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***Introductory speech “Brexit – crunch time”***

Konfederacja Lewiatan

Brexit homestretch – challenges for business

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Let me start by expressing my gratitude to the LEWIATAN and, in particular, to James Hughes representing here the UK Embassy in Warsaw for getting us all together to discuss the challenges awaiting Polish and British businesses in the context of Brexit. Many challenges ahead all of us and business community in particular. Any information that can have impact on higher preparedness level of individual companies, and in particular small ones, matters. I truly appreciate efforts of Ambassador Anna Clunes to keep our bilateral relations in the best possible shape.

It is a legitimate question to ask what has been throughout the whole Brexit process the biggest challenge for businesses on both sides of the Channel. My unanswered would be - uncertainty. Indeed, it has accompanied us from the day one after the referendum. And it is still with us, 23 days away from the end of the transition period that started on 1st of February of this year.

One can say that risk and uncertainty create what we would call a normal environment for investment. But you know it better than I do that if the uncertainty goes beyond a certain level it can reduce substantially the propensity to invest.

My second message to you is that even if the EU and the UK were to conclude an agreement covering all areas agreed in the Political Declaration of October 2019, when it was agreed to the coma between the UK and EU, it would create a relationship very different from the UK's membership in the EU. Even the most ambitious trade and cooperation agreement would reduce our relations and create distortions. Indeed, as of January 1, 2021 UK will become a third country. The truth is that the Political Declaration has not become a mandate for negotiating the future.

The fact that the United Kingdom will cease to be member of the European Single Market and Customs Union and will no longer participate in EU policies as of the end of this year all that will create barriers to trade in goods and services and to cross-border mobility and all exchanges. Even the most generous, zero duty zero quota, FTA will not replace Single Market.

Public administrations, businesses, citizens, and stakeholders will be affected.

Disruptions will occur as of 1 January 2021, independently of whether there will be a deal or no deal outcome of negotiations. They will be compounded by the problems caused by the pandemic.

On the EU side individual member states will be affected to a different degree, also there will be differences among sectors. Asymmetric impacts will also be seen on the UK side.

Preparedness efforts have been undertaken on both sides. But it is clear that even the most efficient preparedness efforts cannot protect anybody against the consequences of dismantling the bonds accumulated during more than 45 years of relationship.

As of December 2017, preparedness effort has taken place on the EU side at all levels - European, national, sectoral, companies. The European Commission published more than ninety readiness notices for all business sectors explaining what it means that UK becomes a third country to allow them to prepare for the end of the transition period.

There will be many changes for businesses in general. Import and export of goods to the UK, including associated VAT payments, VAT refund claims and (potentially) custom and excise duties will be subject to a serious change. There will be SPS, and other standards checks at the border. Financial institutions in the UK will lose financial passporting rights. There will be changes to the transfer of personal data between the EU and UK. Physical border for EU/UK transactions on goods will require both Regulatory Compliance and proof of payment of Tariffs. Goods (and individuals) may be delayed at the border for checks - this is very likely, as there are already queues at the border at Calais.

Regardless of the outcome of the negotiations, these are just some of the main areas of change that will take place in any event as of the end of the transition period. And I trust you have spent a lot of time and energy to identify your individual, challenges and get prepared.

Especially SMEs will be affected. Larger companies have mostly more resources and the man-power to be able to deal with the variety of issues that accompany the UK's exit from the EU. For many SMEs it is still a challenge.

I am mentioning SMEs, because there is an obvious concern about the impact that Brexit will have on SMEs given their importance for our economies.

From all the meetings I have had recently I can clearly see that there are still businesses that are not ready for what comes after the 31st of December 2020, irrespective of the outcome of the negotiations.

At this stage, there is no clarity about the outcome of the ongoing difficult negotiations. We are in a no deal territory but a skinny deal is also an option. There are still three main issues separating us from the final agreement: fisheries, governance and level playing field. But there are as well many small issues to which, however, solutions will be found when the three critical areas will be solved.

So, you should continue identifying your specific risks and taking additional measures. But in any case, distortions will come and affect you.

The challenge today is not only getting the future deal done. There is an ongoing work between the EU and UK regarding the full and timely implementation of the Withdrawal Agreement and the Protocols. There is a system of Joint Committee and six subcommittees established with the Withdrawal Agreement and currently both sides meet and decide on how to make the agreement fully operational by the end of transition. It is essential to ensure that the Protocol on Ireland and Northern Ireland is fully operational.

Northern Ireland Protocol is not ready for full implementation on 1 January 2021. There is still a risk of disruptions in this area. There has been a good progress with regard to the full implementation of the commitments in the area of citizens' rights.

And we cannot ignore the fact that Covid-19 crisis has influenced negatively preparedness in many firms.

As it is as of yet unclear how the negotiations will end, it is paramount that we on the EU side put in place all relevant contingency measures for a no deal scenario, as there simply is not much time left.

A no deal end to the transition period which has never been the EU option would leave us with high levels of political, policy related, economic and trade uncertainty making the negotiations in the future more difficult. This would of course have negative impact on business planning and activity.

Let me finish with some political comments on the whole process. Brexit should be approached as an economic process and not sovereignty. This would facilitate negotiations.

At the moment we can say that there are reasons to worry. We are in a sort of crunch time. There are red lines on both sides. And all options, from no deal, to last minute deal, which would challenge the European Parliament democratic prerogative to scrutinize decently the deal, and lead most likely to provisional application, to technical extension of transition.

The good message from the EU negotiators is that they will keep negotiating as long as there a chance to get it done.