

techUK – Written evidence (FFT0016)

About techUK

techUK represents the companies and technologies that are defining today the world that we will live in tomorrow. The tech industry is creating jobs and growth across the UK. More than 850 companies are members of techUK. Collectively they employ more than 700,000 people, about half of all tech sector jobs in the UK. These companies range from leading FTSE 100 companies to new innovative start-ups. Most of our members are small and medium sized businesses. This response primarily represents smart-TV and device manufacturers as well as content platforms and those in the media ecosystem.

Executive Summary

Maintaining a frictionless and unrestricted flow of technology goods is essential for all the UK.

The ready and effective supply of tech products have been vital for the UK's response to COVID-19. The supply of essential ICT and electronics goods will also be vital for the future digitisation of the economy in response to the pandemic, allowing for a tech led recovery and increasing the UK's resilience to similar future shocks.

As the end of transition approaches there remain significant issues around the placing of goods on the UK market, that if unanswered will see prices rise for consumers and potentially products not being available to UK consumers.

Response to questions

What are likely to be the key non-tariff barriers affecting future UK-EU trade in goods and how could these affect the operations of UK businesses?

What are likely to be the most important technical barriers to UK trade with the EU? How could these be addressed in the future UK-EU trade agreement and what precedents exist in other trade agreements?

The above two questions are answered together.

The biggest technical barriers to trade (TBT) risk is diverging from the EU on product regulation to the extent design changes are required.

Technology manufacturers operate globally, often with supply chains in East Asia that manufacture in bulk to supply markets across the world. Therefore, making specific changes to a product, such as having to etch on a new marking at source or make other changes to the product for a

specific market can take significant additional time and resource as changes need to be made at the source and then pushed through the supply chain to ensure that products are available and compliant for that market.

For example, if the UK were to require new markings and certifications after the transition period (and did not recognise existing EU markings and certifications) manufacturers would need to supply the UK with its own tailored product. This could impact on the range and volume of goods that could be supplied if there was not a sufficient lead in time for any regulatory change.

There is also a significant risk around the mechanism for placing goods on the market. CE marking is well understood by manufacturers, resource stretched market surveillance authorities and retailers, however at the moment UK is seeking to move from this to a new UKCA mark to demonstrate compliance with UK regulations.

In order to change the marking of products manufacturers need to not only update tooling and entire manufacturing lines/designs to etch the UKCA mark on they need to update their technical files, instruction manuals and Declarations of Conformity.

Doing this in normal circumstances is hugely expensive and time consuming and there are doubts to whether it would be possible to do this to complex technology products in five months, particularly as the legal underpinning of the UKCA mark (UK designated standards, DoCs, legislation etc) is not yet in place.

Therefore, unless the UK Government can provide a period of coverage where CE marking is sufficient to place products on the market after the transition period there could be restrictions on product availability for UK consumers, with manufactures facing uncertainty around whether they can legally their products on the market.

techUK and other industry groups have recommended a time limited sunseting of the CE mark to allow manufacturers to make the required changes so they can confidently and legally get tech goods on the shelves.

There should also be a mentality of 'digital by default' in any new technical barriers to trade, where every single compliance step and marking should be digital.

For example, the requirement to include the importer name and address on the package or product is archaic and delivers zero value to consumers or anyone else in the value chain.

What form of regulatory cooperation should there be between the UK and EU, including cooperation with EU agencies?

The UK and EU should have formal, regular dialogue to discuss future regulatory shifts, analyse potential impacts on trade and process for commenting on impacts. The UK should also remain fully involved in the

European Standardisation Organisations (especially as standards are being increasingly used in legislation) and techUK supports efforts by the BSI and CEN/CENELEC to keep the UK involved.

Lastly unsafe and counterfeit products entering markets is a global issue which means it is absolutely crucial that UK market surveillance authorities can co-operate with EU counterparts and have access to the RAPEX database.

How could the UK and EU minimise the costs and disruption associated with any testing and compliance processes that will be required, including conformity assessments? How effective would mutual recognition be in keeping these to a minimum?

The UK and EU should agree a system where test reports and conformity assessments would be mutually recognised as valid for their respective markets. This should be an issue of priority for both the UK and the EU.

In country testing is an unnecessary barrier to trade at a global level to support free and open trade, there should be no requirement for in country testing or approval, especially for goods coming in from the European Union which have already been classed as safe up to now.

Furthermore, the UK should approach future regulation in a way that allows for pure self-assessment and self-declaration.

Members have seen issues in the EU process where new laws have relied on standards being in place when in fact they were not ready. This saw a huge cost to industry that resulted in increased consumer cost.

The UK should learn from this and make adjustments to its own standardisation processes.

What arrangements on rules of origin should there be between the UK and the EU? What precedents are there for bespoke arrangements in other trade agreements?

Technology products like computers, smartphones, televisions and tablets have vast, complex, international, high-tech supply chains. These tech products have components from all around the world, mainly from outside of the EU; therefore, while some of these products may be assembled within the EU, the approach to rules of origin is fundamental in trade in this regard.

While the WTO Information Technology Agreement (ITA) ensures that many tech products will operate on a 0% tariff, the Agreement does not cover all technology products, particularly consumer electronics products.

Rules of Origin (RoO) processes are costly and expensive to comply with and any administration needs to be minimised. The EU-Japan FTA offers a potential model, but that means that tech manufacturers exporting from

Europe to the UK will still face significant hurdles that would negatively impact product availability, choice and prices for UK consumers.

In terms of proving RoO, accepting a product RoO on a commercial invoice would make compliance and administration easier than requiring costly Chamber of Commerce certificates from both sides. Furthermore, it is likely the Chambers of Commerce would be overwhelmed due to level of demand.

Therefore, the EU and UK need to have a more liberal and considerate approach to rules of origin for tech products.

The UK has not published its proposals for origin rules but has stated that it wishes these rules to be liberal, whereas the EU has indicated that it wishes to replicate the existing origin rules that it implements in existing trade agreements such as the Pan Euro-Med (PEM) agreement.

The more liberal approach set out by the UK is more beneficial to the UK tech sector and would increase the coverage offered in an FTA.

How could customs processes and documentation be simplified to support UK-EU trade? What role could new technology play in this regard?

The incomplete and delayed rollout of the Customs Declaration Service has caused concern among members although the dual running of CHIEF is a sensible step. If CDS can deliver the modularity and interoperability (for example using it to record export control data), this will be a major simplification.

However, for the tens of thousands of traders who have only exported to the EU with no process or hurdle, this will be an expensive distraction that erodes competitiveness.

As the UK establishes a new border system intervention should remain intelligence led and should be led by a positive approach to facilitating trade.

What improvements should be made to existing customs facilitations, such as trusted trader schemes, particularly for the benefit of small and newly-established businesses?

The UK was in the process of setting up a new trusted trader scheme to replicate the benefits of AEO status, however techUK is disappointed to see a lack of engagement with industry on the design of such a scheme.

The step to allocate every business an EORI number was a sensible and positive step, however there will be many thousands of smaller businesses who have never experienced customs, tariff, or regulatory processes and they will be severely impacted.

The eventual UK/EU FTA should have the ambition to allow goods movements using simplified returns, but also make the process for achieving AEO equivalent trusted trader status simpler and more affordable so a wider range of businesses can access these benefits.

Are there any other areas where the UK or EU should be more ambitious in reducing the costs associated with non-tariff barriers?

As mentioned above all compliance processes and barriers should be digital first and not require any changes to the way a product is made, transported or sold.

The UK Government should also remove the 14% tariff placed on TVs in the UK's new global tariff. Not only will this help reduce costs for the importing of an important electronic goods into the UK from non-EU destinations, but it will also help reduce non-tariff costs that will result from a UK 14% tariff on TVs.

Even in the event where a zero tariff, zero quota deal is reached with the EU there remain significant outstanding questions around how rules of origin will affect the importing of TVs onto the UK market.

Negotiations are currently ongoing, however there is a risk that, depending on how they are constructed, rules of origin agreed between the UK and the EU may prevent TV manufacturers from accessing the benefits of a UK-EU agreement.

Rules of origin can also be very complicated costly to calculate, and in some cases, companies see the payment of the tariff as the lower cost. In this case importers of TVs will either need to choose between a high tariff costs or high costs of compliance.

The removal of the 14% rate in the global tariff would make this process easier, by allowing zero tariff imports without reference to rules of origin. There is also the serious question of how any major tariff differential or extra costs would be managed through the Northern Ireland protocol, with the possible risk of the creation of a black market for the supply of TVs to the UK in Northern Ireland.

The UK has traditionally been both an advocate of free trade, and a vociferous supporter of the Information Technology Agreement, which seeks to eradicate tariffs on technology products. Given this, it seems somewhat at-odds with the UK's decision to implement a tariff on a product where there is limited domestic production.

techUK is of the opinion that the best way to ensure the sustainability and competitiveness of the UK TV-manufacturing industry is to remove the risk of the 14% tariff applying to TVs imported from the European Union, by removing it from the Global Tariff.

What impact would the absence of a UK-EU trade agreement at the end of the transition period have on non-tariff barriers and,

consequently, UK businesses? How prepared are UK businesses for this situation and what should they be doing to get ready?

Business is not prepared for a lack of agreement as this would not only see tariffs instantly make some consumer electronics unprofitable, but also see new requirements (including the UKCA mark) impossible to comply with. Members will always comply with regulation and the lack of clarity on what compliance for the UK market looks like could see delays (and more) to products.

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