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for Cosmetics, Personal Care, Fine Chemicals & Borderline Products

Brexit & its potential effects on Industry

On 29. March 2017, the UK submitted the notification of its intention to withdraw from the EU. Pursuant to Article 50, this means that as 30. March 2019, the UK will be a 'third country' and no longer an EU member state.

Preparing for the UK's withdrawal is not just a matter for the governmental authorities, but also for industry & its supply chains. In view of the uncertainties surrounding the ratification of the UK's Withdrawal Agreement, all interested industrial parties are to be reminded of its potential legal repercussions.

Cosmetic Product Regulation (EC) N° 1223/2009 - Legal duties assigned to the RP & their importance towards ensuring the safety of products placed on the market.

After March 2019, the RP (Responsible Person) based in an EU country will no longer be recognized by the UK. For businesses placing cosmetic products on the...
- EU market will need to appoint an RP located in an EU nation
- UK market will need to appoint an RP located in the UK

"In case of a 'No deal' Brexit, there appears to be no *transitional period* for the RP" **Cosmetics Consultants Europe, CCE |Dec. 18**

Chemicals & REACH Regulation - Chemicals are one of the UK's top manufacturing industries and exporter to the EU. The UK's chemical industry could be hard hit by leaving the EU customs union, with non-tariff barriers to trade being cited as a particular problem.

CEFIC (European Chemical Industry Council, Brussels) and London-based Chemical Industries Association have raised concerns about the UK's possible disengagement from ECHA. Agencies are concerned that establishing a separate UK agency could take years to achieve and at significant cost. For sure, impact on **REACH Regulation EC Nr. 1907/2006** and those current distributors of chemicals either in the UK or EU would be critical. REACH ORs (Only Representatives) have to be considered in a similar way to the way RPs are mentioned above (OR to be located in the UK, OR to be located in the EU).

UK's plastics industry turnover is €28.86bill., and it relies heavily on trade with the EU (approx. 70% with the EU). In addition, approx. 10% of the UK's plastics industry workforce are from the EU current 27 member states. A hard Brexit would impact significantly this sector with astronomical cost implications.

Food, Agriculture - Before Christmas 2018, UK ministers approved nearly €2.1bill. in spending for nation borders, security and international trade, while other plans could include booking space on ferries to secure food supplies.

Leaving the EU will have significant implications for the agriculture sector in the UK. After Brexit and any transition phase, UK farmers will be operating outside of the EU's Common Agricultural Policy (CAP). This means a new domestic agricultural policy will need to be implemented. As CAP currently provides €4.53bill. to support farmers each year, will the UK government continue to offer financial support? There is also the question of regulation regarding animal welfare, food safety & pesticides. A 'No-deal' Brexit could see tariffs on exports and a danger that the UK would be flooded with cheap food.

Pharmaceuticals - On August 23, 2018, Matt Hancock UK's Health and Social Care Secretary wrote to NHS organizations, GPs, community pharmacies and other service providers. The letter sets out what the health and care system needs to consider in the period leading up to 29. March, including:

- the continued supply of medical products in the event of no deal
- business continuity plans

>> 'No Deal Brexit' Brief, Matt Hancock, UK Health Secretary_23. Aug. 2018

The European Medicines Agency (EMA) initiated a business continuity plan to deal with the uncertainty and workload implications linked to the potential need for the agency to relocate.
>> www.ema.europa.eu/documents/press-release/ema-prepares-brexit_en.pdf

Automotive industry - The automotive industry is one of the UK's manufacturing success stories. The €92.85bill. industry accounts for 13% of Britain's exports. But, with its reliance on integrated supply chains, how will it fare after Brexit? Ralf Speth, Jaguar Land Rover (JLR), CEO warned earlier this year that a hard Brexit could cost JLR €1.36bill./yr. in tariffs and force the business out of the UK. More recently, Speth said tens of thousands of jobs in the automotive industry are at risk with a cliff-edge break with the EU.

The German auto maker BMW plans to shut its Mini-Cooper Crowley, UK plant for a month after the UK's official departure from the EU. Their contingency plan is designed to limit any disruption to its production, because any blockages in the cross-Channel supply of parts would occur, while it is updating and replacing equipment. BMW's decision is the latest in a string of Brexit-related interventions by car makers, which employ 186,000 people directly in the UK and tens of thousands more in the supply chain.

Brexit thinking

Even the most enthusiastic Brexiters concede that the short-term impact on the economy will be disruptive. They consider 2 main factors that could help boost the growth rate to a higher level than the EU.

1. De-regulation
2. More flexible working patterns, making it cheaper to hire workers for instance, rationalizing that businesses would be able to grow faster.

Summary

In our humble opinion, de-regulation is only a short-term solution. Examples exist with the 2008 global economic recession, where questionable banking investments brought us 'almost to the brink' of a cataclysmic financial melt-down. Other examples of extreme short-term thinking are de-regulated policies established by Trump appointees within the US-EPA or US coal mining (strip mining), which can only lead to further water contamination, greater health risks (i.e., mercury poisoning); thus, long-term environmental damage plus increased health costs.

With 29. March set as the magic Brexit day, what are some possible solutions or issues to look for?

- As Plan 'B' was just defeated (most agreed, it was Plan 'A' with spice added!), just prior to the UK's 'date with destiny', will Ms. May pull out an 'olive branch' to the EU?
- Will there be 'No-deal'? A call for a new general election or 2nd popular referendum?
- At the last minute, and with worries with its industriral base, will the EU make some major concession to the UK?
- However, what about Scotland? N. Ireland? …Will they pull out of the UK and remain in the EU?

Last, but not least....

1. On purpose, London's banking & investment sector was left out of this Newsletter and for good reason, because it is well known that this sector loathes uncertainties!
2. With a 72.2% voter turnout, the Brexit referendum from 23. June 2016 had only a 51.9% majority of the votes. It is quite obvious that voters were offered truly little clarity on how to achieve Brexit and in the process, a week before the Referendum, Jo Cox, a pro-EU Labour MP was murdered by a man shouting "death to traitors, freedom for Britain!"
3. With passions high, only time will tell the outcome of this current chaotic process, and suggest 'to fasten your seat belts.'

Sources:

- NY Times: 18. Dec. 2018, 23. January 2019 / BBC
- EC Directorate-General for Internal Market, Industry, Entrepreneurship & SMEs, Brussels_29. 11. 18
- The Guardian, 18. Sept. 2018 / FinSMEs.uk, Ltd., 27. Nov. 2018
- www.cia.org.uk

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