



# BREXIT & TRADE – NEW WAYS OF DEALING WITH PAPERWORK

Lesley Batchelor OBE

Webinar

Tuesday, 5 January 2021, 11:00 GMT

# A WORD FROM TODAY'S CHAIRMAN



**Professor Michael Mainelli**

Executive Chairman

Z/Yen Group

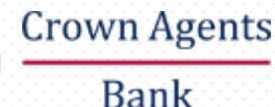


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# TODAY'S AGENDA



- 11:00 – 11:05 Chairman's Introduction
- 11:05 – 11:30 Keynote Address - Lesley Batchelor OBE
- 11:30 – 11:45 Questions & Answers

# TODAY'S SPEAKER



**Lesley Batchelor OBE**

International Trade Expert & Champion & BootCamp Director

Export Boot Camps



# EXPORT

## Boot Camps

Lesley Batchelor OBE

CEO [ExportBootCamps.com](http://ExportBootCamps.com) and  
COO & Commercial Director [OpenBorders.Direct](http://OpenBorders.Direct)

# Brexit Trade – EU Transition ends – New Ways of Dealing with the Paperwork?



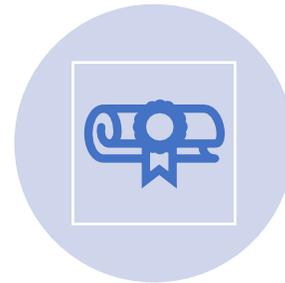
Where are we today?



EU-UK Trade &  
Cooperation Agreement -



Rules of Origin  
implementation



Governance and  
paperwork issues



Where are we today?

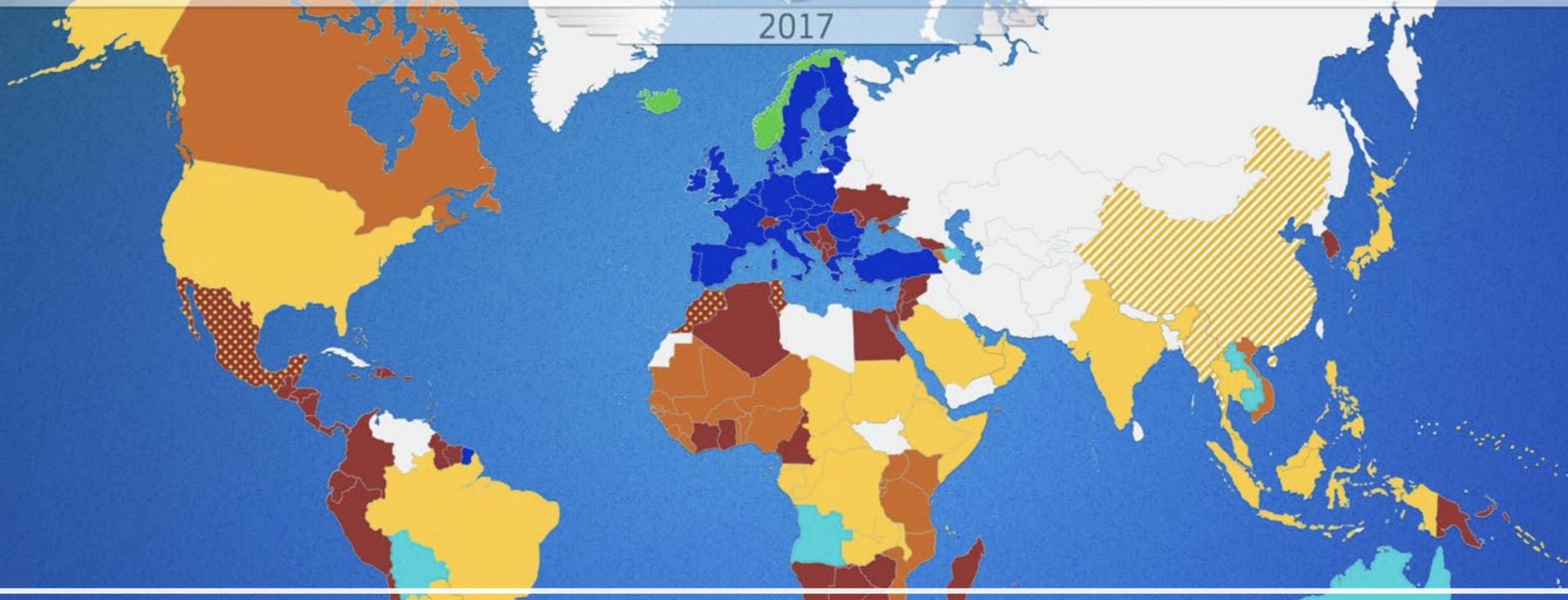
## Influences on World Trade

- World Trade Organisation (WTO)
- World Customs Organisation
- Regional Trading Blocs – EU, ASEAN (Association of South East Asian Nations), CPTPP (Comprehensive & Progressive Trans-Pacific Partnership) RCEP (Regional Comprehensive Economic Partnership) Latest
- Bilateral Agreements
- Customs Unions (only 1)
- Asymmetric Agreements

- The UK is negotiating continuity for the countries that Free Trade Agreements are jointly held through the EU with a view to replacing 44 major agreements – to date 62 continuity agreements are in place but not exactly replacing but allowing trade to continue.
- UK 3 mutual recognition agreement MRAs with USA 331m, Australia 25.5m and NZ 4.8m
- Not all by 1 Jan 2021 but progressing in the 2021

# THE STATE OF EU TRADE

2017



## State of the EU in the World

- EU & Customs union (Andorra, Monaco, San Marino, Turkey)
- European Economic Area (Norway, Iceland, Liechtenstein)
- Preferential trade agreement in place (FTA, EPA, DCFTA)
- Preferential agreement awaiting adoption/ ratification
- Preferential trade agreement being negotiated
- Potential for free trade partnership
- Stand-alone investment agreement being negotiated
- Preferential agreement in the process of modernisation

How does that impact on your business and how to get started? –

- Are you importing raw materials or components for your products?
- Are you part of a sector that is impacted by tariffs, quotas or sanctions?
- Are you aware of how rules of origin operate?
- Which markets did you think are opportunities in this new world order?

## Importing raw materials or components



- You will need to use the new UK Global Tariffs to bring goods into the country
- From 1 January 2021, the UKCA mark will be the conformity assessment marking for Great Britain for most goods currently subject to CE marking.
- The CE marking will be accepted in the UK until 1 January 2022 for [certain products](#). You must be ready to use the UKCA marking from 1 January 2022 at the latest, although you should look to use the UKCA marking as soon as possible.
- If you're a Northern Ireland business, you'll still be able to place qualifying Northern Ireland goods on the GB market with an EU conformity assessment marking, such as the CE marking, after 31 December 2021.

# UK Easements from HMRC



- The transition period ended on the 31 December 2020.

UK Gov. does however recognise the impact that COVID-19 has had on businesses and will therefore be introducing border controls at the end of transition period in stages - starting with some controls from 1 January 2021 and moving to full controls for all goods from 1 July 2021.

This means that:

- most traders importing goods from the EU to GB will now have longer to prepare, and can delay submitting information and payment of customs duties to HMRC for up to 6 months after the point of import, with full customs requirements introduced from 1 July 2021
- the requirement for safety and security declarations on imports Entry summary Declarations (ENS) will also be waived for 6 months for EU imports to GB
- traders importing controlled goods will need to prepare for full customs requirements from 1 January 2021
- Rule of Origin declarations can be delayed for 12 months although HMRC expect supplier declarations to be available if requested for goods imported during that period, such requests would be only after the 12 month period.



# Can transport between the EU & UK continue?

- UK no longer participates in EU Single Market for transport services
- UK operators **lose right to conduct unlimited cross-trade** in the EU and up to three cabotage operations within the territory of a Single Member State. On transport, the agreement provides for **continued and sustainable air, road, rail and maritime connectivity**, though market access falls below what the Single Market offers.
- **Unlimited point-to-point access for hauliers carrying loads** between the EU and the UK + full transit rights across each other's territories
- Right to perform up to **2 extra operations in the other party's territory** (of which maximum 1 cabotage operation for UK hauliers within 7 days of arriving at destination)
- Provisions on working conditions, road safety and fair competition, on top of horizontal level playing field clauses on environment, social issues and competition
- Aviation is slightly different UK-EU direct mutual recognition of licenses people and freight but if including a third country must ask the EU country involved or set up a subsidiary in EU.

# What about ADD, CVD and other unfair trade practices?

- Replacing 73 MEPs with 30 Councils to maintain governance and act as interface EU-UK mechanisms and monitor retaliation tariffs etc.
- According to World Trade Organization rules, governments may take remedial action against imports that are causing material injury to a domestic industry due to a sudden surge of foreign goods or to unfair practices such as dumping or trade-distorting subsidies.
- The EU-UK Agreement confirms the right of both parties to apply trade defence instruments according to those WTO rules, including a special agriculture safeguard mechanism to protect farmers against surges in imports or price declines below a certain level.
- Daily scrutiny of the EU OJ and [legislation.gov.uk](http://legislation.gov.uk) is recommended.





# EXPORT Boot Camp

## CHECKLIST



### FREE MOVEMENT OF PEOPLE

	EU-UK Trade and Cooperation Agreement	EU Member State
▶ Removal of border checks	✗	✓
▶ Pet passports	✗	✓
▶ Visa-free travel (90 days in a 180-day period)	✓	✓
▶ Visa-free travel (beyond 90 days)	✗	✓
▶ Right to work, study, live in another EU country	○	✓
▶ Removal of roaming charges	✗	✓



### TRADE IN GOODS

	EU-UK Trade and Cooperation Agreement	EU Member State
▶ Frictionless trade	✗	✓
▶ Zero tariffs or quotas	✓	✓
▶ Zero customs formalities	○	✓
▶ Zero SPS checks	✗	✓
▶ Zero rules of origin procedures	○	✓
▶ Fisheries agreement	○	✓
▶ Benefit from the EU's international agreements	✗	✓

○ Specific conditions related to EU-UK Trade and Cooperation Agreement

## CHECKLIST

EU-UK Trade and Cooperation Agreement

EU Member State



### TRADE IN SERVICES

▶ Financial services passport	✗	✓
▶ Easy recognition of professional qualifications	✗	✓



### AIR TRANSPORT

▶ Single aviation area, full freedoms	✗	✓
▶ Bilateral 5 <sup>th</sup> freedoms for extra-EU air cargo	○	✓



### ROAD TRANSPORT

▶ Single internal transport market for hauliers	✗	✓
▶ Cross-trade operations	○	✓



### ENERGY

▶ Single internal energy market	✗	✓
▶ Energy trading platforms	○	✓



### EU PROGRAMMES

▶ Access to Erasmus	✗	✓
▶ Access to NextGenerationEU, SURE	✗	✓
▶ Galileo encrypted military signal	✗	✓
▶ Access to Horizon Europe	○	✓

In Summary

# Some Changes Explained....

- UK goods no longer benefit from free movement of goods, leading to more red tape for businesses and adjustments in EU-UK supply chains replicating the rest of world paperwork (50m –300m transactions)
- Customs formalities and checks on UK goods entering the EU, with more border delays
- VAT and, where applicable, excise duties (e.g. on alcoholic beverages, tobacco products, etc.) due upon importation (including for online purchases)
- UK producers wishing to cater to both EU and UK markets must meet both sets of standards and regulations and fulfil all applicable compliance checks by EU bodies (no equivalence of conformity assessment)
- UK food exports must have valid health certificates, sanitary and phytosanitary border checks will be carried out systematically



# New trade arrangement for goods



- Zero tariffs or quotas on goods traded, ensuring lower prices for consumers – provided agreed
- rules of origin are met
- Traders can self-certify the origin of goods sold and enjoy 'full cumulation' (i.e. processing activities also count towards origin, not just materials used), making it easier to comply with requirements and obtain zero-tariff access
- Mutual recognition of trusted traders programmes ('Authorised Economic Operators') ensures lighter customs formalities and smoother flow of goods
- Common reference definition of international standards and possibility to self-declare conformity of low-risk products make it easier for producers to cater to both markets
- Specific facilitation arrangements for wine, organics, automotive, pharmaceuticals and chemicals

# Main points of Zero Tariffs ...

- Trading under 'FTA' (free trade agreement) terms – even one as ambitious as this one, with zero tariffs or quotas – will inevitably be very different compared to the frictionless trade enabled by the EU's Customs Union and Single Market.
- In particular:
  - rules of origin will apply to goods in order to qualify for preferential trade terms under the agreement;
  - all imports will be subject to customs formalities and will need to comply with the rules of the importing party;
  - and all imports into the EU must meet all EU standards and will be subject to regulatory checks and controls for safety, health and other public policy purposes.



# Customs Rules Applicable

- All customs controls and formalities required under EU law (and, in particular the Union Customs Code), including entry and exit summary declarations, will apply to all goods entering the customs territory of the EU from the UK, or leaving that customs territory to the UK.
- The UK Cross Border (Taxation) Act will apply in the UK
- This does not concern trade in goods between the EU and Northern Ireland, where the Protocol on Ireland and Northern Ireland included in the Withdrawal Agreement will apply.
- The UCC – in essence – continues to apply in NI although NI remains a part of the UK
- HMRC will control and operate the movement between GB and NI and vice versa with EU supervision
- Various national pre-lodgement systems also need to be used at border crossing points



# New UK systems to aid transition ....



- [Gov.uk - Transition](#)
- Northern Irish Borders TSS - [Trader Support Service](#)
- GVMS - [Goods](#) Vehicle Movement Service
- TSP – Transitional Simplified Procedures - HAS BEEN WITHDRAWN
- NCTS - New Computerised Transit System
- [openborders.direct](#) is designed to help SMEs cope with these many changes.....

# What about Sanctions?



- Foreign policy, external security and defence cooperation is not covered by the Agreement as the UK did not want to negotiate this matter.
- From 1 January 2021, there will be no framework in place between the UK and the EU to develop and coordinate joint responses to foreign policy challenges, for instance **the imposition of sanctions on third country nationals or economies.**
- Businesses need to follow the restrictive measures, or sanctions of the EU Common Foreign and Security Policy (CFSP) and the UK's new laws and publications under the Sanctions and Anti-Money Laundering Act 2018 (Sanctions Act).
- Where applicable, a sanctions management system allowing for different jurisdictions may need to be set up.

# Are you operating as part of a sector that is impacted by tariffs, quotas or sanctions?



**Sectors that are adversely affected are normally aware of issues ie alcohol, defence and chemicals**  
**Food & Drink**

You must follow different rules if you're placing the following goods on the UK market:

chemicals  
medicines  
vehicles  
aerospace

There are also special rules if you're placing the following goods on the UK market:

medical devices  
rail interoperability constituents  
construction products  
civil explosives  
products requiring ecodesign and energy labelling  
cosmetics (further guidance will be published shortly)



# PRODUCT-SPECIFIC RULES OF ORIGIN



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- Without this agreement, products like:
  - beef, dairy, poultry, pork, lamb, cereals, sugar and several processed foodstuffs could have faced tariffs of some 50% or above under World Trade Organization rates;
  - processed fish products would have faced tariffs of up to 25%;
  - cars would have also been hit by tariffs of 10%;
  - textiles and footwear would be subject to tariff peaks of 12% and 17%, respectively.
- These tariffs would have increased prices for consumers, and caused economic damage for agricultural and manufacturing producers on either side of the Channel.

# 3 ways for Preferential Tariff treatment....



- Preferential tariff treatment is possible when a products satisfy all other applicable requirements.
  - (a) products wholly obtained in that Party within the meaning of Article ORIG.5 [Wholly obtained products];
  - (b) products produced in that Party exclusively from originating materials in that Party; and
  - (c) products produced in that Party incorporating non-originating materials provided they satisfy the requirements set out in ANNEX ORIG-2 [Product-specific rules of origin].

# 4 Ways for Non-Original Material Products to Originate



- ▶ Change in tariff classification
- ▶ Change in production process
- ▶ A change in maximum value or weight of non-originating materials
- ▶ Any other requirement specified in Annex and Annex ORIG-2 [Product-specific rules of origin].

## Applied examples of cumulation of originating materials:

HS Code: 2002.90

Product: Chopped tomatoes

Rule: Production in which all the materials of Chapter 7 used are Wholly Obtained.

The rule requires all materials from chapter 7 (edible vegetables and certain roots and tubers) to be grown and harvested in the UK.

However, **with cumulation, UK producers can import EU tomatoes of HS heading 0702 (grown and harvested in the EU) and process them into chopped tomatoes.** The final product can then be exported back to the EU as an 'originating' product. This is possible because (i) the tomatoes were Wholly Obtained (by cumulation), and (ii) the process carried out in the UK of chopping, cooking and canning the tomatoes as a combination goes beyond insufficient processing (see [section 3.2.3 on Insufficient production](#)).

## Article ORIG.4: Cumulation of origin



# Proof of Origin

- To benefit from preferential tariffs when importing into the UK from the EU or importing into the EU from the UK, the importer will be required to declare they hold proof that the goods comply with the rules of origin.
- You'll be entitled to claim the preferential rate of duty if you have either:
  - a statement on origin that the product is originating made out by the **exporter**
  - the **importer's** knowledge that the product is originating





Finally, how are we going to manage all this paperwork?

# Intellectual Property and more.....

- Looking at Rules of Origin in this detail also exposes the sheer amount of detail that is mirrored as in other areas. We also need to produce to supporting paperwork for our IP and the protections that we have in place moving on from the EU centralized bodies.
- Businesses already find it difficult to keep the appropriate records and, the point of the original name of this presentation is that we need to look at a new ways of dealing with the paperwork that these agreements are generating.
- Adding to the issues that we are currently facing with a failing audit process and these pressures from external agreements must lead to a call for more comprehensive record?
- Working with ICC United Kingdom on the cutting of unnecessary legislation in terms of digitizing trade and financial institutions.

**EXPOI**  
**Boot Car**

Continuing to use  
year end cut off?



## Smart Ledgers and Data Sharing

- What place do Smart Ledgers have in this new extended world of record keeping
- Businesses who have been promised less bureaucracy are faced with more and then asked to pay for new systems to reduce the load?
- What can we all do to encourage the government of the day to investigate the need for a radical rethink?
- Over to Michael?



Questions?

- [Lesley.Batchelor@exportbootcamps.com](mailto:Lesley.Batchelor@exportbootcamps.com)

# QUESTIONS AND ANSWERS



# THANK YOU FOR LISTENING



## Forthcoming Events

- Thursday 7 Jan (11:00) Charting a New Chapter: How To Establish And Maintain a Portfolio Career
- Monday 11 Jan (11:00) The Share Valuation Worked Examples Group In The Changing Valuation Landscape
- Wednesday 13 Jan (11:00) ID, A Digital Identity Service By Mastercard – Your Digital Identity, Your Choice
- Thursday 14 Jan (10:00) Addressing Data Privacy: Managing The Risk Of Future Liability
- Friday 15 Jan (12:00) 2021: The Road to Net-Zero Finance

Visit <https://fsclub.zyen.com/events/forthcoming-events/>