

# Trade Talks UK-EU Trade Review

March 2018

TRADE TALKS





# Introduction

Against a backdrop of Brexit and the groundwork being set for the UK to become an independent global trading nation, UK plc increasingly needs support and guidance. Our Trade Talks initiative will provide businesses with current guidance and opinions, along with the resources and contacts to help them to make strategic business decisions.

Whether you are exporting or importing, looking for global investment opportunities or just need to be aware of economic and political issues, Trade Talks can help.

We will bring together colleagues who have on-the-ground knowledge from key jurisdictions, such as the US, China, the EU, the Commonwealth, India and further afield. This, coupled with experts from our global network of business leaders and influencers, will keep you abreast of economic and political issues in this fast-paced environment.

Our next stop on our Trade Talks tour is the European Union (EU). The Treaty of Rome was signed on 25 March 1957 by Belgium, France, Italy, Luxembourg, the Netherlands and West Germany. It remains one of the two most important treaties in the modern-day European Union. To coincide with the 61st anniversary, we asked Sean McGuire, Director for Brussels at the CBI, about the outlook for the EU-UK relationship and trade in 2018 and beyond. Our interview probed economic trends, the forecast for trade in 2018, the word on the street in Brussels, barriers and an insight into the relationship between China and the UK.

Here, as a supplement to our interview with Sean, our Brexit, public policy and international trade experts offer their insight on the EU-UK trade relationship.



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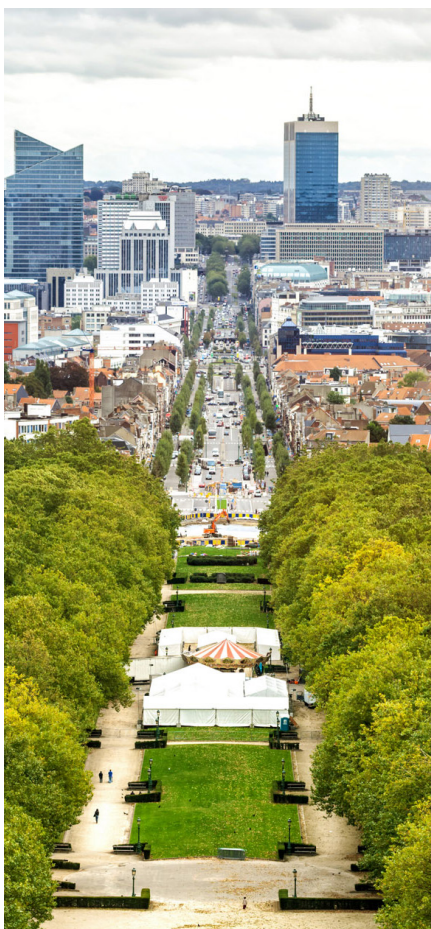
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With more than 1,500 lawyers and an industry-leading Public Policy team, we have decades of experience to support our clients through this legal and political uncertainty. Our Brexit and International Trade expert team includes former members of the UK Parliament, former Office of the US Trade Representative and World Trade Organization officials, members of the European Parliament and senior regulators, as well as European Free Trade Association officials, former ambassadors and national government ministers. They work collaboratively with our legal practitioners who master all relevant areas of law likely to be affected by Brexit, such as international trade, regulated industries (e.g. financial services), immigration, labour and employment, tax and competition. Our Brexit team operates on a cross-continent, cross-border basis, ensuring that our clients' voices are heard at the right time and in the right places. We understand that the ultimate outcome will depend not on just what the UK wants, but what the other key stakeholders will agree.

Our Public Policy, International Trade and Regulatory teams can actively engage with key policymakers as they develop post-Brexit strategy. This engagement draws on the expertise of our extensive team. We know with whom to communicate, what to communicate and how best to communicate our clients' interests.







## What are you seeing as the major economic trends in Europe at the moment and how are those relevant to trade for the UK?

Wolfgang Maschek – Partner, Brussels

From an EU27 perspective, we are seeing a much more positive outlook from France, Germany and even Spain. Rewind five years and there was low confidence around economic growth; now we see much more positivity and economic results to back this up. I think this reflects on the way our clients enter the EU market and the import and export trends with the EU27. This benefits London and the EU27, which is very encouraging.

## What is your forecast for how the UK and the EU trading relationship will look post Brexit?

Robert MacLean – Partner, Brussels

We are still within the withdrawal negotiations and waiting for that withdrawal agreement to be finalised. It is very difficult to look further than one year ahead, but what we see is that business is obviously strong on both sides of the Channel. We need to build on the positive economic outlook that we see in the UK and in Europe and ensure that whatever is negotiated will reflect the way that businesses want to deal with each other, i.e. enhance their trading relationships.

## Where do you see the political landscape of the EU in say 10 years' time?

Jeremy Cape – Partner, London

There are very interesting political challenges that the EU and the EU27 have to deal with internally. Taking into consideration that the UK is withdrawing from that political sort of dialogue, there are many political challenges that need to be tackled by the EU27 leaders.

The main one at this stage is reforming the Eurozone. Banking and wider financial services industry is where the focus is. I expect that reform in this area will have the most significant economic impact for the European businesses.

From a more social and environmental perspective, we will see Europe want to tackle migration debate as a matter of priority, as well as environment and climate change issues that are impacting us from wherever we are in the world.

## What is the word on the street in Brussels? One year out from "Brexit day", what is the feeling, what is the sentiment?

Wolfgang Maschek – Partner, Brussels

Cautiously optimistic. Brussels is eager to see the UK presenting its proposal, moving on and getting on with the job. I think the EU27 are ready to engage in constructive discussions. The next few weeks will be crucial, in terms of knowing how the Brussels team will react to the latest proposal that the UK government will put forward.



## What is special about the UK's trading relationship with the EU overall?

Robert MacLean – Partner, Brussels

It is special in many ways. I think it is special because it is the closest. I mean there is only one Channel dividing us and, from a trade perspective, of course, it is very important. Trends show that you tend to trade with your closest neighbours because it is cheaper to do it. There is also a legal and a regulatory regime that has been harmonised for the past 50 years. For example, it is easier, from a legal perspective, for any UK business to start a company in France and Germany or in the Netherlands.

Europe has had many political challenges that are still panning out today, but we have seen strong emphasis on creating a political union that no other countries have done in the past. This is what makes it very special.

## What barriers would you say a UK business has to building a trading relationship with its partners in the EU?

Jeremy Cape – Partner, London

It is difficult to answer in the post-Brexit landscape because it will all depend on what the trading relationship will be. The relationship between the UK and the EU will still be valued post-Brexit.

We have to bear in mind that even though Europe has its laws, we have European laws and a European regulatory regime, it is not the case that we have one European country. The barrier will be how you negotiate within one market. You still have very different regulatory layers, and laws that would apply depending on whether you start by setting up or operating your business in, for instance, Amsterdam, Frankfurt or in Paris. The laws would not necessarily be the same and that can be a challenge.

## What do you think UK businesses need to be aware of in building those trading relationships with EU partners?

Wolfgang Maschek – Partner, Brussels

I think it is important that UK businesses continue trading on their relationships. Relationships are there with the EU27; what we want to ensure is that, despite the sort of political negotiation going on. It is still business as usual from a legal perspective.

It is important to bear in mind and anticipate the potential change in the future, but equally important is to ensure that the current existing trading relationships remain as they are and that we continue to develop and enhance these further. What we are seeing is UK businesses looking at opportunities to start a legal presence in the EU27. They are looking to expand in a way that, from a legal perspective, will be different to the way they operate now. Having an established and recognised legal presence in the EU27 will be very important going forward, where it was not necessarily a pre-requisite before Brexit. I think that will be the next steps for UK businesses with respect to entering the EU market.





# Our Brexit Service

## How We Can Support You

Our Brexit-related services fall into the following categories:

- Monitoring
- Analysis
- Planning and preparation
- Engagement

Client-specific monitoring services offer the strongest combination of legal, regulatory and government advocacy expertise to provide the most effective advice and assistance to clients affected by Brexit. Based on monitoring and other intelligence, we provide custom impact assessments and analyses from a legal, regulatory and policy angle. Armed with this information, we design and implement strategies to mitigate the risk and uncertainty that Brexit brings.

## Brexit Status Update Report

This is a bespoke report that summarises Brexit developments to date. The report covers legislative, regulatory and policy developments of specific relevance to each client. It is a bespoke “Where Are We Now” document, which acts as a starting point from which our monitoring and impact assessments and analysis will build.

## Monitoring

Following on from a Brexit Status Update report, we provide a monitoring service tailored to our clients’ requirements and designed to ensure that all major legislative, regulatory and policy developments arising from Brexit. We agree areas of particular interest and reporting regularity with each client.

Monitoring areas can include:

- Immigration
- Labour and employment
- Financial services, insurance and other regulated industries
- Commercial contracts
- Distribution arrangements
- Data privacy and cybersecurity
- Intellectual property rights
- Trade and customs
- Tax
- Industry-specific issues

## Analysis

Based on monitoring, we provide tailored impact assessments from a legal, regulatory and policy angle. The developments are analysed by our legal and policy experts so that the information clients receive is actionable, reportable and supports the making of sound business decisions.

## Planning and Preparation

Armed with this information and analysis, we assist clients in designing and implementing strategies for their UK, EU27, US, Asia Pacific, Australian and wider global operations, which help mitigate the risks and uncertainties due to Brexit. We help you “see around corners” in order to plan and prepare contingency measures for Brexit.

## Engagement

Our Public Policy, International Trade and Regulatory teams can actively engage with key policymakers as they develop post-Brexit strategy. This engagement draws on the expertise of our extensive team. We know with whom to communicate, what to communicate and how best to communicate our clients’ interests.

## Contacts



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