

Briefing note on the government paper: *Benefits of Brexit – How the UK is taking advantage of leaving the EU*

Overview

This 100-page document aggregates the major changes following Brexit and outlines regulatory reform and other actions that the government has taken or plans to take. It is not made clear which reforms were impossible before Brexit, but it is a useful reference point for current thinking in government.

In his foreword, the prime minister says the paper sets out how the government will go about “firmly planting the British flag on the world stage once again”. The paper highlights the UK’s ambition to be in the forefront of the development of efficient world trade, where the UK aims to move more quickly and effectively than Brussels. That will be an important factor in future trade negotiations.

The paper reprises the big changes, such as ending free movement to and from the EU and setting the UK Global Tariff. In the same section, it notes that passports are now blue, and it asserts that pint glasses could once again have the crown stamp (something Brussels retorted was not banned before).

Regulation

The paper sets out thinking about regulation and appears to row back significantly from the radical approach advocated by the TIGRR (Taskforce on Innovation, Growth and Regulatory Reform) review under Iain Duncan Smith last year, which subsequently went out to consultation.

TIGRR’s recommendation for a “One in, X out” rule for new regulation has been rejected. This is welcome - EAMA was an early and strong objector.

TIGRR’s emphasis on an English common law approach has not been adopted – it got a high degree of “no comment” in consultation and, where a view was expressed, it tended towards caution.

Consultation respondents wanted a greater emphasis on proportionality in regulation but also for rigour to be maintained in considering reform and impacts, for example in health and safety and machinery regulation; and this is reflected in the paper. But the “precautionary or risk-averse” approach to regulation, which the government associates with the EU, is specifically rejected.

Divergence from the EU is a key issue in the machinery and component supply chain and here the paper is particularly instructive. It says that it will support business and consumers and spur economic growth by “diverging from the EU in certain areas to give UK businesses a competitive advantage... we are free to diverge and forge our own path, with the choice to adopt or remove regulation—where it is deemed beneficial—to serve our country and its industries best.

“We will diverge strategically across key sectors to help us to reach our key objectives at a quicker pace.” This will broadly be welcomed by EAMA members. It makes clear that divergence is not a

mantra for regulations originating in the UK. It may also indicate a willingness to monitor developments in Brussels closely, for example over revisions to the Machinery Directive, and to contribute views.

There is an overall, strong commitment to work closely and at an early stage with business, which is welcome. Trade associations will be keen to see that in practice – and will have an obligation to engage constructively.

Manufacturing and advanced engineering

In manufacturing and advanced engineering, references are mostly restricted to aerospace and automotive. Of automotive, the paper says: “Given the UK’s strong research and development ecosystem and reputation, we can, on leaving the EU, develop stronger bilateral collaboration with e.g. US, Japan on areas of mutual interest that would boost the auto sector such as battery recycling, semiconductors, Critical Raw Materials. In areas such as Connected and Automated Mobility we plan to attract new research and development investment with our own regulatory approach and bilateral dialogue.”

It is unclear why this could not have been done within the EU, other than a greater pull towards EU collaboration. As things stand, disputes over the implementation of the Northern Ireland Protocol means that UK involvement in the Euro100 billion, seven-year Horizon Europe research programme, which had been agreed, has not gone ahead; it remains on hold. [At time of writing, news reports indicate that the NIP issue has taken a dramatic twist with the government in Belfast stopping all checks on shipments from Great Britain, in apparent contravention of the agreement; the government has said it will not intervene.]

The paper says that a trade agreement with India could reduce tariffs on [Tata-owned] Jaguar Land Rover cars made in the UK and use more of JLR’s UK supply chain in its Indian manufacturing. Last month, India started trade talks with the UK – one of four sets of negotiations it is understood to be undertaking, one of which is with the EU.

The mission of UK Export Finance, now into its second century, will continue. The relevance of Brexit to its activities is unclear. [UKEF has just announced under-writing of a further £500 million in finance to JLR, taking the total to more than £1 billion.]

On aerospace, the paper says that we can have “bilateral industrial partnerships with key countries like the USA, Canada and Japan. Our new points-based immigration system allows us to attract and enable the people with the skills the aerospace industry needs to live and work in the UK, like highly-qualified aerospace engineers”. It is not explained how the EU prevented these initiatives before.

Minor regulatory divergence

The paper is perhaps most detailed in divergence that has occurred and is planned in road haulage. There are already UK measures that would not have been possible inside the EU. For example, aspiring lorry drivers can now take a single HGV driving test that allows them to drive any vehicle, rather than do it in two stages at least a month apart (rigid and then articulated). And government is considering extensive other changes, including allowing all car drivers once again to drive 7.5 tonne lorries.

Rules for lorry operation derive almost entirely from Brussels and there were conflicts over regulation even before 2016. The UK considered that it could innovate more quickly in a way that

would be progressive but felt constrained by Brussels, which it considered too protective of the uniform single market for its own sake and too prescriptive. Examples include the EU blocking innovation in vehicle dimensions that could improve efficiency and reduce environmental impacts, and the detail of road pricing schemes.

Not mentioned in the paper

Curiously absent from the *Benefits of Brexit* paper is any mention of UKCA marking replacing CE on goods, one of the larger discretionary changes the government has committed to (other than the really big issues such as ending free movement of people). The change to UKCA was decided at an early stage without much consultation with business, without an explanation as to purpose, and is probably the biggest area of new red tape for business that has been generated by this government. The change to UKCA is definitely something we could not have done while in the EU, unlike much else that is in the paper. It may be that there is a feeling in government that UKCA is not widely seen as a benefit; that does not mean it will be abandoned.

Comment

Comment on these issues is welcome and will be in confidence.

Links

Links: <https://www.gov.uk/government/publications/the-benefits-of-brexit>

<https://www.gov.uk/government/consultations/reforming-the-framework-for-better-regulation>

<https://www.gov.uk/government/news/500-million-loan-guarantee-supports-jaguar-land-rovers-electric-vehicle-plans>

Other reading:

On the same day at Benefits of Brexit, the think tank UK in a Changing Europe published a report on UK post-Brexit policy, written by leading authorities at the Trade Policy Observatory at University of Sussex: <https://ukandeu.ac.uk/research-papers/doing-things-differently-policy-after-brexit/>

The think tank has also published a tracker of regulatory divergence:
<https://ukandeu.ac.uk/research-papers/uk-eu-regulatory-divergence-tracker/>

Last week EAMA published its evidence to the Commons' international trade committee on the UK's trading relationship with the EU:

https://www.eama.info/downloads/EAMA_submission_ITC_EU_trading_relationship_inquiry.pdf

Jack Semple
Alliance secretary
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