Eyes wide open: the importance of a smooth transition to a new EU deal

Carolyn Fairbairn and Rain Newton-Smith in presentation to the London School of Economics

Introduction

The CBI speaks for 190,000 firms, of all sizes, from start-ups and entrepreneurs to large multinationals, in all parts of the country, from Cornwall to Cardiff. They employ over 7 million people, one in every three of the private sector workforce, and are the backbone of the British economy.

This evening we want to talk about Brexit from point of view of these companies and the people who work in them.

Though it is a serious economics lecture, our aim is to use plain English about the impact of different Brexit outcomes on firms, jobs and people. This is what we mean by 'eyes wide open'. The evidence and facts from the heart of UK business that need to be used by all those – negotiators, civil servants, ministers – who are taking decisions on our behalf.

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As business – it is not our job to run the negotiations. But it is our job to be clear about the consequences. And though we are talking about the impact on companies, let's be clear. This is really about the future of jobs, growth and prosperity in all parts of the UK. It could not be more important.

I have spent much of the past four weeks since the election visiting firms in different parts of the country. What is clear to me is that – perhaps more than any other moment in recent history – this is a time of great opportunity for the UK. We have the chance to become a world leader in the growing tech and advanced manufacturing industries of the 21st century, creating thousands of high-quality jobs, many of them outside London. A vibrant, modern and inclusive economy bringing wealth and well-being to all parts of the country.

You can see it everywhere you go. In the pioneering carbon capture businesses of the Tees Valley. In the thriving digital cluster in Wales' own 'Silicon Valley' near Cardiff. In the fintech revolution taking place in Edinburgh and Glasgow. In Belfast's burgeoning cybersecurity industry. These are examples of what the UK's future could look like. Helping to close the deep regional inequalities that are so harmful to our country.

The choices made round the EU negotiating table – if made well – could brighten this future. And if done badly could significantly dim it.

Why this matters

Businesses are watching, and are making decisions right now – decisions about whether to make investments, where to site their HQs and – ultimately – whether to employ people. People are watching – and are making decisions right now about whether to stay in the UK, or apply for jobs here. These are the people who will help us build our future. And – of course – universities, like LSE, are also make decisions. Right now. From planning their international research, to hiring the best lecturers from around the world and attracting EU students.

Brexit could affect all of this. But to be clear – tonight's lecture isn't about whether to leave the EU. It's about how to leave the EU. Making a success of Brexit will mean putting the economy centre stage. It means listening to the needs of business. And acting on them.

Right now – we're hearing firms are concerned about two things. First – they're concerned about a 'no deal' scenario. When the clock strikes midnight on 29th March 2019, time runs out and we leave without a deal. To avoid falling into damaging WTO rules – we need to negotiate a limited period of transition.

And second – we need to negotiate the right transition. A staging post out of the EU which keeps things simple. That minimises disruption and maximises continuity. A transition period which lets us focus on what really matters – how we get the best new relationship with Europe.

Our lecture tonight is in three parts:

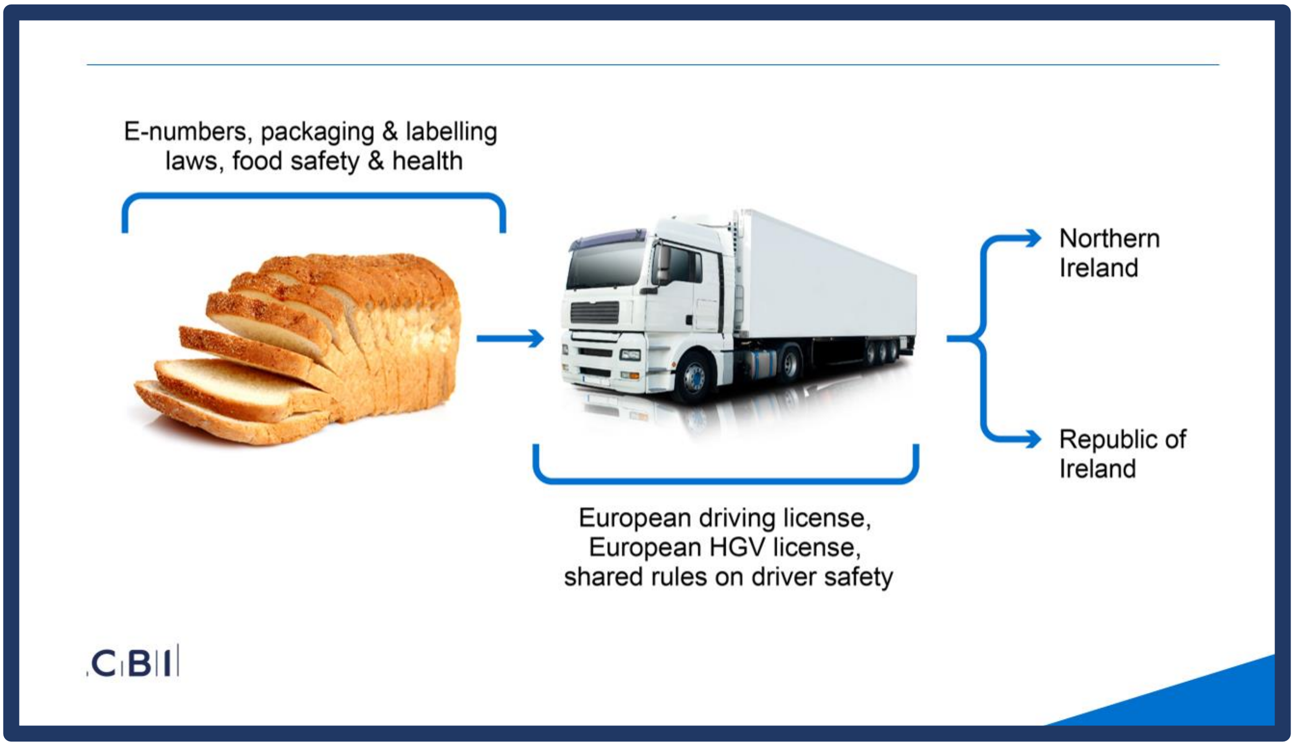
- First, why we need a smooth transition to a new EU deal.
- The economic impact of leaving without a deal and the costs of a possible return to complexity.
- Then some thoughts on what a good transition could look like, and the urgency and spirit of mutual interest with which we need to approach it with our European partners.

Let's start with trade. Trade matters. It creates more choice. More innovation. Lower prices. And – ultimately – higher standards of living.

But of course modern supply chains are inherently complex. Global companies operate across borders and are highly connected in a myriad of ways. Products are subject to regulations, standards, protections, guarantees and trade agreements. Which in turn involve a wide range of actors: courts, agencies, regulators, consumers and employees often from across the globe.

Complexity is a fact of life. The more markets you deal with, the more rules diverge, the more complex it gets. This is a brake on trade and a brake on business success. One set of rules for selling to France, a different set of rules for Italy and another completely different set of rules for Ireland. That's how it used to be. But in the last 40 years, EU integration has cut through the complexity. Making things simpler for business. The single market means one single, set of rules for the whole EU – saving Europe's 23 million firms time and money. While the customs union lowers even more barriers to trade. Let's explore a few, actual products to see how this works in practice.

A loaf of bread:



Take a simple loaf of bread.

A single factory supplies both Northern Ireland and the Republic of Ireland with fresh loaves each day. Located north of the border, the factory gets its wheat from a supplier in the Republic.

As an importer, they need to know that the wheat meets food safety standards, on pesticides for example. These are monitored by agencies on both sides of the border applying a common EU rule book.

As both the UK and the Republic of Ireland are in the single market and customs union, the wheat can be transported freely – without any customs checks or import tariffs. This helps make sure the wheat arrives on time, limiting how long this perishable product spends in transit. In an industry where all deliveries need to be on the road by 4am so the bread arrives fresh – this really matters.

And that's just the start.

Take the lorry that transports the wheat over the border and into the factory. The driver has a European Driving Licence – which has the same criteria as any other member state. This combines with the European Community HGV license which registers the vehicle and the harmonised rules on conditions which put a single limit on the number of hours the driver can do. Allowing both driver and lorry to cross the border freely.

Next – let's turn to the bread itself.

The additives and preservatives which keep the bread fresh are defined by the EU and used worldwide. To improve the bread's shelf-life, the loaf is packaged. Under EU labelling laws, this packaging must list allergens and nutritional information – among other things so customers know what they are eating. A single set of information which allows the bread to be stocked in both Belfast and Dublin with the exact same label.

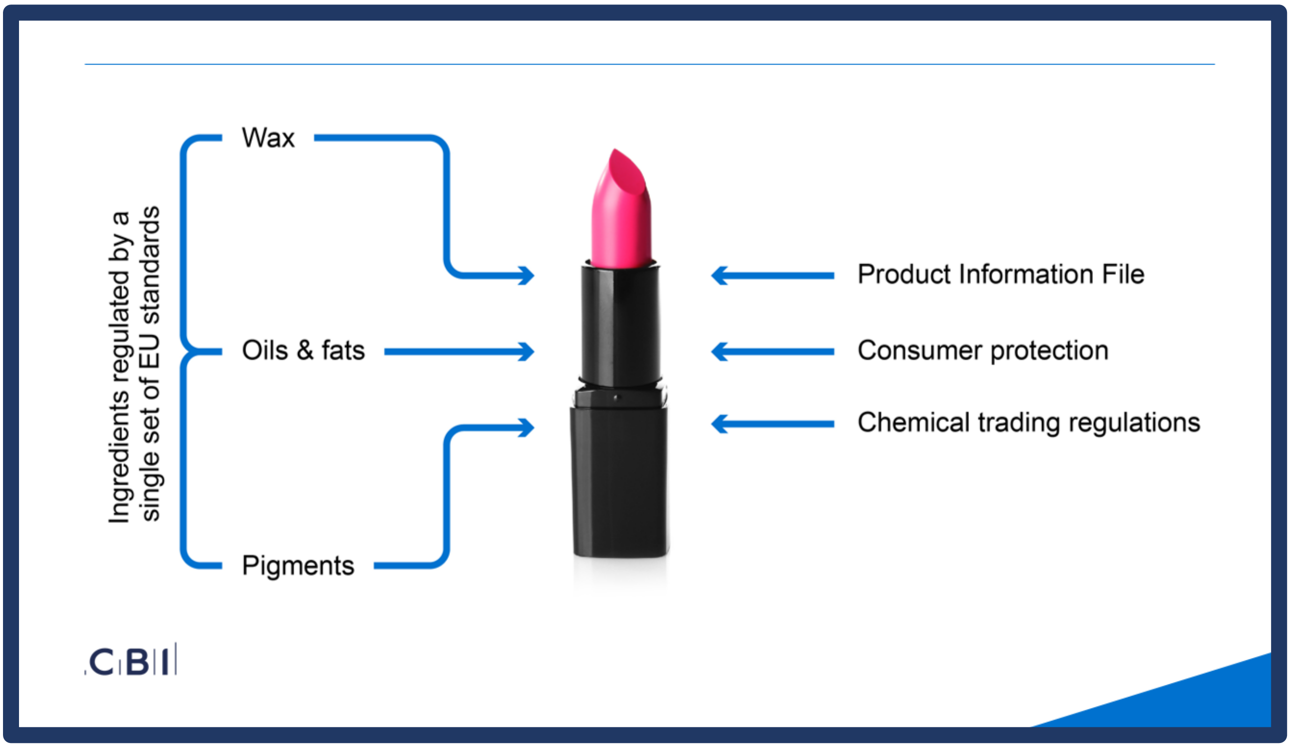
So even for something as everyday as a loaf of bread, EU rules cut through the complexity – and make things simpler for business and clearer for consumers.

But of course – it's not just food.

A lipstick:

In cosmetics – some products cross the channel five times before they arrive in a shop. So let's take a lipstick sold in a pharmacy in Leeds.

A single lipstick can contain dozens of ingredients: waxes to help it keep its shape, oils and fats to give it the right texture, and – of course – pigments for that all-important colour. These



ingredients are all regulated by a single set of EU standards.

On top of this, the address of a legal representative – a 'Responsible Person' – must be published on the lipstick's packaging. This person – who must be based in the EU – gives a Product Information File on the lipstick to the competent authority of the member state where the address is registered. The quality, efficiency and safety of the Product Information File means that it's viewed as a gold standard across the world.

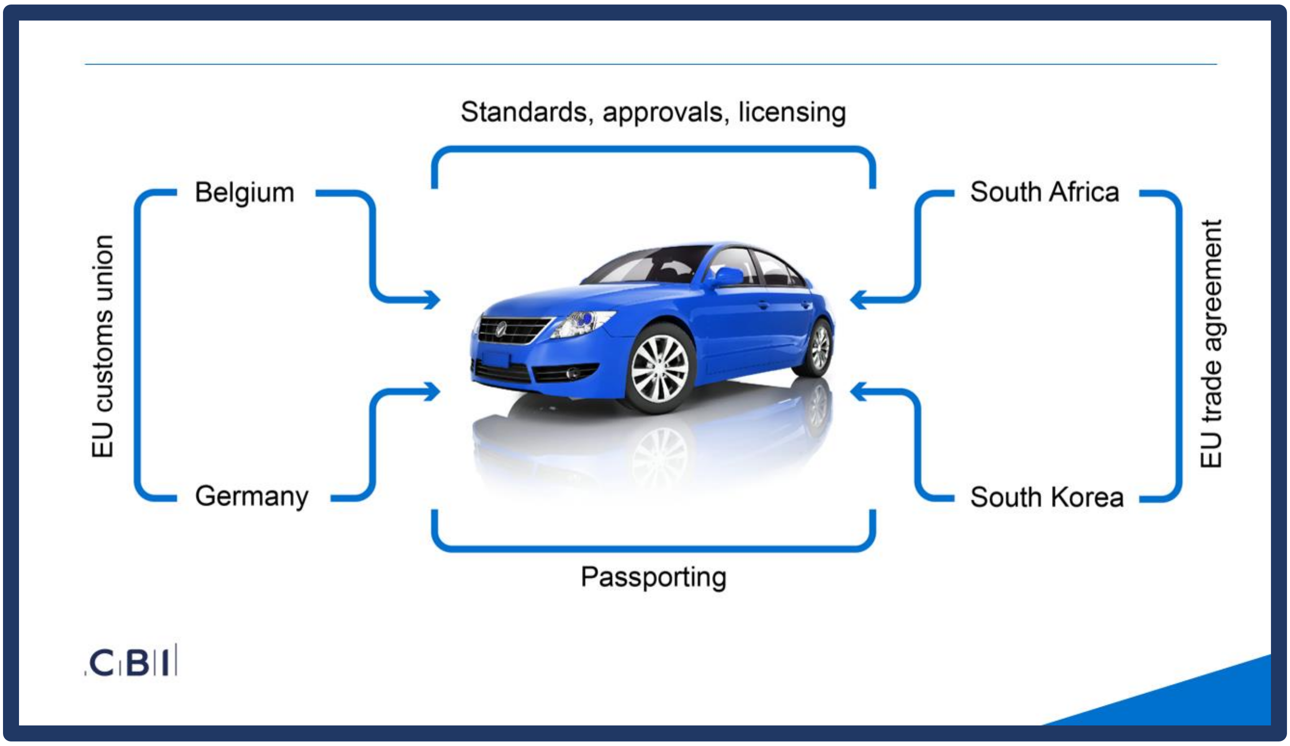
But here's the best part. Only one file is needed to be able to sell within the entire Single Market, making things simple for business. This means that – today – the UK can access a European cosmetics market worth almost £70 billion.

A car:

Any delays would mean taking the vehicle out of the production line. A disruptive and costly process which could mean the factory makes fewer cars per day. Automotive firms importing parts from Belgium or Germany allow just 15 minutes for delays. That's what 'just in time' production means. Thanks to the Single Market, automotive firms can import parts from all over Europe without worrying about customs checks slowing them down.

EU trade agreements also allow parts to be imported tariff-free from a range of third countries. From wing-mirrors from South Africa, to auto-electric technology from South Korea, the EU's global reach helps UK firms to thrive.

And the benefits go beyond the 'nuts and bolts' of the car itself. Increasingly, we're buying cars on finance or 'Personal Contract Plans'. These often require a small deposit, followed by a fixed monthly payment – rather than the full amount all



As a final example – let's say someone wants to buy a car. Today, if someone puts in an order for a new car, they can change things like the car's colour, software package and whether it has a sun-roof up to a week before delivery. The different parts are then gathered from suppliers across Europe, shipped to the UK through the Channel Tunnel and arrive on the factory floor at the exact same time.

in one go. These are underpinned by EU regulators – with 'passporting' allowing financial services firms in one member state to offer services in another, with no additional barriers.

So the single market reduces complexity across the entire automotive supply chain.

And of course – we shouldn't forget what this means for the people – across the UK – who work in these sectors.

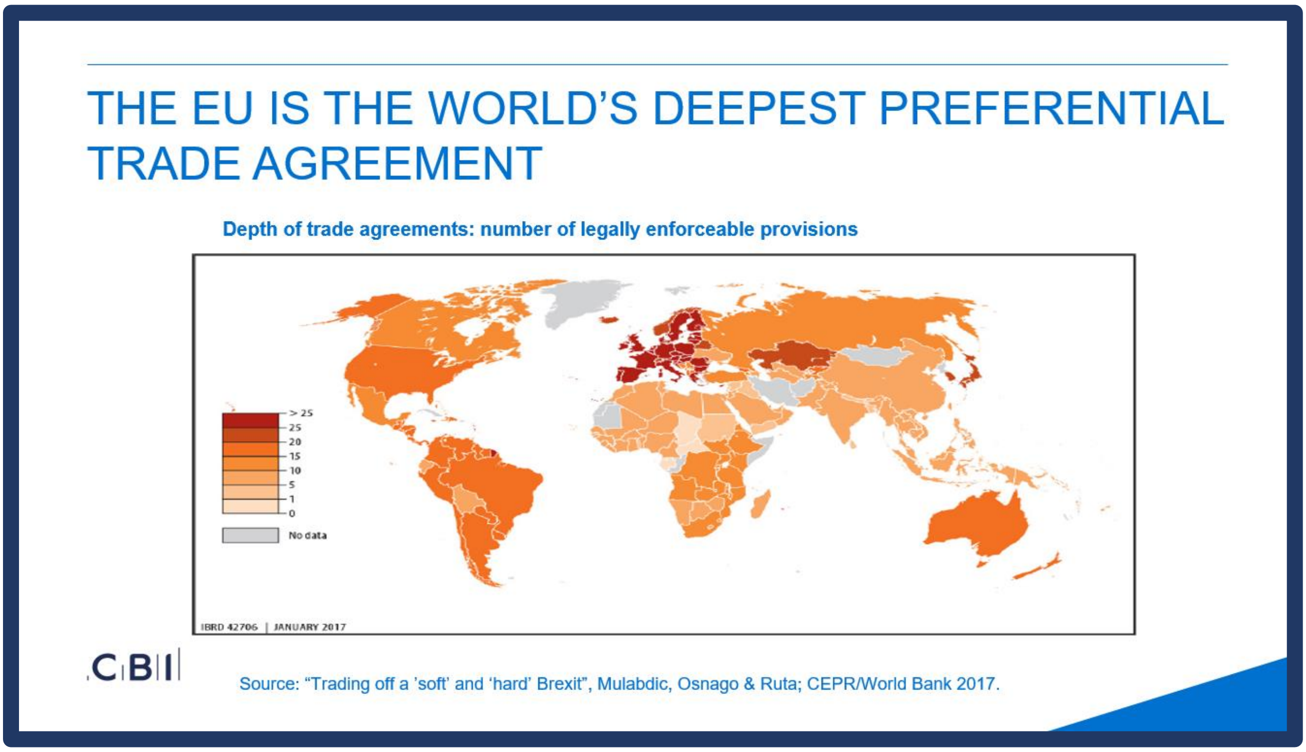
If you're one of 300 bakery workers, engineers and van drivers at this factory site in County Antrim, these rules and regulations are part of what has made your company successful.

They help the 445 cosmetic SMEs in the UK grow and thrive – and support some of the 170,000 retailers, distributors, scientists and technicians employed by the UK cosmetics industry.

No deal

The EU encompasses the deepest trading agreements in the world – covering more sectors and more areas of policy than WTO agreements alone or any other trade deal around the world.

For goods, EU integration has been a key driver of deeper and more complex European and global supply chains, especially in sectors like automotive, aviation and chemicals.
Over the last 16 years the share of services in the UK's total trade has risen from 31% to 44%.



And the EU single market supports the UK's automotive industry, which employs over 800,000 people. 78,000 young people are doing apprenticeships in this sector. And 25,000 people spend every day creating connected and autonomous vehicles – the cars of the future.

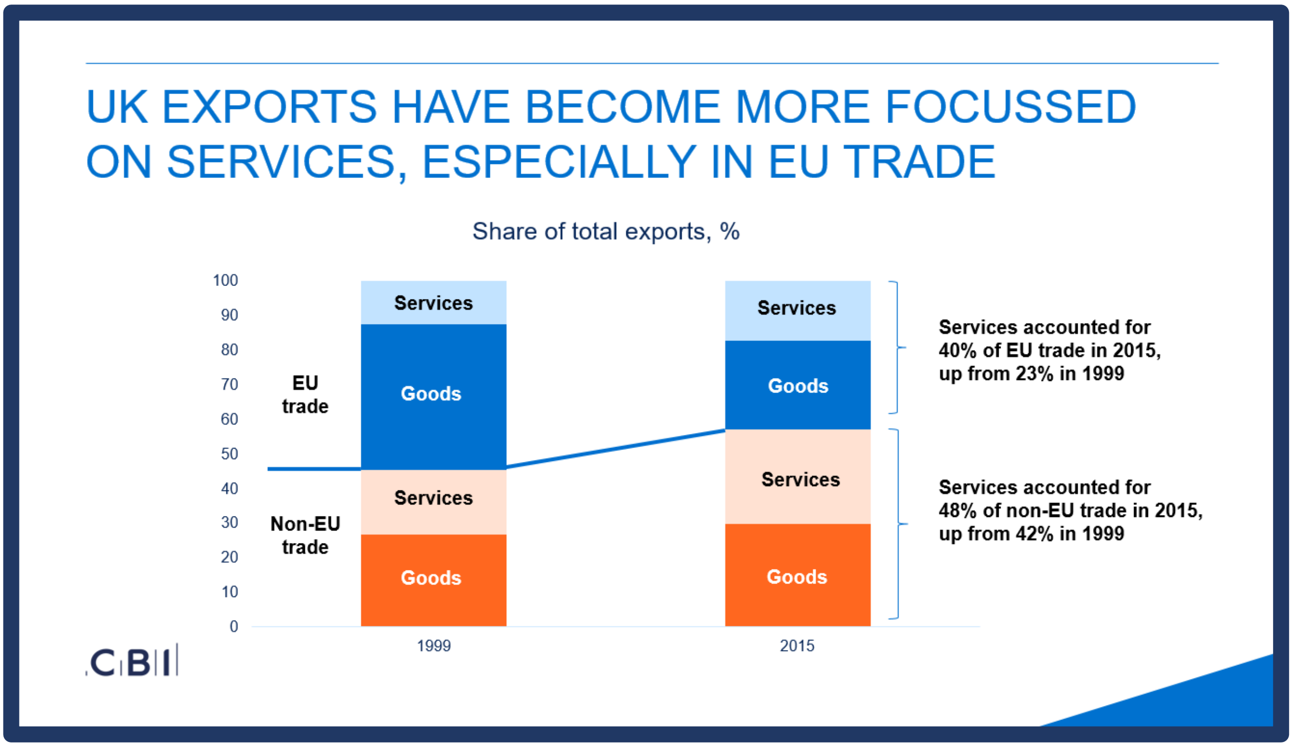
So there are a few examples where the EU has helped. Creating a single, simple set of rules – which makes business easier. So of course the $64,000 question now is – what if things changed? And in particular what if they changed overnight? What might happen then?

First, we need to understand a bit more of what we're good at, what we've gained in big picture terms by being part of the EU single market and why a smooth transition is so important to all sectors of the economy.

Such a high share is very unusual — in most developed countries services exports tend to account for around 1/3 of exports whereas the UK is closer to 1/2.

Services now account for 40% of EU trade, up from 23% back in 1999, compared with an increase of just over 6% points in non-EU trade over the same time period. Exports of business services, such as design, advertising and architecture, together with financial services, account for over half of the UK's overall growth in services exports.

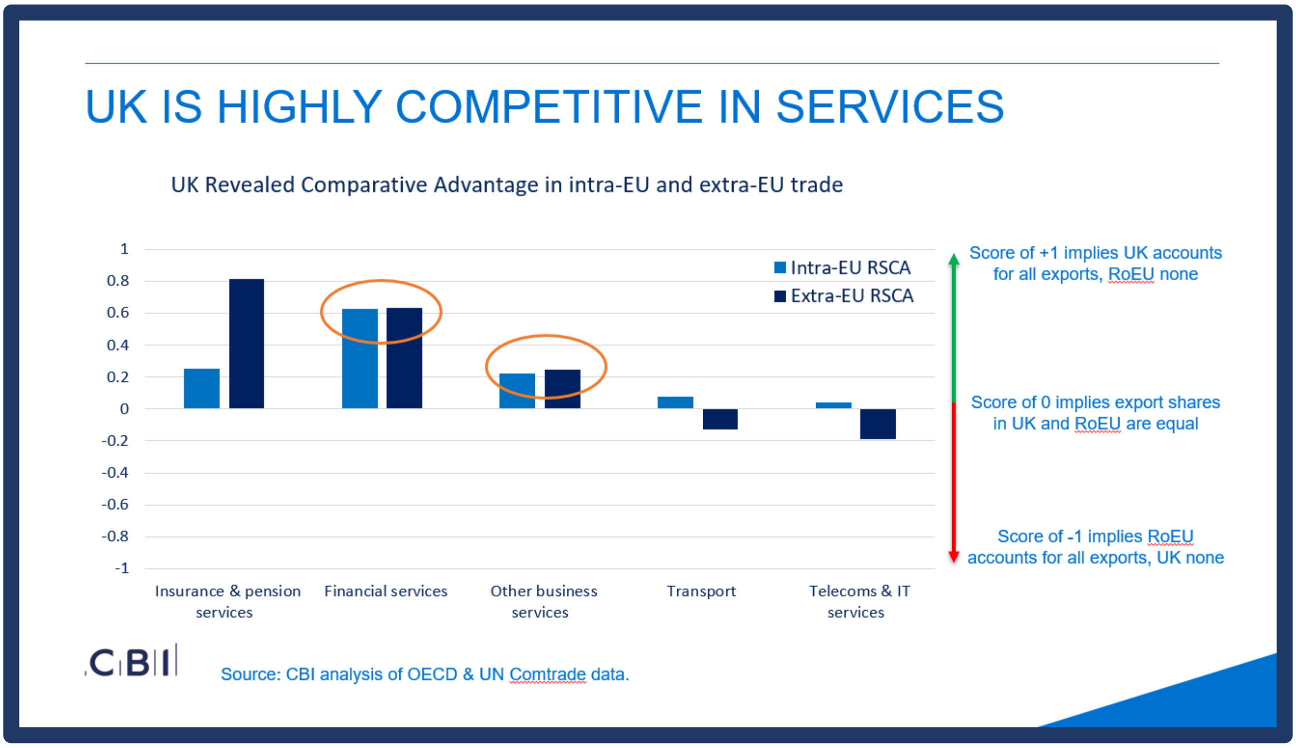
But these sectors may be particularly vulnerable to a sudden re-emergence of trade barriers with the EU.

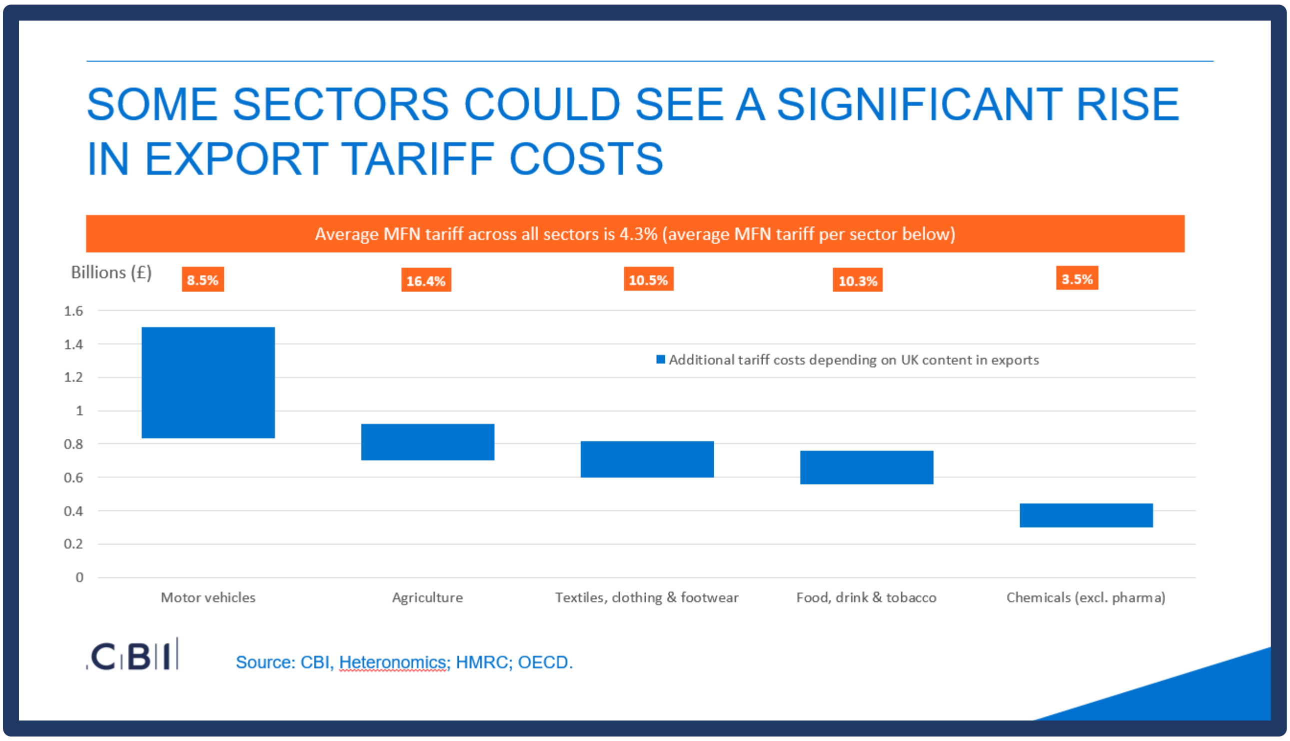


Our competitive strength in these industries is derived equally from EU and non-EU markets. Outside the EU, the UK is highly competitive in areas like insurance and pension services, as well as financial services.

There are undoubtedly big opportunities for the UK in exporting services around the world, tapping into the emerging middle class in Asia and other fast-growing trade routes. But regulatory barriers to trade are often much costlier for services than they are for manufacturing so the harmonisation of rules we have within the single market is particularly powerful for services

Wherever we end up in the longer-run, the UK must avoid a sudden change in the rules that would prevent us from trading to our current strengths, in both goods and services. We need a smooth transition to our new relationship to avoid disruption to our supply chains for businesses and for consumers.





Tariffs

A 'no deal' scenario would be costly for businesses and consumers. One of the most obvious costs would be tariffs. In a 'no deal' scenario, the UK would face tariffs on 90% of its EU goods exports by value.

The CBI has estimated the potential costs on exports if UK-EU trade were carried out under WTO Most Favoured Nation terms. Contrary to what many think, 'Most Favoured Nation' terms are actually what you trade under if you don't have a preferential agreement in place. Under these, the average tariff on UK goods exports to the EU would be around 4%. If this were applied to total UK goods exports to the EU – the increase in tariff costs would be between £4.5-6 billion per year. That's 0.2 to 0.3% of GDP per year.

But this is a partial equilibrium analysis in the parlance of economists. It does not take into account how the economy here in the UK or in the rest of the EU would respond nor does it show what it would mean for some goods.

Some exports would face tariffs a lot higher than the average rate – meat would face a tariff of 26% – while the competitiveness of UK car exporters would also be seriously affected.

Exchange Rate

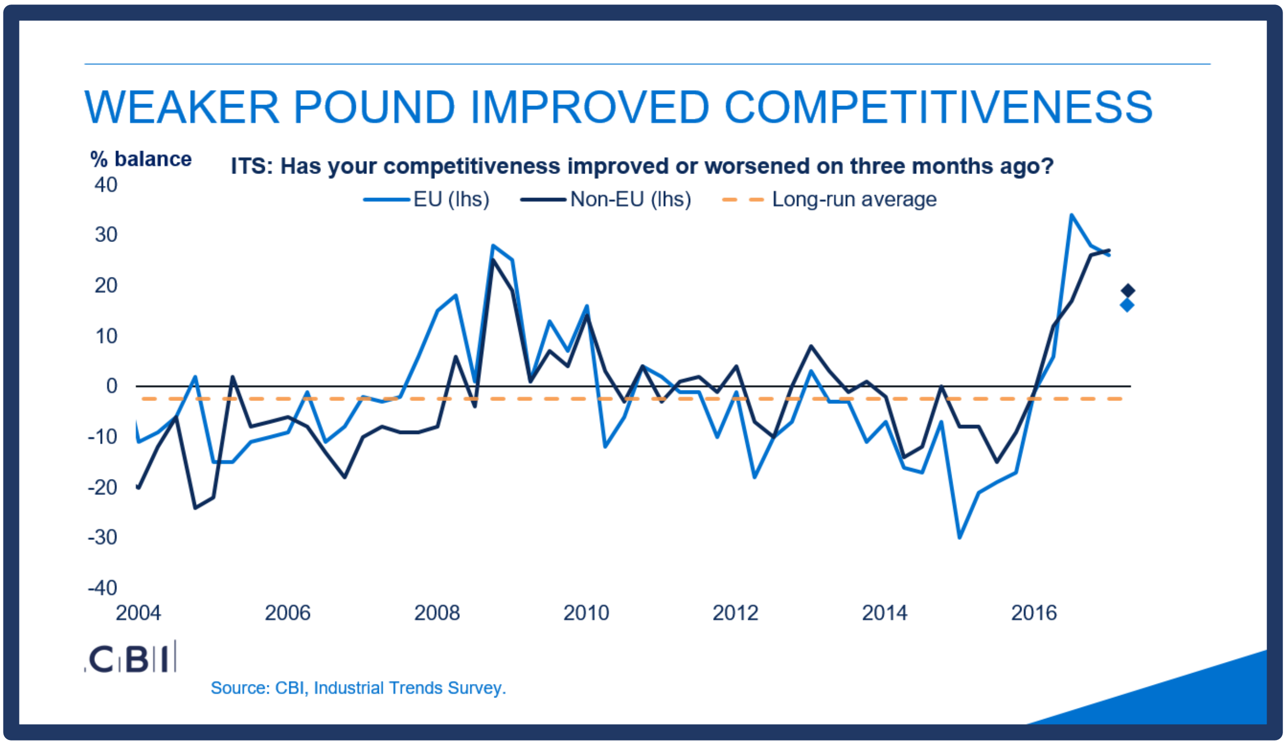
Some – however – have argued that the weaker exchange rate would offset the cost of tariffs. This is true, but only up to a point.

The CBI's Industrial Trends Survey is already showing a strong improvement in manufacturing price competitiveness, both within the EU and outside it. There has also been a corresponding pick-up in export orders to a 22-year high in June.

But – importantly – this argument also runs the other way.

Due to the weaker pound, our imports have also become more expensive – with input costs rising at a double-digit pace in May. Indeed – when the CBI asked manufacturers about the overall impact of the fall of sterling on their business, only a third said it was a net positive while half said it was a net negative. And for consumers, higher prices for food and other goods means consumer price inflation is likely to peak above 3% this year. Average pay growth is not expected to keep pace so household incomes are likely to be squeezed. So certainly for households, the weaker exchange does not feel like a offset.

Input costs would rise even further if negotiations fail to agree a deal. So far we have talked about export tariffs. What about imports?



The government has stated that it's seeking to adopt as its own the EU's World Trade Organisation schedules on import tariffs and quotas. Copying and pasting as much as possible so trading relationships with every other country – as far as possible – remain the same is a sensible step to a smooth transition. But without a deal agreeing to tariff-free trade, the UK would be obliged to impose the same tariffs on its imports from the EU as from other WTO members.

Overall, our estimates suggest the average Most Favoured Nation tariff rate on the UK's imports from the EU would be around 5.7%. Applied to UK goods imports, this would be an additional annual cost of between £11 and 13 billion. That's around 0.6 - 0.7% of GDP annually.

Business would have to choose how to deal with these costs. Whether to take the hit themselves or to pass them on to customers.

Even businesses in sectors with low tariffs on end products – like the tech and life sciences industries – stress the importance of tariff-free UK-EU trade. They want to avoid additional costs in their supply chains so they can keep prices as low as possible for consumers. Yet higher tariffs are just the tip of the iceberg.

Non-tariff barriers

Non-tariff barriers are also so important. Without a deal, UK business would face new paperwork requirements making trade more complicated and less efficient. It's likely this could have a bigger impact on competitiveness than tariffs, especially for small companies.

Looking at a study[1] that analysed the costs faced by US firms trading with the EU that could be eliminated through a trade agreement, the CBI estimates that if UK firms faced even half these costs, it would be equivalent to an additional tariff of 6.5% on UK exports to the EU. That's nearly double the average Most Favoured Nation tariff.

The United Nations Conference on Trade and Development list 405 different Non-Tariff Barriers facing goods exporters to the EU.

The sectors facing the highest number of barriers are chemicals and agriculture. So big challenges for products like lipstick and loaf of bread.

But it's important to remember that this isn't the whole story. Some of the sectors at the lower end may face a smaller number of non-tariff barriers, but they can be more costly or harder to overcome.

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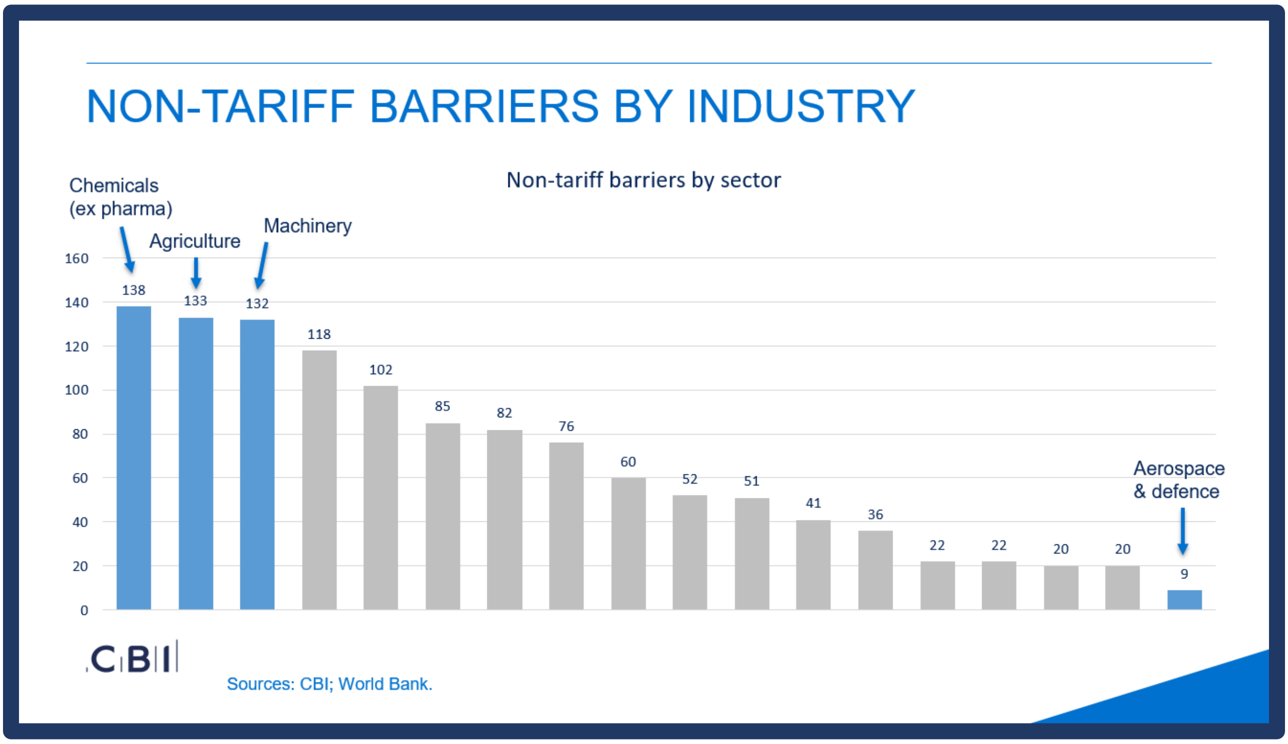
[1] Non-Tariff Measures in EU-US Trade and Investment – An Economic Analysis," Dr. Koen G. Berden et al (2009), cited in LSE/CEP Discussion Paper No 1472, "The Costs and Benefits of Leaving the EU: Trade Effects", Dhingra et al (2017).



Take ‘aerospace & defence’. This sector faces just nine non-tariff barriers. Yet one of these is the requirement for aircraft to be airworthy. With detailed legislation covering everything from structural integrity, materials used, and propulsion systems.

Complying with these is a massive undertaking but vital to ensure customer safety. More broadly – these can be divided into two types.

The first is ‘at the border’ measures. These includes things like quotas and ‘rules of origin’ which cover processing history and food traceability, so we and custom officials know where things come from.

Of course, new IT systems may be able to help with some of the logistical difficulties in managing new border and customs checks. And it’s true that both UK and EU firms already need to comply with enhanced checks when importing goods from the US or China.

But – if we left the EU without a deal – the difference would be the scale.

There would be big question marks over whether our ports and airports would be able to deal with the high volumes of EU trade we do. Industries like automotive which time deliveries of parts down to the exact minute, would surely face disruption.

And in many facilities, there simply isn’t the space for customs. When the lorries roll off the ferry at Dover – for example – they run straight into the white cliffs, with little room for anything else! And there will need to be more space in Calais for the EU to check our lorries as they come across. At other ports – for example – offices, warehouses and production units have been built where customs houses would need to go.

The solution will require serious negotiation, and it will require EU and UK border forces to change how they do things.

The other set of non-tariff barriers are ‘behind the border’. These relate to common product standards. And how these are met, the standardised packaging on a loaf of bread for example.

At the moment, the responsibility for enforcing these rules rests with a combination of national bodies, 35 pan-European regulators, and international courts. UK firms operate under these rules whether they are producing for the domestic market or for export.

However – if we left without a deal – the responsibility for making sure UK exports comply with EU rules would shift from UK regulators to EU customs officials. This could mean that UK exports to the EU could be held at the border until it was clear they complied with EU rules.

And going back to the lipstick example – in a 'no deal' scenario, without mutual recognition, the 'Responsible Person' would have to move to another member state, if they are based in the UK. Meaning the address on the packaging would need to be changed. Which could mean two separate production lines – one for EU lipsticks and one for UK lipsticks – which there might not be at present.

Now – on regulation – the Repeal Bill is part of the answer, but it's not the whole answer. While this Bill will enshrine EU regulations into UK law, it can't offer reciprocal recognition across the EU. Nor will it deal with the process of UK and EU regulations diverging in the future.

Service provision

Beyond tariffs, which you hear about a lot, and non-tariff barriers, which you hear about a bit – there's another economic consequence of 'no deal'.

Without a comprehensive deal with the EU, some companies may no longer be able to do business at all. Services industries – in particular – would not be able to rely on WTO rules. These account for 80% of our economy.

An agreement governing UK and EU airspace would be needed to keep planes flying to the continent.

An agreement recognising UK HGV driving licences would be needed so drivers could cross EU borders – as in our bread example.

And – of course – an agreement allowing financial services to continue operating under passporting arrangements would also be needed.

Without this, firms wouldn't be able to carry out activities regulated under passporting. This activity is so important for our economy. Research by Oliver Wyman suggests that passporting directly accounts for between 7 and 10% of value added in financial services. And spill-overs to other activity could lead to the loss of a further 7% of value added.

Other services could be affected too. Sectors which could lose their legal basis to conduct business in EU member states include broadcasting, postal services and a range of professional and business services. In the legal sector – for example – JP Morgan highlights that in five EU member states, if you don't have EU/EEA nationality or admission to the Bar in an EU member state, you're not allowed to provide legal advice.

So leaving without a deal could mean UK law firms losing out to companies on the continent. Putting a question mark over the UK's position as a European hub for global law firms.

International Trade

Looking beyond the EU, many have spoken about the benefits of new trade opportunities from being outside the customs union.

Through its EU membership the UK has free trade deals with a much broader range of countries. These cover just over 60% of UK exports, shown by the orange bar in the middle of the graph, with the US accounting for half the remainder.

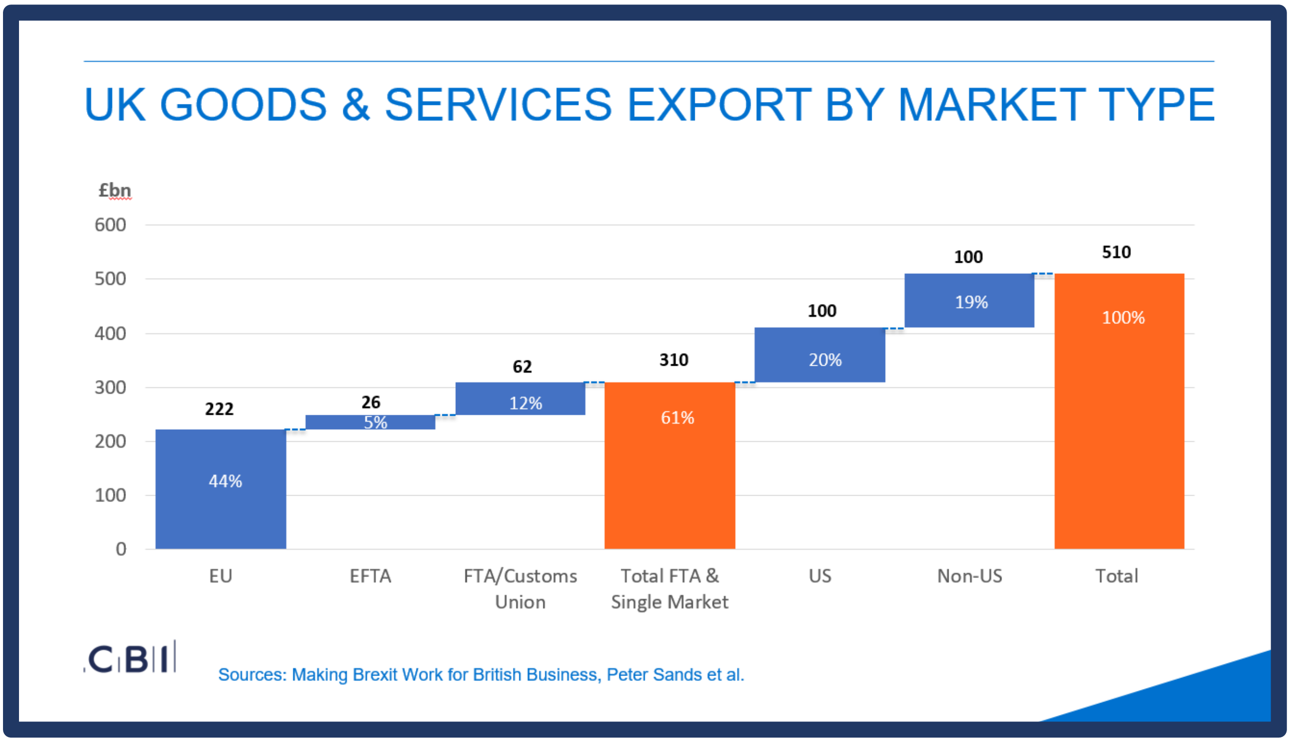
It is important that we seize these new opportunities outside of the EU, but we will still need time to get these deals right. In terms of scale, the US is the immediate priority, but any deal with the US feels a long way away.

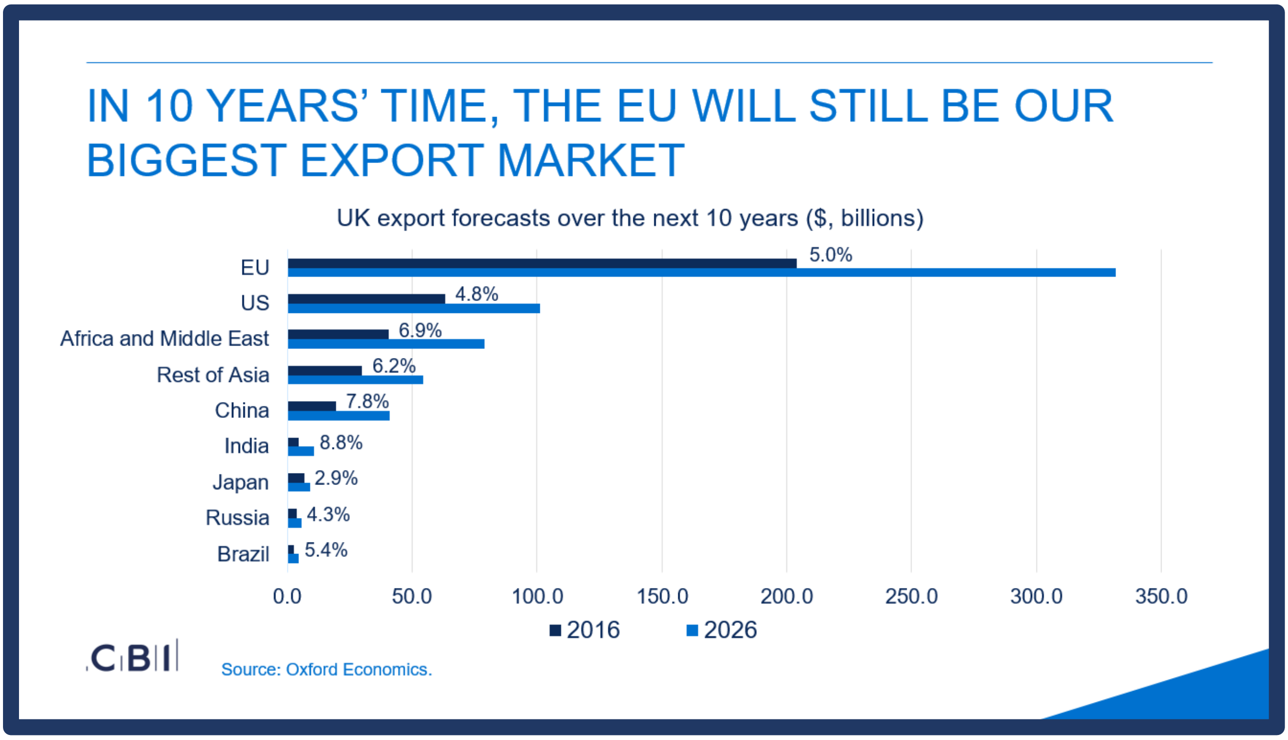
Looking further ahead, it is important to understand where our biggest export markets are likely to be.

According to Oxford Economics, the UK's biggest market for goods is still likely to be the EU in 2026, assuming a smooth Brexit scenario. Even though our trade to fast growth emerging markets over the next ten years is set to double, in absolute terms, the EU still holds the greatest potential in terms of goods exports.

And in services, according to Oxford Economics, from 2021 to 2030, the UK's services exports to India, China and Indonesia will grow by over 10% on average per year. But even after such a stellar performance, services exports to these countries in 2030 would still be worth less than a third of the value of services exported to the EU today.

So it's even more important we get the right deal with the EU and a smooth transition to that deal.





Transitional Arrangements

There's no doubt about the costs and pain to our economy of leaving the EU without a deal. But let's just stop for a moment and reflect on our goal – as a country – in these negotiations. On where we want to be when this is all over.

We're looking for an agreement which builds on four decades of painstaking economic integration. We're seeking the most ambitious and comprehensive free trade deal ever agreed in history. We're pushing for a deal which works for business. A deal which makes sure bakers in Northern Ireland can still sell their bread in Dublin without delays and barriers. A deal where car manufacturers can continue to bring in parts from all over the EU without red tape. A deal where cosmetics firms can work under one set of standards across Europe.

That's the true scale of the challenge. And I believe we can rise to it. Business is wholeheartedly committed to making Brexit a success.

The EU Exit Business Advisory Group, set up by senior ministers, is the first step towards a deeper partnership. A place where business and government can come together and put the economy first.

The goal should be a framework for the new trading relationship before we exit in March 2019. A 'heads of agreement' – to use the language of business – in writing, that will allow technical talks to start. And allow companies to plan with greater clarity.

Yet even with the greatest possible goodwill on both sides, it's impossible to imagine the detail will be clear by the end of March 2019.

This is a time to be realistic.

So instead of a cliff edge, the UK needs a bridge to the new EU deal.

Staying in the single market and a customs union until a final deal is in force

Our proposal is for the UK to seek to stay in the single market and a customs union until a final deal is in force. This would create a bridge to the new trading arrangement that, for businesses, feels like the road they are on. Because making two transitions – from where firms are now to a staging post and then again to a final deal – would be wasteful, difficult, and uncertain in itself.

One transition is better than two and certainty is better than uncertainty.

Firms tell us this feels like common sense. But if others have alternatives that deliver equivalent economic benefits, now is the time to put them on the table. If agreed soon, firms here and from elsewhere in the EU will know they face greater stability for a number of years and will carry on investing. They will know they won't have to adapt twice – first to the transition and then to the final plan.

In practice, it would mean the UK would adhere to the EU's common trade policy, for both internal and external trade, for the duration of the transition period. Staying in the single market guarantees continuity for business operations. Staying in a customs union guarantees ease of trade – not just with the EU, but with the rest of the world as well.

Making the choice to stay in a customs union for the transition would also mean continuing to apply the same tariffs on goods from the rest of the world. The UK's room to sign new free trade agreements would be limited for a time. But the important work of deepening trade ties with global markets could continue, as it does today – with officials and business already hard at work in several markets, including the US and China. And our Department for International Trade could have the time they need to prepare for the task of plotting our new global economic future.

Making the choice to stay in the single market for the transition would also mean continuing to apply the rules of the single market. So ways would have to be found to continue influencing those rules as they evolve. But it would also mean that the British parliament and devolved governments could have the time they need to get domestic legislation right. Implementing decisions after they've been made in negotiations, instead of trying to legislate for every possibility. This would free up time to focus on domestic priorities and create breathing room to get the final deal right.

The exact mechanisms to achieve this can be debated and negotiated. But for businesses, trying to make decisions, this is the simplest answer to the uncertainty they face today.

But let's be clear. This is not about whether we are leaving the EU. Once the Article 50 clock strikes midnight on 29th March 2019 the UK will leave the EU. The UK will be independent politically – and no longer represented in the European Council. We will no longer have Members of the European Parliament. To the eyes of every global actor, we'll be on our way.

So this is not about whether we leave, but how.

It is our proposal for a limited transition period to pave our way to a new future.

This common-sense approach would bring continuity to firms in the UK and the EU and protect investment today. So we need a bridge to the new future and, with our European partners, we should start building it now.

Timing and Negotiation

A final word on urgency and our European partners. The agreement on this transition is needed fast.

Waiting until March 2019 to agree transition is too late. We know that now. The prospect of multiple cliff edges – in tariffs, red tape and regulation – is already casting a long shadow over business decisions.

The result is a 'drip drip' of investment decisions deferred or lost. A major European engineering and electronics firm has told us it has shelved plans to build a UK innovation centre. A UK infrastructure provider is already having problems retaining and recruiting skilled workers from the EU needed to build the rails, roads and houses already planned. And we've heard that some firms in the chemical sector are assuming WTO tariffs in business cases for new investment, and adjusting future plans accordingly.

Looking forward – this is only going to get worse. There will be a time when the threat of 'no deal' really begins to bite and affect activity in an even more serious way.

Every company will have a different tipping point. A different reason that the approaching deadline matters.

For the bakery – if they decide they need to shift some production into the Republic of Ireland, they probably need about 20 months to get set up. So, if 20 months before Brexit day they feel the risk of 'no deal' is too high – the balance will tip and they'll have to start that move.

For the automotive firm – it is likely to be the lead-in time of their order books which tips the scales. These are filled 18 months in advance. So if, 18 months from Brexit day, they don't know whether they'll be facing tariffs or if they'll be able to provide finance – they won't know how to price their cars.

This is happening today.

Similarly, airlines will soon start selling tickets for flights in summer 2019. Without action from negotiators, they'll be doing so without any clarity on whether flights between the UK and EU will have a sound legal basis.

And then the cosmetics firm from Leeds might be too small to have contingency plans. Their Director of Trade, Human Resources and Strategy might just be one person – who doesn't have the time to weigh up the likelihood of each scenario. If – 6 months from Brexit day – it looks like 'no deal' is likely, the uncertainty might deter them from making that next investment, hiring those 5 new apprentices.

So how the bridge to the future is built is a conversation we need urgently with our European partners, in a spirit of mutual interest. It needs to be a priority for both sides.

The UK should make the proposal – the simple and common sense proposal of staying in single market and a customs union until a final deal is implemented. We should make it on the basis of benefit to firms and prosperity across the continent of Europe. Everyone has this goal at heart – and we urge Brussels to agree, breaking from its mantra that 'nothing is agreed until everything is agreed' – for the good of the European economy.

Business can – and will – adapt to new circumstances. But it can't suddenly change overnight, without any warning. Politicians might think in weeks, but business plans in years.

Conclusion

Today's lecture has focused on complexity and how to cut through it. On how to keep things simple for business.

In recent decades the single market and customs union have made life simpler for UK firms and as a result increased jobs and investment. And as we negotiate a new relationship with the EU, we should not underestimate the risk of reversing this.

Leaving without a deal would pull the rug out from under many firms' feet. It would mean more complexity. A return not just to tariffs, but also non-tariff barriers. And in some service sectors – it could stop firms doing business.

We need to take the right action, right now. We need transitional arrangements. A smooth path out of the European Union.

So instead of adding more complexity, let's do something simple. And – in the absence of a better alternative – let's aim, explicitly, to stay in the single market and a customs union until a final deal is agreed.

This would give government time to negotiate the deal we need. And it would give business the certainty to keep on creating the prosperity we need.

This is a time for keeping our eyes wide open. Keeping them focussed on the benefits of what we have. The costs of losing it. And the opportunity to get things right for communities, young people, jobs and prosperity, everywhere in the UK and for generations to come.

It is a time for common sense.

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