



SCDI Briefing

# **Impact of Brexit**

*Summary of Member Views*

The Scottish Council for Development and Industry (SCDI) is an independent and inclusive economic development network representing all sectors and all geographies of the Scottish economy. Our mission is to convene our members and partners across the private, public and third sectors to collaborate to deliver inclusive and sustainable economic growth.

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## **Impact of Brexit**

This briefing provides a high-level summary of the key impacts of the end of the UK's transition period with the EU, as reported by SCDI's members across the private, public and third sectors in early 2021.

### **A. Goods & services**

#### ***Current/short-term impact***

- Zero-tariff trade deal agreed between UK and EU warmly welcomed and cause for relief
- But new non-tariff barriers/complications to trade have been erected. Less ease of access to European markets
- Significant and costly increases in frequency and severity of delays in the flow of goods across the UK-EU border
- New bureaucracy/red tape burdens for business:
  - Confusion over/time-consuming compliance with complex and poorly communicated regulations on 'rules of origin'
  - Each animal exported to EU or NI now needs Export Health Certificate (EHC) (costing £100 each) detailing destination and arrival date. Exorbitant costs and practical problems – i.e. invalidated if delayed lorry misses date
  - Economic Operator Registration and Identification (EORI) numbers causing confusion in terms of VAT levels
  - Carriers/couriers raising prices with growing impacts on profitability
- Disruption to supply chains and just-in-time processes increasing waiting times for materials, inputs, outputs etc. to deliver to customers and wholesalers
- Some Scottish firms experiencing significant difficulty in accessing stock from European distribution centres
- Delays and disruption impacting profitability and even viability of ports and of firms in haulage and logistics
- Severe impact on Scotland's large seed potato sector with ban on exports to EU and NI. Threatens fifth or more of market. Urgent need for remedy or inclusion in zero-tariff trade deal

#### ***Future/long-term impact***

- EU exporters and operators increasingly concerned about sending goods to the UK in their lorries given scale and uncertainty over delays
- Concerns that competitiveness of Scottish products may have been compromised as rival firms within the other EU countries are viewed by EU purchasers and consumers as cheaper, less complex option

### **B. Labour, people & communities**

#### ***Current/short-term impact***

- Scotland outside EU now seen as less attractive place to come to live, work or invest. Scottish firms disadvantaged in global 'war for talent'
- Significantly increased demand for support and advice services from local authorities, Citizens Advice Scotland etc. from concerned or confused EU nationals

- Concerns that significant numbers of ‘harder-to-reach’ EU nationals who are (or will be) in need of support have fallen through the cracks of existing services or lack access (i.e. due to language barriers)
- Significant capacity and resources required from employers to support and reassure EU nationals in workforce
- Urgent need to agree deal on mutual recognition of qualifications. Failure to reach or clearly communicate a positive deal in timely way risks being a big deterrent to talent emigrating to work in Scotland’s key energy or professional services sectors – as well as to potential applicants to Scotland’s colleges and universities – from the EU
- Welcome agreement to associate with Horizon 2020, disappointment in failure to associate with Erasmus. Replacement Turing Scheme will work but sub-optimal

### ***Future/long-term impact***

- Concerns over potential impact on Scotland’s ability to deliver Clean Growth and achieve Net Zero:
  - Disruption to supply chain for offshore wind construction
  - End of freedom of movement of essential global expertise such as academics or engineers
- Absence of visa-free travel for musicians likely to have significant impact on cultural and economic exchange. Big concern for Scotland’s previously thriving festivals and events sector with global reach, threatening viability in some cases
- Increased need for businesses and organisations to invest in their people and new domestic talent pipelines – at same time as likely erosion of employers’ capacity to do so in challenging economic climate
- Concerns about lower levels of tourism from EU in future as it becomes less bureaucratically simple to travel to the UK – or perceptions of UK as a destination change. Disproportionate impact on rural Scotland
- Widely expected negative impact on ability of key sectors of the Scottish economy with large EU workforces to attract and retain labour, skills and talent – tourism & hospitality, health & social care, education/early years/childcare etc.

## **C. Capital, investment & infrastructure**

### ***Current/short-term impact***

- Concerns about reliance on small number of critical arteries to import/export to/from Scotland/EU – Cairnryan, Rosyth, Aberdeen etc. Exacerbating trade bottlenecks. Scottish ports experiencing high growth and need support to invest for more
- Significant need for investment and greater capacity in Scotland’s port, coastal and transport infrastructure to improve resilience of supply chains and logistics in new post-Brexit context
- Need for investment in expanding storage capacity – especially for perishables

### ***Future/long-term impact***

- Concerns over long-term economic impact on bottlenecks at Scotland’s critical trade arteries – including lower levels of attractiveness for inward investment or lower levels of internationalisation