

Implications of Brexit for EU Business

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Agenda

1. BusinessEurope's Priorities regarding Brexit

2. Cross-sectoral Issues for Business

- Customs Issues
- Rules of Origin
- Regulatory Divergence
- Data Flows
- Research and Innovation

3. BusinessEurope's Publications on Brexit



BusinessEurope's Priorities

- A timely conclusion of the withdrawal agreement, including the transition period, is key for business.
- To avoid a cliff-edge scenario, the March political agreement needs to be transformed into a legal text quickly.
- Regarding future relations, the new model that will govern future EU-UK relations should keep our economic relationship as close as possible while preserving the integrity of the Single Market.
- European companies having large investments in the UK and vice-versa need to be able to effectuate intra-corporate transfers.



Customs Issues

Within the Single Market, border checks are unnecessary due to:

- The common external tariff
- The common regulatory framework
 - Establishing a level playing field
 - Setting high safety and environmental standards
 - Promoting mutual recognition of related compliance tests



Customs Issues

Customs-related issues in EU-UK trade after a no-deal Brexit:

- Border inspections resulting from potential regulatory divergence in areas such as security controls, food safety, consumer protection regulations and environmental regulations
 - Customs declarations
 - WTO Most-Favoured-Nation tariffs
- significant disruptions of supply chains, additional delays, additional administrative complexity or increased costs



Rules of Origin

- To benefit from a preferential tariff under a EU FTA, a EU company needs to demonstrate that a their good either originates entirely in the EU or that or had substantial work done on it in the EU;
- For cars, around 55% of value added need to be added in the EU und ROOs;
- After a no-deal Brexit, the value added to a good in the UK will not qualify as EU value added under ROOs of EU FTAs;
- This will challenge supply strategies and supply chains of companies and force some to change their location.



Regulatory Divergence

- EU common minimum regulatory standards and mutual recognition of testing and certification ensures that product tests only need to be conducted in one EU Member State
- Double testing and border inspections resulting from EU-UK regulatory divergence would cause significant costs for industry.



Data Flows

- Without a free flow of data, businesses might face serious obstacles in basic operations including salary payments, customer relationship management, or data backups;
- The free flow of personal data between the EU and a Third country is contingent on an adequacy decision from the European Commission;
- There is no set timeframe for an adequacy decision;
- Without an transitional rules, the free flow of data between the EU and the UK would be disrupted in the case of a cliff-edge Brexit.



Research & Innovation

- UK research entities play an important role in European research and innovation projects and without an agreement on future cooperation in this area, opportunities might be lost for both sides.
- As long as there is no agreement, there will be uncertainty around existing projects that involve UK partners, including ongoing ones



BusinessEurope's Publications



Links

- Consequences of a cliff-edge Brexit:
<https://www.businessseurope.eu/publications/consequences-cliff-edge-brexit>
- Brexit: the customs implications and solutions:
<https://www.businessseurope.eu/publications/brexit-customs-implications-and-solutions>

