



Greater Birmingham
Chambers
of Commerce



Black Country
Chamber of
Commerce



Coventry & Warwickshire
Chamber of
Commerce
The Ultimate Business Network

Briefing Paper

EU-UK Trade and Cooperation Agreement

January 2020

Supported by



West Midlands
Combined Authority

Connect. Support. Grow.

What is the EU-UK Trade and Cooperation Agreement?

The 'EU-UK Trade and Cooperation Agreement' (TCA) sets out the future relationship and the new trading arrangements between the UK and the EU following the end of the Brexit transition period.

The UK and EU negotiators reached an agreement in principle on the 24th December 2020 with the deal being applied on a provisional basis (from the 1 January 2021) until both sides have ratified it through their respective procedures. The UK government ratified the deal on the 30th December and the EU Parliament is expected to vote on the deal in early 2021.

Whilst this agreement will not enable UK businesses to have the same level of access to the EU market as they have enjoyed previously (while the UK was part of the EU), it does go a great deal further than traditional free trade agreements including the CETA deal struck between the EU and Canada.

The TCA is over 1000 pages and cover a number of key areas including trade in goods & customs cooperation, services and investment. Please see below for a summary of some of the key elements in the agreement.

The Chamber will continue to provide businesses with Brexit related support and services following the end of the transition period including online resources and guidance (click [here](#)), specialist international trade advice (click [here](#)), export documentation services (click [here](#)) and a range of international training courses (click [here](#))

What are the primary implications for businesses?

- **Tariffs:** There will be no tariffs (or quotas) on the movement of goods between the UK and the EU providing the goods meet the relevant rules of origin requirements
- **Customs documentation** (e.g. customs declarations) is now required on imports, exports and temporary exports (e.g. temporary movement of goods for trade shows) between the UK and the EU
- **VAT:** all goods movements between the UK and the EU are now classed as imports and exports which means they are subject to UK or EU import VAT
- **Northern Ireland:** specific rules and requirements including customs documentation apply on goods arriving from Great Britain to Northern Ireland (find out more [here](#))
- **Products Standards:** UK products exported to the EU will need to demonstrate that they conform to EU standards (i.e. undertake conformity assessments with EU recognised bodies)
- **Services:** UK service providers will no longer have the automatic right to offer services across the EU and will be required to follow the national rules in each of the EU member states they deliver a service.
- **Business Travel:** UK business visitors to the EU will be able to enter the EU-visa free for 90 days in any given 6 month period, but there are restrictions on the types of activities they can undertake
- **Visas/Work Permits:** UK workers that deliver services in the EU may be subject to stricter visa/work permit requirements. This will vary depending on the sector and the country they are providing services in
- **Professional Qualifications:** no mutual recognition of professional qualifications meaning UK professionals will need to get their qualifications recognised by the appropriate regulator in each EU member state they operate in
- **Personal Data Transfers:** the free flow of personal data from the EU to the UK can continue for a period of at least 6 months from 1 January 2021. UK firms may have to put appropriate alternative transfer mechanisms in place after this period to continue to receive data from the EU

What are the key features of the EU-UK Trade and Cooperation Agreement?

Trade in Goods

The agreement ensures that UK businesses will not be required to pay tariffs (or subject to restrictive quotas) on all goods they import from the EU (and vice versa) provided that they meet the rules of origin requirements set out in the agreement. Rules of origin are used to determine how much of a product must come from a particular nation in order for traders to be able benefit from preferential customs duty rates (as a result of a free trade agreement).

Under the terms of the EU-UK Trade and Cooperation Agreement, traders will be able to self-certify the origin of goods. Full bilateral cumulation will apply, meaning that EU inputs and processing activities will be counted as UK input in UK products exported to the EU and vice versa. This makes it easier for businesses to meet the rules of origin requirements and qualify for preferential tariffs rates.

The TCA includes a six-year phase-in period for rules of origin requirements covering finished electric vehicles and hybrids with 60% foreign content (non-EU/UK parts) allowed initially. This will be reduced over time to 55% foreign content. Electric batteries will be able to have 70% overseas content initially but this will fall to 50% from 2024-2026. Click [here](#) for further details on the rules of origin requirements under the EU-UK Trade and Cooperation Agreement.

The UK and the EU have also agreed to recognise their respective trusted trader programmes (Authorised Economic Operators) to facilitate trade for compliant businesses. Firms with AEO status can potentially benefit from preferential treatment by customs authorities providing they comply with the necessary requirements.

Product Standards Regulation

There are very limited provisions in the agreement and most products will need to undergo two separate conformity assessments if they are to be traded on both the UK and the EU market. There are certain exceptions to this with the UK and the EU agreeing simplified arrangements for sectors including wine, motor vehicles and parts, chemicals and medicinal products. For medicinal products, there is an agreement around mutual recognition of inspections and good manufacturing practice. Traders will be able to self-declare conformity for goods deemed to be low risk.

Trade in Services

There are limited provisions on trade in services included in the agreement and UK service providers will face notable barriers in terms of trying to access EU markets.

There are important measures in the agreement such as commitments that prevent UK businesses from having to establish a subsidiary in the EU in order to be able to provide services. However, the provisions to support cross-border services are subject to a significant number of exceptions which will vary depending on the country and the service being provided. Each EU member state will have different national rules, requirements and restrictions that UK service providers will have to navigate.

UK workers that carry out short-term work in the EU or provide 'fly-in-fly-out' services may be subject to stricter visa/work permit requirements moving forward. The TCA includes provisions for visa-free short-term business trips of up to 90 days in any 180-day period, providing the work being undertaken falls within a list of permitted activities including trade fairs and exhibitions, research, training, commercial transactions and after sales services etc. It is important that individuals travelling to EU for work check the entry requirements for the specific country they are visiting.

The agreement does not include a mutual recognition of professional qualifications which will make it more difficult from now on for the likes of architects, accountants and engineers to service clients in the EU. Whilst the UK was a member of the EU Single Market, qualifications in these sectors were recognised across the EU with often very little regulatory oversight. Professionals in these sectors will now be required to have their UK qualifications recognised in each EU member state they operate in. However, the deal does include a framework for future recognition on a case-by-case basis via the Partnership Council. Negotiations on this will continue over the coming months.

It is important to note that provisions around market access for financial services firms are not covered in this agreement. The EU is yet to make a series of equivalency decisions, which is a process whereby they decide whether UK rules (in 28 different areas) are sufficiently equivalent. Equivalency is important for UK firms in maintaining access to the EU Single Market, but it is not a like for like replacement for passporting rights which UK businesses enjoyed inside the EU. Passporting rights enable businesses to sell their services in the EU (from the UK) without the requirement for additional regulatory clearances.

Transferring Personal Data

The EU is currently in the process of making a data adequacy decision which if granted, would enable the free-flow of data from the EU to the UK to continue following the end of the transition period. As the EU is still to make a decision, the TCA includes a 4-month bridging period (which can be extended for a further 2 months) whereby data transfers from the EU to the UK can continue to take place until the EU conclude the adequacy process.

Transport

UK hauliers will be able to carry cargo to any point in the EU's territory and back. They will also have access to full transit rights which will be of particular benefit to hauliers moving goods from the Republic of Ireland to the EU (and vice versa) when passing through the UK.

However, there will be additional restrictions on cabotage operations for UK hauliers. Cabotage is when a haulier performs extra trips after they have delivered cargo to another country. While UK hauliers were previously able to carry out three cabotage operations, they are now only permitted to perform one.

EU Programmes

The UK has agreed to continue participating in 5 European funding programmes including the Horizon Europe research and innovation programme as a paying associate member. However, the UK will no longer participate in the Erasmus scheme which is the EU's university exchange programme. The government will instead create a UK replacement called the 'Turing Scheme'.

Public Procurement

The agreement on public procurement ensures that EU public procurement markets are open to UK bidders established in the EU. Both parties will also be able to access each others public procurement markets for smaller contracts (with the exact details to be confirmed).

The UK and the EU have agreed to go beyond the levels of market access coverage provided by the World Trade Organisation's Government Procurement Agreement (GPA). This includes opportunities in the gas and heating distribution sector and a range of additional services in the hospitality, telecoms, real estate, education and other business sectors.

Please click [here](#) for further information on the contents of the EU-UK Trade and Cooperation Agreement.

What are the Chambers of Commerce's views on the EU-UK Trade and Cooperation Agreement?

The Chamber welcomes the Trade and Cooperation Agreement negotiated between the UK and the EU which has provided businesses with some much needed certainty. This deal avoids a cliff-edge scenario whereby the UK leaves the EU without a deal in place and is forced to trade with its largest export market, on World Trade Organisation (WTO) terms. This would have resulted in tariffs being imposed on goods which would have led to a sharp rise in prices, impacting sectors such as automotive and agriculture considerably and hindering UK firms ability to compete on European markets.

It was pleasing to see that the deal goes much further than the recent EU trade agreements with Canada and Japan by removing tariffs and quotas on all goods that meet the rules of origin requirements. Whilst the rules of origin set out in the agreement allow UK firms to count EU materials and processing as UK input, it is unfortunate that the UK was unable to secure diagonal cumulation which would have enabled UK businesses to count parts from countries such as Japan and Turkey (countries that the UK and the EU both have a trade agreement with) as UK input as well. This will impact manufacturing firms that source a number of parts from these countries as they will be unable to meet the rules of origin requirements for their goods to qualify for preferential tariff rates when exporting to the EU. Many industries will also face additional non-tariff barriers with very little provisions included in terms of mutual recognition for product standards which means that the UK businesses looking to place products on the EU market will have to comply with two different regulatory regimes.

Given the importance of the services sector to the UK economy and that the sector accounts for around 40% of exports to the EU, it was disappointing to see the limited provisions included in the agreement to help facilitate cross-border trade in services. It is concerning that the deal does not include a continuation of the mutual recognition of professional qualifications which will act as a major barrier to professional services firms accessing the EU market. Whilst there is a framework in place for industry bodies and regulators to establish them in the future on a profession -by- profession basis, there are no guarantees that any will be implemented.

Looking ahead, it is important for UK financial services firms that the EU reaches equivalence decisions imminently to provide certainty and maintain market access in a number of key areas.