

## DISCOURSES ON EUROPE

# *European Union and United Kingdom: relationship after Brexit*



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The United Kingdom of Great Britain and Northern Ireland exited the European Union on 31 January 2020. The Brexit process started with a [referendum which took place in the UK on 23 June 2016](#) and was won by the opponents of Britain’s remaining in the European Union. The first step after the referendum was conclusion of an agreement regulating the United Kingdom’s departure from the Union, and negotiations on the [future EU-UK relationship](#) started in March 2020. A cooperation agreement was reached on 24 December 2020. On 29 April 2021, upon the approval of the European Parliament, the Council adopted a decision on concluding the [EU-UK Trade and Cooperation Agreement \(TCA\) and the EU-UK Security of Information Agreement](#). Both agreements entered into force on 1 May 2021 and provide for a free (duty-free and quota-free) movement of goods between the parties, but not of services. The issues of competition and fishing rights, as well as the area of citizen security have been regulated as well.

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What is the account of benefits and costs arising from Brexit, i.e. the United Kingdom's exit from the European Union? How has the relationship changed? How does the UK see its future development and actions? How do British people understand their role in the world, as described in the new strategy paper "[\*Global Britain in a Competitive Age\*](#)"? What consequences has Brexit brought for Central and Eastern Europe? Is Great Britain able to act globally without concurrently reducing its engagement in our region? How can Polish entrepreneurs benefit from Brexit? How much can human interaction help in strengthening Polish-British relations?

These were the themes of an on-line debate with the participation of: **Anna Clunes**, the United Kingdom Ambassador to Poland, **Przemysław Biskup**, a PISM analyst and lecturer at the Warsaw School of Economics (SGH) and **Elżbieta Pełka**, Member of the Management Board of the British Polish Chamber of Commerce. The discussion was moderated by **Małgorzata Bonikowska**, President of THINKTANK and Member of Team Europe. The debate was held on 20 January 2022, as part of the "**Discourses on Europe**" series organised by THINKTANK and the Representation of the European Commission in Poland.



## 1. Effects of Brexit for the United Kingdom and the European Union

Discussion on Britain's EU membership has been going on for over a dozen years now. The result of the 2016 referendum exposed a deep division on this issue running across the British society, and the situation remains unchanged until today. [The most recent surveys show](#) that 49% of the respondents believe Brexit was a mistake, whereas 38% hold the opposite view and only 12% have no opinion on this issue. There are also other surveys ([What UK thinks](#)), showing a fifty-fifty split. However, given that Brexit is now a fact, the British people focus on the future and the challenges their country will have to face in the present circumstances. Indeed, leaving the EU has led to quite a lot of problems arising from the establishment of border and customs checks for commercial enterprises on both sides of the English Channel. Furthermore, the new immigration law has changed the rules of EU citizens' access to the British labour market, which led to [labour force shortages in some sectors of the economy](#). At the same time, the effects of Brexit are difficult to pinpoint, because Britain's problems related to the departure from the EU have been compounded by the pandemic.

### Participants comments

#### Anna Clunes

*The most important change is the United Kingdom's absence in the European Union and the Single Market. The [Trade and Cooperation Agreement \(TCA\)](#) is the new basis of our relationship. Noteworthy, having been negatively impacted by the Covid-19 pandemic and associated factors, supply chain issues, as well as adaptation to new EU-UK terms of trade, our bilateral trade with the EU has rebounded to pre-pandemic levels. We also continue cooperation with the EU on all the major global challenges, from counteracting climate change to international security.*

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#### **Przemysław Biskup**

*For the European Union, Brexit is not good. The Union has lost one of the largest economies of the world, the second largest net payer into the EU's budget and one of the strongest members in terms of military potential. Great Britain is hugely important for European security, especially in the present circumstances. Noteworthy, the UK is a permanent member of the UN Security Council and the third largest army of NATO. From Poland's perspective, the United Kingdom is one of the most important trade and political partners. The countries are also linked by almost one million Poles who have made their home in the UK.*

*At present, Great Britain is outside the EU single market and customs union. Over the past 18 months, the country has concluded many new trade agreements which have made many goods of non-European origin less expensive for Brits. It works to the disadvantage of EU companies, because they are not privileged anymore. In education, exchanges of university students and researchers under the EU Erasmus programme have been discontinued, which has shrunk our academic cooperation. In summary, the changes have, indeed, been far-reaching.*

#### **Elżbieta Pełka**

*I run a company in Poland, cooperate with partners from both the other EU Member States and Great Britain. For business, the barriers arising from the new border and customs checks are the most onerous. The four EU freedoms have ceased to apply, and now the movement of people, services, goods, and capital is subject to bureaucratic, legal, and formal obstacles. Before Brexit, Polish entrepreneurs could trade with and supply services to the United Kingdom as to any other EU country, i.e. without additional barriers and burdens. Now new requirements have been imposed. In my work in the British Polish Chamber of Commerce, I can see that many more questions are being asked by our business community, mainly in respect of changes in taxation and customs, as well as the paperwork needed to trade with Britain.*

## 2. Northern Ireland

The negotiations between the European Union and the United Kingdom led to conclusion of a special protocol in respect of Northern Ireland, with the intention to avoid a hard border, customs checks and levies, as well as other formalities between the northern part of the island and the Republic of Ireland. As a result, the compromise means that [Northern Ireland has remained in the EU's Single Market for goods](#), while the other parts of the United Kingdom have not. It has therefore been decided that border checks should take place at sea, within the borders of one state. It creates difficulties for trade operators and evokes huge emotions among the Northern Ireland unionists, as they are afraid that this decision will tear Northern Ireland apart from Great Britain to unite with the Republic of Ireland.

### Participants comments

#### Anna Clunes

*Northern Ireland, indeed, continues to be a major problem. We are in talks with the European Union, in which Great Britain is seeking a pragmatic solution that would allow a free movement of goods to continue across the border with the Republic of Ireland on the one hand, but would not tear country apart on the other.*

#### Przemysław Biskup

*In respect of Northern Ireland, the European Union pursues two objectives. The first is to respect the peace process, which has continued for almost three decades now. The other objective is to protect the integrity of the EU's single market. Had Great Britain remained in the single market through a customs union, the free movement of goods could have continued based on almost pre-Brexit conditions. However, a different arrangement was eventually negotiated, which took Great Britain out both of the single market and the customs union. On the other hand, Northern Ireland was to remain a part of the single market for goods, but not for services. In other words, it was to*

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concurrently be a part of two customs areas: that of Great Britain and that of the European Union. To achieve that, it was decided to establish a regulatory border at sea, between Great Britain and the island of Ireland, for the purposes of sanitary and phytosanitary controls. The Northern Ireland Protocol, however, has not prevented misunderstandings, as it is interpreted differently by the EU and the United Kingdom. For example, the European Union's view is that the border checks should be two-way and apply to every product which is not certain to be exported from Northern Ireland. The British view, on the other hand, is that controls should be one-way, i.e. only apply to goods imported into Northern Ireland.

### 3. Brexit and the United Kingdom's Relations with Poland

Despite Brexit, [about 700,000 Poles continue to reside in the United Kingdom](#). Both countries are also members of NATO, [have pursued political cooperation for many years now](#), and [have a similar stance as regards Russia's aggressive policy towards Ukraine](#).

However, in practical terms – so very important for Polish businesses – there are evident problems resulting from the changes of regulations in the wake of the UK's departure from the European Union. Britain is only now introducing border checks and inspections, being much delayed relative to the EU controls, launched shortly after the end of the main transition period on 1 January 2021. The [Trade and Cooperation Agreement](#) provides for duty-free trade in goods made by UK and EU, yet businesses find it hard to interpret the rules of origin, which stipulate that any product containing over 50% of third-country components is subject to customs. In other words, Polish exporters to Great Britain must document that their goods have been manufactured in Poland. It is just one example of the problems faced by EU (including Polish) entrepreneurs.

### Participants comments

#### Anna Clunes

*As a Member State of the European Union, Poland is Great Britain's most important economic partner in the region. The problems we are currently facing are a result of a whole array of factors, compounding over one period: a new regulatory regime required after Brexit, fight against the pandemic, and global transformations in supply chains. It is true that businesses must adapt to the new laws but, on the other hand, these regulations are clear and create certainty. At the same time, the administration – including the British Embassy in Poland – tries to assist entrepreneurs in understanding these legal changes. There were many questions at the start, but now they are much fewer in number, which is a sign that business operators have mastered the new regulations well. UK exports to Poland in the 12 months to end of November 2021 were down 10.3% year-on-year – quite a decrease but a marked improvement on export figures from earlier in 2021 and continuing to move in a positive direction. In the opposite direction UK imports from Poland have almost returned to normal levels – down just 2.2% during the same periods of comparison. Exports from the UK to Poland have recorded worse results, but we continue to work to improve them.*

#### Przemysław Biskup

*It is a paradox that Brexit creates new opportunities by setting up new barriers. Polish businesses will most likely handle these obstacles better than their counterparts from other countries, because for years now they have faced challenges arising from a rapidly changing environment. Countries of Western Europe are more accustomed to stability and comfort than us. Therefore, [Brexit may improve the opportunities for Polish exporters, while deteriorating bottom lines of companies from the Netherlands, France, or Germany](#). However, the scope of this advantage is very narrow and there is no way it could compensate for the total losses resulting from the United Kingdom's departure from the European Union.*



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#### Elżbieta Pełka

*In some respects, Brexit is an opportunity for Polish entrepreneurs; however, it is still too early to tell if the benefits can make up for the evident losses. Britain has introduced many new regulations which are particularly difficult for small and medium-sized enterprises (SMEs). It is much easier for large corporations which have access to tax advisory firms. For SMEs, the mere cost of advisory services can significantly lower any potential profit. Polish businesses may benefit from their still fresh memory of what trade had been like before Poland's accession to the European Union. A return to the solutions from those times may have been less of a shock for Polish companies than for entrepreneurs from the "old" Union who do not remember the trading conditions from the times before the common market. Great Britain is Poland's second largest market for food product exports, and we have a good chance of filling the void left by companies from Spain, Portugal, Italy, or the Netherlands.*

#### 4. The United Kingdom in the Global World. Opportunities for Poland

The phrase "Global Britain" emerged shortly after the referendum on UK's departure from the European Union. Boris Johnson's government has developed the [strategy of "Global Britain in the Competitive Age"](#) which rests on three main pillars: close partnership with the countries of the European Union, support for free and open trade, as well as action for democracy, rule of law, respect for human rights, and fighting climate change. The [global cooperation of the United Kingdom with the EU](#) is meant to augment these values, as well as counteract the proliferation of weapons of mass destruction, fight acts of terrorism in accordance with the international law, as well as coordinate positions on the fora of multi-lateral organisations, such as the UN, G7 G20, OECD, International Monetary Fund, World Bank, and World Trade Organisation (WTO). Concurrently, [the United Kingdom has been tightening cooperation with the US, Australia, and New Zealand, and has expressed interest in joining the Comprehensive and Progressive Agreement for Trans-Pacific Partnership \(CPTTP\)](#).



### Participants comments

#### Anna Clunes

*The “Global Britain” strategy means that the UK wants to be pro-active in the international arena – in line with the interests of our country, but also in alliances with other states. Our most important priorities comprise advancement of freedom and democracy, as well as strengthening strategic partnerships in the area of security, economy, and technology. The United Kingdom is keen to maintain very good relations with the European Union. We are still a European country and your NATO ally – nothing has changed in this respect.*

*We must respond to global problems efficiently. One of the most important issues is the new generation of international security challenges: hybrid attacks and cybernetic threats. In this field, we cooperate very closely with Poland – one of our closest partners in NATO. This cooperation is indeed multi-lateral and applies to various areas, including, of course, business. With the Polish government, we are trying to assist in the establishment of contacts between new technology companies, which are developing very rapidly both in Great Britain and in Poland.*

#### Przemysław Biskup

*At the forefront of the British strategy is the ambition to turn towards the Indo-Pacific region, both in the area of economy and security. The UK government has already applied to the Trans-Pacific Partnership. On the other hand, Britain continues to stress its intention to cooperate with European partners. It is not clear, however, how the United Kingdom is going to reconcile these two objectives given its strategic, financial, political, and human resources. The [Defence Command Paper](#), attached to the “Global Britain” strategy, envisages a reduction in the size of British armed forces. It is particularly surprising considering the fact that already at present the British ground forces are the smallest ever since the Napoleonic period. That does, however, raise questions regarding the actual potential of the United Kingdom to provide military support to NATO partners in crises on the European continent. Poland should follow these processes closely.*

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#### **Elżbieta Pełka**

*From the perspective of Polish entrepreneurs, Great Britain has a very important strength, i.e. an ecosystem which facilitates development of businesses, including tech companies, and their expansion in the global markets. There is support offered by government and private funds. UK investors are very important players in the global IT, technology, and fintech markets, as well as in the sector of new pharmaceutical and medical technologies.*

*A perfect example of investment cooperation between Poland and the United Kingdom is [Triggo](#), a company, which manufactures small electric cars that can reduce their width on the go. Invented by a Pole, Rafał Budweil, it is an amazing technological solution facilitating faster rides in traffic jams. The idea did not attract funding in Poland, but it did stir the interest of British investors. The vehicle was exhibited at the [Consumer Electronic Show in Las Vegas](#) in January 2022 and was one of the sensations of the event. At present, the Singapore government is seeking to procure a fleet of Triggo vehicles for emergency services. It is an example of how a technology, which was developed in Poland, but could not receive financing here, has taken off into the global market thanks to British investors. It can be a path for many other business initiatives.*

### Conclusions of the debate

- **The United Kingdom's departure from the European Union has significantly altered our mutual relations.** From the perspective of both Brussels and Warsaw, Brexit has not been good for the EU, because of the UK's financial, economic and strategic potential, and its membership of the UN Security Council.
- **Nevertheless, Poland and Great Britain have continued close economic and strategic cooperation, which is of key importance for both countries:** about 700,000 Polish citizens reside in the British Isles, and we have historical, economic, and political bonds, as well as are exposed to the same threats resulting from Russia's aggressive policies.
- **Undoubtedly, Brexit has had an adverse impact on Polish exporters, in particular small and medium-sized enterprises (SMEs).** The [VAT tax](#) is an important example in this context, because it is no longer a single market tax and needs to be declared and remitted in the same manner as VAT on imports or exports.
- Noteworthy, there are other key changes. Under the new regulatory regime, **goods manufactured in Poland and supplied to Great Britain must hold a [certificate of origin](#)**, which can be obtained from a Customs Office or the [Polish Chamber of Commerce](#).
- The agreement regulating economic relations between the EU and the United Kingdom stipulates many transition periods, some of which have not ended, yet. Their purpose is to give businesses time to adapt to the new legal environment of bilateral trade.
- **Promotion of Polish goods in Great Britain is of key importance to Polish entrepreneurs.** UK consumers should be made aware that Polish products stand for good quality and affordable price.

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- **The “Global Britain” strategy puts a lot of emphasis on cooperation with the EU Member States, yet it also represents a major shift towards strategic partnerships with countries that are closest to Britain in terms of culture and language.** A telling example is the creation of [AUKUS](#), formed by Australia, the United Kingdom, and the United States. The purpose of this alliance is to achieve greater coordination of actions in the Indo-Pacific region, in the face of China’s growing strength and assertiveness.
- **At present, the Indo-Pacific region, which has become one of the world’s key economic hubs, is of critical importance for British trade.** London is therefore keen to join the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTTP).
- **Despite all the challenges, the new circumstances of Polish-British relations do create new opportunities for Polish businesses, especially technological start-ups.** Innovative solutions developed by Polish inventors attract support of British investors, not only in terms of equity, but also in the form of promoting our technologies in new markets, including Asia and the Middle East.