

What happens now

10 business priorities for UK-EU trade after Brexit

On 28 April, the UK-EU Trade and Cooperation Agreement (TCA) was ratified by the European Parliament. Alongside the UK Parliament's approval earlier this year, these legislative approvals provide the legal underpinnings for the next chapter in the UK-EU trading relationship.

This moment can – and must – draw a line under the political wrangling of the past five years in UK-EU relations. It allows for a turning point in the relationship, where common sense, dialogue and goodwill prevail. Above all the key objective is normalisation. In a normalised trading relationship, both sides can move forward in the spirit of partnership and pragmatism as two independent trading partners with a historic and valuable trading relationship worth nearly £700bn.

Businesses understand that challenges will not be resolved overnight. Building significant levels of ambition on the TCA will be a marathon, not a sprint. Many of the change's firms are experiencing now – from new customs paperwork to rules of origin – are likely to be with us for the foreseeable future.

But a step-change in relations would be deeply helpful now. Progress since agreement on the initial deal was secured on 24 December 2020 on data, financial services and intensified talks on the Northern Ireland Protocol show what is possible. The challenge is to build on this, fully utilising the governance structure inherent within the TCA to help firms across Europe adjust to the new trading relationship.

Ranging from business travel to goods travelling between Great Britain and Northern Ireland – and compiled in consultation with businesses of all sizes, shapes, and sectors - **the CBI has identified 10 immediate practical actions both sides can take to stabilise relations and strengthen cooperation.**

Taking these steps will help protect the trading relationship in the years ahead. After the punishing effects on our economies from COVID-19 and Brexit uncertainty, we cannot afford a trading relationship with our largest and nearest neighbour that is not fit for purpose. Our economic recovery, improving levels of business investment and tackling the biggest challenges of our generation depend on it.

Summary of recommendations:

1	Build on the Northern Ireland Protocol.
2	A bespoke veterinary agreement to reduce SPS checks.
3	Clarify the rules for business travel.
4	Kickstart formal dialogue on the TCA.
5	Secure the recognition of Professional Qualifications.
6	Approve UK application to the Lugano Convention.
7	Extend UK grace periods for product labelling.
8	Continue the dialogue on Financial Services and Data.
9	Advance linkage between the UK and EU ETS schemes ahead of COP26.
10	Embed close cooperation between customs authorities.

Key:

	Urgent
	Important
	Emerging

Recommendations

1. Build on the Northern Ireland Protocol

The Northern Ireland Protocol provides a framework to achieve the challenging objectives of avoiding the hard border on the island of Ireland, maintaining Northern Ireland's position within the UK internal market and protecting the integrity of the EU single market.

Great Britain is Northern Ireland's largest market and getting to grips with the "at risk" test (to ensure that goods are not at risk of moving on into the EU), rules of origin and customs administration has been particularly difficult for Northern Ireland's businesses. Long term-solutions also need to be found for parcels and medicines where grace periods are currently in place.

The Joint Committee structures provide an effective vehicle to build on the progress already made to help the Protocol evolve and adapt over time. The new arrangements are much better than a disorderly withdrawal, but the Joint Committee needs to work with business to find solutions to the well documented structural challenges and barriers to trade from Great Britain in particular.

Although non-exhaustive list, the top three asks include:

1. **Simplifying Goods at Risk:** Reducing the complexity around goods at risk what it means for commercial processing, and the interaction between the at risk test and the TCA.
2. **Streamlining Goods Not at Risk:** Reducing the customs administration burden for goods moving within the UK internal market, and particularly the supplementary declaration process.
3. **Reducing checks and controls on SPS goods:** Through a veterinary agreement (as outlined below) and a certifiable and auditable supply chain/risk based approach.

2. A bespoke veterinary agreement to reduce SPS checks.

The introduction of Sanitary and Phytosanitary (SPS) checks for agri-food goods moving between the EU and the UK, means that business face new document and even physical checks on products of animal and plant origin- including live animals, meat, and plant products -that pose potential bio-security threats. While the UK government took the unilateral decision to extend the grace period for SPS checks on products entering from the EU to 21 January 2022, SPS checks on UK exports to the EU have been enforced from the 1 January 2020.

The impact that these checks have range from increased costs for businesses to obtain Export Health Certificates from vets, to long delays at ports while waiting for checks to take place, with the risk of whole perishable consignments being spoiled. This has been felt more acutely for goods moving between Great Britain and Northern Ireland. The EU SPS

certification regime is not designed to be retrofitted for GB-NI movements, with data showing that in January and February this year 20% of all SPS checks in the EU took place in Northern Ireland¹.

A bespoke veterinary agreement that meets the challenges for GB-NI and EU-GB movements would significantly reduce the burden of SPS checks. To agree it, a tailored solution where a mechanism of equivalence on animal welfare and standards would have to be developed and work for both the UK and EU. This would then create a Veterinary Agreement that responds to the unique nature of GB-NI and EU-UK supply chains is needed to overcome this issue.

3. Clarify the rules for business travel.

The TCA set out the scope of visa-free, short term business trips between the UK and the EU for specific purposes, limited to 90 days in any 180-day period, which was welcomed by businesses across the UK and EU member states. However, the details are very complex and subject to numerous reservations within the annexes of the agreement.

The nuances vary depending on the member state, meaning that a 'country-by-country' understanding will be required by businesses who have individuals travelling to the EU countries to deliver services such as selling goods or services directly to the public.

Due to COVID-19, and the ongoing travel restrictions, business travel is not operating as normal. Therefore, the business knowledge of extent of these new requirements is still very low. When border reopen, complying with the new rules will be extremely challenging and resource intensive for many businesses – particularly SMEs without large HR departments - adding new costs and time pressures.

Clear guidance is needed for UK businesses to spell out the differences and intricacies of each Member State's rules, and EU27 member states should provide detailed guidance on the requirements for business travel and easily understandable processes for visa applications in country, to ensure compliance and convenience for firms.

4. Kickstart formal dialogue on the TCA.

The TCA sets out a complex governance structure that will oversee its implementation. Headed by a Partnership Council – which will be co-chaired by David Frost and Maroš Šefčovič - and consisting of 23 specialised committees, these joint structures will be responsible for the oversight, amendment, and dispute settlement for the TCA.

Despite the TCA having been in force since January, these structures are yet to have been formally set up – representatives still need to be appointed and schedules and sequencing still need to be negotiated and agreed on by both sides.

Kickstarting formal dialogue using these structures, as quickly as possible, will be essential to better handle difficulties and disputes while the TCA continues to be implemented on the ground.

¹ Northern Ireland Statistics and Research Agency, [Overview of Northern Ireland Trade, 15th June 2020](#)

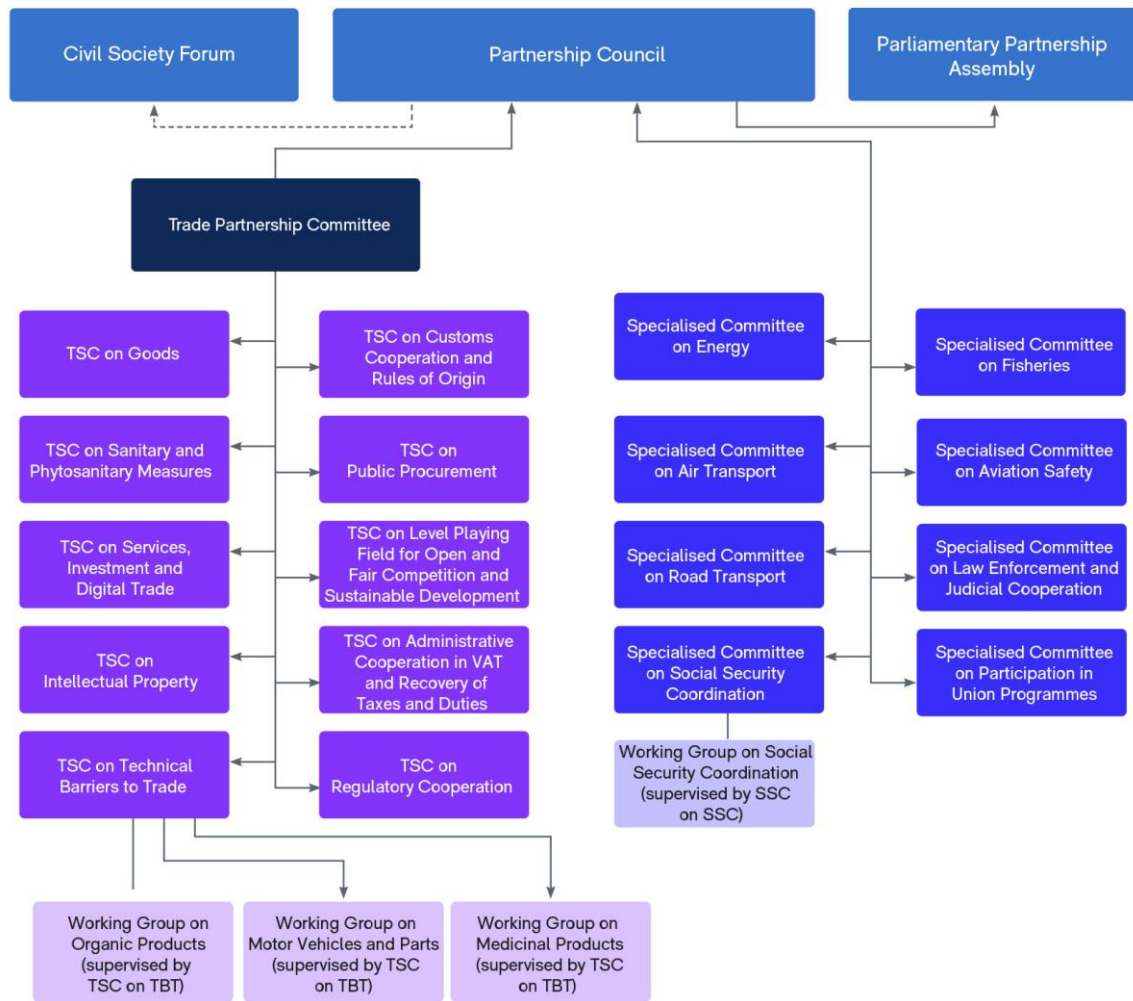


Figure 1: CBI summary of UK-EU Trade & Cooperation Agreement governance structure

5. Secure the recognition of Professional Qualifications

Though the automatic mutual recognition of professional qualifications (MRPQs) between the UK and the EU has ended, the TCA creates a pathway for future agreements being struck between the UK and individual EU member states via the Partnership Council – although the exact process is still to be confirmed.

The loss of automatic recognition adds significant levels of complexity and administrative challenges for firms, particularly in the professional services sector. Newly qualified individuals in regulated sectors will not be able to work or to deliver services in the EU without this recognition, leaving UK professionals and businesses losing business to EU competitors.

The CBI welcomes the steps that have already taken place by the UK government in supporting regulator to regulator recognition across the UK and Ireland, with 10 agreements already made in various sectors. But the pathway for more agreements, as set out in the TCA, should be established as quickly as possible to support the trade in services on both sides. The EU should work constructively with the UK to facilitate this dialogue through the relevant governance mechanisms.

6. Approve UK application to the Lugano Convention.

In April 2020 the UK applied to join the Lugano Convention, which predates the Brussels (Recast Regulation) that ceased to apply in the UK on 1 January 2021. The Brussels (Recast) ensures parties' contractual choice of jurisdiction is enforced and that judgements from the courts of EU member states are recognisable and enforceable across the EU, and the Lugano Convention provides for similar outcomes, although it is not a single market instrument and is in principle open for third countries to join.

Without UK accession to the Lugano convention, when claims, or claims against businesses are made, the UK-EU litigation process is likely to become more complicated and costly. This could result in the legal status of the transactions and contractual relationships not being as enforceable as they were previously. For many businesses and consumers in both the UK and EU this could result in reduced access to justice, as administered by the courts, which should be a crucial right for all those involved in any disputes.

Given the importance of the relationship between the UK and the EU in both commercial and civil matters, the EU Commission and members states should approve the UK's accession to the Lugano Convention: this would underpin the rule of law and respect for legal obligations.

7. Extend UK grace periods for product labelling.

Products on sale in Great Britain (England, Scotland and Wales) which currently comply with the CE mark will be required to adhere to the new UKCA regulation mark from January 2022 onwards. However, this does not apply to products destined for Northern Ireland, which must either continue to adhere to CE certification standards, or the UK(NI) mark. This not only presents a challenge for pre-existing business models and supply chains, whereby product entering Northern Ireland would be processed the same as Great Britain, but also the physical packaging of products as well.

Through the existing grace period that the UK government has unilaterally granted, firms are able to add the UKCA certification to associated documentation. This in turn, does not require external packaging or physical products to be re-designed to incorporate UKCA. The lead-in times to re-design for packaging and products can take six-months to a year for many products and incorporating the new mark adds to the challenge space limitations on packaging depending on the product which include tiny medical devices. For many, this is a costly and unnecessary addition to the manufacturing process, which does not change, nor enhance, the safety of the products being sold. One SME manufacturer in Yorkshire has said it would cost up to £5,000 per product line to transfer products to new UKCA markings.

By extending the existing grace period – which is already extended for medical devices – UK firms would not only gain much needed time to ensure full product ranges can comply with UKCA, but also reduce the immediate cost of re-designing products and external packaging – an additional cost for goods in their mid-life cycle. This extension would also support supply chains and the movement of goods between Great Britain and Northern Ireland. In the longer-term, the UK government should look to build on the approach taken during the grace period for labelling by examining further innovative opportunities to move towards an e-labelling process for goods. This would help support the competitiveness of UK manufactured products, without incurring unnecessary additional costs.

8. Continue the dialogue on Financial Services and Data.

The TCA paved the way for the UK and EU to continue dialogue on two critical areas: data adequacy and financial services.

Financial Services

With the UK leaving the EU Single Market, the financial services sectors' relationships with the EU market fundamentally changed once the TCA was implemented. Though the TCA did not include provisions on financial services, it did introduce the scope for continued talks, and in March 2021 both sides concluded technical negotiations for a UK and EU Memorandum of Understanding (MoU) on financial services.

When finalised, the MoU will pave the way for greater regulatory cooperation on financial services, leading to better services for customers on both sides. It is critical that this happens quickly to ensure critical services such as clearing and payments are not disrupted, which could cause harm to both the financial system and the whole economy.

Building on the momentum of the negotiations, conversations must continue between relevant authorities to ensure future financial stability, support increasing flows of sustainable finance and to tackle cybercrime. Together with earlier draft data adequacy decisions, businesses will want this Memorandum of Understanding to signal growing services cooperation between the two trading partners.

Data Adequacy

Business welcomed the TCA provision for a bridging period to allow time to ratify an adequacy decision. The subsequent draft adequacy assessment by the EU Commission in February and European Data Protection Board's recommendation to adopt this decision are significant steps towards securing the free flow of data between the UK and the EU. This is critical for businesses across the economy from automotive to logistics, playing an important role in everyday trade of goods and services as well as the development of innovative technologies such as AI.

The assessments of the Commission and EDPB are a testament to the UK's commitment to high data protection standards. All efforts must now be focussed on ratifying the adequacy assessment to avoid a costly data cliff-edge (recent research suggests that the cost of failing to receive adequacy would be £10,000 for a small business) and provide much needed certainty for firms across the economy.

The UK must secure and retain a data adequacy decision from the EU, to help maintain a stable regulatory environment, attract FDI into the UK, and enable a close trading relationship between the two partners. For example, changes to the UK's data protection framework should be clearly evidenced and maintain frictionless data flows with the EU.

9. Advance linkage between the UK and the EU ETS schemes ahead of COP26

2021 is a critical year for climate and the environment. Making meaningful progress on the linkage between the UK and EU ETS ahead of COP26 would reaffirm the UK and the EU as climate leaders and show that the UK remains a strong advocate for international carbon markets. A linkage between the UK and EU ETS would align decarbonisation pathways, create a stable environment for investment into low-carbon technologies, and show continued UK leadership in tackling climate change.

The advantages of linkage are clear in terms of liquidity, price discovery, and the ability to attract abatement from across Europe rather than just the UK. It would also create a level playing field in terms of carbon pricing, avoiding competitive distortions, and leading to aligned cost implications for industry across the UK and the European Economic Area (EEA). This would be beneficial for international commerce, minimise the risk of carbon leakage, and lower the costs of achieving Net Zero, thereby facilitating trade and investment between the Parties as per the objective of the Chapter on energy in the TCA.

Both sides should start the process of linking the new UK Emissions Trading System (UK ETS) with the EU's Emissions Trading System (EU ETS) as soon as practicable. Business welcomes the commitment to 'serious consideration' which the UK and EU have given to linking their respective carbon pricing systems in the Trade and Cooperation Agreement (TCA) and believe that linkage negotiations should begin as soon as possible. Given the similarities between the UK and EU's carbon trading regimes, there should be no two Emissions Trading Systems that are easier to link.

10. Embed close cooperation between customs authorities.

UK exporters are reporting significant issues sending goods to the EU Member States – with CBI surveys in February stating that 49% of distributors and 50% of manufacturers as a top issue². These issues range from inconsistent approaches from member state to member state on processing customs forms and conducting checks from customs authorities – to even within the same port – with one business reporting that one vet at a major port would accept an Export Health Certificate one way and another would reject it. These delays have turned what would have been a 24-hour delivery in 2020 into delays lasting between two-three weeks. These delays risk perishable loads being spoiled and supply chain disruption across the UK and EU.

Member States customs authorities have had as an uphill challenge in preparing and adapting to the new customs requirements as UK businesses and authorities have, however without the unilateral easements that the UK had put in place, those on the EU side have had significantly more change to adapt to.

The full establishment of the TCA's Trade Specialised Committee on Customs and Cooperation and Rules of Origin should provide a proper platform for the UK and EU to engage with each other and find solutions to wider implementation of it. However, in the meantime, there is an opportunity for UK Government – who is in the unique position of being able to see how each Member State implements the TCA's customs requirements - to directly work with the individual governments and customs authorities to ensure that the TCA is being consistently implemented to the benefit of cross-UK and EU businesses and supply chains.

² CBI ITS and DTS surveys, conducted 24th February to 16th March 2021

How the CBI determines its policy

The CBI represents a wide range of business voices across the whole UK.

The CBI is a non-political, Royal Charter organisation that speaks for 190,000 businesses, employing seven million people, equating to one-third of the private sector workforce. This number is made up of both direct members and our trade association members. We do this because we are a confederation and both classes of membership are equally important to us.

Our mandate comes from our members who have a direct say in what we do and how we do it.

The CBI Council is the main governance body of the CBI and is made up of all the CBI Councils and Standing Committees comprised of over 1,000 council and committee representatives from over 700 CBI member companies. 80 per cent of CBI Council members are from non-FTSE 300 businesses. The chair of each Standing Committee and Regional and National Council sit on the CBI's Chairs' Committee which is ultimately responsible for setting and steering CBI policy positions. Each quarter we engage these councils and committees on our work for either a steer, for information or for sign off and this is supported by wider member engagement from other committees, working groups, events and member meetings.

For further information on the details of this submission, please contact [Nicola Hetherington](#).