



EU-UK RELATIONS

BUSINESSEUROPE OUTLOOK



KEY MESSAGES

- 1** The trade and investment relationship between the EU and UK remains indispensable for businesses on both sides of the channel. While the Trade and Cooperation Agreement (TCA) has allowed businesses to avoid an abrupt transition resulting from the UK's exit from the single market and customs union, there remain many unnecessary barriers to trade and investment flows. Following the impetus provided by the elections of new governments in the EU and UK, there is a clear opportunity to upgrade the relationship between the two economies to deliver for businesses and citizens.
- 2** In order to minimise the non-tariff barriers associated with regulatory divergence between the two jurisdictions, businesses welcome initiatives for regulatory cooperation between the EU and UK in a range of areas, as well as some degree of consultation and coordination on the broader regulatory agendas pursued by the two governments. New legislation from both sides should always consider the potential impact on Northern Ireland and ensure respect for the TCA's level playing field provisions.
- 3** Additional customs formalities since the UK's exit have resulted in significant delays and higher import and export costs. Agreements on rules of origin and mutual recognition of conformity assessment for products, as well as active engagement between customs authorities to simplify transit procedures, can significantly reduce the administrative burden for companies trading goods, especially as new border control requirements are introduced with the EU's Entry-Exit System and the gradual application of the UK's Border Target Operating Model.
- 4** Agreements to enhance the mobility of professionals would be instrumental in limiting the labour shortages that firms are facing in the EU and the UK, including on the mutual recognition of professional qualifications as well as providing clarity on the visa requirements for short term business visitors. Facilitating the mobility of contract service suppliers between the EU and UK is a clear priority for the liberalisation of trade in services.
- 5** As like-minded partners faced with common challenges ranging from the climate crisis to increased geopolitical tensions, the EU and UK should strengthen their partnership by adopting common approaches to issues such as de-risking supply chains, pursuing the green transition and cooperating on energy and supply chain security. This cooperation would ensure that measures taken do not impose unnecessary obstacles to our trade and investment relationship for businesses.

BUSINESSEUROPE OUTLOOK ON EU-UK RELATIONS

The trade and investment relationship between the EU and UK remains indispensable for businesses on both sides of the channel. The EU remains the UK's biggest trading partner, accounting for more than 40% of its foreign trade in goods in 2022. For the EU, the UK is the third-biggest trading partner (almost 10%), after the United States and China. Services represent 48% of total bilateral trade between the EU and UK, with the UK being the EU's second biggest trading partner in trade in services (20%). The stock of mutual investments remains among the highest in the world, with EU outward stocks at €1.7 trillion and inward stocks at €1.4 trillion in 2022.

Formally signed on 30 December 2020, the EU-UK [Trade and Cooperation Agreement \(TCA\)](#) entered into force on 1 May 2021. It includes an ambitious Free Trade Agreement governing the UK's economic relationship with the EU, with extensive cooperation on economic, social, environmental and fisheries issues. While the TCA has been successful in maintaining large parts of the economic relationship and avoiding an abrupt transition resulting from the UK's exit from the single market and customs union, there remain many persistent issues and challenges faced by firms, providing clear areas for improvement in the trade and investment relationship.

OPPORTUNITIES FOR IMPROVEMENT

With the TCA committing the parties to zero tariffs and quotas on the bilateral movements of most goods, the main irritant to relations lies in non-tariff barriers associated with the prospect of regulatory divergence between the two jurisdictions, particularly as UK laws diverge from the body of retained EU law adopted following the UK's exit from the EU.

1 REGULATORY COOPERATION AND LEVEL PLAYING FIELD

- Businesses welcome initiatives for regulatory cooperation between the EU and UK in a range of areas, such as the automotive, chemical, medtech, ICT, food and drink, and pharmaceutical sectors, as well as some degree of consultation and coordination on the broader regulatory agendas pursued by the two governments. In this respect, the possibility to recognise new or updated EU product regulations as laid out in the UK's Product Safety and Metrology Bill, has the potential to be a welcome step in this direction.
- To make regulatory cooperation successful and long-lasting, the EU and the UK must establish a dedicated annual dialogue forum, at the highest political levels, in the form of a regular summit or a similar format we have with other key trading partners. The forum needs to ensure that businesses have a seat at the table to help foster closer ties, encourage policy cooperation and provide a platform for practical problem solving.



- The EU and the UK must work together to minimise the impact of regulatory divergence on Northern Ireland, considering its special status. This should include ensuring that new EU and/or UK legislation considers and addresses any potential issues that may arise well in advance of application.
- The success of the Memorandum of Understanding on Financial Services Cooperation should be built on to address shared regulatory challenges in capital markets, notably by reaching equivalence arrangements, if conditions are met, to facilitate market access and investor confidence.
- Businesses also support further agreements, including a comprehensive agreement on sanitary and phytosanitary (SPS) measures to ensure mutual recognition of standards and reduce barriers to agri-food trade. This should be flanked by regulatory co-ordination, and where appropriate, alignment of non-SPS aspects of food product regulation in areas like labelling, packaging and arising from the General Food Law.
- Along with further agreements to deepen regulatory cooperation, the current Technical Barriers to Trade (TBT) provisions in the TCA must be fully operationalized in order to limit barriers to trade and facilitate cooperation between EU and UK market surveillance authorities.
- Cross-border data flows represent another area in which regulatory cooperation is essential, as active engagement in the development of data related legislation is necessary to maintain standards for data protection under the EU and UK's General Data Protection Regulation and extend the EU's adequacy decision beyond the end of the sunset clause on 27 June 2025. Establishing a longer-term framework that would provide greater security for businesses transferring data should be a priority.
- A common approach to AI, cyber-security, intellectual property and cooperation on standardisation are additional examples of essential areas for increased cooperation and coordination, with the aim of fostering the harmonisation of rules and regulatory requirements between the EU and the UK.
- Meanwhile, cooperation on the implementation of the TCA's level playing field provisions is crucial to ensuring fair competition between EU and UK firms as well as an effective framework for subsidy control. This is of particular importance in regard to the specific situation in Northern Ireland as outlined in the commitments made under the Windsor Framework.
- Expanding the sectors included in the TCA's Public Procurement chapter would also be a significant improvement to the level playing field. Allowing EU businesses greater access to compete for public contracts in the UK, including in currently excluded areas such as health services, would be a beneficial enhancement of the agreement.

- Rules of origin constitute another area of improvement for trade in goods. Businesses would benefit from further flexibilisation of the rules and more cumulation options, namely if the UK decides to accede to the Pan-Euro-Mediterranean Convention. The EU-UK Partnership Council's decision to extend the existing rules of origin for electric vehicles and batteries is welcome. With the goal to rapidly establish a fully competitive European battery and electric vehicle value chain, it is vital that both parties agree to shared guidance on Cathode Active Material (CAM) for the purpose of electric vehicle and battery rules of origin, as a matter of urgency as set out within the TCA.
- A further point to be addressed is the need for a clear specification of the procedures to be followed and documents/information to be provided by importers when demonstrating the country of origin for claiming preferential tariff treatment under "importer's knowledge". While the current wording in the TCA is very general and thus creates great uncertainty for importers, a clearer specification would allow for a uniform approach across all Member States and contribute to reaching the objectives of the TCA.
- Additional customs formalities since the UK's exit from the single market and the customs union have resulted in significant delays and higher import and export costs. Simplifications concerning the transit procedure and more direct linkage with each national customs clearance system in Europe is an area that could be improved. A high degree of harmonisation and simplification via trusted trader schemes, recognition of each other's AEO security protocols, and the adoption and recognition of electronic customs documentation should also be pursued. Active engagement between UK and EU member states' customs authorities is a necessity to reduce further supply chain disruptions, notably as new border control systems are developed by both sides. The implementation of the EU's new Entry-Exit System and the gradual phasing in of the UK's Border Target Operating Model should be paired with ample information and support provided to travellers and economic operators to limit complications and effectively achieve their legitimate objectives.
- With numerous third parties involved in each shipment, it is imperative that all parties in the supply chain are aware of new rules. Training and qualification programs, easier opportunities for direct conversations with customs authorities, and clearer access to rules and their clarification would all be helpful. An efficient and flexible customs declaration service is of the utmost importance in the application of the Windsor Framework for the processing of goods entering Northern Ireland from Great Britain to avoid instances where carriers cross the border without the necessary data or documents being shared.
- The EU and UK should seek to conclude agreements on the mutual recognition of conformity assessment for products in the appropriate sectors, to allow EU products destined for the UK market to be tested or certified by bodies located in the EU. We also encourage the UK to put in place green corridors for low-risk goods, which could cross borders with minimal customs checks.

3 MOBILITY OF PROFESSIONALS

- Agreements to enhance the mobility of professionals would be instrumental in limiting the labour shortages that firms are facing in the EU and the UK, as well as addressing complications for cross-border workers between Northern Ireland and Ireland, and Britain and the EU. Here, agreements on the mutual recognition of professional qualifications are key to enabling EU and UK based professionals to work or provide services across the Channel. As such, the EU and UK must collaborate more effectively, encouraging and supporting relevant professional bodies to negotiate and then agree on mutual recognition of each other's qualifications.
- Firms operating in the UK face challenges employing skilled workers from the EU due to the not insignificant financial cost of application and legal fees associated with the skilled worker UK visa, compounded by the recent increase in the minimum salary for applications at higher than £38.700 or the 'going rate' for the position. The TCA's provisions also lack clarity in areas such as the activities that require a business visa for short term business visitors, and conditions for workers to undertake short-term work assignments on behalf of manufacturers when these are not mentioned in the underlying sales contract. Businesses would benefit from labour mobility agreements to enable short-term work assignments and business visits as well as streamlined visa processes with reduced fees for professionals, easing financial and administrative burdens.
- The mobility of contract service suppliers represents a major element for the continued liberalisation of trade in services between the EU and UK. Indeed, the UK's visa sponsorship scheme for employers imposes highly significant costs, administrative burden and uncertainty for the hiring of EU service suppliers. A different system should apply for service suppliers in order to restore a level playing field between EU and UK professionals in this area. Additionally, artists and cultural professionals are currently not included in the TCA chapter on contractual service suppliers. More initiatives to simplify travel arrangements for touring artists and support staff would thus be beneficial.
- The proper coordination of social security systems is an essential prerequisite for the smooth mobility of professionals. The protocol on social security coordination in the TCA currently allows employees of EU companies temporarily posted to the UK to remain in their national social security system if the duration of the posting does not exceed 24 months and the person is not replacing another posted employee. In practice, however, the requirements for a posting are often not met, resulting in detached workers no longer being able to remain in the social security system of the sending state. Moreover, the protocol does not allow for a posted person subject to the hosting state's legislation to contract voluntary insurance. This inadequate legal framework can lead to situations in which employees lose access to insurance coverage. We advocate amending the protocol to allow for the conclusion of exemption agreements for certain persons to remain in the social security system of the sending state, in line with clauses common in bilateral agreements signed by the EU and UK with third countries.
- BusinessEurope would also encourage the conclusion of an EU-wide agreement with the UK on youth mobility, in order to restore valuable opportunities for education and training of young people in each other's countries.

4 COMMON CHALLENGES - AREAS FOR FURTHER COOPERATION

As like-minded partners faced with common challenges ranging from the climate crisis to increased geopolitical tensions, the EU and UK should strengthen their partnership by adopting common approaches that safeguard the trade and investment relationship for businesses from unnecessary obstacles.

- We support the establishment of a platform for bilateral discussion between the EU and UK on the development of their respective economic security strategies, in line with the Working Group on transparent, resilient and sustainable supply chains with Japan and similar to the discussions held with the US under the Trade and Technology Council. Such a platform would allow for information sharing, exchange of best practices, shared risk assessments, and working towards some degree of alignment on the adoption of tools such as FDI screening and export controls, when possible. The EU and UK's good coordination in the adoption and application of economic sanctions against third countries should also be pursued.
- Similarly, the EU and UK should work closely together on efforts made in the transition of both economies towards net zero. Close linkage of the EU and UK emissions trading systems (ETS) would further lower the costs of decarbonising and would allow exports of high-carbon intensive products from each to be exempted from their respective Carbon Border Adjustment Mechanisms, all while avoiding circumvention risks. Barring a linkage, limiting divergence between both mechanisms in the scope of products included, calculation method for emissions, reporting requirements and the phasing out of free allowances, is in the best interest of businesses. Likewise, greater regulatory dialogue and coordination on general trade governance and due diligence requirements such as CSDDD, CSRD, EUDR etc. would be desirable.
- Finally, we would be supportive of the prospect for a broad security and defence pact between the EU and UK that would include closer cooperation on energy and supply chain security, including in the North Sea, security of critical infrastructure, and the development of a wide range of decarbonisation technologies. The integration of supply chains should also contribute to the shared reduction of the EU and UK's dependencies, namely on critical raw materials.

Following the impetus provided by the elections of new governments in the EU and UK and looking forward to the 2026 review of the TCA, there is a clear opportunity to upgrade the trade and investment relationship between our two economies to deliver for businesses and citizens on both sides of the channel.



BUSINESSEUROPE



BusinessEurope is the leading advocate for growth and competitiveness at the European level, standing up for companies across the continent and campaigning on the issues that most influence their performance. A recognised social partner, we speak for enterprises of all sizes in 36 European countries whose national business federations are our direct members.

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Germany	Greece	Hungary	Iceland	Iceland	Ireland
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