

EEF Briefing: White Paper –The future relationship between the United Kingdom and the European Union

1. What do we think of it?

In setting out proposals for the future relationship between the UK and the EU, we were pleased the UK Government's focus is on ensuring the simple movement of goods, the protection of the integrated supply chain and a lack of friction at the border. These are key outcomes to secure the jobs and livelihoods of millions of people in UK manufacturing.

The UK Government has taken a constructive step forward, though far more work and detail is required. In its current form the proposals doesn't give businesses the detailed certainty or clarity on key issues such as trade in goods and migration that manufacturers have been calling for. The timetable is short and it is important that commercial expertise supports this process.

2. What does it cover?

The Government has set out its proposals for the future relationship between the UK and the EU. The White Paper covers the economic relationship, security cooperation, cross-cutting issues and the institutional arrangements that will govern the future relationship. It is a negotiating position which the EU will respond to with further negotiations expected. It is not the final outcome. The White Paper covers a range of topics, the areas of interest to manufacturing including detail on trade, customs, standards and regulations and science and innovation. It touches briefly upon migration and movement of people.

3. The details

3.1 Future trade in goods

The White Paper proposes that a new Facilitated Customs Arrangement (FCA) would be created that would remove the need for customs checks and controls between the UK and the EU as if within a combined customs territory. It is positioned that the proposal would deliver frictionless trade in the way the UK currently enjoys through membership of the EU Single Market and Customs Union.

This approach would commit the UK and EU to the governance of a World Trade Organisation (WTO) consistent, Free Trade Agreement (FTA). By implication, this approach could introduce a lower level of market access to the EU than compared to now including the potential for a border and related trade administration requirements. Therefore concerns exist that potentially new impositions will be applied on business. EEF will look for firmer guarantees that that the proposals maintain our priority of genuine frictionless trade.

The proposal for the FCA would commit the UK to apply the UK's tariffs and trade policy for goods intended for the UK, and the EU's tariffs and trade policy for goods intended for the EU. Where the final destination for goods can't be identified, or the trader is not listed on a 'trusted scheme register', or there's a differential in the tariff, it is proposed a repayment system be applied. The proposal would become operational in stages as both sides would need to complete the necessary preparations

We are concerned about the costs and burden that may be imposed on manufacturers, given the proposal is high risk and while the technology remains in development and is untested.

The White Paper sets out a call for zero tariffs and proposes joining the EU Rule of Origin Arrangement (The Pan-Euro Mediterranean Arrangement). These are however typically agreed in far greater detail inside the FTA negotiation process. Moreover, there will be significant paperwork required to provide eligibility of zero tariffs.

The proposals have taken manufacturing sector issues seriously. The next steps in the proposals are to ensure that the UK Government is pursuing our interests in the detailed arrangements for a trade and customs as part of the future economic partnership.

3.2 Standards and regulations

On Standards, the UK Government is supporting the UK's status as a 'Standards Maker' as opposed to 'Standards Taker' which would ensure that UK manufacturing goods are recognised across Europe and globally. The proposal acknowledges the need for a single national standard for UK manufactured goods and a continued role in the European Standards setting agencies.

We welcome the commitment to a Single Standards Model, which we have called for alongside BSi.

On regulation, the White Paper introduces the concept of maintaining a common rulebook between the UK and the EU in areas related to ensuring frictionless trade. However the functioning of the system and the level of legislative equivalence needed are currently unclear. The UK would also seek that agreement to maintain high regulatory standards for the environment, climate change, social and employment, and consumer protection – meaning the UK would not let standards fall below current levels. This is aligned with our priorities, which are to retain current alignment until there is a clear case for change.

The UK will no longer have a vote on the EU rulebook but the White Paper proposes a series of cooperation measures through a joint committee and the option for Parliament or devolved administrations not to adopt changes made in the EU (although this would naturally come with consequences for trade). It also suggests that the UK be allowed to retain observer status on technical committees, which would be helpful.

3.3 Migration and movement of people

The UK Government confirms the end of Freedom of Movement. The proposals do seek a new Mobility framework that would enable citizens to continue to travel to each other's territories to visit, study and work. It also supports the continued mutual recognition of professional qualifications. This is welcome, and at first glance should suit both the UK and EU. The proposal does not cover permanent hires or family, and broader issues connected with proposals on migration. The White Paper states that future migration arrangements will be set out in the autumn, on completion of the report of the Migration Advisory Committee (MAC) and a UK Government White Paper. Our concern is that employers remain uncertainty as to what a post-December 2020 system will look like. Time to adjust to a new system remains limited and optimistic.

The next steps will be the Migration Advisory Committee (MAC) reporting on their work on EEA nationals in the UK labour market, which EEF fed into. The Government will need respond with a proposal for a future system. We will engage with Government to ensure the new system meets the needs of industry as well as giving employers a significant period of time to adjust to a new system.

3.4 Science and innovation

The White Paper identifies a number of areas where the UK would seek to negotiate 'cooperative accords', including on science and innovation such as association with the EU's new Horizon Europe programme. We are pleased with the plan for a science and innovation accord given the UK's place as a leader in scientific and innovation collaboration. Non-EU countries have similar arrangements with the EU bloc in many areas.

The UK Government is to set out its roadmap to increase R&D investment to 2.4% of GDP by 2027 as set out in the Industrial Strategy document, in particular how EU collaborative programmes contribute to meeting this target.

3.5 Other proposals

A common rule book on state aid this will be policed in the UK by the Competition and Markets Authority (CMA). The paperwork requirements will be the main issue for businesses with some existing challenges around current programmes on threshold requirements for individual companies.

Co-operation to maintain cross-border flows of energy (the UK is net importer). This is welcome for energy security and price management reasons, but the White Paper leaves considerable uncertainty over how it will be achieved.

Alignment with EU chemicals laws – specific provisions on chemicals would retain close cooperation with EU policy rather than setting up an expensive parallel system, allowing a single set of set of

approvals and for the UK to participate in the European Chemicals Agency. This is a win on the back of continued lobbying from EEF.

The application of common cross-border processes and procedures for VAT and Excise – as well as some administrative cooperation and information exchange to underpin risk-based enforcement. We will be considering the implications of continuing the link with the EU's VAT regime to ensure we retain the retrospective payment model.

The role of European Court of Justice – continuing to recognise CJEU case law is essential too in areas within a common rulebook, which is a welcome development in the proposals. We will be reviewing and considering this further.

Security co-operation – intention to secure an ambitious future security relationship with the EU, including a partnership that covers the breadth of security interests including defence and technology.

4. What are we doing next?

4.1 Analysis

The White Paper does cover a number of the important 'headings' that will determine the arrangements for the UK's future economic, legal and wider cooperation needs with the EU. The proposals do apply a degree of detail and envisage a strong bi-lateral relationship. But some areas are 'thin' and require the UK Government to make clear its position ahead of the UK formally engaging on the EU's position. We will be providing further input into the UK's evolving position and continuing our structured dialogue across key Whitehall departments. (This includes attending a monthly Home Office Employer Representative Group on Migration and continuing to influence the final stages of the MAC report.)

4.2 Seeking clarity on unanswered questions

There is little accompanying detail to the UK Government's approach and choices that have been set out in the proposals. We will be seeking to represent Members views in the approach the UK Government will be adopting in the ongoing phases of the negotiations and seeking clarification on the on the underlining

4.3 Negotiation rounds – keeping you updated

Helping Members understand and navigate Brexit continues to be our priority. Through the membership of our Brexit Virtual Panel and PSN, work through the Regions including presentations at Regional Advisory Board meetings, expert advice sessions at the National Conference and Roadshows, and bi-lateral contact with individual Members, we have recently launched a Brexit Webpage which is full of content. We will continue to provide analysis of the emerging policy and political developments, provide support and resources to help Members develop their individual responses and readiness to Brexit, and seek your input into our policy analysis and research.

4.4 Your input and feedback

The views of our members have been key to developing our strategy and we would welcome any thoughts or comments. These will feed into our ongoing engagement with the UK Government. For further detail please contact brexit@eef.org.uk