy decision from the EU. As a third country there are a number of means to legitimise the flow of data, however, the Committee heard that these are bureaucratic and expensive. With limited regulatory support for academics and researchers, they are hesitant to devote resources to a process that, in the event of a deal, would not be necessary. Giving the example of the 1958 Birth Cohort data, Beth Thomson said:

We see about 2,500 data transfers from the UK to the EU each year. The data then comes back once the EU researchers have done their work on it to

195 [Q4429](#) [Stern]

196 [Q4418](#) [Stern]

197 [Q4405](#) [Stern; Thompson]

198 [Q4405](#)

199 [Q4405](#)

200 [Q4407](#)

201 [Q4408](#)

enrich that resource, so it gets better for everyone. That is the kind of thing, where personal data is flowing, on which researchers are going to have to do much more paperwork to get through. That is going to be more costly and bureaucratic.²⁰²

An important element of that is that it is not just something that the UK can do unilaterally. There has to be a negotiation with the EU partner. Part of the problem is that when UK researchers want to get their hands on personal data from the EU, the burden is on the EU researcher. That is a real challenge.²⁰³

134. Vivienne Stern added that mitigating the impact by renegotiating individual contracts involved considerable effort and:

My sense from many universities is that they don't really know whether they should go at this or not. [...] We don't yet know whether we should be saying to universities, “Guys, invoke your no-deal plans. Do the stuff that we said you might have to do.” That I'm sure, is true of lots of other parts of the sector.²⁰⁴

135. The UK is widely recognised as a world leader in science and research. A number of UK universities consistently rank in the top 50 worldwide. The UK's economic wellbeing and industrial success is enhanced by its cutting-edge scientific and technological innovation.

136. The Government has made positive strides towards supporting Higher Education and research through an immediate post-exit funding crisis through the Horizon 2020 underwrite. The Settled Status Scheme is also providing some certainty for long-term researchers and academics. However, the overwhelming message we received from this sector was that leaving the EU without a deal would cause a short-term shock and longer term reputational damage from which the UK Higher Education sector would struggle to recover.

137. Anticipation of no deal has already precipitated a decline in applicants to research and technician roles and for UK based grants. EU students, who form a vital part of the highly skilled diverse student population in the UK, are turning down places because of continued uncertainty and modelling has suggested this could have severe consequences, including course closures, for some academic institutions. The UK is losing out on high profile research projects as funding uncertainty is leading to more projects being EU based.

138. Although the scope exists to negotiate association to many EU projects, this is unlikely to be straightforward in the event of an acrimonious no deal.

202 [Q4408](#)

203 [Q4410](#)

204 [Q4408](#)

7 Conclusions

139. It has been suggested that the UK could leave the EU without a deal and rely on Article XXIV of the GATT to maintain tariff-free trade with the EU in the absence of a negotiated agreement. Article XXIV is the GATT provision that allows for an interim agreement between two parties in anticipation of a free trade agreement or customs union. It requires an agreement between the two parties, a plan as to how the end state will be reached, and for this agreement to be notified to all parties to the WTO. By definition, leaving without a deal means there is no agreement. Article XXIV does not provide a means to mitigate the risks to EU-UK trade in the event of a no deal exit.

140. It is clear from the evidence that we have received in preparation of this report that the economies of the UK and the EU27 are closely entwined through highly integrated supply chains operating in the car industry, other areas of manufacturing and the agri-food sector. UK exports of goods and services to its largest and closest market also operate on the basis of frameworks of regulatory provision applicable to transport of food produce, pharmaceuticals, chemicals, automotive parts and the flow of data. The UK’s exports of services and its higher education system rely on agreed provisions on recognition of qualifications and frameworks for collaboration in research and student exchanges. A no deal exit would represent a sudden rupture for all of these sectors. A no deal, non-cooperative relationship cannot be the desired end state for UK-EU economic relations. The closeness of the economic relationship is most evident in the agri-food sector on the island of Ireland. Those businesses that have not prepared for no deal will clearly be more affected than those that have.

141. The EU has consistently maintained that the Withdrawal Agreement, including provisions for the settlement of the UK’s financial obligations, guarantees for citizens’ rights and provisions to ensure that there is no hard border on the island of Ireland, will not be re-opened and that, in a no deal scenario, discussion of future cooperation would require settlement of these three issues as a pre-cursor to any further negotiation. The UK would also risk a great deal of goodwill by pursuing a no deal exit.

142. Some have argued that a no deal exit would bring the EU “back to the table” and that the UK would secure a better deal as a result. This is, at best, a gamble. At worst, it could lead to severe disruption of the economy, pose a fundamental risk to the competitiveness of key sectors of the UK economy, and put many jobs and livelihoods at risk.

Formal minutes

Tuesday 16 July

Members present:

Hilary Benn, in the Chair

Mr Peter Bone	Andrea Jenkyns
Joanna Cherry	Stephen Kinnock
Sir Christopher Chope	Jeremy Lefroy
Mr Jonathan Djanogly	Mr Pat McFadden
Peter Grant	Mr Jacob Rees-Mogg
Wera Hobhouse	Stephen Timms

Emma Reynolds was on parental leave under the terms of the Resolution and Order of the House of 28 January 2019 and the Speaker’s certificate of 14 May 2019

Draft Report (*The consequences of “No Deal” for UK business*), proposed by the Chair, brought up and read.

Question put, That the Report be read a second time, paragraph by paragraph.

The Committee divided.

Ayes, 8	Noes, 4
Joanna Cherry	Mr Peter Bone
Mr Jonathan Djanogly	Sir Christopher Chope
Peter Grant	Andrea Jenkyns
Wera Hobhouse	Mr Jacob Rees-Mogg
Stephen Kinnock	
Jeremy Lefroy	
Mr Pat McFadden	
Stephen Timms	

Question accordingly agreed to.

Paragraph 1 read.

Amendment proposed, at end, to insert

“We are conscious that the consequences of no deal may well not just be economic. There may be substantial constitutional implications too, including for the unity of the UK. However in this report we concentrate on the economic consequences.”—(Mr Pat McFadden)

Question proposed, That the amendment be made.

Amendment proposed to the amendment, after “UK.”, to insert

“We also note the commitments made by the Prime Minister on 10 November 2015 in advance of the referendum.”—(Sir Christopher Chope)

Question put, That the Amendment to the proposed Amendment be made.

The Committee divided.

Ayes, 4	Noes, 8
Mr Peter Bone	Joanna Cherry
Sir Christopher Chope	Mr Jonathan Djanogly
Andrea Jenkyns	Peter Grant
Mr Jacob Rees-Mogg	Wera Hobhouse
	Stephen Kinnock
	Jeremy Lefroy
	Mr Pat McFadden
	Stephen Timms

Question accordingly negatived.

Proposed Amendment agreed to.

Paragraph 1, as amended, agreed to.

Paragraphs 2 to 140 read and agreed to.

Paragraph 141 read.

Amendment proposed, to leave out from “negotiation.” to end, and insert

“Such a requirement being insisted upon by the EU is at odds with the EU’s previous stance supported by the UK that ‘nothing is agreed until everything is agreed.’”—
(Sir Christopher Chope)

Question put, That the amendment be made.

The Committee divided.

Ayes, 4	Noes, 8
Mr Peter Bone	Joanna Cherry
Sir Christopher Chope	Mr Jonathan Djanogly
Andrea Jenkyns	Peter Grant
Mr Jacob Rees-Mogg	Wera Hobhouse
	Stephen Kinnock
	Jeremy Lefroy
	Mr Pat McFadden
	Stephen Timms

Question accordingly negatived.

Paragraph 141 agreed to.

Paragraph — (*Sir Christopher Chope*) – brought up and read as follows:

“As the current Withdrawal Agreement is unacceptable to Parliament as being a bad deal for the United Kingdom and as Parliament has voted overwhelmingly to leave the EU under the provisions of Article 50, the only way in which the result of the referendum can be honoured is for the UK to leave on 31 October 2019 on WTO terms. This admittedly sub-optimal outcome is the direct consequence of the EU having overplayed its hand in the negotiations in response to the supine negotiating stance of the UK. The current Prime Minister’s worst fears as outlined so cogently in her Lancaster House speech have now been realised with the only deal that the EU is willing to conclude being effectively a ‘punishment deal’ which condemns the UK to the status of a colony of the EU. Those who never wanted the UK to leave the EU and do not accept the obligation to deliver the referendum result have encouraged the EU to play hard ball to the detriment of the UK’s national interest. The evidence that senior members of the current Government fall into this category is increasingly apparent. In the Panorama documentary, ‘Britain’s Brexit Crisis’, the Chancellor of the Exchequer and the Treasury admit that they did not want companies to prepare for a no deal exit because it ‘might have damaged our economy’. Despite £4 billion of public expenditure on no deal preparations, the Treasury has thereby negated the manifesto commitments upon which the Government was re-elected in the 2017 General Election while continuing to actively undermine the national interest. The publication ‘Avoiding the Trap’ by Martin Howe QC, The Rt Hon Sir Richard Aikens and Thomas Grant sets out compellingly how the United Kingdom can take forward a no deal exit from the EU without a withdrawal agreement. They emphasise that this does not mean leaving the EU with no deals of any kind unless the EU decided to refuse to enter negotiations despite the UK’s willingness so to do.”

Question put, That the paragraph be read a second time.

The Committee divided

Ayes, 4	Noes, 8
Mr Peter Bone	Joanna Cherry
Sir Christopher Chope	Mr Jonathan Djanogly
Andrea Jenkyns	Peter Grant
Mr Jacob Rees-Mogg	Wera Hobhouse
	Stephen Kinnock
	Jeremy Lefroy
	Mr Pat McFadden
	Stephen Timms

Question accordingly negatived.

Paragraph 142 read and agreed to.

Question put, That the Report be the Fourteenth Report of the Committee to the House.

The Committee divided.

Ayes, 8

Joanna Cherry

Mr Jonathan Djanogly

Peter Grant

Wera Hobhouse

Stephen Kinnock

Jeremy Lefroy

Mr Pat McFadden

Stephen Timms

Noes, 4

Mr Peter Bone

Sir Christopher Chope

Andrea Jenkyns

Mr Jacob Rees-Mogg

Question accordingly agreed to.

Ordered, That the Chair make the Report to the House.

Ordered, That embargoed copies of the Report be made available (*Standing Order No. 134*).

[Adjourned till Wednesday 17 July at 9.45 am

Witnesses

The following witnesses gave evidence. Transcripts can be viewed on the [inquiry publications page](#) of the Committee’s website.

Wednesday 25 October 2017

Question number

Rt Hon David Davis MP, Secretary of State, Department for Exiting the European Union

[Q1–153](#)

Wednesday 29 November 2017

Peter Hardwick, Head of Exports, Agriculture and Horticulture Development Board; **James Hookham**, Deputy Chief Executive, Freight Transport Association; **Sian Thomas**, Communications Manager, Fresh Produce Consortium; **Duncan Brock**, CIPS Group Director, Chartered Institute of Procurement and Supply

[Q154–188](#)

Jon Thompson, Chief Executive and Permanent Secretary, HM Revenue and Customs; **John Bourne**, Policy Director of Animal and Plant Health, Department for Environment, Food and Rural Affairs; **Richard Everitt**, Chairman, Port of Dover; **Richard Ballantyne**, Chief Executive, British Ports Association

[Q189–251](#)

Wednesday 7 December 2017

Simon York, Director, HMRC Fraud Investigation Service; **Mike O’Grady**, Deputy Head, Organised Crime Operations North, HMRC Fraud Investigation Service; **Deputy Chief Constable Drew Harris**, PSNI; and **Assistant Chief Constable Stephen Martin**, Head of Crime Operations, PSNI

[Q252–301](#)

Wednesday 13 December 2017

Professor Alexander Türk, Professor of Law, King’s College London; **John Cassels**, Partner, Competition, Regulatory and Trade Law, Fieldfisher LLP; and **Dr Scott Steedman**, Director of Standards, BSI and Vice President (policy), International Standards Organisation

[Q302–324](#)

Katherine Bennett, Senior Vice President, Airbus UK; **Rod Ainsworth**, Director of Regulatory and Legal Strategy, Food Standards Agency; **Angela Hepworth**, Director of Corporate Policy and Regulation, EDF UK; and **Dr Ian Hudson**, Chief Executive, Medicines and Healthcare Products Regulatory Agency

[Q325–375](#)

Wednesday 20 December 2017

Professor Michael Dougan, Professor of European Law and Jean Monnet Chair in EU Law, University of Liverpool; **Professor Anand Menon**, Director, UK in a Changing Europe; **Stephen Booth**, Director of Policy and Research, Open Europe

[Q376–454](#)

Wednesday 10 January 2018

Professor Richard Whitman, Head of School, Professor Politics and International Relations, University of Kent; **Fredrik Erixon**, Director, European Centre for International Political Economy; **Dr Stephen Woolcock**, Associate Professor in International Relations, London School of Economics

[Q455–545](#)

Wednesday 17 January 2018

Christophe Bondy, Public International Lawyer at Cooley (UK) LLP and former senior counsel to Canada on the CETA negotiations; **Dr Lorand Bartels**, University of Cambridge and Senior Counsel, Linklaters; **William Swords**, President, UK-Canada Chamber of Commerce

[Q546–633](#)

Wednesday 18 January 2018

Professor Greg Hannon, Director, Cancer Research UK Cambridge Institute; **Professor Eilís Ferran**, Pro-Vice Chancellor for Institutional International Relations, Cambridge University; **Dr Andy Williams**, Vice President Cambridge Strategy & Operations, AstraZeneca; and **Michael Lawrence**, Business Development Director, Deimos Space UK

[Q634–690](#)

Wednesday 24 January 2018

Rt Hon David Davis MP, Secretary of State, Department for Exiting the European Union

[Q691–835](#)

Wednesday 31 January 2018

Dmytro Tupchiienko, Data Protection Lawyer, EY, London; **Michael Emerson**, Associate Senior Research Fellow, Centre for European Policy Studies, Brussels; **Dr Tamara Kovziridze**, Co-founder, Reformatics, Tbilisi

[Q836–905](#)

Wednesday 6 February 2018

John Springford, Deputy Director, Centre for European Reform; **Professor Clive Church**, Emeritus Professor of European Studies, University of Kent; and **Professor René Schwok**, University of Geneva

[Q906–964](#)

Wednesday 7 February 2018

Professor George Yarrow, Chair of the Regulatory Policy Institute, Emeritus Fellow, Hertford College, Oxford, and visiting professor; **Ulf Sverdrup**, Director, Norwegian Institute of International Affairs; and **Professor Alla Pozdnakova**, Law Faculty, University of Oslo

[Q965–1022](#)

Professor Carl Baudenbacher, Judge of the EFTA Court

[Q1023–1048](#)

Wednesday 21 February 2018

Emanuel Adam, Director of Policy and Trade, BritishAmerican Business; **Dr Peter Holmes**, Reader in Economics, University of Sussex; **Dr Pinar Artiran**, Assistant Professor, Bilgi University, Istanbul; **Sam Lowe**, Research Fellow, Centre for European Reform

[Q1049–1100](#)**Wednesday 27 February 2018**

Pascal Lamy, former Director-General, World Trade Organization

[Q1101–1162](#)**Tuesday 20 March 2018**

Dr Lars Karlsson, President of KGH Border Services, former Director of World Customs Organisation, Deputy Director General of Swedish Customs

[Q1163–1197](#)**Wednesday 21 March 2018**

David Campbell-Bannerman MEP

[Q1198–1240](#)

Jessica Gladstone, Partner, Clifford Chance LLP; **David Henig**, UK Trade Policy Specialist

[Q1241–1284](#)**Thursday 22 March 2018**

Iona Crawford, Associate, Freshfields Bruckhaus Deringer LLP; **Sally Jones**, Director for International Trade Policy, Deloitte; **Mike Regnier**, Chief Executive, Yorkshire Building Society; and **Glynn Robinson**, Managing Director, BJSS

[Q1285–1310](#)**Thursday 19 April 2018**

Andrew Bailey, Chief Executive, Financial Conduct Authority, and **Sam Woods**, Deputy Governor Prudential Regulation, Bank of England

[Q1311–1339](#)

Huw Evans, Director General, Association of British Insurers, **Chris Cummings**, Chief Executive, the Investment Association, **Stephen Jones**, CEO of UK Finance, and **Nikhil Rathi**, CEO of London Stock Exchange Plc and Director of International Development

[Q1340–1377](#)**Thursday 25 April 2018**

Rt Hon David Davis MP, Secretary of State, Department for Exiting the European Union

[Q1378–1488](#)

Wednesday 2 May 2018

Jill Barrett, Visiting Reader, Queen Mary University Law School; **Sir Jonathan Faull**, former Director General, European Commission; **Agata Gostynska-Jakubowska**, Senior Research Fellow, Centre for European Reform; **Lord Lisvane**, former Clerk, House of Commons

[Q1489–1561](#)

Wednesday 9 May 2018

Giles Derrington, Head of Policy: Brexit, International and Economics, techUK; **Elizabeth Denham**, Information Commissioner; **Stephen Hurley**, Head of Brexit Planning and Policy, British Telecom; **James Mullock**, Partner, Bird & Bird

[Q1562–1633](#)

Dr Bleddyn Bowen, University of Leicester; **Colin Paynter**, Managing Director, Airbus Defence and Space UK; **Patrick Norris**, Secretary of the European Affairs Group, UK Space

[Q1634–1692](#)

Wednesday 16 May 2018

Dr Sarah Main, Executive Director, Campaign for Science and Engineering; **Dr Beth Thompson MBE**, Head of Policy (UK and EU), Wellcome Trust; **Professor Richard Brook OBE**, President, Association for Innovation, Research and Technology Organisations; **Professor Michael Arthur**, Chair, EU Advisory Group, Russell Group

[Q1693–1758](#)

Wednesday 23 May 2018

Suella Braverman MP, Parliamentary Under-Secretary of State, Department for Exiting the European Union, and **Mr Robin Walker MP**, Parliamentary Under-Secretary of State, Department for Exiting the European Union

[Q1759–1908](#)

Wednesday 6 June 2018

Nicholas Hatton, Co-Chair, the3million; **Anne-Laure Donskoy**, Co-Chair, the3million; **Barbara Drozdowicz**, Chief Executive Officer, East European Resource Centre; **Dr Mary Tilki**, Member and former Chair, Irish in Britain; **Catherine Hennessy**, Trustee, Irish in Britain

[Q1909–1954](#)

Fiona Godfrey, Chair, British Immigrants Living in Luxembourg, and Deputy Chair, British in Europe; **Jane Golding**, Co-Chair, British in Germany, and Chair, British in Europe; **Michael Harris**, Chair, EuroCitizens, Spain; **Kalba Meadows**, Founder, Remain in France Together

[Q1955–1996](#)

Wednesday 20 June 2018

Guy Verhofstadt MEP, Brexit Co-ordinator and Chair of the Brexit Steering Group, European Parliament

[Q1997–2141](#)

Wednesday 11 July 2018 AM

Allie Renison, Head of Europe and Trade Policy, Institute of Directors; **Henry Newman**, Director, Open Europe; and **Michael Dougan**, Professor of European Law and Jean Monnet Chair in EU Law, University of Liverpool [Q2142–2200](#)

Wednesday 11 July 2018 PM

Rt Hon Caroline Nokes MP, Minister of State for Immigration; **Simon Bond**, Strategy Director, Board of Immigration and Citizen System and Europe Director; and **Mark Doran**, Deputy Director, EU Exit Immigration Strategy [Q2201–2309](#)

Tuesday 24 July 2018 AM

Huw Evans, Director General, Association of British Insurers; **Catherine McGuinness**, Chair, Policy and Resources Committee, City of London Corporation; **Adam Minns**, Executive Director, Commercial Broadcasters Association; **Giles Derrington**, Head of Policy, Exiting the European Union, techUK. [Q2310–2382](#)

Tuesday 24 July 2018 PM

Rt Hon. Dominic Raab MP, Secretary of State for Exiting the European Union, and **Oliver Robbins**, Prime Minister’s Europe Advisor, Cabinet Office. [Q2383–2536](#)

Monday 3 September 2018

Michel Barnier, Chief Negotiator, European Commission, and **Sabine Weyand**, Deputy Chief Negotiator, European Commission. [Q2537–2563](#)

Tuesday 4 September 2018

Philip Rycroft, Head of UK Governance Group and Permanent Secretary, Department for Exiting the EU. [Q2564–2685](#)

Wednesday 10 October 2018 AM

Sir Amyas Morse, Comptroller and Auditor General and Head of the National Audit Office [Q2686–2725](#)

Jill Rutter, Programme Director, Institute for Government; **Julian Jessop**, Chief Economist, Institute for Economic Affairs; **Sir Simon Fraser**, Deputy Chairman, Chatham House, and Adviser, Europe Programme, and former Permanent Secretary, Foreign and Commonwealth Office [Q2726–2770](#)

Wednesday 10 October 2018 PM

Andrew Opie, Director of Food and Sustainability, British Retail Consortium; **Martin McTague**, Policy and Advocacy Chair, Federation of Small Businesses; **Richard Burnett**, Chief Executive, Road Haulage Association; **Mike Thompson**, Chief Executive, Association of the British Pharmaceutical Industry

[Q2771–2847](#)

Wednesday 17 October 2018

Jon Thompson, Chief Executive and Permanent Secretary, HM Revenue and Customs; **Bernadette Kelly**, Permanent Secretary, Department for Transport; **Sir Chris Wormald**, Permanent Secretary, Department of Health; **Sir Ian Cheshire**, Government Lead Non-Executive Director, Cabinet Office

[Q2848–2983](#)

Wednesday 24 October 2018 AM

Dr Katy Hayward, Reader in Sociology, Queen’s University Belfast; **Dr David Shiels**, Policy Analyst, Open Europe

[Q2984–3054](#)

Aodhan Connolly, Director, Northern Ireland Retail Consortium; **Seamus Leheny**, Policy Manager, Freight Transport Association; **Stephen Kelly**, Chief Executive, Manufacturing NI; **Declan Billington**, Vice-Chair, Northern Ireland Food and Drink Association

[Q3055–3088](#)

Wednesday 31 October 2018

David Natzler, Clerk of the House

[Q3089–3156](#)

Dr Jack Simson Caird, Senior Research Fellow, Bingham Centre; **Raphael Hogarth**, Associate, Institute for Government; **Dr Sara Hagemann**, Associate Professor in European Politics, LSE; **Dr Simon Usherwood**, Reader in Politics, University of Surrey

[Q3157–3205](#)

Wednesday 14 November 2018

Nick Witney, Senior Policy Fellow, European Council on Foreign Relations; **Georgina Wright**, Research Associate, Chatham House

[Q3206–3230](#)

Camino Mortera-Martinez, Senior Research Fellow, Centre for European Reform; **Sir Rob Wainwright**, former Executive Director, Europol

[Q3231–3263](#)

Wednesday 21 November 2018

Agata Gostynska-Jakubowska, Senior Research Fellow, Centre for European Reform; **Professor Franklin Dehousse**, former Judge at the General Court of the European Union; **Dr Holger Hestermeyer**, Shell Reader in International Dispute Resolution, King’s College London

[Q3264–3329](#)

Monday 3 December 2018

Rt Hon Stephen Barclay MP, Secretary of State for Exiting the European Union and **Oliver Robbins**, Prime Minister’s Europe Advisor

[Q3330–3476](#)

Wednesday 19 December 2018

Dr Kirsty Hughes, Director of the Scottish Centre of European Relations, **Catherine Barnard**, Professor of EU Law, Cambridge University, **Sam Lowe**, Research Fellow, Centre for European Reform, **Henry Newman**, Director, Open Europe

[Q3477–3550](#)

Wednesday 9 January 2019

Chris Heaton-Harris MP, Parliamentary Under Secretary of State for Exiting the EU

[Q3551–3736](#)

Wednesday 13 February 2019

Bertie Ahern, former Taoiseach (1997–2008)

[Q3737–3770](#)

Tuesday 12 March 2019

Rt Hon Stephen Barclay MP, Secretary of State for Exiting the European Union

[Q3771–3850](#)

Wednesday 27 March 2019

Daniel Greenberg, Speaker’s Counsel for Domestic Legislation, **Dr Kirsty Hughes**, Director, Scottish Centre on European Relations, **Dr Simon Usherwood**, Deputy Director, UK in a Changing Europe programme, and **Georgina Wright**, Senior Researcher, Institute for Government

[Q3851–3922](#)

Wednesday 3 April 2019

Rt Hon Stephen Barclay MP, Secretary of State, Department for Exiting the European Union

[Q3923–4036](#)

Wednesday 1 May 2019

David Henig Director, UK Trade Policy Project at European Centre for International Political Economy (ECIPE), **Sam Lowe**, Research Fellow, Centre for European Reform, **Dr Pinar Artıran**, WTO Chair Holder, Assistant Professor, Faculty of Law, Istanbul Bilgi University, and **Dr Ruth Lea CBE**, Economic Advisor, Arbuthnot Banking Group

[Q4037–4116](#)

Wednesday 8 May 2019

Sir Jonathan Faull, Chair of European Public Affairs, Brunswick Group, **Larissa Brunner**, Policy Analyst, European Policy Centre, and **Charles Grant**, Director, Centre for European Reform

[Q4117–4170](#)

Wednesday 15 May 2019

George Peretz QC, Monckton Chambers, **Sara Ogilvie**, Head of Brussels Office, Trades Union Congress, **Dr Emily Lydgate**, Senior Lecturer in Environmental Law, University of Sussex and fellow of the UK Trade Policy Observatory, and **Mr Pieter Cleppe**, Head of Brussels Office, Open Europe

[Q4171–4232](#)

Wednesday 12 June 2019

Seamus Nevin, Chief Economist, Make UK, **Nick von Westenholz**, Director of EU Exit and International Trade, National Farmers’ Union, **Tim Rycroft**, Chief Operating Officer, Food And Drink Federation and **Sydney Nash**, Senior Policy Manager, Society of Motor Manufacturers and Traders

[Q4233–4340](#)

Wednesday 19 June 2019

Nishma Patel, Chemicals Policy Director, Chemical Industries Association, **Steve Bates**, Chief Executive, BioIndustry Association (BIA), and **Martin Sawyer**, Executive Director, Healthcare Distribution Association (HDA)

[Q4341–4434](#)

Vivienne Stern, Director, Universities UK International, **Professor Tim Wheeler**, International Director, UK Research and Innovation and **Dr Beth Thompson MBE**, Head of Policy (UK and EU), Wellcome Trust

[Q4404–4434](#)

Wednesday 26 June 2019

Giles Derrington, Head of Policy: Exiting the European Union, techUK, **Claire Walker**, Co-Executive Director, British Chambers of Commerce, **Martin Manuzi**, Regional Director for Europe, ICAEW, and **Alan Vallance**, CEO, Royal Institute of British Architects

[Q4435–4483](#)

Wednesday 3 July 2019

Chris Desira, Director, Seraphus Solicitors, **Barbara Drozdowicz**, CEO, East European Resource Centre, **Kuba Jablonowski**, Researcher, The 3Million, and **Luke Piper**, Solicitor, South West Law and Adviser, the3million

[Q4484–4526](#)

Fiona Godfrey, Co-Chair, British in Europe, Luxembourg (Benelux), **Jane Golding**, Co-Chair, British in Europe, Germany, **Kalba Meadows**, Member, Steering Committee, British in Europe France, **Jeremy Morgan QC**, Vice-Chair, British in Europe, Italy, and **John Richards**, member, Steering Committee, EuroCitizens, Spain

[Q4527–4570](#)

Wednesday 10 July 2019

Rt Hon David Lidington CBE MP, Chancellor of the Duchy of Lancaster

[Q4571–4632](#)

Sir Keir Starmer KCB QC MP, Shadow Secretary of State for Exiting the EU

[Q4633–4702](#)

Published written evidence

The following written evidence was received and can be viewed on the [inquiry publications page](#) of the Committee’s website.

NEG numbers are generated by the evidence processing system and so may not be complete.

- 1 Alexander, Mr Titus ([NEG0028](#))
- 2 Association of British Insurers ([NEG0007](#))
- 3 Automated Customs and International Trade Association - ACITA ([NEG0036](#))
- 4 BioIndustry Association ([NEG0041](#))
- 5 British in Europe ([NEG0021](#))
- 6 British in Europe ([NEG0038](#))
- 7 British Retail Consortium ([NEG0010](#))
- 8 Dickinson, Rob ([NEG0013](#))
- 9 Finance & Leasing Association ([NEG0018](#))
- 10 Freight Transport Association ([NEG0004](#))
- 11 Freshfields Bruckhaus Deringer LLP ([NEG0019](#))
- 12 Glencross, Dr Andrew ([NEG0035](#))
- 13 Investment Association ([NEG0009](#))
- 14 Irish in Britain ([NEG0026](#))
- 15 Kyriakides, Dr Klearchos ([NEG0033](#))
- 16 Kyriakides, Dr Klearchos ([NEG0034](#))
- 17 The List (Brexit) ([NEG0030](#))
- 18 London First ([NEG0001](#))
- 19 London Market Group ([NEG0020](#))
- 20 Michael Emerson Centre for European Policy Studies (CEPS) ([NEG0012](#))
- 21 O’Brien, Dr Charlotte ([NEG0008](#))
- 22 Port of Dover ([NEG0005](#))
- 23 Professor Carl Baudenbacher ([NEG0014](#))
- 24 Professor Graham Virgo, Pro-Vice-Chancellor University of Cambridge ([NEG0017](#))
- 25 Professor Michael Dougan, Liverpool Law School ([NEG0027](#))
- 26 Professor René Schwok, Global Studies Institute University of Geneva ([NEG0016](#))
- 27 Rail Delivery Group ([NEG0003](#))
- 28 Royal Institute of British Architects ([NEG0042](#))
- 29 Seraphus ([NEG0040](#))
- 30 Stephen Woolcock LSE ([NEG0011](#))
- 31 the3million ([NEG0022](#))
- 32 the3million ([NEG0023](#))
- 33 the3million ([NEG0024](#))

- 34 the3million ([NEG0025](#))
- 35 the3million ([NEG0039](#))
- 36 TheCityUK ([NEG0002](#))
- 37 Watt, Dr Andrew ([NEG0029](#))
- 38 IE Legal Clinic ([NEG0037](#))

List of Reports from the Committee during the current Parliament

All publications from the Committee are available on the [publications page](#) of the Committee’s website.

Session 2017–19

First Report	European Union (Withdrawal) Bill	HC 373 (HC 771)
Second Report	The progress of the UK’s negotiations on EU withdrawal	HC 372 (HC 862)
Third Report	The progress of the UK’s negotiations on EU withdrawal: December 2017 to March 2018	HC 884 (HC 1077)
Fourth Report	The future UK-EU relationship	HC 935 (HC 1150)
Fifth Report	The progress of the UK’s negotiations on EU withdrawal (March to May 2018)	HC 1060 (HC 1552)
Sixth Report	Parliamentary approval of the Withdrawal Agreement and the future relationship	HC 1240 (HC 1641)
Seventh Report	The progress of the UK’s negotiations on EU withdrawal: Data	HC 1317 (HC 1564)
Eighth Report	The progress of the UK’s negotiations on EU withdrawal: the rights of UK and EU citizens	HC 1439 (HC 1872)
Ninth Report	The progress of the UK’s negotiations EU withdrawal (June to September 2018)	HC 1554
Tenth Report	The progress of the UK’s negotiations on EU withdrawal - The Withdrawal Agreement and Political Declaration	HC 1778
Eleventh Report	Response to the vote on the Withdrawal Agreement and Political Declaration: Options for Parliament	HC 1902
Twelfth Report	Response to the vote on the Withdrawal Agreement and Political Declaration: Assessing the Options	HC 1908
Thirteenth Report	Response to the 12 March 2019 vote on the Withdrawal Agreement and Political Declaration: next steps for Parliament	HC 2073
First Special Report	European Union (Withdrawal) Bill: Government Response to the Committee’s First Report	HC 771
Second Special Report	The progress of the UK’s negotiations on EU withdrawal: Government response to the Committee’s Second Report	HC 862

Third Special Report	The progress of the UK’s negotiations on EU withdrawal (December 2017 to March 2018): Government response to the Committee’s Third Report	HC 1077
Fourth Special Report	The future UK-EU relationship: Government Response to the Committee’s Fourth Report	HC 1150
Fifth Special Report	The progress of the UK’s negotiations on EU withdrawal (March to May 2018): Government Response to the Committee’s Fifth Report	HC 1552
Sixth Special Report	The progress of the UK’s negotiations on EU withdrawal: Data: Government Response to the Committee’s Seventh Report	HC 1564
Seventh Special Report	Parliamentary scrutiny and approval of the Withdrawal Agreement and negotiations on a future relationship: Government Response to the Committee’s Sixth Report	HC 1641
Eighth Special Report	The progress of the UK’s negotiations on EU Withdrawal: The rights of UK and EU citizens: Government Response to the Committee’s Eight Report	HC 1872