

Annexe D: Submission from Scottish Chambers of Commerce

Introduction:

The third year of the Trade and Co-operation Agreement (TCA) has seen several significant milestones that have changed some of the dynamics of the UK's trading relationship with the EU. These include the introduction and phased implementation of the Windsor Framework, a welcome thawing of UK-EU relations thereafter, and the UK rejoining the Horizon Europe research and scientific co-operation programme, as well as Copernicus.

Domestically, the UK government chose to pull back on some of its deregulatory agenda under the Retained EU Law (Revocation and Reform) Act. It removed the sunset clause on all retained EU law initially in scope of the legislation, and scrapped only a few hundred affected laws, instead of more than 4,000 originally planned. It also made a welcome and pragmatic decision to allow certain categories of CE marked goods to continue be placed on the UK internal market, in respect of Great Britain.

Businesses continue to manage the compliance burdens introduced in 2021, for traders in Great Britain sending goods to the EU.

These include, but are not limited to:

- customs declarations,
- safety and security certificates,
- evidence of origin of goods, or inputs into the manufacture of goods,
- import VAT requirements,
- export health certificates for certain food and plant origin products, and
- requirements under the EU's REACH system (the Registration, Evaluation, Authorisation and Restriction of Chemicals).

For most businesses, this has become part of the everyday task of cross-border trade, but for others, in 2023 as in the previous two years, the burden proved too much, and some stopped exporting to the EU.

- **Almost two thirds (60%) of firms trading with the EU say it is now more difficult to do so than it was a year ago.**
- **Almost half (49%) of exporters disagree the Brexit deal is helping them grow sales.**
- **Two fifths (41%) of firms exporting under the Brexit deal say they face difficulties adapting to its rules on buying and selling goods.**

There is a mood of realism but also ambition from Scottish and EU businesses after three years of the TCA. The political context is also relevant, with European Parliament elections looming (leading to new institutional mandates from mid-2024), the US Presidential election next November, and a likely general election in the UK. Therefore, major changes in the trading relationship appear unlikely, but this does not mean we cannot seek clarity or movement on a range of issues.

These include mobility and professional qualifications recognition, creation of new youth mobility schemes, clear decision-making on emissions trading schemes linkages, improvements in the operation of VAT and SPS (sanitary and phytosanitary) rules. These are all achievable goals in the near term, allied to reforms in how future divergence is managed through regulatory dialogue involving business.

The following sections contain policy recommendations based on our engagement with Scottish businesses, actions that the UK government and EU institutions could take in the next twelve months.

These can be made via the Specialised Committees under the TCA, while the more structural reforms could be a focus for both sides in the run up to the 2025/2026 review or other political discussions after the 2024 election cycle is complete.

Policy Recommendations:

Given the range of issues which Chamber member companies have raised on the realities of trade with the EU in 2023, our policy recommendations are split into three categories:

- **Short-term** issues which the UK government and the European Commission could resolve over the next twelve months. This could be through the Trade Partnership Committee and the sectoral trade committees, under the TCA, which have now started to meet;
- More **medium-term** issues, which could be addressed by side agreements to the TCA as part of the initial review of its operation in 2025/26; and
- **Longer-term** issues, which will require a more substantial review of the TCA.

SHORT-TERM:

- Engagement between the UK government and the European Commission (and in the future, the proposed European Customs Agency) to develop simpler guidance on customs, rules of origin and other key issues. This must then be consistently applied across all 27 EU member states and in the UK. Joint guidance should be produced which is clear, practical, and accessible for business in both the EU and UK.
- Reach an agreement on VAT cooperation with the EU to reduce the number of UK companies requiring a fiscal intermediary in the EU to conduct cross-border trade – as exists for companies in Norway.

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- Focus on making agreements with regulators individual EU member states, as appropriate, on mutual recognition of professional qualifications.
- Ensure the trusted trader arrangements, introduced from 2024 for inbound Great Britain border control of goods, are as open and usable as possible by small, medium and larger-sized importers and their suppliers. This should keep compliance burdens, on animal and plant product controls, light touch.
- Engage comprehensively with businesses in Great Britain and Northern Ireland on implementation of the Windsor Framework. This should include the forthcoming customs processes, their implementation, and food labelling requirements. This will ensure stability in both Northern Ireland and for the overall UK-EU trading relationship. Extend the operation of the Windsor Framework labelling adjustment fund to SMEs involved in phases two and three of compliance in October.
- Develop stronger arrangements for regulatory co-operation between the EU and UK (including business dialogue and consultation) to minimise business compliance frictions with new rules.
- New UK regulations or decisions not to regulate, undertaken following regulatory dialogue with our major trading partners, should be evaluated to check whether they increase net trade costs for importers and exporters in the economic sectors concerned.

MEDIUM-TERM:

- Negotiate a veterinary or animal origin and plant product agreement with the EU, either to reduce the complexity of, or to eliminate, the need for Export Health Certificates on agri-food imports and exports.
- Negotiate a supplementary mutual recognition agreement on conformity assessment and markings of industrial, electrical and electronic goods.
- Deliver further flexibility on travel for business purposes and the range of business activities which can be undertaken.
- Make agreements with the European Commission and – where appropriate – bilaterally with member states, on widening access for labour mobility across key sectors of the economy. And reach agreements on mutual recognition of professional qualifications.
- Develop a closer regulatory policy relationship to ensure better co-ordination between the EU and UK, so that businesses do not face new trade barriers through passive regulatory divergence, without appropriate scrutiny and the ability to have their voices heard.
- Negotiate comprehensive Youth Mobility schemes between the UK and EU, covering school visits and exchanges, associate membership of Erasmus+, and the ability to work for young people, under time-limited visas.

LONGER-TERM:

- Deepen VAT co-operation and adopt common regulatory approaches. Facilitate e-commerce and greater cross-border trade in goods, by cutting

cross-border VAT red tape. Produce a cost benefit analysis on a cross-EU-UK framework for VAT on traded goods.

- Look afresh at whether adjustments to certain product-specific rules of origin would be of mutual benefit to both the UK and the EU; for example in the electric vehicle industry and pan-European supply and sourcing chains.
- Deepen provisions on digital trade and facilitate trade in green goods and services, to ensure these can be traded in both directions at lower cost and with fewer barriers on market access.
- Broaden the categories for cross-border labour mobility and increase the qualifying days in each six-month period.
- Develop deeper regulatory cooperation on conformity assessment, chemicals and technical barriers to trade. Where strong economic and business arguments exist then trade volumes can be increased, and regulatory compliance costs lowered.
- Develop policies for more efficient trade facilitation, including whether agreements and waivers can be reached to dispense with safety and security certificates on goods movements.
- If not already resolved, reach solutions on lowering costs of agri-food imports and exports by simplification, digitalisation and elimination of export health certificates (EHCs).
- Consider the convincing case for the UK rejoining the Lugano Convention, to allow businesses certainty on enforcement of civil and commercial judgements in the UK and the EU.

ENDS

ABOUT SCC: The Scottish Chambers of Commerce Network sits at the heart of local business communities, representing over 12,500 businesses in Scotland. With 30 local Chambers rooted in communities across Scotland, the Chamber Network provides practical advice and support to Scottish companies through unrivalled expert leadership, business-to-business connections, mentoring/coaching, business support services and international trade support.