

# Declaration on the future relationship between the EU and the UK

## Introduction

European and British SMEs are keen to continue their cooperation. They import, they export, and their value chains are highly intertwined. They therefore need a **clear framework** that safeguards trade in goods and services under **conditions of fair competition**.

To maintain these strong links between the European Union, as a whole and with its different Member States, and the United Kingdom, it is essential to reach an agreement **defining the framework for their future relations as soon as possible**.

Indeed, one of the main concerns of SMEs from both sides is the lack of legal certainty and predictability for the immediate and medium-term future. The lack of progress in negotiations with so little time remaining of the transition period is a major cause for concern. **SMEs** and societies on both sides **cannot afford a “hard Brexit”** on WTO terms from 2021 onwards.

They expect as a negotiation outcome a robust trade agreement which supports the **integrity of the Single Market** whilst maintaining **close business relations** between the EU and the UK.

## Principles

### Ensuring a level playing field

SMEunited fully supports the EU mandate that mutual market access should only be granted **under level playing field and compliance with EU** social and environmental **standards** and those affecting production processes, as well as with the rules for placing products on the market (composition, packaging, labelling, etc.)

Businesses attach central importance to **zero tariffs** as well as a **level playing field** for future economic and trade relations with the UK.

In order to guarantee a Level Playing Field the future FTA should contain **Non-regression clauses** (NRC). To make these enforceable, a number of essential directives and/or regulations should be included. As for example the Working Time Directive, which is essential, as diverging rules will impact negatively the competitiveness of EU enterprises.

This level playing field needs also to be guaranteed in the field of **State Aid**, preferably through an ex-ante system as actually in place in the EU. The WTO rules are not sufficient to tackle potential market distortions after BREXIT.

## Developing a normative strategy

Standards are a key enabler for trade. Therefore the UK should continue to participate in the European Standardisation system through its national standardisation body. In addition, regulatory cooperation should be kept on the basis of Regulation No 1025/2012 and the UK should keep its commitment to the adoption of European and international standards.

However, if the UK continues to refuse EU standards, alternatives should be considered to make progress in the negotiations. Both parties have to start looking for a well-balanced outcome, consulting closely with the business organisations concerned, keeping in mind a long term vision of EU's market dynamic as preferable to immediate and short term savings. In their search for a solution, both parties must keep in mind the drastic costs that diverging from the current regulatory and standards framework would result to SMEs.

SMEUnited recommends that the future partnership should establish common principles for **regulatory approaches**, as part of a **standards strategy**, to ensure reciprocity in technical standards. An institutionalised **regulatory co-operation** mechanism should allow to discuss future changes in UK and EU regulations and avoid or at least minimise new technical barriers to trade.

As in other FTAs, **self-certification** (REX) should be possible. Clarity and transparency about the **rules of origin** is of utmost importance as well as convergence with the existing concepts in other FTAs in order to maintain and expand common supply chains.

A **resolution procedure similar to SOLVIT or EFTA** should be established that can be easily accessed by SMEs. Contacts points and responsible authorities will have likewise to be identified from both sides, including clear legal obligations for them to provide swift administrative assistance to facilitate regulatory compliance.

## Keeping the custom barriers to a minimum

Full road connectivity between UK and the EU must be ensured, to allow road transport SMEs from both sides to operate without any delays or barriers. In order to maintain the actual freight and trade flows, administrative burdens, additional legislation and **tariffs** need to be avoided as well as costly and time-consuming **customs procedures** have **to be avoided**, by e.g. maximising the use of technology and minimising unnecessary duplication. The principle of single windows for the submission of documents and data as contained in the WTO Trade Facilitation Agreement must be upheld at all time.

Non-tariff barriers must be avoided in the field of national testing, licensing, special conformity checks, approvals, etc.

Particular attention should be paid to the status of Authorised Economic Operator (AEO). Mutual recognition of the status should be ensured after 1 January 2021.

## Maintaining a strong EU-UK relationship

In order to fulfil their contracts our companies need simple, non-bureaucratic rules for the temporary entry of key personnel of service providers, business visitors, and independent professionals. It is crucial that clear rules on the **provision of cross-border services** are set, so that companies providing services or having suppliers in both markets can plan ahead.

Furthermore, while recognising the challenges in negotiating the **mutual recognition of professional qualifications**, it is important that the agreement establishes a framework that would allow the UK and the EU to recognise professional qualifications in each other's markets. This will enable relevant authorities or professional bodies in the UK and EU to negotiate mutual recognition agreements on a sector-by-sector basis.

It is essential that enterprises and especially SMEs will have continued access to **public procurement** in both markets on the basis of full reciprocity. Information on public procurement in the UK should be publicly and freely available.

Since the UK remains a global **innovation and research centre**, European SMEs should be permitted to continue cooperating with British enterprises and entities, by achieving an agreement on selective European programmes, as it is the case with Switzerland or Israel in the Horizon 2020.

## Introducing specific provisions for SMEs

The new agreement should include a standalone **SME Chapter**, ensuring transparent and easily accessible information on especially tariffs and the rules of origin. To ensure the accessibility for SMEs, a summary with the relevant articles for SMEs should be provided. A **SME contact point or information portal** should help small and medium sized businesses overcome the challenges posed by their often limited resources to understand how to make use of the FTA; an SME Committee (EU-UK) can help ensure proper SME representation in the crucial implementation stage of the FTA, set up initiatives to facilitate SME opportunities and to share best practices.

The SME Chapter can signpost SME-friendly provisions found in other chapters and provide a fast means for SME owners to identify relevant and beneficial aspects of the Agreement.

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