



13 February 2018

Cefic, ECEG and industriAll European Trade Union statement on Brexit

Importance of the EU Chemicals Industry

The European chemical industry is a key pillar for a sustainable society, **providing high quality direct employment to 1.2 million people in Europe**. It also helps provide solutions in other sectors tackling sustainable development challenges including energy and climate change, transport, health, food, hygiene and housing.

The UK chemical industry represents approximately 7% of total EU-28 sales. EU-27 exports to the UK reached 22.6 billion EUR in 2016, approximately 4.5% of total EU-27 sales, while imports from the UK totalled 19.3 billion EUR.

The UK's decision to leave the EU presents a political and economic challenge **that creates significant uncertainty for companies and their employees**. Cefic, ECEG and industriAll Europe are united in their concern about the adverse impact that Brexit could have on the viability, international competitiveness and employment within Europe's chemical industry on either side of the channel. A joint-approach is needed to ensure that the chemical industry, and the high-quality European jobs connected to the industry, are protected from any adverse effects caused by Brexit.

Supply Chains

The chemical industry, and its suppliers and customers, are part of highly integrated European and global industry value chains. These complex supply chains often cross borders on a number of occasions, both inside the EU and across the external EU borders. **Chemicals may cross the EU-27-UK border several times**, either in the form of final chemical products, or integrated in intermediate products made from chemicals (e.g. car parts). Even in the case of the most advanced trade agreement, customs procedures will be much more complex and costly than in the current Single Market.

Retaining duty free access for chemicals across a future EU-27-UK border, on a level playing field between the EU-27-UK and the rest of the world, is a key concern for the chemical industry and other industrial sectors which depend on chemicals, such as the manufacturing sector. Placing additional burdens on supply chains will increase production costs and impact negatively on consumers causing disruptions that will put industrial jobs at risk.

Tariffs

There is still a lot of uncertainty about the future trade and investment relationship between the EU-27-UK. Whatever form it will take, it is likely to fall short of the current Single Market, which would have important consequences for companies and their employees. Even the most advanced Free Trade Agreement (FTA) falls short of the conditions prevailing in the Single Market.

Failure to secure a transitional period, and a new EU-27-UK FTA, would see the UK fall back on the World Trade Organization's (WTO) Most Favoured Nation (MFN) status. Resulting in the reintroduction of **import duties on chemicals trade** between the EU-27-UK. Consequently, a **maximum tariff level of 5.5%-6.5%** on chemicals, (approximately 40 billion EUR annually), could

apply. Additionally, an average **import duty of 3-4%** (approximately 1.5 billion EUR per year), is a huge extra input cost for the industry. In a globally competitive market, it would be difficult to pass on these costs to customers. As such, most of the burden would fall on the industry, resulting in reduced profitability, lower investments and less future growth.

Customs Procedures

Whatever the future EU 27-UK relationship will be, it appears likely that the UK will leave the Single Market and customs procedures will be different. Within the Single Market, documents follow the goods transported between the EU and UK, this process will be reversed after Brexit. Specific customs simplifications (e.g. centralised clearance, single authorisation, inwards and outwards processing) and Value Added Tax (VAT) and excise formalities (including simplifications like deferrals) will cease. Additionally, new rules of origin will need to be developed and some companies, most probably Small and medium-sized enterprises (SMEs), will also need to register as exporters and familiarise themselves with customs requirements.

Reintroduction of the border would result in new and divergent customs procedures and requirements such as documentation requirements, customs clearance procedures and verification standards (e.g. REACH). On top of this, a shortage of trained customs officers, new IT tools and insufficient physical infrastructure would add administrative burdens and costs, would cause delays (a significant issue for delivering just in time solutions) and would disrupt global value chains. Therefore, any future EU27-UK relationship must enable the easy flow of goods, minimise delays and avoid additional customs related costs for companies.

Free Movement of employees

The chemical industry is a global industry, with complex supply chains crossing multiple borders. Within those supply chains there are many different skills and specialisms and it is not possible to develop talent for all of them in one country. Consequently, a variety of nationalities are represented in the workforces in chemical plants in the UK, EU-27 and internationally, either as permanent staff or as contractors.

Chemical companies understand the importance of providing local economic benefits, including employment and training, but for a variety of business reasons, such as skill shortages, they need access to the global talent market. Securing the best can help secure employment for the rest.

The **continued free movement of employees** between the EU-27 and the UK, and **access to the necessary skills and specialisms**, is a high priority for industriAll Europe, ECEG and Cefic. We also call for all EU employees currently working in the UK, and vice versa, to be given the right to remain. Furthermore, industriAll Europe supports the freedom of movement of all EU27 and UK citizens post Brexit in the context of continued access to the Single Market and respect for the four freedoms.

Investment

Not only could Brexit **reduce Foreign Direct Investment (FDI)** to the UK, from European and third countries, it could also make Europe altogether a less attractive place to invest. Concerningly, other regions in the world have targeted industrial policy strategies that aim to develop their chemical and manufacturing industries. As such, the UK and EU-27 must ensure that they remain attractive places to invest post Brexit



Therefore, Cefic, ECEG and industriAll Europe welcome the European Council's conclusions of June 2017, which underline *"the essential role of industry as a major driver for growth, employment and innovation in Europe"*. We agree that concrete measures must be taken to avoid further **investment leakage** impacting the European chemical industry. The continued inclusion of the UK in **European research programmes and institutes** must be ensured due to the importance of Research and Development (R&D) in industrial development for both the UK and the EU-27.

We believe that a forward looking industrial policy strategy that upholds the social values in both the UK and the EU-27 is the best response to concerns regarding globalisation, digitalisation and automation. These strategies should encourage and support European-wide manufacturing, underpinned by robust health and safety, environmental and social standards.

Regulatory Consistency

Following Brexit, UK sales in the EU-27 will need to comply with all relevant **EU product safety regulation** including REACH, biocides and pesticides legislation. Duplication of regulation, and its associated costs, should be avoided through securing regulatory consistency and continued collaboration with the relevant EU agencies such as European Chemicals Agency (ECHA). We would support the grandfathering of substances that have obtained a registration or authorisation under any of these legislations. The free trade of these products should be guaranteed under the same current conditions and this should apply until the authorisation has to be renewed or the registration updated, even after March 2019.

With respect to other legislation impacting the chemical industry (The Industrial Emissions Directive (IED), Emissions Trading System (ETS) and environmental regulations), we call for measures to provide regulatory consistency and clarity to economic operators and to ensure that robust health and safety, social and environmental regulatory standards are upheld to equal levels throughout the EU-27-UK.

Social dialogue

The Social Partners will work to ensure that the interests of both employers and employees in the sector remain a priority in the Brexit negotiations. Moreover, we will call for the current high social standards in the EU and the UK to be maintained.

The goal of the European sectoral social dialogue is to maintain and develop the continuation of growth and effective industrial relations between employers, workforces and their representatives in the European chemical industry. Social Partners in cooperation with the European Chemicals Council, can and are willing, to contribute constructively to this economic, social and environmental challenge. The future success of the European chemical industry, and industrial activity in general, will be achieved through **respectful interaction between public authorities and the Social Partners**.

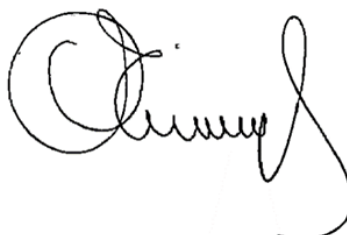
Transition and Legal Certainty

The timeframe for the Brexit negotiations is extremely short and we therefore call for an **appropriate transition period** with pragmatic and workable arrangements on legal jurisdiction and dispute resolution. This is essential for the European chemical industry, and the wider economy, to prepare their businesses for the UK's exit from the EU.

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Cefic, the European Chemical Industry Council, founded in 1972, is the voice of 29,000 large, medium and small chemical companies in Europe, which provide 1.2 million jobs and account for 17% of world chemicals production.

The European Chemical Employers Group, ECEG, represents the chemical, pharmaceutical, rubber and plastics industries in Europe. As a Brussels-based social affairs organisation it is a recognised Social Partner and a consultation body of the European Institutions and other stakeholders. With approximately 3.3 million direct employees in more than 94.000 enterprises, the sector is one of the biggest and most dynamic industries in the EU.

industriAll European Trade Union is the voice of industrial workers all over Europe. It represents 6.9 million workers across supply chains in manufacturing, mining and energy sectors on the European level.