Briefing on UK-EU Trade

British Chambers of Commerce

BCC Trade Priorities

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Our Reach

We are the only business group with members of every size, from every sector, in both every region of the UK and globally

- **53 Accredited Chambers in the UK**

- **80,000 businesses across our network**

- **80,000+ followers across social media**

- **525,000 trade documents issued by Chambers of Commerce in 2020**

- **76 members of our growing in our global business network**

- **6 million employees representing every sector, size and location in the UK**

- **£16 billion of trade facilitated by the network in 2020**

- **Over 90% SME (UK)**

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Trade is Good

Our Network's strength:

- 16bn of UK Trade in 2020

- Almost 200 Export markets

- One globally respected brand

- Over 500,000 certificates issued

- 500 hours of free guidance delivered every week

- 350 qualified trade specialists

- Supporting 30,000 firms

- 99.9% right first time

- 100+ years of global trade

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BCC Activity on Trade

o **Regular engagement with the Department for International Trade, Political stakeholders, UK Export Finance, the International Chambers of Commerce, and other trade institutions**

o **Published a detailed review of the UK-EU TCA in December 2021, setting out the challenges firms have faced and outlining our recommendations for how these might be addressed**

o **Good engagement with EU institutions and member state Embassies in the UK.**

• **In addition to the practical export support offered across our network**

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Trade is Good

Our Network's trade priorities

- Create the best opportunities for foreign direct investment across the nations and regions of the United Kingdom

- Create Business and Trade Growth Office within DIT to help smaller businesses in exporting

- TRA to take wider range of economic data into account in key decisions

- Bring down costs and red tape in exporting goods

- Expand market access in areas around digital trade, services, and technical barriers to trade (TBT).

- New opportunities for cross-border data flows, labour mobility, business travel, PQs.

- Secure best outcomes from CPTPP accession on digital trade and rules of origin.

- Make the most of opportunities presented by the transition to net zero

- Maximise benefits for SMEs from live FTA negotiations and implemented agreements.

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Trade is Good

Our Network's trade priorities

- Encourage practical agenda of WTO reform on e-commerce and services to benefit SMEs.

- Advocate for the role of the Chambers Network in being a trusted delivery partner in trade facilitation

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PROTOCOL ON IRELAND/NORTHERN IRELAND UPDATE

- **Protocol applies EU rules from Single Market for goods, state aid, VAT, and customs to ensure is no hard physical border across the island of Ireland.**
- **Involves regulatory differences between NI and GB, eg. NI is still in REACH for chemicals, uses EU standards for manufactured goods, uses EU IT systems for VAT on cross-border goods transactions.**
- **Protocol has primacy over UK law in NI.**
- **Allows near friction-free access for NI goods to both UK Internal Market and EU Single Market – creates opportunities for NI businesses and future inward investment.**
- **NI in UK customs and VAT areas but red tape involved in GB to NI goods movements. These have caused issues for some NI businesses and logistics operators but in the last NICC survey only for 8% of NI responding businesses.**
- **64% increase in NI/ROI trade since last January.**

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PROTOCOL ON IRELAND/NORTHERN IRELAND UPDATE

- UK and European Commission have been negotiating since last autumn on medicines, customs (including treatment of postal packets), VAT, SPS compliance measures.
- Solution found so far on medical supplies authorisations.
- UK Government says wants a negotiated solution but not on current European Commission mandate – looking for amendments to the Protocol. EU not keen on that approach.
- Legislation to be introduced soon at Westminster to allow the UK Government to disapply parts of the Protocol in relation to Irish Sea border checks. Could take 1 year+ to become law. House of Lords may substantially amend Bill.
- If legislation is enforced and negotiations have fizzled out could lead to further trade measures between UK and EU.
- EU could invoke dispute resolution processes in either WA or TCA and apply tariffs to certain UK exports as safeguard measures, eg. cars, food, clothing. UK ministers say they will not respond in kind.

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PROTOCOL ON IRELAND/NORTHERN IRELAND UPDATE

- **BCC engaging with UK Government (FCDO, BEIS) and European Commission. Keeping in close alignment with NICC position.**
- **Seeking negotiated outcome to provide certainty and stability for businesses and avoiding tariffs on UK (GB) exports to EU.**
- **Want to engage with EU institutions on how certain policy areas will apply in NI, eg. EU VAT changes, CBAM, EU trade remedies policies, and to third country traders in GB, eg. potential expansion of iOSS role in import VAT in cross-border trade.**

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UK-EU TRADE UPDATE

- **UK goods exports to EU up by 1.7% in March 2022 – largely driven by fuel exports increases.**
- **Picture generally flat over last six months with modest upswing occurring now. Less UK-EU goods trade than in 2019. Aston University research shows biggest economic impact is from SPS and TBT rules.**
- **UK exports performing far less well than German exports in recovery from pandemic.**
- **TCA – operational now for just over 18 months. Specialised Committee and Trade Committee set up. Formal stakeholder engagement groups in process of becoming established.**
- **71% of exporters in most recent BCC survey say EU trade deal is not enabling them to grow or increase sales.**
- **Only 1 in 8 exporters think it is helping them grow or increase sales.**
- **Majority think it has pushed up costs, increased paperwork and delays, and put the UK at a competitive disadvantage. Key problems around VAT, lack of cumulation in rules of origin, SPS, lack of business travel and labour mobility provisions. No mutual recognition of professional qualifications for trade in services.**

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UK-EU TRADE UPDATE

- **GB inbound border controls –**
- **Controls on food products due to be introduced in July, September, October 2022 have been delayed until end of 2023**
- **Includes Export Health Certificates and Safety and Security Certificates as well as documentary, identity and physical checks on food and plants.**
- **Cost of introduction would be >£1bn to affected businesses.**
- **Border changes now linked to introduction of digital border arrangements in 2023 – requires with discussion with industry on trusted trader systems and IT.**
- **Challenges at WTO in Geneva unlikely unless is considerable extension to these arrangements.**

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UK-EU TRADE UPDATE

The BCC's 5 key issues, & the solutions needed, to improve EU trade:

ISSUE: Export health certificates cost too much and take up too much time for smaller food exporters.
SOLUTION: We need a supplementary deal on this which either eliminates or reduces the complexity of exporting food for these firms.

ISSUE: Some companies are being asked to register in multiple EU states for VAT in order to sell online to customers there.
SOLUTION: We need a supplementary deal, like Norway's with the EU. This exempts the smallest firms from the requirement to have a fiscal representative and incur these duplicate costs.

ISSUE: As things stand CE marked industrial and electrical products will not be permitted for sale on the market in Great Britain from January 2023. The same is true for components and spares.
SOLUTION: We need action from the UK Government to help businesses with these timelines. Many firms are far from convinced about a ban on CE marked goods in Great Britain.

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UK-EU TRADE UPDATE

ISSUE: UK firms facing limitations on business travel and work activities in the EU.
SOLUTION: UK Government needs to make side deals with the EU and member states to boost access in this area as a priority for 2022.

ISSUE: Companies starting to be pursued in respect of import customs declarations deferred from last year.
SOLUTION: We need a pragmatic approach to enforcement to ensure companies recovering from the pandemic do not face heavy-handed demands too quickly on import payments, or paperwork.

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Upcoming risks on EU-UK (GB) Trade:
- If economic demand slows in the autumn, consumer demand for exports could similarly slow.
- Weakened position on supply chains, shipping and sourcing key components and raw materials from both Eurasia region and China, such as metals for automotive sector, wood, cement.
- Active divergence in sensitive market access areas could lead to further GB/EU and intra-UK barriers to trade and costs to business.
- Passive divergence could create similar barriers.
- Political instability leading to legal and economic uncertainty.

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UK-EU TRADE UPDATE

BCC are engaging with UK Government Ministers and officials on border controls and other policy priority areas.

Also planning visit to EU institutions in October – in regular contact with EU Embassy and member state embassies in London.

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