

# THE BREXIT DEAL FOR SERVICES

On 12th July 2018, the UK Government released a White Paper setting out its most detailed negotiating position to date, including services. The UK Government has made some good progress towards setting out its intentions for services trade in some areas, but in others a lot more detail is needed. Businesses are ready to engage to help policymakers understand what more is needed to ensure services trade operates smoothly after Brexit, for consumers and firms on both sides.

## The Government has some good ambitions for post-Brexit services trade, but needs to go further in some areas

The EU single market for services is not complete in the same way the single market for goods is. The rules for some sectors – like financial services and broadcasting – are deeply integrated between the UK and EU, while others rely on cross-sector rules to enable trade. This means services need a deal that is different from the deal for goods, but not one that damages market access. Using a RAG rating system, the CBI has rated the Government's progress on five key issues that are needed to deliver a good deal for services post Brexit.

### Removing the cliff-edge for services

The biggest priority for services trade is securing a transitional period after the UK leaves the EU, to avoid a sudden drop off in market access. For many key services sectors, leaving the EU without a transitional period would mean a sudden inability to provide services legally across borders.

The status of legal contracts agreed pre-Brexit must also be addressed. UK service providers are worried that their EU clients might use Brexit as a “free pass” to talk away from contractual obligations, while EU clients have policies with UK insurers and banks are worried they will be prevented from receiving payments under claims or access loan facilities agreed pre-Brexit.

Both UK and EU negotiators must move quickly to agree the Withdrawal Agreement, including the legal status of contracts to provide clarity, certainty and continuity for services firms.

### Negotiating ambitious mutual market access for services firms

There are a number of highly regulated services sectors strongly affected by EU rules that allow them to trade. Without a comprehensive agreement, key sectors including broadcasting, energy, transport, financial services and professional and business services may be prevented trading between the UK and EU.

The White Paper seeks a new economic and regulatory arrangement with the EU, based on each side retaining autonomy over decision making. The White Paper accepts this would mean the UK's ability to provide services would face greater restrictions in the EU and vice versa. This indicates a desire for a more distant relationship with the EU on services, which has led to some confusion about its intentions for post-Brexit market access for services firms,

Although the White Paper has signalled the UK Government's commitment to minimise barriers in the services sector, the Government must provide more detail on how it intends to maintain access for UK based services businesses to the EU. Communication with concerned sectors must start immediately.

Currently, UK companies can broadcast TV channels into the EU by getting a single license with Ofcom that is valid for all EU member states. Over 700 UK TV channels are broadcast in this way. Broadcasters want to see the UK commit to negotiating continued access for TV channels, as the broadcasting sector in the UK is thriving. But the Government has not yet provided enough detail for these firms. Failure to do so could result in broadcasters moving jobs and investment outside the UK as companies will be forced to become licensed separately in the UK and the EU.

## Ensuring access to and movement of the people who are essential to services trade

Services trade is done – not by moving goods – but by people, and people often need to move between countries to make cross-border trade in services happen. For example, legal services are regularly provided between the UK and the EU on a ‘fly in fly out’ basis. The scale of this trade is significant: one large global professional services firm reported that its employees undertook 17,000 business trips from the UK to the EU, and 10,000 from the EU to the UK in a single year.

The White Paper outlines welcome proposals for a mobility framework to allow people to move easily, and for their qualifications to be recognised across borders. If the details are negotiated well, this will go a long way towards delivering for legal firms, auditors, architects and many other sectors.

But the UK Government hasn’t put immigration rules on the negotiating table. Doing so would go a long way towards achieving better trade terms overall, and migration is important for services firms as it fills skills gaps and brings expertise from abroad that allows companies to expand across borders.

## Securing the free flow of data between the UK and EU

From booking a hotel room to collaborating on medical research, data underpins international trade and the products and services that consumers rely on. Firms have strongly welcomed the UK Government stating that it aims to secure an ‘adequacy decision’ to ensure that data can keep flowing between the UK and EU.

Under current rules, services firms can process and handle data seamlessly across borders. Pharmaceutical and life sciences companies rely on the sharing of individual patient data from clinical trials between universities, companies and charities across the EU to discover and test ground-breaking and innovative treatment and medicines.

An adequacy decision will be assessed and granted by the EU Commission and is crucial to the economic and security partnership between the UK and EU, and to businesses of all sizes. This must be secured by the end of the transition period.

## Maintaining the right level of influence over services rules

If the EU and UK are to keep similar rules after Brexit, there will need to be mechanisms to work together on the creation, implementation and enforcement of those rules. Working together would allow the UK and EU to continue to adopt best practice, ensure new regulations are appropriate for their respective economies, and allow both sides to ensure a level playing field can be maintained with a major trading partner.

While the White Paper outlines the UK will continue to participate in EU agencies that provide authorisations for goods in highly regulated sectors, it is less clear on how the UK will continue to influence rules for the trade in services.

The Government needs to lay out more detail on how it will facilitate these links in the new relationship, and the CBI will continue to engage with the government and EU institutions to ensure the voice of British business is heard in the UK and Brussels.

## Businesses are ready to help Government fill in the detail and deliver

The priority for services businesses is getting the Withdrawal Agreement signed and the transition locked in. There is no time to waste, and businesses will be urging negotiators on both sides to do all they can to find an agreement at the next October European Council to avoid a chaotic, cliff-edge Brexit. The most important work to deliver the right deal for services will be done around the negotiation table, so it will be vital for Government to have the right structure to engage with the expertise of services businesses of all sectors and sizes throughout talks in Brussels.

For further information please read [5 Steps to protect services post-Brexit](#) or contact:

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