

POSITION PAPER

Brussels, 19 March 2020

Orgalim Position Paper on future EU-UK trade relations

Executive Summary

The UK's membership of the EU ceased on the 31 January 2020, with an 11 month transition period, during which the majority of existing arrangements will remain in place. As of 1 January 2021, the UK's relationship with the EU should be ruled by free trade arrangements, agreed between the UK and the EU, to be negotiated in 2020.

One overarching free trade agreement should govern all the future EU-UK trade relations. Orgalim calls for a focus on the quality rather than the speed of any future EU-UK free trade agreement. A free trade agreement is important as the annual value of EU-UK trade in products manufactured by Europe's technology industries currently stands at €177 billion¹. We believe a future EU-UK trade agreement should address the following objectives:

- Maintain the level playing field
- No tariff barriers and have simple rules of origin
- No non-tariff barriers
- Enable customs facilitation
- Enable access to public procurement
- Enable deployment of qualified personnel
- Ensure the inclusion of a provision facilitating the free flow of data

An effective EU-UK trade agreement – Orgalim's recommendations

I. Maintain the level playing field

Orgalim supports market access, as long as the level playing field between the EU and the UK is maintained. This means that equivalence should be achieved by ensuring compliance with rules on competition, state aid, taxation, environmental legislation, labour provisions, and consumer protection based on the European model, as well as public procurement procedures. We call for enforceability of these provisions through a dispute settlement resolution.

II. No tariff barriers and have simple rules of origin

Market access is a key priority for all industrial sectors represented by Orgalim, and industrial tariffs between the EU and the UK should remain at zero, including with zero quotas or limits.

¹ Source: Eurostat International Trade Statistic (Data Set - 045409)

Orgalim represents Europe's technology industries: companies that innovate at the crossroads of digital and physical technology. Our industries develop and manufacture the products, systems and services that enable a prosperous and sustainable future. Ranging from large globally active corporations to regionally anchored small and medium-sized enterprises, the companies we represent directly employ 11 million people across Europe and generate an annual turnover of around €2,000 billion. Orgalim is registered under the European Union Transparency Register – ID number: 20210641335-88.

The preferential rules of origin should be in line with other existing free trade agreements and simple to apply, particularly so that SMEs can reap the full benefits of a future EU-UK agreement.

For our sectors, we support rules of origin entailing a change of Harmonised System heading (for example, manufacturing from materials of any heading, except that of the product and of heading YYYY) or, alternatively, the value-added rule (for example, products in which the value of all the materials used does not exceed 50% of the price of the product).

III. No non-tariff barriers

The avoidance of non-tariff barriers is vital, especially for our industries' many SMEs. In addition, we call for a strong focus on avoiding disruption to highly integrated supply and value chains involving both EU and UK businesses. Regulatory cooperation is a key priority to avoid damaging divergence of technical legislation. Having a harmonised and reliable set of relevant technical legislation both in the EU and UK is essential to ensure smooth trading. The mutual recognition of conformity assessment results is essential to avoid delays and additional costs for our companies when trading goods.

Europe's technology industries are subject to a great deal of legislation that imposes conditions for placing goods on the market². This legislation fits into a larger New Legislative Framework (NLF) that regulates the marketing of products and includes conformity assessment procedures and provision for market surveillance.

a. Mutual recognition of conformity assessment

The mutual recognition of the results of conformity assessments should be promoted in EU-UK negotiations. The EU-Canada (CETA) agreement could serve as a template for an equivalent chapter.

b. Standards

We emphasise the need to refer to the internationally recognised and consensually created technical standards of the International Organisation for Standardisation (ISO), the International Electrotechnical Commission (IEC) and the International Telecommunication Union (ITU), to harmonise technical requirements. Regulatory cooperation and the continued transposition of international standards in the UK national system would enable us to achieve the objective of global market access on the basis of 'one standard, one test, accepted everywhere'.

The EU and UK should make the mutual recognition of CE marking and UKCA marking a priority. Neither side benefits from an increase in costs for companies due to double testing requirements.

IV. Enable customs facilitation

Customs procedures and border enforcement could cause high additional costs, shipment delays and business disruption for companies in both the EU and UK, with special sensitivities at the Irish border. Therefore, the EU and UK should work together to enhance electronic customs procedures and to cooperate towards implementing a system of standardised customs processes. Required documentation and information obligations should be reduced to a reasonable minimum.

² Our products are covered by the Machinery Directive (MD), Low Voltage Directive (LVD), electromagnetic compatibility (EMC) Directive, Eco-design, Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) Regulation, Restriction of Hazardous Substances (RoHS) Directive, Construction Products Regulation (CPR) etc.

Mutual recognition of Authorised Economic Operator (AEO) status should be explored.

V. *Enable access to public procurement*

Access to public procurement at all levels (central and local) should be covered by the future EU-UK trade agreement.

VI. *Enable deployment of qualified personnel*

Technology manufacturers increasingly add services to their physical products in order to offer integrated solutions to their customers. It should therefore be possible to deliver services in connection with the fulfilment of purchase contracts between EU and UK business partners without the need for a visa or work permit. If not, the ability for technology manufacturers both in the EU and UK to install, maintain and update delivered products will become increasingly difficult – and costly.

Orgalim therefore calls for the future EU-UK trade agreement to make the deployment of workers as frictionless as possible to enable the export of new technological solutions. It is of the utmost importance to ensure mutual recognition of qualifications to allow deployed specialists to do their work.

VII. *Ensure the inclusion of a provision facilitating the free flow of data.*

International data transfers are becoming increasingly important in an interconnected digital economy. Orgalim asks for the inclusion of a chapter that allows international data transfers in the future EU-UK trade agreement, removing and avoiding data localisation requirements and related restrictions on in- and -outflow of data.

The protection of personal data is also very important. Orgalim hopes for a rapid adequacy decision by the EU and an equivalent decision from the UK authorities to enable the flow of personal data between the EU and the UK. The alternative is that businesses on both sides have to engage in time-consuming and expensive bilateral agreements to allow for the free flow of data.

The future EU-UK free trade agreement is crucial to create a stable trading framework between the EU and the UK. Orgalim calls for an EU-UK free trade agreement that maintains the level playing field, and avoids tariff and non-tariff barriers whilst enabling customs facilitation. Orgalim asks for quality rather than speed in the context of the on-going EU-UK trade negotiations.

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