

Is the single market expanding?

With Mrs May having decided to leave the Single Market (and wider European Economic Area, EEA), it could be critical to know if it poses a long term existential threat to our future as a global trading nation. Whilst in a formal sense the EEA will contract after Brexit, it actually wields considerable informal influence over much global trade. Ignore its ramifications at your peril. Could then Mrs May's government, having decided to leave on somewhat disingenuous grounds, that the four freedoms are indivisible, be unaware of this less obvious consequence?

What is the Single Market (or wider EEA)?

The Single Market provides a common mandatory regulatory framework of European Union (EU) directives (laws), standards, compliance or conformity assessment and market surveillance for many products under a centralised legalistic bureaucratic framework. Thus the quality, safety, environmental impact, energy consumption, and integration with other products can meet common (harmonised) criteria; commonly known as Essential Requirements in directives based on the New or Global Approach. Failure to demonstrate compliance with the Essential Requirements or acceptable (harmonised) standards can prevent a product being placed on the market (in the Single Market or wider EEA) or cause it to be withdrawn. Demonstrating compliance may require independent conformity assessment and certification; typically carried out by independent test houses and qualified notified bodies (Nobos) which in turn are regulated ultimately by the European Commission (or designated agency). (Further information on the EEA see [here](#), [here](#) and associated links)

What is a product or service?

Unsurprisingly any product and service is much more than just a collection of parts with some kind of functionality. Those parts, materials comprising those parts, associated services, design, production, testing and inspection processes all have to comply with recognisable and authoritative standards.

Whether it is an automobile or safety shoes, there will be standards and reliable means to ensure their compliance, often with some form of mandatory regulation or control. The alternative to these arrangements is very much the *Caveat Emptor* principle and an inability to benefit from the accumulated experience of producers, regulators and users. Costs can also be higher because of a lack of standardisation.

Not all export markets are the same

Some export markets and customers for certain products and services can be very sophisticated, featuring well-developed regulatory frameworks, facilities and knowledgeable, competent, in-house resources. Then it is a matter of complying with their requirements, their specified standards and their regulatory framework. To offer non-compliant alternatives in the hope that they will be acceptable is to court losing the work to fully-compliant competitors.

However, some exports markets and customers need to rely on external resources and guidance from larger and well-refined markets. This reliance can be very subtle and render otherwise generally acceptable suppliers and products uncompetitive, or exclude them completely from the market.

The March of Global Standards and the Single Market

Globally accepted standards are great facilitators of international trade. Where a product is quite complex it certainly helps to know that it complies with standards that you (or the local regulatory authorities) are already familiar with and can trust. In reality many standards are produced by international bodies and are the same in the UK, Japan or Germany, with perhaps minor national variations. There is also

considerable interchange between European Standards (Euronorms) and International Standards. Hence the expansion of International Standards effectively to supersede national standards and fill obvious needs.

Somewhat less obvious, mandatory regulation is also expanding and effectively following the lead of the more advanced practices. The Single Market (and wider EEA) is the home of many businesses which are well versed in working to International and European Standards and which follow well-refined conformity and regulatory practices, thus making it somewhat of a low risk trend-setter. The European Commission is also happy if others (particularly individual non-EU countries) follow its lead (*The Brussels Effect*), while for those planning to join the EU, it is necessary to do so. Also, there can be formal agreements which effectively extend the EU's mandatory regulatory practices into particular products and markets outside the EEA. In summary, it is a complex, ever evolving subject.

World-leading product but still excluded from an export market

It is not surprising, therefore, to be confronted in an export market with a plethora of well-known European and/or International Standards, along with conformity assessment or regulation modelled on EU/EEA practices. Such imitation can extend as far as using documentation that in part has clearly been re-badged from previous use inside the EEA; it keeps the costs and risks of preparation down. It can also be advantageous to reputable organisations to point out that they vigorously follow these often high and demanding, standards and practices, while at the same time being 'outside the loop' can be detrimental to other companies.

Vendors/Suppliers don't argue with potential customers in export markets

Being 'unfairly' excluded from profitable business rarely leads to robust or legal challenges against the potential customer by the unsuccessful vendor; as a minimum, very deep pockets are needed which small enterprises obviously do not possess. It is even rarer for unsuccessful vendors eventually to win the work after having caused delays, bad feeling and extra costs. Once excluded because of non-conformity it is difficult and costly for a company to get back into its given export market again. This is especially the case with capital goods or complex products; re-design, re-testing and conformity re-assessment don't come cheap.

The Invisible Competitor

The subtle influence of the Single Market (and wider EEA) extends far beyond the borders of its Member States. This extent of that influence is impossible to determine. Even knowing it is there usually requires considerable perception, industry knowledge and exposure to the export markets involved. Yet this influence can make it more difficult or even impossible for organisations (especially smaller enterprises) that don't follow the EEA's standards, conformity assessment and regulatory practices to do business in some export markets.

In future, unless there is a re-think of the Government's Brexit policy, the UK may face problems in accessing some highly attractive export markets outside mainland Europe because of the reach of the Single Market and EEA.