

ETRMA position on EU-UK Trade Relations

28th July 2020

Introduction

The EU and the UK are close trade partners, particularly with regard to the automotive industry, whose value chains are strongly interlinked.

In 2019, the UK was the third biggest market for motor vehicles in the European Union (after Germany and France) and it is expected to remain a key market for the European automotive industry, including tyres and rubber components suppliers.

The UK has a local tyre market of 50 million new tyres, for use on cars, vans, trucks and buses (on new vehicles and as replacement tyres).

With regard to the sector's trade flows, the UK imports from the EU are comparable to those from the rest of the world. The same proportion is applicable to UK's exports of rubber products. For tyres, UK's exports to the EU are more than double than those to the rest of the world (data in value, source Eurostat).

Four pillars to sustain EU-UK trade relations

From the point of view of the European tyre and rubber sector, **a trade deal between the EU and the UK is absolutely crucial. Its objective should be that of maintaining the relations between the EU and the UK as close as possible to the current ones.**

1.

Regulatory Convergence and Level Playing Field

In this regard, it is essential that a **"regulatory level-playing field"** is maintained for both tyre and vehicle-related regulations, but also with regard to the legislative framework in and around manufacturing.

With this in mind, EU legislation currently in application in the UK should continue to be so, even after the end of the transition period. Going forward and **looking at further legislative developments regarding manufacturing** (from the sourcing of raw materials, management of chemicals, emissions, circular economy...), **a strong regulatory dialogue should be maintained, to ensure as much alignment as possible with the EU and to keep legal harmonisation and continuity.**

Concerning tyre and vehicle regulations, **the European tyre industry would support the inclusion in the Agreement of an automotive annex to avoid Non-Tariff Barriers (NTBs), promote compatibility and convergence of regulations, based on UNECE standards.**

Such an Annex would also **ensure that all existing tyre regulations, which are already implemented in the UK, will continue to be so – including their reviews, updates and deriving secondary legislations.** Furthermore, it should facilitate constant regulatory dialogue to **ensure that EU and UK tyre regulations will converge – even when outside the UNECE Framework.**

Finally, **existing vehicle regulations and new ones - already negotiated before Brexit - should be implemented in the UK, as per UK commitments when a Member State of the EU.**

Data and data flows guarantee quality and efficiencies in corporate products and services, promoting innovation. For this reason, the trade **agreement should include a clear and comprehensive decision to keep, promote and ease data flows framework between the two markets (i.e. adequacy).**

2. **0% Tariffs** **With regards to tariffs, the trade agreement should aim for 0% - to maintain the relationship between the partners as close as possible to the current one.**
3. **Customs** Concerning customs, given the strong level of integration between the EU and UK automotive value chains, it is essential that **operations at customs guarantee a fine balance between smooth and timely operations and assurance that goods that pass the border are compliant with EU and UNECE tyre regulations.**
- To do so, **customs capacity should be significantly reinforced** and effectively handle increased customs procedures.
- Customs procedures should be clear and simple** to avoid disruption of the automotive value chain. In this context, a **strong level of cooperation between the British and EU customs authorities** would also help to facilitate the smooth movement of goods and timely exchange of information – particularly with regard to alerts on compliance of goods entering the respective borders.
- In this context, **continued cooperation between market surveillance authorities and customs authorities both in the EU and the UK remains of the utmost importance to guarantee a level playing field both between the UK and the EU and internationally.** The role of customs will also be of key importance for the **effective implementation of trade defence instruments.** In particular, should tariffs on products bound to and coming from the UK diverge from those applied in the EU, no loophole should be opened paving the way for parallel grey markets which would penalise the operations of European based manufacturers. In this context, it is desirable that the UK and the EU will work closely vis-à-vis the use of trade defence instruments. Given their geographical proximity, an unsynchronised and uncoordinated approach to the imposition of trade remedies would result in administrative costs and disruptions to trade.
4. **Consistent RoO** Concerning the Rules of Origin, the ETRMA recommends that these are consistent throughout all EU trade agreements: simple, transparent and as close as possible to the WTO, not imposing any additional burden on economic operators.
- A waiver as designed in the EU-Japan FTA should also be considered in order to simplify operations.

Conclusions

Continuity is the word that best represents the recommendations of the European tyre and rubber sector when looking at shaping EU-UK trade relations. To do so, the needed ingredients are regulatory cooperation, 0% tariffs, effective customs both in terms trade facilitation measures and of efficient checks, and rules of origin consistent with the recent EU trade deals.

Despite the recent difficulties posed by the COVID-19 outbreak, ETRMA strongly hopes that an agreement between the partners can be found in good time, for its implementation before the end of the transition period.

A no deal scenario would represent a shock for the industry and should be avoided. In the middle of an economic crisis, a trade agreement in the name of continuity is key to lessen the economic blow of Brexit.