As of the start of 2021, the United Kingdom (UK) is no longer part of the European Union (EU) or the European Atomic Energy Community. The UK was the first member state to leave the EU, so it is also the first nation to navigate this change. Brexit was long in the making, with some political leaders and the public questioning whether the UK's membership in the EU was mostly beneficial or detrimental since the earliest days of the nation's membership in the union.

The UK became a member in 1973 when the EU was known as the European Economic Community (EEC) and only consisted of eight other countries. In 2016, doubts and debates about the UK's membership in the EU came to a head with an official vote to leave the EU. After a period of transition, the UK is now officially independent of the EU. While the two parties will still maintain some mutually beneficial policies, Brexit has led to some significant changes that have a marked impact on international companies operating in the UK.

Now, well into 2021, we no longer have to theorize about how Brexit could change business in Britain — we've seen these changes firsthand. This post will unpack what Brexit means for UK businesses and, more specifically, how Brexit affects multinational UK companies. Brexit has posed new challenges, but there are ways to overcome those challenges and enjoy productive partnerships with the rest of Europe and beyond.

How has doing business internationally changed for UK companies after Brexit?

A primary advantage of being in the EU is participation in the single market, which allows companies to buy and sell goods across borders without being subject to any limits or tariffs. In leaving the EU, the UK is no longer part of this single market.

Fortunately, the two parties reached a trade deal, so they can still trade without tariffs. This deal, known as the Trade and Cooperation Agreement (TCA), lays out the terms for the trading relationship between the UK and EU market going forward. The TCA seeks to keep the terms fair for both parties, so both the UK and EU had to agree on shared social, environmental, and employment standards and regulations.

The TCA implements new rules of origin, which specify that only originating products will qualify for tariff-free trading. Originating products include goods that are wholly produced within the UK or EU and products that include components from other countries but are sufficiently transformed to become an originating product. Note that while tariffs don't apply to originating products, other taxes, like custom duty charges, may still apply in certain cases.

So, what does Brexit mean for UK companies that are used to exporting products to the EU market? UK companies should:

- Understand the terms: First, companies in the UK should understand the terms of the TCA in detail to ensure they know what regulations and possible complications apply to their business operations.
- Apply for an EORI number: Companies in the UK also need to apply for an Economic Operator Registration and Identification (EORI) number before they can trade with EU countries. The exception is when goods are only moving between Northern Ireland and the Republic of Ireland.
- Consider other markets: Companies in the UK should also use this opportunity to consider whether they want any other global markets to enter their business equation now that they are no longer subject to the limits of EU regulations.
- Stay on top of changes: Companies should also stay abreast of any policy changes. Currently, the UK government is pushing for renegotiations as it navigates the new trade deal terms. However, the EU is taking a less flexible approach to the Brexit agreement, even threatening legal action.

How Brexit affects the UK's industry

Leading up to the UK-EU TCA trade deal, which was agreed upon in late Dec. 2020, many worried about the ramifications of not reaching a deal at all. A "no-deal Brexit" would have severed ties between the UK and EU more starkly, forcing the two parties to trade on World Trade Organization (WTO) terms. This means international trade would have become more complex, and both parties would have had to start paying import duties on one another's products.

For the many industries in the UK that relied heavily on business operations or products in the EU, anxiety began to mount over a possible no-deal scenario. A no-deal Brexit would have been especially disastrous for certain key sectors. Fortunately, the TCA created more certainty and less anxiety for these sectors, though some significant changes still applied in many cases. Well into 2021, many questions have been answered regarding how Brexit will affect the UK industry.

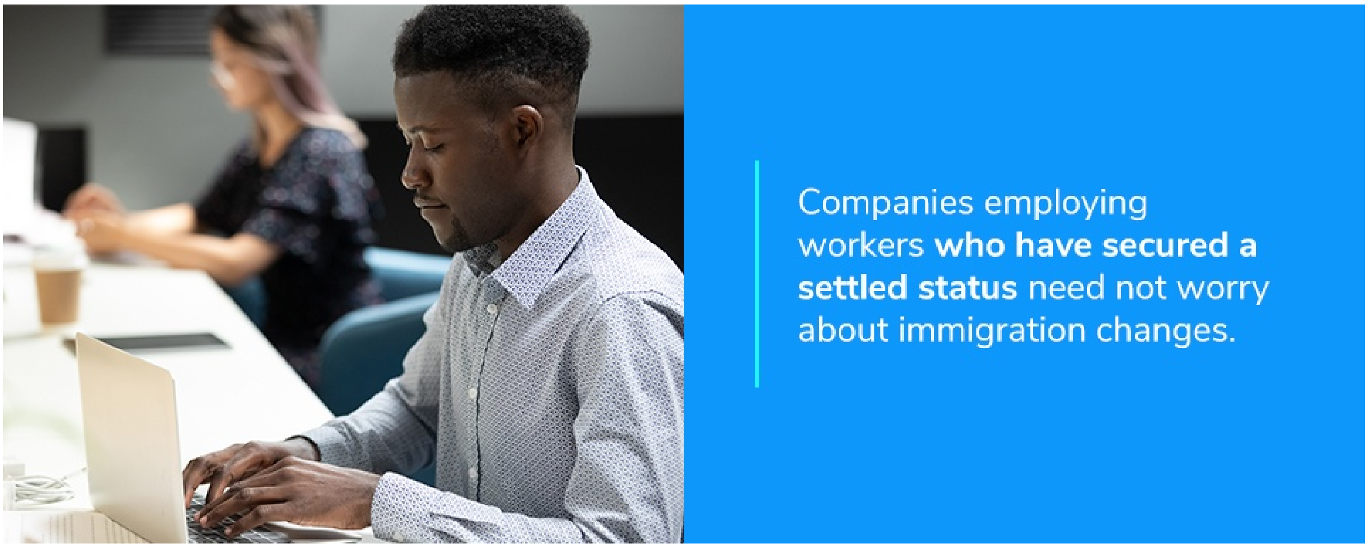
We can see some of the variety of effects and implications from Brexit in the following industries:

- Fishing: The fishing industry was used to having access to EU waters and depended on a deal to continue this access. In June 2021, additional negotiations concluded in an agreement on some key terms for the fishing industry. It set the total allowable catches for shared fish stocks and determined access limits for nonquota species. Under the terms of the TCA, the UK and EU will renegotiate catch limits annually.
- Food and agriculture: A large portion of the food in UK grocery stores is sourced from the EU. This is especially true in the winter when the vast majority of key produce items — 90 percent of lettuces and 80 percent of tomatoes, for example — comes from the EU. Many food companies stocked up on shelf-stable ingredients in preparation for a no-deal scenario, but thankfully, that was averted. Still, Brexit has meant some added costs and complications for food companies in the UK that must now complete paperwork, such as obtaining a certificate of origin, to export products.
- Manufacturing: The manufacturing sector was used to components moving back and forth between the two territories during the manufacturing process. Fortunately, originating products crossing the border aren't subject to tariffs. However, the added paperwork has motivated manufacturing companies to alter their supply chains. In Jan. 2021, immediately following the TCA deal, goods exports from the UK to the EU fell by over 40 percent, and imports from the EU fell by nearly 29 percent.
- Pharmaceuticals: Pharmaceuticals is a globalized industry that already involved a good deal of red tape to ensure product quality and safety. Fortunately, the UK and EU came to an agreement on recognizing the same Good Manufacturing Practice (GMP) inspections and certificates. However, the TCA did not call for mutual acceptance of batch testing certificates, meaning UK pharmaceutical manufacturers must now batch-test drugs separately for the EU.
- Financial services: Ever since the Brexit referendum in 2016, thousands of financial services jobs and significant assets had already begun moving out of the UK to the EU. After Brexit officially took effect, UK financial institutions could no longer trade with EU member states without getting special authorization to operate within that specific country. This process of authorization can be complex and costly. On the upside, London is expected to maintain its position as the dominant global hub for currency trading.
- Qualifications and services: Employees in EU member states enjoy automatic recognition of their professional qualifications in other EU states. UK employees

previously benefited from this recognition. After Brexit, they have lost this professional opportunity.

- Data transfer: The European Commission has adopted an adequacy decision that affects data protection. The EU's General Data Protection Regulation (GDPR) mandates protections for personal data collection and processing and enforces compliance. The adequacy decision allows personal data from the EU to flow into the UK and requires it to receive the same level of protection.
- Energy: The TCA did not provide much detail on how trade in gas and electricity would be affected by Brexit. However, the deal gave the UK and EU an opportunity to reaffirm their commitments to sustainability and the 2015 Paris agreement. The TCA provides for the UK and EU to collaborate on offshore wind farms. When it comes to gas and electricity, sorting out the technical details is an ongoing process.

The effects of Brexit on the UK labor market



A major impact of Brexit on multinational companies is the change in immigration. When the UK was part of the EU, many EU nationals came to the UK to work in a variety of industries, including construction, agriculture, hospitality, and manufacturing. EU national workers included both blue-collar laborers and highly skilled experts.

Now, the free movement of people has come to an end. Post-Brexit, EU citizens are treated just like any other internationals. With the exception of Irish citizens, who can freely travel to the UK within the "Common Travel Area," all other EU nationals must now obtain permission before coming to the UK to work.

This does not apply to EU nationals who were already living and working in the UK, however. These EU citizens, along with European Economic Area (EEA) citizens, were given until June 30, 2021, to apply for settled or pre-settled status, depending on how many years they had been in the country. A month before the deadline, the government had received 5.6 million applications — far more applications than originally anticipated based on estimates of how many EU nationals were currently in the UK.

Companies employing workers who have secured a settled status need not worry about immigration changes. However, when it comes to hiring new workers, companies must contend with the new regulations. If you want an engineer in France to come work for your firm in the UK, for example, that worker would need to qualify for a visa according to a new points-based system. This system favors workers with more advanced qualifications and skills.

This means companies that have in the past relied on seasonal unskilled laborers from the EU may need to rethink their recruitment tactics. However, employers cannot discriminate against EU nationals who are already in the country when hiring. They must simply check to ensure they have a legal right to work in the UK.

Fortunately, employees who are living outside the UK can still take business trips to the UK. So, if you have remote workers or an international branch or subsidiary and want these international employees to visit your headquarters for a company-wide conference, for example, that would be possible. However, it's important that visiting employees only attend events and don't actually work while in the UK. Border officials also now have the right to question and scrutinize visitors' reasons for coming to the UK.

For employers who are looking inward and struggling to find the talent they need for their organizations, Globalization Partners' global employment platform is a valuable solution to consider. Through this technology, UK employers can compliantly hire remote employees in the EU and beyond in just a few clicks.

Advantages and disadvantages of Brexit for UK businesses

Much of the debate over whether to stay in the EU or leave was centered on how Brexit would affect UK businesses. Now, post-Brexit, we are beginning to have a clearer picture of both the challenges and opportunities created by Brexit. However, it's worth noting that the global pandemic has also affected many aspects of the economy, so not all the changes we've seen in 2020 and 2021 can be solely attributed to Brexit. In the coming year, we will gain an even clearer picture of Brexit's long-term effects.

So, what are the upsides of Brexit for UK businesses? Some of the main advantages include:

- More opportunities in other markets: It's yet to be seen exactly how Brexit will impact trade with other parts of the world, but a motivating factor in leaving the EU was the ability to sign fresh trade deals with other nations. The ability to develop partnerships and focus on new consumer markets may benefit companies in the long run.
- Broader talent pool: While immigration changes come with challenges, there are also some opportunities to point out. Previously, the free movement of people within the EU pushed the UK government to limit non-EU immigration more seriously. However, with the new system, EU citizens no longer get special treatment, making it easier for employers to recruit in non-EU countries.
- Fewer regulations: Another key argument for Brexit was escaping EU regulations, which some business owners saw as a burden and interference in their business practices. Companies have more freedom now and may be able to save money by no longer having to follow EU regulations.

On the other hand, companies in the UK must also contend with some new challenges caused by Brexit. By far, the biggest challenge imposed by Brexit is its global mobility limitations. Brexit brought an end to the free movement of people and goods across UK/EU borders, making UK companies subject to:

- Immigration regulations: Travel and immigration are still allowed, but not in the same way. The biggest change is to companies that can no longer hire EU nationals for temporary unskilled labor positions. All companies hiring internationally must now

sponsor visas and see whether a worker even qualifies for immigration under the new system.
- Trade regulations: Likewise, the UK and EU can still trade without being burdened by tariffs. However, new rules and paperwork are putting a strain on companies. Some organizations are changing their practices — for example, moving goods in bulk — to minimize the red tape as much as possible.

Some companies must rethink their supply chains and recruitment strategies in light of these new complications. Of course, the pandemic has added its own challenges, making this feel like a time of upheaval for many companies. Fortunately, as the dust settles post-Brexit, increasing levels of clarity should make it easier for companies to strategize going forward.

Globalization Partners can help you navigate Brexit

Globalization Partners is an authority UK employers can trust to help them navigate the many facets of Brexit's impact. In our Brexit Resources Hub, you'll find a wealth of information and insights on this timely topic, including webinars, eBooks, and articles.

We are also well-positioned to help companies in the UK with international employment and expansion efforts. Because we are a global Employer of Record with a presence throughout Europe, you can put your European employees on our payroll and handle HR tasks and legal compliance with our AI-driven global employment platform.

Contact us to learn more about how Globalization Partners can help your company navigate Brexit, seizing new business opportunities and overcoming new challenges.

