



Johnson's Brexit deal

A short briefing from the
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Johnson's Brexit deal: a short briefing

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Objective

This briefing breaks down the content of the Johnson Brexit deal and demonstrates why it is worse than the deal the UK enjoys as an EU member.

Contents

1. Customs	2
2. Regulations on goods	3
3. Enforcing the rules	3
4. Northern Ireland's say	3
6. Transition	5
7. Money	5
8. Future UK/EU relationship	6

Key findings:

- The EU customs union removes the need for checks and tariffs on goods travelling between member states. Leaving the customs union will result in barriers to trade, such as checks and tariffs on goods, between the UK and the EU, its largest trading partner.
- Under the Johnson deal, the UK will leave the single market, and will not necessarily align to its regulations, meaning a potential drop in environmental and consumer standards.
- The Johnson deal means that there will be a customs border down the Irish Sea between Great Britain and Northern Ireland. The deal does not rule out the possibility of a 'hard border' between Northern Ireland and the Republic of Ireland as in 2024, the Northern Ireland Assembly will review whether to continue this arrangement. If they reject it, a hard border may return. The Assembly is not currently sitting due the collapse of the power-sharing arrangement between the DUP and Sinn Féin.

- Boris Johnson has claimed that his deal allows the UK to ‘take back control of [its] money’. However, the Office of Budget Responsibility (OBR) estimates that the Brexit divorce settlement is £32.8bn and will not be fully paid until the 2060s.
- The timetable for negotiating the agreement is unrealistic. The EU Chief Negotiator Michel Barnier has stated that he does not think a trade deal will be agreed in the 11-month transition period. As a comparison, the trade deal between the EU and Canada took over eight years to negotiate, sign and ratify.
- If there is no agreement reached during the 11-month transition period, there is a risk of a no-deal crash out in December 2020 where the UK will be a complete third country to the EU. John Baron who is a member of the European Research Group (ERG) voted for the Johnson deal as it leaves open the ability for the UK to exit Europe without a deal in a year’s time¹.

1. Customs

- 1.1. The UK is currently a member of the EU’s customs union. Being a member of the EU’s customs union means: that there are no customs duties paid on goods moving between EU members, all members apply a common customs tariff for goods imported from outside the EU and goods that have been legally imported can circulate throughout the EU with no further customs checks².
- 1.2. There are currently no customs checks and zero taxes on goods from the EU27 entering the UK. This means goods can flow freely across the border in Ireland and between the UK and EU27 at the Channel Ports. Not only can goods be transported across the border more quickly, UK businesses also save millions of pounds by having zero customs duties.
- 1.3. The deal means that the UK will leave the EU’s customs union at the end of the transition period in December 2020.
- 1.4. Legally, there will be a customs border between Northern Ireland and the Republic of Ireland, but goods will not be checked at the border. Instead, goods will be checked at ‘points of entry’ in Northern Ireland creating a customs border down the Irish Sea. This puts a division between Northern Ireland and the rest of the UK.
- 1.5. Taxes will be paid on products which are considered “at risk” of being transported into the Republic of Ireland when being moved from Great Britain to Northern Ireland.

¹ Albert Evans, “Brexit MP says he’ll support Boris Johnson’s deal – because it keep no-deal Brexit on the table for 2020”, *iNews*, last modified 18 October 2019. <https://inews.co.uk/news/politics/brexit-deal-boris-johnson-vote-john-baron-erg-816619>

² “EU Customs Union”, *European Commission*, last modified 2 August 2019. <https://trade.ec.europa.eu/tradehelp/eu-customs-union>

- 1.6. If taxes are paid on “at risk” goods that do not end up being sent on from Northern Ireland into the EU, then the UK would be responsible for refunding money³.

2. Regulations on goods

- 2.1. Northern Ireland will keep to EU rules rather than UK rules.
- 2.2. This will remove the need for checks on goods including food and agricultural produce at the border, because both Northern Ireland and the Republic of Ireland would be part of an ‘all-island regulatory zone’.
- 2.3. Checks will be conducted on goods, such as food and agricultural produce, travelling between Northern Ireland and the rest of the UK. Great Britain will not necessarily stick to single market rules and this is bad because it will mean a drop in environmental, safety and consumer standards.⁴
- 2.4. The EU single market for goods consists of 500 million consumers and 21 million small and medium-sized enterprises (SMEs). Trade within the internal market is essential for the growth and investment. The European Commission’s aim has always been to ensure the free movement of goods within the market, and to set high safety standards for consumers and the protection of the environment⁵.

3. Enforcing the rules

- 3.1. This will be done by UK officials at “points of entry” in Northern Ireland, however the EU will have the right to have its own officials present.
- 3.2. The agreement states that EU officials may be able to overrule UK officials by ordering them to take certain measures at the “points of entry”⁶.

4. Northern Ireland’s say

- 4.1. The deal gives the Northern Ireland Assembly a vote on these new arrangements.
- 4.2. This vote would not happen until four years after the end of the transition period in December 2020. The four-year period would run until the end of 2024.

³ “Brexit: What is Boris Johnson’s new deal with the EU?”, *BBC News*, last modified 21 October 2019. <https://www.bbc.co.uk/news/uk-50083026>

⁴ “Brexit: What is Boris Johnson’s new deal with the EU?”, *BBC News*, last modified 21 October 2019. <https://www.bbc.co.uk/news/uk-50083026>

⁵ “Single market for goods”, *European Commission*, https://ec.europa.eu/growth/single-market/goods_en

⁶ Brexit: What is Boris Johnson’s new deal with the EU?”, *BBC News*, last modified 21 October 2019. <https://www.bbc.co.uk/news/uk-50083026>

- 4.3. If the Northern Ireland Assembly votes against the new arrangements, they would stop applying two years later in 2026. In which time the 'joint committee' would make recommendations to the UK and EU on what to do going forward.
- 4.4. If there was no agreement during this two-year period, some form of hard border could re-emerge in Ireland.
- 4.5. If the Assembly accepts the arrangements by a simple majority, then they will apply for another four years. However, if the arrangements have 'cross-community support' then they will apply for another eight years⁷.
- 4.6. The Northern Ireland Assembly is currently not sitting due to the collapse of the power sharing agreement between the Democratic Unionist Party (DUP) and Sinn Féin. Northern Ireland is currently under direct rule from Westminster⁸. The Government has announced that it would find a way to hold a vote in the Assembly, but it is difficult to see how the vote would pass considering the political division in Northern Ireland.
- 4.7. The arrangement risks causing political instability and violence in Northern Ireland. The tension between the two communities could be exacerbated by the post-Brexit arrangements.
- 4.8. Customs checks on the island of Ireland will encourage smuggling across the border and enable organised crime. During 'the Troubles', the Irish border was used as a smuggling route for paramilitary organisations who caused widespread violence in Northern Ireland.

5. Value Added Tax (VAT)

- 5.1. EU law on VAT will apply in Northern Ireland, but only on goods and not services. However, Northern Ireland will be allowed to have different VAT rates to the rest of the UK which is not usually allowed under EU law.
- 5.2. Multinational enterprise software company Sage has said that "new customs and VAT requirements represent a significant upheaval for all businesses"⁹.
- 5.3. The UK is currently part of the EU VAT area. The rules mean that UK businesses do not have to register for VAT in each EU country. According to Sage, at the end of the

⁷ Brexit: What is Boris Johnson's new deal with the EU?", *BBC News*, last modified 21 October 2019. <https://www.bbc.co.uk/news/uk-50083026>

⁸ Ben Kelly, "Why is there no government in Northern Ireland and how did power-sharing collapse?", *The Independent*, last modified 30 April 2019. <https://www.independent.co.uk/news/uk/politics/northern-ireland-talks-latest-power-sharing-deal-stormont-sinn-fein-dup-a8893096.html>

⁹ Keir Thomas-Bryant, "Customs and VAT after Brexit: What happens for UK businesses?", *Sage*, last modified 14 October 2019. <https://www.sage.com/en-gb/blog/customs-and-vat-after-brexit/>

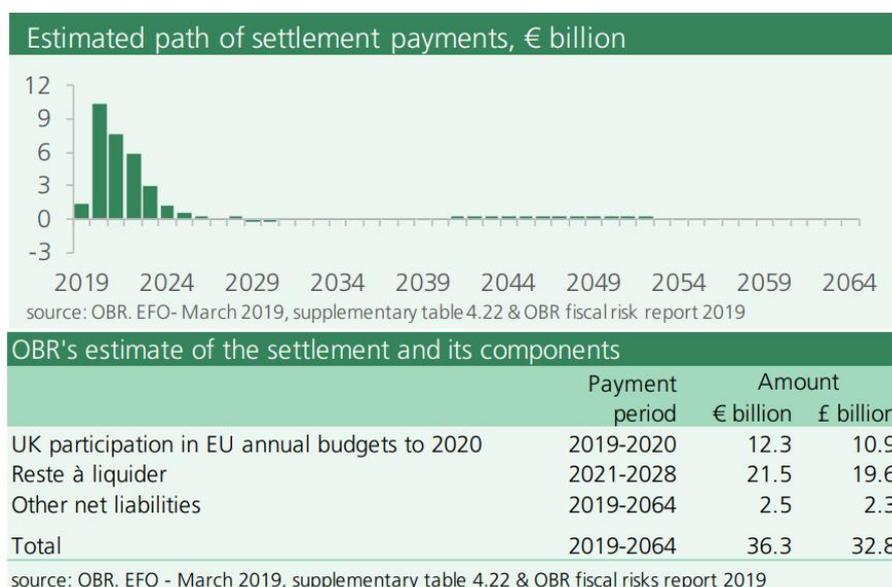
transition period it is likely that the UK will leave the EU VAT area¹⁰. This creates extra red-tape for UK businesses.

6. Transition

- 6.1. The transition period (where the UK will remain in the Single Market and Customs Union) and where all current rules will stay the same is due to last until December 2020.
- 6.2. During this period, the UK will be expected to abide by EU rules and pay into the EU budget but will lose its say in the EU's institutions (the Commission, Council and Parliament).
- 6.3. The transition can be extended, but only for a maximum of two years. Both the UK and EU must agree to any extension¹¹. This is likely to cause further political division and frustration in the UK during 2020.

7. Money

- 7.1. The UK will have to settle all financial obligations to the EU. There is no precise figure to date but the biggest part of the 'divorce bill' will be the UK contributions to the 2019 and 2020 EU budgets.
- 7.2. The Office for Budget Responsibility (OBR) estimates that the bill is a total of £33bn. The OBR expect that the UK will make payments into the 2060s, with around 70% of the cost coming in the first 4 years¹².



¹⁰ Keir Thomas-Bryant, "Customs and VAT after Brexit: What happens for UK businesses?", *Sage*, last modified 14 October 2019. <https://www.sage.com/en-gb/blog/customs-and-vat-after-brexit/>

¹¹ "Brexit: What is Boris Johnson's new deal with the EU?", *BBC News*, last modified 21 October 2019. <https://www.bbc.co.uk/news/uk-50083026>

¹² Keep, Matthew, "Brexit: the financial settlement", *House of Commons Library Briefing Paper No. 8039*, last modified 22 October 2019. <https://researchbriefings.parliament.uk/ResearchBriefing/Summary/CBP-8039#fullreport>

8. Future UK/EU relationship

- 8.1. Both sides have committed to working towards negotiating a Free Trade Agreement (FTA) with a high-level meeting in June 2020, however this no guarantee that a deal will be agreed.
- 8.2. It is ambitious to say that the UK and EU would be able to negotiate an FTA during the 11-month transition period. However, the Government are not currently willing to extend the transition period. Cabinet minister Liz Truss said: “we will not be extending the Brexit transition period beyond 2020”¹³. This would mean crashing out with no-deal in December 2020.
- 8.3. The Comprehensive Economic and Trade Agreement (CETA) between the EU and Canada, which is the type of agreement the Government would like to make with the EU, took over eight years to negotiate, sign and ratify. Officials announced the launch of negotiations on 6th May 2009 at the Canada-EU Summit in Prague¹⁴ and it was only provisionally applied on 21st September 2017¹⁵.
- 8.4. The EU’s Chief Brexit Negotiator Michel Barnier is pessimistic about an FTA being negotiated in the 11-month transition period, meaning that if there is no extension to the transition period in December 2020 the UK would be facing a no-deal relationship with the EU and complete third country status. He said: “I know this negotiation will be difficult and demanding, for one reason the time will be extremely short, 11 months of the transition period ends as currently foreseen”¹⁶.

¹³ Jon Stone, “Michel Barnier raises prospect of extending Brexit transition until 2022 despite Tory denials”, *The Independent*, last modified 5 November 2019. <https://www.independent.co.uk/news/uk/politics/brexit-deal-latest-michel-barnier-boris-johnson-conservatives-a9186391.html>

¹⁴ “CETA”, *Delegation of the European Union to Canada*, https://web.archive.org/web/20150505112357/http://eeas.europa.eu/delegations/canada/eu_canada/trade_relation/ceta/index_en.htm

¹⁵ “EU-Canada: Comprehensive Economic and Trade Agreement (CETA)”, *European Commission*, last modified 12 April 2019. <https://ec.europa.eu/trade/policy/in-focus/ceta/>

¹⁶ Jon Stone, “Michel Barnier raises prospect of extending Brexit transition until 2022 despite Tory denials”, *The Independent*, last modified 5 November 2019. <https://www.independent.co.uk/news/uk/politics/brexit-deal-latest-michel-barnier-boris-johnson-conservatives-a9186391.html>

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