

Chemical Industries Association (CIA) - Written evidence (CRB003)

Following the UK's departure from the European Union on 31st January 2020 and the transition period, both sides are now negotiating a future trade relationship. A priority in these negotiations is the conclusion of a trade agreement that will be the core of the future economic relationship. Rules of Origin is a key issue for the chemical industry that should be addressed during the negotiations.

Rules of origin for chemical products should be as flexible and simple as possible, along the lines of the RoO agreed in the trade agreements with Japan. The simplicity is key if we are to avoid UK companies not seeking the preferential tariff rate due to an unreasonable bureaucratic burden in justifying any claim of origin.

The UK and EU27 chemical industries function as a European-based industry with extended supply chains and products that cross borders any number of times during their production. It's often said that the biggest customer of the chemical industry is the chemical industry. The industry would expect UK content to be seen as EU content and vice versa (EU content seen as UK content) an arrangement known as bilateral cumulation. Due to the nature of the chemical industry which uses raw materials and ingredients from multiple sources it is important that the UK governments looks beyond bilateral cumulation and delivers diagonal cumulation. This would ensure that UK/EU content would secure preferential rates within FTAs to be negotiated, already with Japan, and in the hopefully near term with the US, Australia, New Zealand and the CPTPP.

in the context of the EU-UK negotiations three criteria should be included as avenues to secure origin.

- A **change of tariff sub-heading (CTSH)** is the most widely accepted method to confer origin for Chapters 28-40: One of the methods for determining origin should be the rule of Change in Tariff Classification (Tariff Shift) on a heading (4-digit HS Code) or sub-heading level (6-digit HS Code).
- **De Minimis Clause:** Goods that do not undergo a change in tariff classification are nonetheless originating goods if the value of all non-originating materials that have been used in the production of the good, and do not undergo the applicable change in tariff classification, does not exceed 15% of the adjusted value of the good.
- **Added-Value Rule:** Added-value criteria can be calculated with one of the following options: Value of all the non-originating materials used does not exceed 60% of the ex-works price of the product; or Net Cost where the value of all non-original material does not exceed 70%; or Transaction value (CIF or FOB) of the imported goods or of identical or similar imported goods⁴ for the purpose of origin calculation. The value of all the non-originating materials used does not exceed 60%.

Verification of origin is also important for the chemical sector. As an industry driven by innovation, the protection of intellectual property rights and the protection of confidential business information has the highest priority. Therefore, the verification of origin shall be carried out by the customs

authorities or the competent governmental authority of the exporting Party only. Through administrative cooperation the exporting party communicates the verification results providing only a statement if the goods are originating or not as well as a brief and general justification. Under no circumstances should the exporting party exchange the following sensitive data with the importing party: Description of manufacturing processes, list or descriptions of the raw materials used in production, value or weight of the raw materials, information about the raw materials suppliers etc.