



EUROPEAN MOVEMENT IN SCOTLAND: HOLYROOD 2021 ELECTIONS

TRADE AND THE ECONOMY

Manifesto commitments recommended by EMiS

- Make new post-Brexit trading systems work as well as they possibly can in order to minimise economic disruption and hardship while pushing for change
- Address impact of VAT and customs charges on imports and exports, particularly on small and non-VAT-registered businesses and VAT guarantees and complex (sometimes contradictory) documentary requirements placed on hauliers.
- Review transport links to Scotland to reflect the impact of the Brexit deal, undertake a cost/benefit analysis of different transport links and distribution hubs within Scotland and assess the corresponding need for investment to reflect potential dramatic changes in the haulage industry
- Pursue full Holyrood control of the replacement for EU Structural Funds.
- Use all possible means to rebuild Scottish economy in wake of Covid pandemic

Background

Scotland, like the rest of the UK, is faced with two crises at the same time: Brexit and Covid. The impact of the two inevitably overlap and reinforce economic damage. In policy terms, however, it is important to address the two separately as far as possible in order to avoid the consequences of a political decision being misrepresented as those of a health emergency.

Brexit: Brexit has created immediate problems for Scottish-Northern Ireland trade, as well as for Scottish companies trading with the EU. Some of these may be “teething” problems. The majority are not. Whatever the future of Scotland’s relationship with the EU, it is important that current systems are made to work as effectively as possible.

All companies, but particularly small companies and those operating below the VAT threshold have been impacted by introduction of VAT and customs charges on EU imports, and by the fact that EU customers have to pay VAT on the receipt of goods. HMG’s website stating that goods valued at less than £135 are exempt from VAT and customs charges is not accurate. Those charges have to be paid by senders within EU, who are often now unwilling to send.

Transport companies are reluctant to offer the VAT guarantees now required before delivering shipments to the UK. They are also faced with bureaucratic quality and security checks which delay shipments and are not consistent between different ports. Amongst the challenges facing hauliers are the regulatory complexity associated with groupage (grouping together smaller quantity goods dispatched by several different companies into a same load) and cabotage (additional movement of goods within EU or UK territory). Together with other changes this will increase the costs of trade and lead to increased reliance on larger distribution hubs together with associated delays.

Fishing is not a major part of the Scottish economy (0.21% in 2018). However, it has assumed iconic importance in the eyes of the press and the public. It is a very complex issue, combining issues surrounding the well-being of a number of small communities, with concern about over-regulation and perceptions of fairness in terms of catches and quotas. Ultimately, it will require renegotiation with EU.

The UK Government is proposing to replace monies previously provided from the EU Structural Fund. But they are intending to do this from Westminster directly to local authorities rather than via the Scottish Government, which – had it the powers – would follow the EU methodology in disbursing these funds.

Post-Covid Economic Recovery: All sectors of the Scottish economy have been affected and flexible policies are needed to address regional and sectoral differences. The furlough scheme, and the scheme offering grants to the self-employed, should be extended as long as the pandemic continues.

Tourism and hospitality have suffered most, closely followed by the arts and non-essential retail. A five-year-plan for Scottish tourism is in preparation, and can be an important lever for recovery. The reduction of VAT from 20% to 5%, which is due to end at the end of March 2021, should be continued.

The current holiday from business rates can be extended; and it will be important to ensure that this year's revaluation does not adversely affect recovery.

Support should be made available for arts venues and self-employed artists. In this context, it will be important to press the government to renegotiate visa-free EU travel for artists/ensembles and their support teams. This will give a boost to Scottish artists travelling abroad, and to arts venues wishing to host EU artists.

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