Twitter Thread by Peter Foster



Peter Foster
@pmdfoster

■■■■■■■■■■■■■■■■■ serious #brexit story alert - companies now starting to see penny drop on what rules of origin does to supply chains (food for example) but Brussels seems deaf to both EU & U.K. pleading. A bellwether? ■ Stay with me. 1/

So first the problem: its a tad complicated but basically goods that are imported into UK and then 'hubbed' onwards into Ireland or other parts of the EU are facing full EU tariffs - this is particularly bad for food stuffs, which attract high tariffs. Why is this? /2

It's a function of the Rules of Origin clauses that mean that goods have to sufficiently "originate" in the UK to qualify for zero-tariff entry to EU (and vice versa).

But to qualify, you have to do something to the goods - process them or add value - not just punt them on /3

The brilliant @AnnaJerzewska does a better job than me of explaining, but the important thing is that this is a nightmare for companies that 'hub' /distribute products through the UK - and that's both EU and UK companies /4

Under the terms of the UK-EU Trade and Co-operation Agreement, goods must "originate" in the EU or the UK in order to qualify for zero tariff treatment.

Recommended



EU trade
Ireland increases direct freight shipments to European mainland

However, goods that arrive in the UK "zero tariff" but are not altered in any way and re-exported to the EU do not count as "UK-origin" and so face the full EU common external tariff on returning to the EU — with food and agricultural products attracting some of the highest rates.

"The problem is that in normal circumstances, when the EU signs a [trade agreement] with, say Japan or Canada, the goods don't normally come straight back to the country where they came from," said Anna Jerzewska, a trade consultant.

@AnnaJerzewska So both the @Foodanddrinkfed and EU groups like @CAOBISCO_EU (chocs etc) say they want the EU Commission to fix this with a derogation/waiver that takes into account proximity and interdependence of EU/UK supply chains. /5

@AnnaJerzewska @Foodanddrinkfed @CAOBISCO_EU Because as @AnnaJerzewska points out, in a usual FTA (say with Japan or Canada) good don't arrive from the EU customs territory (or vice versa) and then bounce straight back across the border. It's a pretty unique situation. /6

@AnnaJerzewska @Foodanddrinkfed @CAOBISCO_EU It's also tough on Ireland that gets a lot of goods via UK. As Paul Kelly, director of Food Drink Ireland @FoodDrink_Irl the main lobby group for the sector. "Companies are beginning to raise this across the industry." /7

@AnnaJerzewska @Foodanddrinkfed @CAOBISCO_EU @FoodDrink_Irl Now. It is true that goods could "transit" through UK to Ireland/EU - so they aren't imported into UK, they're just 'passing through' - but that, it seems, is not how the system currently works. /8

@AnnaJerzewska @Foodanddrinkfed @CAOBISCO_EU @FoodDrink_Irl According to both @AnnaJerzewska and @SamuelMarcLowe the Commission could - if it wanted - apply a derogation/waiver sorting this out, based on previous precedents. Per Mr Lowe: "If the EU wants to resolve the issue, it could do so pretty easily with an extra clarification." /9

@AnnaJerzewska @Foodanddrinkfed @CAOBISCO_EU @FoodDrink_Irl @SamuelMarcLowe So what did the EU tell my colleague @Sam1Fleming when he asked officials whether this was going to be sorted?

“You can’t expect Brexit not to have consequences. The UK won’t be a distribution hub for the EU any more. EU businesses will need to stop relying on UK hubs.” /10

@AnnaJerzewska @Foodanddrinkfed @CAOBISCO_EU @FoodDrink_Irl @SamuelMarcLowe @Sam1Fleming So to translate from the Bruxellois, that means "touch". Brexit means Brexit mon brave. etc etc.

Not exactly clear how you quantify the impacts of this - am told clothing industry also hugely impacted on this - but the EU position seems pretty stark. /11

@AnnaJerzewska @Foodanddrinkfed @CAOBISCO_EU @FoodDrink_Irl @SamuelMarcLowe @Sam1Fleming We shall see over next year or two whether those who reckoned the barebones deal @DavidGHFrost negotiated is really something to "build on" but this doesn't feel that encouraging! ENDS