

# Preparing for Brexit

**GUIDANCE FOR THE STEEL SECTOR**

**UPDATE 1**

**June 2019**

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# PREPARING FOR BREXIT – GUIDANCE FOR UK STEEL MEMBERS

## Introduction

In October 2018 UK Steel produced a guidance document for members suggesting steps that they should consider taking in planning for the UK leaving the EU. Two broad scenarios were examined described as “hard” (i.e. no deal) and “soft”.

Since then, the situation has become significantly more complex. Theresa May has tried and failed three times to pass her Withdrawal Agreement through Parliament and subsequently failed to reach an agreement with the Labour Party on a softened alternative. Parliament has now voted multiple times on possible alternatives with no majority found in favour of any proposal. All that can be agreed, it seems, is that a majority of MPs are against leaving the EU without a deal. At the time of writing it is far from clear what the new Prime Minister’s ultimate Brexit strategy will be, and the Labour party’s position remains as vague as ever. In short, everything from no-deal to no-Brexit appears to remain a possibility.

This revision therefore expands the earlier guidance to explore four broad scenarios. In reality, there is a strong possibility that what eventually emerges will not exactly replicate any of these scenarios. (For example, the Labour Party’s position would combine scenario 1 with elements of Scenario 2.) However it is hoped that this analysis of the potential “building blocks” will help members understand the implications for their business once the various options are eventually narrowed down.

As before, the guidance focuses on the issues of most relevance to UK steel companies, and recommends issues that members need to address. The four scenarios are:

**Scenario 1: Customs Union.** For our purposes it is assumed that the UK would enter into a new Customs Union with the EU (as opposed to remaining in **the** EU Customs Union, for which there is no precedent). The model followed is the EU/Turkey Customs Union but covering all goods, including steel. This agreement obliges Turkey additionally to adopt certain elements of the Single Market, but on the other hand allows both parties to impose trade remedies against each other.

It is possible that the EU and UK could agree on a more bespoke Customs Union agreement that replicates more closely the existing situation.

**Scenario 2: Single Market & FTA.** The UK remains in the Single Market **and** has a free trade agreement with the EU, possibly by becoming a member of the European Economic Area (EEA), but is not in a customs union. This is often referred to as the Norway model. All Single Market legislation, present and future, would automatically apply in the UK, but the UK would only be consulted about future legislation.

**Scenario 3: Free Trade Agreement.** The UK would negotiate a comprehensive free trade agreement with the EU. This is often referred to as the Canada model. It would enable the UK and EU to trade with each other on a tariff-free basis, but trade would not be “frictionless”. None of the Single Market legislation would apply in the UK unless there was an explicit agreement to align our laws in specified areas.

**Scenario 4: No Deal.** The UK leaves the EU with no agreement on its future relationship. (This would not necessarily rule out one of the above options being negotiated in the longer term, but there would be trade disruption in the short to medium term.)

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In general, references in this document to post-Brexit trade with the EU should be read as also applying to trade with the other members of the EEA, i.e. Norway, Iceland and Liechtenstein.

The paper concludes with a checklist of issues we recommend that members think about and prepare for – much of this preparation will of course have already been done by many of you.

UK Steel will continue to update this guidance once the likely outcome becomes clearer. Throughout the document, footnotes provide links to sources where more detailed information can be obtained, including to relevant government guidance documents. These have been updated where applicable. Note however that most of the Government's guidance continues to relate only to the UK leaving without a deal.

This document is intended to identify priority issues to which members need to give thought, and to give some general guidance on the possible outcome of the Brexit process. **It does not constitute legal advice: members are strongly encouraged, where appropriate, to take legal advice before acting. UK Steel cannot be held liable for any losses incurred as a result of decisions taken wholly or partly on the basis of this document.**

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## Timetable

The Brexit timetable has become less predictable. The current EU-imposed deadline for the UK to reach agreement, or leave without a deal, is 31 October 2019. However, at the time of writing, all Government decisions on Brexit have been halted until a new prime minister has been chosen by the Conservative Party. By the time this has been done, the EU Commission will have largely shut up shop for the Summer meaning Brexit discussions will not realistically recommence until the Autumn and may well not happen in earnest until a new Commission has been appointed at the end of October. This leaves us with either a further extension of the Article 50 process or a no-deal Brexit as the most likely options.

In other words, formal withdrawal is highly unlikely to happen before 31 October and could happen much later. But members should also be prepared for the eventuality that no agreement has been reached by 31 October, and the UK leaves at this point with no deal. This after all is the logical conclusion of Boris Johnson's public position on Brexit in which he has said one way or the other we will leave the EU on 31 October.

The original Withdrawal Agreement provided for a transition period (in UK Government terminology, an "implementation period") ending on 31 December 2020, during which the UK remained for most practical purposes an EU member, although it would not have participated in decision-making. It needs to be recalled that Brexit is a two-stage process. The Withdrawal Agreement will only set the terms on which the UK exits the EU. It will not determine the nature of the UK's future trading relations with the EU. These will be determined by a second agreement, yet to be negotiated.

This means that, provided we do not leave without a deal, there will continue to be a transitional period to allow for the negotiation of this second agreement. There is however strong pressure for the UK to have definitively left before the next EU budgetary period starts in January 2021. Members are therefore advised for the time being to assume that any transitional period will continue to end on 31 December 2020 – despite the current delays to the whole Brexit process.

## Tariffs

A short guide to how goods are classified for tariff purposes, and the implications of Brexit, is attached as Annex 1. A separate excel spreadsheet 'Annex 8' also accompanies this document providing details on the tariff levels of UK steel exports to all key markets following Brexit.

### Trade between the UK and EU 27 if there is a deal

The Government's objective is to achieve a situation where trade between the UK and the EU 27 continues to be tariff-free. This would apply under scenarios 1, 2 and 3.

### Trade between the UK and non-EU 27 countries

The UK is already a member of the WTO, albeit that its rights and obligations are currently pooled within the EU. If the UK exits the EU with a deal in place, the government's intention is for the UK to simply assume under its own name the EU's existing "default" (known in WTO jargon as MFN<sup>1</sup>) tariff commitments for trade with non-EU countries - i.e. for countries not covered by free trade agreements (FTAs). We are likely to deviate from these in due course, but this will be the starting point and the UK's proposed schedules have already been submitted to the WTO to that effect.

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<sup>1</sup> MFN (Most Favoured Nation) refers to a WTO member's standard import tariff, which it has committed to apply to imports from all WTO members with whom it does not have a special trading relationship, such as an FTA.

Imports from countries with whom the UK has not negotiated an FTA at the time of full withdrawal will also be subject to the existing “default” tariffs.

The UK cannot, under WTO rules, increase these MFN tariffs set out in its WTO schedule without negotiating with other countries first, and compensating them for trading losses. It can decide to reduce them, but this would normally be in the context of a negotiated trade agreement where the UK received comparable benefits from the other country or countries, such as in an FTA; or as part of a multilateral trade agreement, where reductions would be applied to all WTO members.

### **Tariffs under a no deal scenario**

If the UK leaves the EU without negotiating any form of preferential trading arrangement, then under WTO rules the UK and EU must apply their MFN tariffs to trade with each other.

However, in March the Government published a schedule of the tariffs that it would temporarily apply in the case of a no deal Brexit<sup>2</sup>. For all products of relevance to steel companies, with the exception of motor vehicles, tariffs would be set at zero. (Tariffs on steel products are already zero – see below.) This means that imports into the UK from **both the EU 27 and from non-EU countries** would be zero for most industrial products. It is however implausible that the EU would reciprocate by removing tariffs on imports of industrial products from the UK – as any such reductions would have to apply to imports from all countries under the WTO’s MFN rule.

Whilst the EU’s MFN tariffs for steel already set at zero, and therefore would be unaffected by a no-deal, UK exports to the EU of steel-containing goods could be badly affected. EU tariffs on motor vehicles for example range between 10% and 16%<sup>3</sup>. The risk of significant reductions in UK manufacturing exports to EU countries under the No Deal scenario is therefore high and would have a negative impact on steel demand in the UK. A summary of the EU tariffs applicable to members’ products and their principal inputs is at Annex 2 along with comprehensive guidance on import and export tariffs for steel products in Annex 8.

A further short term consideration for members is the implications of the current EU safeguards on steel products, in place until July 2021 in response to US Section 232 tariffs. In the event of a no-deal scenario, or following the end of a transition period, UK exports of the steel to the EU would become subject to these measures and have to contend with the tariff rate quota system. Most worryingly, an abrupt no-deal exit from the EU would likely see it take some time for the UK to be provided with its own quota allocations, leaving UK steel producers to draw down on the ‘residual quotas’ which would run out very quickly and thereby subject all further exports to 25% tariffs. For more information on safeguards please see page 13.

### **Tariffs applied by non-EU countries**

Tariffs applied by non-EU countries on UK-origin imports would be unaffected, apart from those countries where the EU has an FTA in place (see Annexes 3 and 8) which the UK had not managed to replicate by the time of its exit. For these countries, tariffs would revert to that country’s (higher) MFN rate. This might not apply under scenario 1 – see the FTAs section for more information.

Tariffs on UK exports into countries with which the UK had negotiated an FTA to come into effect on the date of full withdrawal would be set at the lower tariff level as laid out in that FTA.

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<sup>2</sup> The Government’s temporary tariff schedule if there is a no-deal Brexit is available at <https://www.gov.uk/government/publications/temporary-rates-of-customs-duty-on-imports-after-eu-exit>

<sup>3</sup> You can check the EU’s MFN tariffs on your customers’ products via the WTO website: [http://stat.wto.org/idbdata/idb\\_eec\\_last\\_e.zip](http://stat.wto.org/idbdata/idb_eec_last_e.zip)

**Tariffs on imports into certain developed countries of rolled steel, many steelmaking raw materials and some other steel products are set at zero.** These developed countries include primarily the US, Canada, EU (including the UK), Japan, and South Korea. Thus trade in these products into these countries will be unaffected whatever the outcome. Developing countries still, largely, have tariffs on steel imports apart from where they have been removed as the result of a negotiated FTA or agreement. See FTAs section below.

1. Customs Union	2. Single Market +FTA	3. Free Trade Agreement	4. No Deal
<b>UK Exports</b>			
Steel sales to EU: imports from UK incur zero tariffs.		Steel sales to EU: imports from UK incur MFN tariffs (zero for most steel products – see Annex 2).	
Steel exports to non-EU countries with whom the UK has an FTA: import tariffs will be set by that agreement. Note that under scenario 1, the UK could not agree an FTA with any partner that the EU had not already done so with and those countries are under no strict obligation to subsequently agree one with the UK.			
Exports to all other countries (including countries where the EU has an FTA, but the UK does not): import tariffs will be at that country's MFN rate.			
<b>UK Imports</b>			
Imports into the UK of most steel products and many raw materials (see Annex 2) from all sources incur zero tariffs as is already the case.			
Imports of other products from the EU also incur zero tariffs.		Imports of other products from the EU will incur the UK's MFN tariffs. Under the UK's temporary tariff regime, this could be zero for steel-containing products other than motor vehicles.	
Imports of products, other than steel, from countries with which the UK has an FTA: import tariffs will be set by that agreement but noting that the UK would likely have no power to set its own tariffs in FTAs. It would need to wait until the EU agrees an FTA with a partner, then attempt to replicate this, with the same tariffs, afterwards.	Imports of products, other than steel, from countries with whom the UK has an FTA: import tariffs will be set by that agreement.		
Imports of other products from all other countries: Import tariffs on imports from those countries with which the EU has an FTA (but the UK does not) would be set by that FTA. Tariffs on exports from countries with which the EU	Imports of other products from all other countries (including countries where the EU has an FTA, but the UK does not): import tariffs will be at the UK's MFN rate.  Note however that in the event of a no deal (possibly on 31 <sup>st</sup> October), it is the Government's intention to set the UK's MFN at zero for nearly all products, including steel-containing products other than motor vehicles. This temporary tariff		



1. Customs Union	2. Single Market +FTA	3. Free Trade Agreement	4. No Deal
does not have an FTA would be set at the EU MFN rate.	regime is highly unlikely to be applied if the UK secures an FTA with the EU, as it has largely been devised to avoid the need to introduce tariffs on huge levels of imports from the EU – under a UK/EU FTA this situation would not arise.		

**Note: Countries' MFN tariffs can be obtained from the Commission's market access database at: <http://madb.europa.eu/madb/indexPubli.htm>.**

## Free trade agreements

The EU has some 40 agreements in place, and either fully or partly in operation, with over 80 countries. An analysis of these agreements is at Annex 3. Negotiations are underway, and/or agreements are awaiting signature, with a further 40 plus, including India, China, Australia and Vietnam. Note that while most of these agreements are free trade agreements: some go further while others establish little more than a framework for political cooperation<sup>4</sup>.

Under scenarios 2 to 4, the UK would in principle no longer be part of any of those FTAs directly. This means in particular that your exports to these countries will incur their full MFN duties. Most of these countries, chiefly developing ones, continue to apply tariffs to steel products as part of their MFN commitments – for example Turkey, with which the EU has a specific FTA on coal and steel products, has MFN tariffs on steel products ranging from 0 to 40% with the weighted average for UK export in 2017 being 15%. Note that the UK is already in the process of replicating as many of the existing EU FTAs as possible to take effect once the UK has a fully independent trade policy – however it is highly unlikely all EU FTAs could be replicated by the end of a transition period and impossible for this to happen in time for a no-deal Brexit in October 2019. (A full list of MFNs for steel products to key UK steel export markets can be found in Annex 8).

Under scenario 1 the situation is more complex. Based on the precedent set by the agreement with Turkey, if the UK were to agree a Customs Union with the EU, then the UK wouldn't automatically have access to any of the EU FTAs but would be committed to enter into negotiations with all of the countries with which the EU currently has an FTA with a view to agreeing identical FTAs in its own name. Given that the UK is already a party to these EU agreements, this theoretically need not be as complex a process as it sounds, but there could well be a gap during which the UK has no or very few FTAs. The UK would also be obliged to replicate future EU FTAs. Note that whilst the EU may take steps to facilitate the subsequent agreement of FTAs for the UK with partners it has completed agreements of its own with – the Turkey model suggests this is far from certain and there is no strict obligation on the EU's FTA partner to reach an agreement with the UK. For example, the EU has had an FTA with Mexico for almost 20 years, but Mexico and Turkey have still not replicated it. This places Turkish manufacturers at a significant disadvantage with Mexican exports having tariff free access to Turkish markets, but with no reciprocal arrangement for Turkish exports headed to Mexico. The UK could find itself in the same situation if it entered into a customs union with the EU.

If the UK decided it wanted to join a Customs Union, it is theoretically possible that a bespoke solution could be found, enabling the rolling over of all existing EU FTAs and the automatic inclusion of the UK in all future EU FTAs. However for the time being our advice to members is to assume that the Turkey model will apply, and that there will be a significant period of disruption during which the UK is not party to all of the EU's FTAs just as would be the case under scenarios 2-4.

<sup>4</sup> Full details, with links to each of the agreements, can be found here:

[http://ec.europa.eu/trade/policy/countries-and-regions/negotiations-and-agreements/#\\_in-place](http://ec.europa.eu/trade/policy/countries-and-regions/negotiations-and-agreements/#_in-place)

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The ability for the UK to negotiate its own FTAs completely independently of the EU is portrayed as one of the advantages of leaving the EU. This independence would only apply under scenarios 2 to 4 and the Government has stated that it intends to negotiate a comprehensive new set of FTAs of its own after Brexit. As noted above, progress even on replicating existing EU FTAs has been very slow<sup>5</sup>, with discussions on completely new FTAs (for example with the US or Australia) at an embryonic stage. Moreover, there is also a risk that, in its rush to demonstrate this advantage to leaving the EU, coupled with a lack of experience and a weaker negotiating hand outside the EU, the UK will put itself in a weak negotiating position, and we could see agreements whose terms are unfavourable to UK interests. This, unfortunately, is not something that members can plan for, but organisations such as Make UK are at the forefront of efforts to ensure industry is integral to the consultation process for the establishment of any FTA.

Similarly to scenario 1, as the UK is already a direct signatory to most of the EU's agreements<sup>6</sup> this could make it a relatively easy process for the partner countries to replicate identical agreements with the UK as a separate party. If however the partner countries seek to exploit the UK's weakness by seeking new terms (as is already the case with countries such as Japan) any renegotiations could be protracted. This is clearly a major area of uncertainty, and members are advised to assess their potential vulnerability to higher MFN tariffs in these export markets. (Please see Annex 8 for details of those tariffs in the major UK steel export markets).

1. Customs Union	2. Single Market +FTA	3. Free Trade Agreement	4. No Deal
<p>There is a risk medium to long term disruption, with UK exports incurring higher tariffs, while the UK seeks to replicate in its own name all of the EU's existing FTAs. Also a potential risk that as all potential FTA partners will already have tariff free access to UK markets, via their existing EU FTAs, that they may have little interest in reaching an agreement with the UK.</p>	<p>There is a high risk that UK steel exports will start incurring higher tariffs in most of the countries listed in Annex 3 from the date of withdrawal, and of this continuing for some time.</p> <p>There is a risk that the UK will not be able to negotiate terms as favourable as those in the EU's agreements.</p>		
<p>The UK will be obliged to accept the terms of future EU FTAs, but without having real input into the EU's negotiating objectives. This could result in future agreements that are not in the UK's interests. As noted above, the UK may also find the EU's FTA partners have less interest reaching an agreement with the UK, considering they will already have preferential access to the UK market.</p>	<p>The UK will be free to negotiate its own agreements with other trading partners.</p>		

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<sup>5</sup> Details of the UK's progress in carrying over current EU FTAs can be found here: <https://www.gov.uk/government/publications/existing-trade-agreements-if-the-uk-leaves-the-eu-without-a-deal/existing-trade-agreements-if-the-uk-leaves-the-eu-without-a-deal>

<sup>6</sup> This is because most recent agreements include subject matter that goes beyond the EU's own competence. They therefore require to be jointly signed by each of the Member States as well as the EU. Such agreements are noted in Annex 3.

## Preferential tariffs for developing countries

The EU gives unilateral preferential tariff treatment to developing countries, allowing them to pay lower (or zero) duties on goods imported into the EU<sup>7</sup>. The UK has stated that it will continue to give the same preferences. This will apply under all scenarios. However, as UK tariffs on most steel products and raw materials will in any case be zero, this need not concern members.

## Trade remedies

### Anti-dumping and anti-subsidy cases

In scenarios 2 to 4, the UK will be taking back full control of trade remedies policy and will have the power to introduce new anti-dumping, anti-subsidy, and safeguard duties following appropriate investigations. A new organisation, the Trade Remedies Authority (TRA), has been established (currently as a directorate within DIT, but ultimately it will be independent) and will be able to take on new investigations and reviews when we withdraw. In scenarios 2 and 3, the UK would only take control of trade remedies policy at the end of the transition period. In scenario 4, the UK would take control immediately following our exit.

In scenario 1 the position is more complex. If the model of the EU/Turkey Customs Union were adopted, trade remedies would be exempt from the scope of that customs union, although there would be an attempt to coordinate trade remedies between the two parties. In other words, the UK would be taking back nearly full control of trade remedies policy. On the other hand, if we were (unprecedentedly) to remain in **the current** EU Customs Union, we would stay under the jurisdiction of the EU trade remedies regime and the UK Government would have no powers in this respect.

There are currently 27 measures in place at an EU level concerning steel products preventing the import of under-priced (dumped) and subsidised goods into the EU. In three, and quite possibly all, Brexit scenarios considered, UK steel producers would lose the protection of these measures unless they are replicated at a UK level after Brexit.

Of the 27 measures, UK steel producers have a direct interest in 15 with production of the relevant steel products taking place in the UK. The UK Government has already confirmed that it will transition over any measure relating to products being produced in the UK, and subsequently that all 15 UK steel related measures will be transitioned. Please see Annex 4 for a list of current EU measures and those to be transitioned after Brexit.

To ensure WTO compliance, the Department for International Trade (DIT), has confirmed that it intends for the Trade Remedies Authority to review all of the transitioned measures. These reviews can only take place once a Public Notice has been provided by the Secretary of State setting out officially how/when the transition of each measure will occur – in the case of a no-deal Brexit the Public Notices would transition measures with immediate effect, under all other scenarios the notices would provide for transitioned measures to come into effect at the end of any transition period. As such, reviews are unlikely to occur until either a Withdrawal Agreement is passed and a transition period commences, or the UK leaves the EU without a deal.

The reviews will incorporate aspects of an expiry and interim review and all members producing the product in question will need to take part. It should be noted that reviews that take place during any transition period (i.e. whilst we are still effectively part of the EU's trade remedies regime) would require UK steel companies to participate at both a UK and EU level.

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<sup>7</sup> Details of the EU preference scheme, including a list of beneficiary countries, can be found here: [http://trade.ec.europa.eu/doclib/docs/2012/december/tradoc\\_150164.pdf](http://trade.ec.europa.eu/doclib/docs/2012/december/tradoc_150164.pdf)

The timing and ordering of the transition reviews will be determined by: the dates of expiry of the EU measures, the date at which the UK leaves the remit of the EU trade remedies regimes (i.e. after a transition period or a no-deal Brexit) and, finally, whether or not any parties, such as foreign exporters, request a review is brought forward earlier than scheduled.

The Trade Remedies Authority has already made it clear that the transition reviews will be timed in line with the dates of the expiry for each EU measure. Under scenarios 1-3, these reviews are likely shortly after the start of the transition period. The date on which we enter into a transition period will impact the ordering of the reviews in that a significant further delay to Brexit could see some expiry reviews (due this year and next) be completed before the transition period starts – if this occurs the reviews which we could have expected to have come first would instead fall to the back of the queue and become amongst the last to be reviewed. Note that during a transition period, the UK and the EU would be conducting their own reviews in parallel – key measures this is likely for are Welded Tubes, PSC Wire, Wire Rod and GOES. In these circumstances members producing these products could see themselves having to feed into both UK and EU review processes at the same time. Please see Annex 7 for a provisional timetable of the transition reviews.

Under scenario 4, a no-deal Brexit, reviews would commence as soon as we exit from the EU assuming that the Trade Secretary has already published the necessary Public Notices in advance. Assuming this would happen on 31<sup>st</sup> of October 2019, members could expect to just participate in reviews at a UK level, with key reviews in the first year again being the UK safeguards, Welded Tubes, PSC Wire, Wire Rod and GOES. The process for reviews would be identical under all scenarios, but under scenario 4 the transitioned measures would all need to take immediate effect in advance of any reviews having taken place; this will make them more open to challenge. Under Brexit scenarios 1 to 3, the TRA will at least have the transitional period to conduct a number of reviews before the UK has to transition measures.

One major implication of the UK “going it alone” on trade remedies is that for most steel products today there may be only one or two domestic producers. The rules on the “standing” of an industry to seek protection from unfairly traded imports mean that all (or occasionally nearly all) companies making the product in question will need to participate actively as complainants<sup>8</sup>. This will affect both the review of existing EU measures that will take place to assess whether it will be legal to continue to apply them in the UK, and to the opening of new investigations.

Up until now, the filing of EU complaints has been coordinated by the EU trade bodies such as EUROFER, ESTA and EWRIS, and smaller companies have in effect been able to rely upon the resources available within the larger companies. In the future, while UK Steel will provide what assistance is within our scope and competence, all members need to be aware that, if the industry is to continue to benefit from trade protection, they will need to become actively involved in the investigations and provide financial resources as required. This includes in particular the completion of detailed questionnaires requiring data on matters such as their output and sales volumes, pricing, production costs, employment levels, capital investment and capacity utilisation, all relating specifically to the product under investigation; and these data can be subjected to on-site verification by the investigating officials. Consideration should be given to whether the resources exist within companies to do this, as well as the possible financial costs of instigating and participating in trade remedies investigations. Reviews on the four products previously noted could commence within the next 18 months and as such preparation will need to start relatively soon.

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<sup>8</sup> The UK rules will state that, before an investigation can be started, the applicant UK industry must account for more than 50% of total production of the like goods produced by that portion of the UK industry that has expressed support for or opposition to the application; and at least 25% of the total production of the like goods produced by the entire UK industry.

One final point to note on trade remedies is that under scenarios 2 to 4 the EU will be able to impose anti-dumping duties on imports from the UK, and *vice versa*. The same may also apply under scenario 1: the EU/Turkey Customs Union, while establishing a consultation framework, does not in the last resort prevent either party from imposing anti-dumping duties against the other.

### Safeguards

One further short term consideration with regards to trade remedies is the EU's safeguard measures on steel products, instigated due to concerns of import surges resulting from US Section 232 tariffs deflecting steel trade away from the US towards the EU. The EU has imposed definitive measures on a large number of steel products<sup>9</sup> in the form of tariff rate quotas<sup>10</sup>, expiring on 30 June 2021. Note that safeguard measures do not cover all steel products – for example semis, or certain types of engineering bar. (A full list of products included within the safeguard measures can be found in Annex 8.)

In scenarios 2 to 4, and potentially also scenario 1, UK sales to the EU will be subject to these measures, if we leave the EU while they are still in place. We are pressing the UK Government and EU Commission to ensure that the total level of quotas are adjusted to reflect the UK's future status as a third country, and importantly that the UK is allocated its own sub-quotas commensurate with our traditional sales levels. These necessary adjustments should not be problematic under scenarios 1-3 and it is highly likely that safeguards will only have six months to run at the end of a transition period. However, in the event of scenario 4, it is looking increasingly likely that we would have to wait some time, perhaps until January or even April 2020, before the quotas would be adjusted. In these circumstances UK exports would have to rely upon the 'residual' quotas in order to export tariff free to the EU, once these are used up for each quarter all subsequent exports would be subject to 25% tariffs.

Even once quotas are adjusted, increasing exports would prove difficult. There is unfortunately little members can do to plan for this eventuality, beyond giving consideration to the impact such a situation would have on future business plans. In this context it should be noted that being in a customs union (i.e. scenario 1) would not necessarily preclude one party from pursuing safeguards measures against the other; note that the Turkey is currently subject to the EU's steel safeguard measures, but it may be possible under a comprehensive and bespoke customs union arrangement.

Finally, it should be noted that should the UK leave the EU at a time when EU safeguard measures are in place, the EU would be treated as a third country and be subjected to the UK's own transitioned safeguard measures. UK Steel has already confirmed with DIT product coverage and quota levels for the UK's version of safeguards and is content they will provide the same level of protection as currently provided by the EU measures. The TRA has already confirmed that the safeguard measures would be the top priority for a transition review.

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<sup>9</sup> See EU Implementing Regulation on Steel Safeguards: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32019R0159&from=EN>

<sup>10</sup> A tariff of 25% will be applied steel imports over and above the established quota levels. Major exporters have their own sub-quotas.

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<p>The UK is likely to take over full responsibility for trade remedies policy. If so, the same conditions as in the scenarios to the right will apply.</p>	<p>The UK will take over full responsibility for trade remedies policy. The TRA will take over all responsibilities for conducting investigations and recommending measures, and companies will need to deal directly with the TRA instead of the EU Commission. All investigations will be conducted on a UK only basis and as such it is likely that all producers of a product in question will need to participate directly.</p>		
<p>These changes will take effect at the end of whatever transitional period is agreed.</p>			<p>The changes will take effect immediately if the UK leaves without a deal.</p>
<p>The TRA will review all transitioned EU measures, many of these reviews will occur during the transition period in advance of these measures actually coming into force at a UK level.</p>			<p>The TRA will review all transitioned EU measures as soon as possible after they are applied at a UK level on the date we leave the EU. Applying them in advance of a review could leave them open to challenge at the WTO.</p>
<p>If the EU's safeguards measures are still in place at the end of a transition period, they might from that date cover UK exports to the EU.</p>	<p>If the EU's safeguards measures are still in place at the end of any agreed transitional period, they will from that date also cover UK exports to the EU.</p>	<p>If the UK leaves without a deal, the EU's safeguard measures will still be in place at that time, and they will cover UK exports to the EU. We will also likely to need to wait for some time before being allocated our own UK quotas.</p>	



## Processing reliefs

The EU operates two schemes that provide relief from import duties and VAT for goods that are temporarily imported or exported. These are:

- Inward Processing Relief (IPR): Import duty and VAT need not be not paid on goods (e.g. raw materials or semi-finished products) imported for processing when the finished product is subsequently re-exported.
- Outward Processing Relief (OPR): When goods are exported for processing and the finished good is then re-imported, import duty and VAT need only paid on the added value of the overseas processing – i.e. net of the value of the goods when initially exported.

The paperwork and traceability requirements can be administratively burdensome<sup>11</sup>.

The government has not explicitly stated in the guidance documents so far issued if it will continue to apply these regimes after exit, although there are hints that it will do. If the UK does adopt these regimes, then under the No Deal scenario they could apply to a far greater volume of trade than currently – i.e. all trade between the UK and EU would in future qualify. This applies only under the No Deal scenario, as under the other scenarios there would be no import duties on which to claim relief.

Furthermore, in its earlier proposals, the UK Government intended to continue to apply the Union Customs Code (UCC) (see under “Customs Procedures” below). If the UK decided unilaterally to continue to apply the UCC even when leaving without a deal, it is possible that this would mean that IPR/OPR would continue only to apply to trade between the EU/UK as a whole and non-EU countries; for example this might mean that selling a finished product to the EU did not count as an “export” for IPR purposes.

However, it would be worthwhile members giving some thought to whether the use of IPR or OPR under the No Deal scenario would be advantageous, and if so investigating the systems changes required. Examples of where it might be beneficial include:

- A steelmaker importing ferro-alloys from an EU country could reclaim 2-7% import duties when those materials are re-exported in steel products to any country, including the EU.
- In the context of complex pan-European supply chains, the use of OPR could be useful in ensuring the continuing viability of processing UK goods in multiple countries.

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It is likely that the current IPR/OPR scheme will operate, and will continue only to apply to trade between the EU/UK and non-EU countries.	It is currently unclear if the UK will adopt an IPR/OPR scheme, but if it does it would only be effective for trade between the EU/UK and non-EU countries.		It is currently unclear if the UK will adopt an IPR/OPR scheme, but if it does it is likely that it would additionally apply to trade between the UK and EU.

<sup>11</sup> Guidance on IPR is available here: <https://www.gov.uk/guidance/inward-processing>; and on OPR here: <https://www.gov.uk/guidance/outward-processing-relief-opr>.

## Rules of origin

### Principles

Rules of origin are used to determine the origin of a product for customs and other purposes. Examples of important uses include:

- establishing the correct level of import duty to charge; or
- determining whether a product has EU origin in order to benefit from preferential treatment under one of the EU's free trade agreements.

The broad principle is that if an imported product undergoes a substantial transformation, then it acquires the origin of the country in which that transformation occurs. The way in which this is determined varies according to product. It may relate to the percentage of the total value of a product accounted for by non-originating (i.e. imported) components – and this methodology typically applies to complex, assembled products. For example, in the recent EU/Canada FTA, for a motor vehicle to be exported tariff free between the EU and Canada, at least 50%, by value, of the components and processing must originate or take place in either the EU or Canada.

### Trade between the UK and EU

There are no rules of origin at a Member State level applied to intra-EU trade, i.e. there is currently no such thing as UK-origin – everything is EU-origin. For steel products, the default EU approach (the “non-preferential rules of origin”<sup>12</sup>) is that a change in 4-digit tariff code is sufficient to change a product's origin.

To give an example: a slab imported from Russia and rolled into a hot rolled coil in the UK would currently acquire EU origin (moving from 7207 to 7208). If that coil were converted into a tube in Italy, it would retain EU origin, but if it were converted into a tube in Canada it would acquire Canadian origin (moving from 7208 to 7306). If on the other hand the coil were only cut to length, this would not be sufficient to change its origin. After Brexit, the HR coil would acquire UK origin, not EU origin.

If the UK leaves without a deal, all UK sales into EU countries will be subject to the EU's non-preferential rules. Given that steel tariffs will remain at zero, this will not have any direct impact on members (concerns of safeguards aside), but will have indirect impacts on the choices that steel consumers make. These are summarised under “risks” below.

Scenarios 2 and 3 both include a new UK/EU FTA. The rules to establish origin for products traded between the UK and EU would be fixed by that FTA. The details cannot be predicted. However it is worth noting that the rules applicable to steel in the majority of the EU's FTAs are not fit for purpose, as they do not recognise the existence of continuous casting. Thus there is a risk that, if this particular rule were used in a UK/EU FTA, using the above example, the HR coil rolled in the UK from Russian (concast) slab would retain Russian origin – as indeed would any CR or coated sheet made from it. However, all of the EU's modern FTAs (such as those recently signed with Canada and Japan), confer a change in origin via change in tariff code (for example a slab to HRC). UK Steel will be lobbying strongly to ensure that if there is a UK/EU FTA it will use these more modern rules for steel that are fit for purpose.

If the UK forms a Customs Union with the EU, there will be no rules of origin for trade between the UK and EU. Goods entering the UK or EU will have paid customs duties under

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<sup>12</sup> Further information on the EU's non-preferential rules of origin can be found here: [https://ec.europa.eu/taxation\\_customs/business/calculation-customs-duties/rules-origin/nonpreferential-origin/introduction\\_en](https://ec.europa.eu/taxation_customs/business/calculation-customs-duties/rules-origin/nonpreferential-origin/introduction_en)



the EU rules and will therefore be deemed to be in free circulation within the UK/EU Customs Union area.

### **Trade with countries with FTAs**

Each of the EU's FTAs has its own set of rules of origin, with many variances, which are used to determine if an imported good qualifies for tariff-free treatment within that particular FTA.

If the UK forms a Customs Union with the EU, it will be obliged to negotiate a set of FTAs that replicate the existing EU FTAs (and continue to replicate future FTAs that the EU negotiates). It can be assumed that the rules of origin within each of those new UK FTAs will be identical to the existing EU rules. If the UK is to reap full advantage of these FTAs, it will be essential to ensure that UK-origin goods should be treated as having EU-origin for the purposes of the EU's FTAs, and *vice versa* for the UK's FTAs (known as "diagonal cumulation"<sup>13</sup>). Given that the UK will be negotiating identical agreements with the FTA partners, it is not inconceivable that this could be achieved. There will however be inevitable delays before the FTAs are in place, and members should bear in mind that diagonal cumulation can take a significant amount of time to achieve.

Under the other three scenarios, the UK will be setting out to negotiate its own FTAs: both the FTA partners and the contents of the agreements will be different. The Government stated earlier that it aimed to achieve diagonal cumulation between the EU's and UK's FTAs. This may not be realistic, and members are advised to assume that this will not be achieved on any timescale that will be relevant to even long term business planning.

### **Risks**

The main risks to steel companies after exit relate to your customers:

- EU-based end-product manufacturers (such as the automotive sector) will seek to retain EU origin for their products, in order to benefit from the preferential tariff treatment in the EU's FTAs. Where a product's origin is determined by the percentage value of its EU content, they may stop buying UK origin steel or components, in order to reduce the risk of dropping below the EU content threshold. In reality the risk to the EU manufacturer is extremely small, in most cases non-existent, but the complexity of rules and simply the potential of risk is already putting some off. Already EU customers simply do not want to engage with the complexity of the situation and therefore are simply opting for EU steel rather than UK.
- Equally, end-product manufacturers currently based in the UK may move their manufacturing operations into the EU if the UK fails rapidly to agree FTAs with key third country markets.
- One possible advantage is that UK manufacturers in the future may specify UK steel in order to maximise the UK content of their products and thereby benefit from the preferential tariff treatment in the UK's new FTAs.

Unfortunately there is little that members can do directly to mitigate these risks, but mapping of supply chains and discussions with customers now could help more accurately pinpoint risk and impact. To assist in this, UK Steel has produced a summary of the rules of origin affecting steel-containing products contained in the key EU FTAs; this should be of some use in educating customers about the lack of risk in continuing to use UK origin steel. This guidance is replicated at Annex 5.

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<sup>13</sup> <https://trade.ec.europa.eu/tradehelp/cumulation>

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Importantly, for many products and components, “originating status” can be obtained if the product being made is classified under a different 4-digit tariff heading from its feedstock. Where this applies EU manufacturers can confidently use UK-origin steel and components without putting at risk the EU origin of their end product. Furthermore, once a component has acquired EU origin, 100% of the value of that component is assumed to be of EU origin when assembled into an end product. For example UK producing steel used to manufacture an engine component in France, would obtain EU origin, if it was then used in a car manufactured in Germany 100% of that component would be considered of EU origin for the purposes of assessing what percentage of the final car was of EU origin.

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<b>Trade between the UK and EU</b>			
No change. No rules of origin applying to trade between UK & EU. Imports customs cleared in the UK will be allowed to circulate freely in the EU, and <i>vice versa</i> .	The rules of origin applicable to trade between the UK and EU will be determined by the new UK/EU FTA.		The EU’s non-preferential rules of origin will apply to imports from the UK. The UK will set its own non-preferential rules for imports from the EU (and other non-FTA countries), but could simply copy the EU rules.
<b>Trade with countries with FTAs</b>			
Medium to long term disruption pending replication by the UK of existing EU FTAs. Rules of origin likely to be identical to those established in the EU FTA. (However again note that there is no guarantee that all of the current or future EU FTA partners would wish to replicate their EU agreement with the UK.)	Rules of origin governing trade between the UK and its new FTA partners will be set by each individual FTA.		
Good chance of “diagonal cumulation” allowing all existing trade flows to resume in the medium to long term.	Low chance of “diagonal cumulation”, resulting in a permanent risk of lost direct sales to EU markets and of indirect sales to UK manufacturers selling into EU markets.		No chance of “diagonal cumulation”, resulting in a permanent high risk of lost direct sales to EU markets and of indirect sales to UK manufacturers selling into EU markets.

## Export controls

Restrictions are placed on the export of defence and nuclear products. This occasionally impacts

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for steel companies in the context of dual use products – steel products which may have perfectly harmless uses, but may also be used as components for weapons or nuclear equipment. Also, embargoes are sometimes placed for political reasons on the export of certain products to certain countries.

After Brexit, the relevant regulations will continue to apply, as the UK has already legislated for all EU legislation to be automatically translated into UK law. Under a No Deal Brexit, it is likely that items that currently need a licence for exporting to third countries but don't for the EU would also need a licence for exporting to the EU<sup>14</sup>. Whether the same would apply under alternative scenarios will depend on the terms of any deal.

The list of products and/or destination countries subject to export controls is harmonised at an EU level. It is unlikely that the UK would agree to observing such harmonisation if it is denied a seat at the table where the list is agreed, as this is an issue relating both to national security and foreign policy. In the longer term therefore the UK list of controlled products could deviate from the EU's.

1. Customs Union	2. Single Market +FTA	3. Free Trade Agreement	4. No Deal
It is possible that the regime will remain unchanged: sales of controlled goods to the EU that currently do not need an export licence might continue to not need an export licence.	This will depend on the terms of any agreement, but members are advised to assume that export licences will be needed for the sale of <b>all</b> controlled goods to the EU.		Export licences will be needed for the sale of <b>all</b> controlled goods to the EU.
The UK's and EU's respective lists of controlled goods are likely gradually to diverge in the longer term, unless the UK is given a seat at the table that agrees on the list.			The UK's and EU's respective lists of controlled goods gradually diverge in the longer term.

## Customs procedures

The Government's objective is to secure "frictionless trade" between the UK and EU, thereby minimising the administrative burdens and the time taken to process trade flows at the border. Maintaining tariff-free trade between the EU and UK is an important component of this. The May Government also proposed agreeing a "Facilitated Customs Arrangement" (FCA). The key elements of this were:

- The UK continuing to apply the Union Customs Code (UCC) as part of its "common rule book" proposals. This means that all the UK's customs rules and procedures (but not tariffs) would continue to be set by the EU. The UCC is constantly evolving to provide for digital solutions to customs procedures<sup>15</sup>.
- The UK collecting EU import duties on goods entering the UK whose ultimate destination is the EU, and then remitting the proceeds to the EU. This now looks impossible.
- The UK and EU to agree a new trusted trader scheme that would maximise the use of

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<sup>14</sup>The government's technical guidance on export controls in the event of a No Deal Brexit are available here: <https://www.gov.uk/guidance/exporting-controlled-goods-after-eu-exit>.

<sup>15</sup> EU guidance on the UCC can be found here: [https://ec.europa.eu/taxation\\_customs/business/union-customs-code\\_en](https://ec.europa.eu/taxation_customs/business/union-customs-code_en).

digital solutions, and minimise the need to physically stop goods at the border to assess duties – particularly in cases where goods cross borders several times within a complex supply chain.

Most of this complex set of proposals would be unnecessary if the UK were to agree a Customs Union. The UCC would automatically apply; UK and EU tariffs would remain harmonised; there would be no tariffs to collect on UK/EU trade; the UK would continue to collect customs duties at EU levels as at present; maintaining the current trusted trader scheme would be simple. It is likely that some form of border would still be needed (one still exists between the EU and Turkey) – unless the UK were to remain in **the** existing Customs Union – but trade would be as frictionless as possible.

Similarly under scenarios 2 and 3, a high level of border “lubrication” would – by mutual agreement be possible.

However, under a No Deal Brexit the UK would immediately become a third country. While the UK could be flexible in its approach to customs procedures in order to minimise disruption we have no influence or control on what happens within the EU. It is highly likely that neighbouring Member States could apply the EU rules to the letter, resulting in severe delays for goods leaving the EU destined for the UK, and for UK goods entering the EU.

Practical issues Members need to start addressing include:

- Under scenarios 2 to 4, customs declarations will need to be completed for all imports from the EU and exports to the EU. If you have previously exported to or imported from third countries, then these procedures will already be familiar – but the volume will increase significantly. The FCA proposals were not intended to abolish these formalities, but to ease the burden of complying with them.
- Customs declarations for trade with the EU should be filed electronically<sup>16</sup>: if you are importing from the EU, filing should be by the EU seller or his/her agent; if exporting to the EU by the EU purchaser or his/her agent.
- An alternative means of completing a customs declaration in the EU is the Single Administrative Document (SAD)<sup>17</sup>, which is currently used for EU<sup>18</sup> trade with third countries. After Brexit it would also be used by EU companies exporting to or importing from the UK; and for UK goods in transit through EU countries<sup>19</sup>. If the UK was in a Customs Union, UK companies could also use it for exporting to or importing from the EU. The UK could also negotiate its acceptance under scenarios 2 and 3, although it does not commonly apply to FTA partners.
- In principle, under scenario 1 the documentary requirements should be less onerous. Goods flowing between the EU and UK would be in free circulation, but would need to be accompanied by documentation proving their UK/EU origin or that (EU) customs duties had been paid on importation into the UK/EU area.
- An Economic Operator Registration and Identification (EORI<sup>20</sup>) number is needed for

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<sup>16</sup> A guidance document is available here:

[https://ec.europa.eu/taxation\\_customs/sites/taxation/files/eucdm\\_guidance\\_document\\_en.pdf](https://ec.europa.eu/taxation_customs/sites/taxation/files/eucdm_guidance_document_en.pdf)

<sup>17</sup> EU guidance on the SAD is available here:

[https://ec.europa.eu/taxation\\_customs/business/customs-procedures/general-overview/single-administrative-document-sad\\_en](https://ec.europa.eu/taxation_customs/business/customs-procedures/general-overview/single-administrative-document-sad_en)

<sup>18</sup> “EU” in this context includes EFTA, Turkey and the Republic of North Macedonia.

<sup>19</sup> The SAD is also used to track IPR and OPR transactions. Depending on what is eventually agreed (or not) in this area, the UK may need to develop its own documentary procedures for this purpose.

<sup>20</sup> For more information on EORI numbers, see here:

[https://ec.europa.eu/taxation\\_customs/business/customs-procedures/general-overview/economic-operators-](https://ec.europa.eu/taxation_customs/business/customs-procedures/general-overview/economic-operators-)

all companies based in the EU who wish to import from or export to non-EU countries. It is also needed for non-EU companies selling into the EU. EU companies apply to the customs authority of the Member State in which they are based. Non-EU companies apply to the customs authority of the Member State to which they are first exporting. Any member company who currently trades with a non-EU country will already have an EORI. After exit, any member trading with any country will need an EORI. It appears that the government intends to continue using the EORI for trade into and out of the UK after exiting the EU. What is less clear is whether UK-issued EORIs will still be valid in the EU. The government has stated that it will issue further guidance later<sup>21</sup>.

- Authorised Economic Operator status is a type of quality assurance scheme underpinned by standards set by the World Customs Organisation. The EU has an AEO scheme<sup>22</sup>. An AEO must demonstrate professional competence in the field of customs declarations and must have robust compliance systems in place. In return, an AEO benefits from being able to input directly into electronic customs systems, minimising the need for paper controls and border inspections. The EU has mutual recognition agreements for AEOs with a handful of countries<sup>23</sup>. Given that the UK already operates within the EU's AEO scheme, it would be illogical for the EU not to conclude a mutual recognition agreement with the UK after Brexit, although there could be a delay in the case of a No Deal Brexit. Members who are not currently AEOs, but who conduct significant volumes of trade with the EU, are recommended to consider applying for AEO status. For the time being, it is recommended that they investigate the standards required and consider what system changes might be necessary to achieve these standards.
- Failing this, it is suggested that members consider using a customs broker or logistics company with AEO status.
- Given that border delays cannot be ruled out, and are almost inevitable under a No Deal Brexit scenario<sup>24</sup>, it is recommended that members importing feedstock from other EU countries should consider whether they need to increase their stock levels, and adjust their purchasing accordingly. Similarly, members should consider whether the retention of customer loyalty in other EU countries requires an increase in consignment stock levels in those countries.
- Finally, members should consider the impact that additional customs checks/delays could have on their customers in the UK. If not done already, members should take steps to understand the possible impacts on their supply chains and understand the indirect impacts on themselves.

Finally, while joining a customs union with the EU should significantly alleviate customs procedures, it probably would not entirely remove the need for a border between the UK and EU. As noted earlier, the UK could potentially negotiate a closer arrangement than that of the EU/Turkey Customs Union, which would help. However, the only sure way to guarantee

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[registration-identification-number-eori\\_en](#). UK Government guidance on applying for an EORI number is available here: <https://www.gov.uk/eori>.

<sup>21</sup> See the government's guidance document Trading with the EU if there's no Brexit deal: <https://www.gov.uk/government/publications/trading-with-the-eu-if-theres-no-brex-it-deal/trading-with-the-eu-if-theres-no-brex-it-deal>

<sup>22</sup> More information on the EU's AEO scheme is available here: [https://ec.europa.eu/taxation\\_customs/general-information-customs/customs-security/authorised-economic-operator-aeo\\_en](https://ec.europa.eu/taxation_customs/general-information-customs/customs-security/authorised-economic-operator-aeo_en).

<sup>23</sup> Norway, Switzerland, Japan, Andorra, the US and China.

<sup>24</sup> Although this has not been stated, members should assume that in this scenario priority will be given to perishable goods, resulting in greater delays for goods like steel.

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fully frictionless trade would be for the UK to remain in **the** existing Customs Union, which may not be possible/acceptable to the EU.

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Goods traded between the UK and EU would be in free circulation, but would need to be accompanied by documentation proving their UK/EU origin or that (EU) customs duties had been paid on importation into the UK/EU area.	EU companies importing from the UK or exporting to the UK will need to file customs declarations in the EU.  UK companies importing from the EU or exporting to the EU will need to comply with UK government documentation requirements – yet to be announced. These might be simplified to ease passage through the UK side of the border.		
Assuming the UK continues to mirror the EU system, UK companies importing from the EU will need an EORI number, issued by the UK.			
	UK companies exporting to the EU will need an EORI number. UK-issued EORIs may or may not be usable – depending on what is agreed during negotiations.		UK companies exporting to the EU will need an EORI number. It is most likely that UK-issued EORIs will not be valid, and that UK companies will need to apply to an EU Member State for an EU EORI.
It is likely that the UK and EU will agree mutual recognition of their respective AEO schemes.	It is expected that the UK and EU will agree mutual recognition of their respective AEO schemes.		Mutual recognition of the UK and EU AEO schemes ultimately is possible, but there will be delays before this is achieved.
This is the most frictionless option, although it would not entirely eliminate the need for a border. Checks would still likely be required in terms of product standards.	Risk of delays at the border, particularly for shipments not made by a company with AEO status. However, the fact that there would be no import duties to collect should smooth flows; and the UK could potentially negotiate bespoke bilateral trade facilitation measures within the FTA.		High risk of significant delays at the border.

## Value added tax

The EU VAT area is separate from both the Customs Union and the Single Market. There is therefore a high probability that the UK would be outside the VAT area under all of our scenarios. Indeed, seeking to remain in the VAT area would cross at least one of the Government's red lines; and amendments to the Taxation (Cross-border Trade) Bill effectively rule this possibility out.

After exit therefore transactions between the UK and EU will be treated in the same way as



transactions with non-EU countries are currently treated. VAT will be payable on the value of any goods (including any customs tariffs) imported from the EU. Exports to the EU on the other hand will be zero-rated, with your customers responsible for paying VAT at the point of importation<sup>25</sup>. Members should ensure that their systems are able to cope with this change in procedure.

The biggest potential implication is the negative impact on cash flow: VAT on purchases from the EU will after Brexit be payable at the point of importation, instead of in the quarterly VAT return in which the end-product sale is recorded<sup>26</sup>.

The Government's aspiration is to reach agreement with the EU in order to minimise the disruption and administrative burden resulting from this change. Its original White Paper says: "To ensure that new declarations and border checks between the UK and the EU do not need to be introduced for VAT and Excise purposes, the UK proposes the application of common cross-border processes and procedures for VAT and Excise, as well as some administrative cooperation and information exchange to underpin risk-based enforcement." It is not clear what this would entail in practice.

In the No Deal scenario things are a little clearer. The UK Government has set out in its Technical Notice on VAT<sup>27</sup> that it would "introduce postponed accounting for import VAT on goods brought into the UK. This means that UK VAT registered businesses importing goods to the UK will be able to account for import VAT on their VAT return, rather than paying import VAT on or soon after the time that the goods arrive at the UK border. This will apply both to imports from the EU and non-EU countries." This solution could potentially be adopted under alternative scenarios, although there is apparently as yet no commitment from the Government to do so. It will not of course mitigate the cash flow impacts for your EU customers.

## Terms and conditions

Members will need to review their contractual arrangements and standard terms & conditions to ensure that the UK's new status as a non-EU state is reflected in them. Clearly they will need to take legal advice: UK Steel is not qualified to give such advice. However, a non-exhaustive list of issues for consideration is as follows:

- Which party is responsible for paying any import duty on sales from the UK to EU?
- Which party is responsible for paying any import duty on imports into the UK from the EU?
- Which party is liable in the case of port delays?
- Do payment terms need adjusting to take account of port delays?
- Do the force majeure conditions need amending to take account of potential port delays?
- Are changes needed to reflect the changed VAT position?

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<sup>25</sup> HMRC's guidance on zero-rating VAT on non-EU exports (which, after Brexit will also apply to exports to the EU) is available here: <https://www.gov.uk/guidance/vat-exports-dispatches-and-supplying-goods-abroad>.

<sup>26</sup> Simplified guidance on how the system works, and the implications of Brexit, is available here: <https://uktradedeforum.net/2018/10/09/what-leaving-the-eus-vat-area-means-for-small-and-medium-sized-businesses/>

<sup>27</sup> HMRC's more detailed guidance on the treatment of VAT in the case of a No Deal Brexit is here: <https://www.gov.uk/government/publications/vat-for-businesses-if-theres-no-brexite-deal/vat-for-businesses-if-theres-no-brexite-deal>

## Finance

Currently, a financial services provider authorised to operate in one Member State is automatically authorised to operate in all other Member States (known as “passporting”).

Unless the UK stays in the Single Market, this will change. Thus under scenarios 1, 3 and 4, UK-authorized financial services companies will no longer be permitted to operate in the EU unless they have separately obtained authorisation in another Member State. One implication of this is that a contract entered into with a UK provider that relates to another Member State, and that is due to complete after the date of Brexit, may no longer be enforceable at that point.

The converse will not be true. The UK has committed to allowing EU financial services providers to continue operating in the UK for up to three years after Brexit without obtaining specific UK authorisation<sup>28</sup>. Members are advised to check that all financial service providers with whom they have contracted or plan to contract business will still be authorised to deliver on the contract after Brexit day.

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UK financial service providers will need to obtain authorisation in an EU27 member state.	UK financial service providers will continue to be able to operate in the EU.	UK financial service providers will need to obtain authorisation in an EU27 member state.	

## Regulations

The general principle is that the European Union (Withdrawal) Act 2018 transfers EU law to the UK statute book on exit day. Thus there will be no immediate change to the regulatory environment under which members operate.

If the UK remains in the Single Market, then all EU regulations will continue to apply here. Future changes will apply automatically, although the UK will no longer have any influence over them.

The Government’s original proposal included a “common rulebook” for goods, under which the UK would continue to apply EU regulations in areas defined as “only those rules necessary to provide for frictionless trade at the border. In the case of manufactured goods, this encompasses all rules that could be checked at the border, as they set the requirements for placing manufactured goods on the market, and includes those which set environmental requirements for products, such as their energy consumption.”

Thus the proposal would include the continued harmonisation of technical standards and the environmental performance of products, but would appear not to cover the environmental performance of the plants in which the products were manufactured.

The UK also proposed a complex institutional arrangement whereby it would seek to influence future changes in regulations included within the common rulebook, but ultimately it would have no vote, and would have to accept changes made in Brussels. It also proposed a

<sup>28</sup> See the government’s guidance document on banking, insurance and other financial services: <https://www.gov.uk/government/publications/banking-insurance-and-other-financial-services-if-theres-no-brexite-deal/banking-insurance-and-other-financial-services-if-theres-no-brexite-deal>



bilateral dispute settlement mechanism, in an attempt to ensure that in future European Court of Justice rulings cannot be directly applicable in the UK.

It is conceivable that the Government would seek to include this approach in whatever future deal is eventually agreed – e.g. under our scenarios 1 and 3. However, it should be recognised that it was this “cherry-picking” approach to selecting the legislation for inclusion in the “common rulebook” that formed one of the EU’s main objections to the UK’s proposals. While the EU could not of course prevent the UK unilaterally deciding to mirror certain areas of regulation, this will not guarantee the EU making reciprocal concessions. Nor would a unilateral approach to “harmonisation” necessarily commit future UK governments to maintaining such harmonisation.

For areas other than “those rules necessary to provide for frictionless trade at the border”, the UK would, under the Government’s original proposals, be free to develop its own regulations. However, the Government also originally proposed ‘non-regression’ provisions within any agreement, whereby the EU and UK would agree to maintain high regulatory standards in areas such as environment and employment rules.

The overall intention is clearly therefore to maintain some level of equivalence with the EU in many regulatory areas. There is unlikely to be any ‘bonfire of regulations’. At this point it is futile to speculate further about what might emerge from future negotiations. Suffice it to say that under all scenarios other than scenario 2, it is likely that regulatory divergence will develop, which would progressively increase the regulatory burden for manufacturers trading with the EU who would then have two, rather than one, set of rules to deal with.

1. Customs Union	2. Single Market +FTA	3. Free Trade Agreement	4. No Deal
No immediate change to any rules and regulations.			
For certain regulations (such those covered by the “common rulebook”), notably those relating to product standards and performance, the UK will continue to adopt EU rules.	No change: full compliance with EU regulations.	For certain regulations (such those covered by the “common rulebook”), notably those relating to product standards and performance, the UK will continue to adopt EU rules.	The UK will be free to develop its own legislation in all areas, leading to progressive regulatory divergence between the UK and EU. (The UK could however unilaterally decide to maintain regulatory equivalence in some areas.)
In other areas the UK will be free to develop its own legislation after leaving, leading to progressive regulatory divergence between the UK and EU.		In other areas the UK will be free to develop its own legislation after leaving, leading to progressive regulatory divergence between the UK and EU.	

Regulation of particular interest to the steel industry are covered below:

## REACH

REACH, the EU’s regulation for the Registration, Evaluation, Authorisation and Restriction of Chemicals, is major area of environmental regulatory compliance for steel companies. Steel companies could be involved in REACH for a number of reasons such as importing and using substances controlled by the regime, production and disposal of certain industrial by-products, or even manufacture of steel products that are controlled by the regime.

Like so much else, the UK's future relationship with REACH, and the possibility of a UK version of it, is subject to considerable uncertainty.

If the UK remains in the Single Market, nothing will change.

Under the Government's original approach it was proposed that the UK remain within REACH and maintain a relationship with ECHA, meaning businesses register directly with ECHA as before and only one set of approvals is required. In this scenario, there is no significant departure from the current arrangements, meaning minimal disruption for steel companies in this regard. This could still potentially apply under our scenarios 1 and 3.

However, a No Deal scenario would mean for the purposes of REACH, the UK becomes a third country and will then require its own chemicals regulatory system and IT infrastructure. In such a situation steel companies dealing with controlled substances would need to take necessary steps to be compliant with the new regime, this could be a complex and expensive regulatory exercise for those companies that have to register under the new UK system. A No Deal Brexit could also bring new companies into a UK REACH that do not currently participate in the current EU regime; for example those that currently import controlled substances exclusively from other EU countries. In the result of a No Deal Brexit, such companies would likely be newly classified as importers under a UK REACH regime and would need to register as such.

The Government has said that regardless of the result of the negotiations, there will be a regulatory regime in place for when the UK leaves the EU to ensure as much continuity as possible. To this end, it has developed the relevant legislation and IT systems for re-registration under a new UK REACH if there is a no-deal scenario and is ensuring that there is domestic capacity to fulfil obligations currently undertaken by ECHA. Substantial further guidance has been provided by the HSE on this topic.<sup>29</sup>

If there is an implementation period (e.g. until 31 December 2020), REACH will continue to apply throughout. This means current registrations and authorisations in place before a Withdrawal Agreement comes into effect will continue to be valid during the implementation period in the same way. The UK's ultimate relationship with ECHA will depend on the final outcome of the negotiations, regardless of any implementation period.

**[Please note changed order of columns in the following table.]**

1. Customs Union	3. Free Trade Agreement	2. Single Market +FTA	4. No Deal
<p>Participation in ECHA, accepting its rules and costs. Although, a new arrangement will have to recognise that the UK is not a member state.</p> <p>The UK would not have voting rights but would maintain 'observer' status with access to ECHA's IT systems in order to ensure the timely transfer of data.</p> <p>This is in line with the UK Government ambition for companies to only go through</p>		No change.	<p>The UK would establish its own regulatory framework and build domestic capacity to deliver the functions currently performed by the European Chemicals Agency (ECHA). The competent authority will be the Health</p>

<sup>29</sup> <https://www.hse.gov.uk/brexit/reach.htm>

1. Customs Union	3. Free Trade Agreement	2. Single Market +FTA	4. No Deal
<p>one set of approvals, registering directly with ECHA.</p> <p>This is close to 'business as usual' and in this scenario businesses would have to do very little preparation.</p> <p>To note, this proposal has very little traction with the EU. Therefore, any resulting negotiated scenario could have different as yet unknown implications.</p>			<p>and Safety Executive.</p> <p>A new UK framework will enable the registration of chemicals through a domestic IT system, similar to the existing EU IT system.</p> <p>Existing UK-held registrations will be 'grandfathered' into UK REACH and there will be a light-touch notification process for UK companies importing from the EEA.</p> <p>Importer status will be created as a result of creating a new border between the EU and UK.</p> <p>Companies will need to take significant action to ensure access to the UK and EU markets.</p>

## EU ETS

The UK has committed to remaining in the EU Emissions Trading System (ETS) until the end of the scheme's current phase (December 2020) and the Brexit implementation period assuming some kind of deal is reached. If the implementation period is extended beyond the end of 2020 it is assumed the UK would also remain part of the EU ETS for that extended period although there is an element of uncertainty with this too. None of this would not apply in a No Deal scenario, in which case a carbon tax would be introduced by the UK Government as per the technical notice<sup>30</sup>.

Beyond 2020, there are theoretically four main options under consideration: remaining in the EU ETS; setting up a UK-only ETS; a UK ETS that links to carbon pricing schemes in other countries or regions; and a carbon tax. As of May 2019 the Government has stated a

<sup>30</sup> <https://www.gov.uk/government/publications/meeting-climate-change-requirements-if-theres-no-brex-it-deal/meeting-climate-change-requirements-if-theres-no-brex-it-deal#no-deal-1>

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preference for a UK ETS linked to the EU ETS and a consultation has been published on the subject<sup>31</sup>. This provides an indication of the direction of travel but we cannot, at this stage, be certain that this will be the model eventually adopted.

For the moment all companies can do is be aware that their carbon costs and administrative duties may change from December 2020. There will be a data collection exercise for the post-2020 phase of the EU ETS beginning next year which UK companies are likely to have to participate in even if the UK expects to exit the scheme.

All companies have now complied with their 2018 requirements, submitting allowances by the, ultimately extended, deadline of 30<sup>th</sup> of April. In the event of a no deal scenario, there will be no requirement to surrender EU ETS allowances after the 2018 compliance year. The government intends to maintain Monitoring, Reporting and Verification arrangements to ensure continuing transparency over greenhouse gas emissions. In a no deal scenario, accounts in the EU ETS Union Registry administered by the UK and accounts in the Kyoto Protocol registry of the UK will be inaccessible as of the withdrawal date. Operators will continue to have access to registry accounts administered by the UK until this date.

**[Please note changed order of columns in the following table.]**

1. Customs Union	3. Free Trade Agreement	2. Single Market +FTA	4. No Deal
<p>2019 and 2020 compliance: UK is likely to remain in the EU ETS until December 2020 so it is feasible rules will remain largely the same until then but with some measure to prevent UK participants defaulting on their obligation to surrender allowances in April 2021 to cover 2020 emissions. One option is for the EU to use existing powers to limit the validity of allowances issued to UK firms in 2019 and 2020.</p> <p>(Also note that until a withdrawal agreement is signed, UK participants will continue to experience disruption through the suspension of UK allowances.)</p>		No change.	<p>2019 and 2020 compliance: there will be no requirement to surrender EU ETS allowances after the 2018 compliance year. However, the UK would implement a carbon tax as outlined in the technical notice.</p>
<p>Post-2020 period: UK could pursue several very different options.</p>			<p>Post-2020 period: UK could continue any measures implemented immediately after Brexit or decide to treat them as interim arrangements and conduct further reforms.</p>

## Environmental permitting

The vast majority of UK Steel members' plants are regulated in accordance with the requirements of the EU Industrial Emissions Directive (IED), necessitating the possession of

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<sup>31</sup> BEIS consultation on the future of UK carbon pricing <https://www.gov.uk/government/consultations/the-future-of-uk-carbon-pricing>

an environmental permit in order to operate. The IED, which is implemented through the Environmental Permitting Regulations and enforced by the Environment Agency (and NI, Scottish and Welsh Equivalents), aims to prevent and reduce harmful industrial emissions whilst promoting the use of techniques to reduce pollutant emissions but which are energy and resource efficient.

Under all scenarios, the Industrial Emissions Directive will continue to have effect in UK law via the Environmental Permitting Regulations 2014<sup>32</sup> (and devolved equivalents). The UK has committed to maintaining equivalent environmental standards after Brexit and for transferring any necessary powers over to UK institutions necessary to maintain the same environmental permitting regime. As such steel companies should not experience any change in the way they are regulated or what they must do in order to comply.

One longer term consideration concerns the process for establishing Best Available Techniques (BAT Conclusions) via the ‘Sevilla process’. In a No Deal scenario, and probably in other scenarios other than staying in the Single Market, the UK is unlikely to be part of this collective EU process. The UK Government would put the necessary legislation in place to ensure the current BAT conclusions continue to have effect in UK law after we leave the EU, and will put in place a process for the future determination of BAT conclusions.

## Health and safety

Existing health and safety legislation will continue to apply in the UK immediately after leaving the EU. If we stayed in the Single Market, the UK would also continue to be bound by future EU health and safety legislation.

With regard to the other scenarios, health and safety legislation appears not to be included in the Government’s earlier “common rulebook” proposal. The UK would therefore be free to develop its own legislation in future.

The Government would not be expected to introduce legislation that undermined our existing high levels of H&S protection. However, under scenarios 1, 3 and 4 it is likely that manufacturing organisations will push for the early repeal of some elements of H&S legislation that to British eyes appear unnecessary or misguided. Make UK for example has already identified the Artificial Optical Radiation and Electro Magnetic Fields Directives as candidates for repeal without reducing levels of protection for workers.

## Steel standards, certification and related regulation

Most steel products are sold on the EU market under EU harmonised standards. For these products, British standards issued by the BSI are identical to the European (EN) standard. Standards are also increasingly being harmonised at a global level, with EN standards designed to comply with ISO standards.

The UK would continue to use EU harmonised standards if the UK remained in the Single Market.

Also under scenarios 2 and 3, a key element of the UK’s common rulebook proposal is that the UK would continue to use these harmonised standards, including new standards.

Under a No Deal Brexit, all existing EN standards would for the time being continue to apply within the UK. The UK would however be free to choose not to adopt new or revised EN

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<sup>32</sup> [http://www.legislation.gov.uk/ukxi/2014/255/pdfs/ukxi\\_20140255\\_en.pdf](http://www.legislation.gov.uk/ukxi/2014/255/pdfs/ukxi_20140255_en.pdf)

standards and to develop its own product standards. The degree to which this happened is likely to depend on the dynamics of individual products/sectors.

- Sectors with a high proportion of EU sales, or whose customers had a high level of EU trade, would be likely to want to keep selling to EN standards in the UK. There would be costs involved in manufacturing and selling to two sets of standards. We would expect most sectors to opt to continue to use EN standards in the UK.
- British sectors with few EU sales might instead opt to develop different BS standards, in an attempt to make the UK market less attractive to foreign competitors. (It should be mentioned that there is no evidence from the steel sector that this has ever worked as a medium term strategy.)

The degree of freedom to set its own standards that the UK acquires under scenarios 2 and 3 will depend on the terms of the UK's eventual agreement.

Product standards are agreed by EU bodies in which manufacturers play a key role. For steel products it is CEN. UK participation in these bodies is coordinated by the BSI. There would be no change to these arrangements if we remained in the Single Market.

It is also possible under scenarios 2 and 3 that British companies would continue to be able to participate in CEN – and this is the Government's current assumption. This is important, as without UK participation standards could be developed that do not reflect the interests of UK manufacturers.

Under a No Deal Brexit however there is a higher risk that the UK would not be allowed full participation in CEN<sup>33</sup>.

The Government has proposed that under a negotiated settlement (e.g. our scenarios 1 and 3) testing and compliance regimes should remain as at present, to be achieved via a jointly agreed accreditation framework. In other words, certification issued by an accredited UK-based organisation would be applicable throughout the EU, and vice versa.

This is unlikely to be possible under the No Deal scenario, meaning that certification for selling into the EU market could only be given by an EU-accredited body. These dual certification requirements could be costly, particularly if certifications issued by UK-accredited bodies ceased to be valid in the EU immediately after withdrawal.

For many steel products, standards compliance is essentially a matter of business-to-business agreement. EU customers may be happy to accept that certification issued by an accredited UK body is sufficient to demonstrate compliance with the relevant EN. This will not be the case however with products subject to a regulatory regime, and, unless we stay in the Single Market, you will only be able to use your current supplier if they have a registered/accredited office in the EU.

The main such regime affecting certain steel products is the Construction Products Regulation (CPR), where CE marking and use of the harmonised standards is mandatory. This Regulation will automatically be written into UK law under all scenarios on the day of exit. Specific guidance on how the CPR will be applied in the UK after Brexit is available here: <https://www.gov.uk/guidance/construction-products-regulation-if-there-is-no-brexit-deal>.

The government has also issued more general guidance relating to a No Deal Brexit<sup>34</sup>. While

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<sup>33</sup> CEN membership is currently restricted to EU members, EEA members, Switzerland, and candidate countries.

<sup>34</sup> Available here: <https://www.gov.uk/guidance/placing-manufactured-goods-on-the-uk-market-if-theres-no>



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the government will try to make the transition as smooth as possible for sales on the UK market, sales into the EU could be adversely affected. The guidance states that “after the UK leaves the EU the results of conformity assessment carried out by UK conformity assessment bodies will no longer be recognised in the EU. This is the case even if the assessment was carried out before the UK leaves the EU. If you are placing a good on the market after the UK leaves the EU you will need to use an EU-recognised conformity assessment body.” The guidance gives the following recommendations:

- “If your goods were assessed by a UK-based notified body, then you could arrange for them to be reassessed by an EU-recognised conformity assessment body before placing on the EU internal market. You can find a list of EU-recognised bodies on the [NANDO database](#).
- Alternatively, you could arrange for the files to be transferred to an EU recognised body before the UK leaves the EU.
- All products where third-party assessment is required would need to be re-marked with the new EU recognised notified body’s 4-digit number.”

For sales on the UK market after a hard Brexit, conformity assessments issued by EU- authorised bodies would continue to be valid for an (unspecified) period of time. After that, EU-manufactured construction products sold in the UK would require a conformity assessment issued by a UK-authorized body. The UK will develop its own conformity mark for goods sold in the UK – the UKCA mark. In the medium term, EU and UK standards and conformity requirements would remain identical, but the UK could develop its own standards in the longer term.

**[Please note changed order of columns in the following table.]**

2. Single Market +FTA	1. Customs Union	3. Free Trade Agreement	4. No Deal
No change.	Existing standards will continue to apply immediately after Brexit.		
	Existing standards will also continue to apply in the long term.	The UK could develop separate standards, but this is largely for industry to determine.	
	Under a negotiated deal, it is possible that UK certification bodies could continue to be recognised in the EU. If not, it is likely that the “No Deal” arrangements will apply.	UK certification bodies are no longer recognised in the EU. After a transitional period, EU certification bodies will not be recognised in the UK.	
	The Construction Products Regulation will continue to apply immediately after Brexit.		
	Under a negotiated deal, it is possible that the CPR compliance regime could continue to apply in the UK. If not, it is likely that the “No Deal” arrangements will apply.	The UK will develop its own regulatory system for construction products.	

## State aid and competition law

The government has stated that it will continue to apply EU state aid and competition law after exit, even under a No Deal scenario<sup>35</sup>. This will be policed by the Competition and Markets Authority. While there is the possibility, particularly under a No Deal Brexit, that some differences in interpretation could emerge over the longer term, the CMA is expected to liaise closely with DG Competition.

Under a No Deal Brexit, there would be the possibility for a future government to change this. (Note that under the EU/Turkey Customs Union, Turkey is obliged to apply the EU's state aid and competition laws. It is virtually certain that the same provision would apply if the UK were to enter into a customs union with the EU.)

## Trademarks and patents

The government has issued guidance on the steps to be taken regarding trademarks<sup>36</sup> and patents<sup>37</sup> under a hard Brexit scenario.

## Data protection

The General Data Protection Regulation (GDPR) will continue to apply in the UK under all scenarios. In the UK, this sits alongside the Data Protection Act 2018, which of course will be unaffected.

The GDPR treats the flow of personal data from outside the EU to third countries differently from the flow within the EU. After Brexit, unless we remain in the existing Customs Union, the UK will of course become a third country.

The government has stated that “the UK would at the point of exit continue to allow the free flow of personal data from the UK to the EU”<sup>38</sup>. The same may not be true concerning the flow in the opposite direction. However, contained in the draft Political Declaration is an undertaking by the Commission to work to accept that the UK's data protection measures are “adequate” by the end of the transition period to allow the free flow of personal data from the EU. This position is likely to hold good under alternative negotiated settlements, e.g. our scenarios 2 and 3.

In the event of a No Deal Brexit the Commission would not be bound by this commitment. If the EU does not accept that the UK meets this adequacy test, a workaround for members would be through inserting standard clauses in sales etc contracts.

## Other IT issues

Moving from being an EU Member State to a third country will affect the way in which data are handled for potentially a large volume of transactions (for example VAT will be treated differently). Members are advised to put in place an action plan to ensure that their IT

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<sup>35</sup> Guidance on state aid is available here: <https://www.gov.uk/government/publications/state-aid-if-theres-no-brexit-deal/state-aid-if-theres-no-brexit-deal> and on competition law here: <https://www.gov.uk/government/publications/merger-review-and-anti-competitive-activity-if-theres-no-brexit-deal/merger-review-and-anti-competitive-activity-if-theres-no-brexit-deal>.

<sup>36</sup> <https://www.gov.uk/government/publications/trade-marks-and-designs-if-theres-no-brexit-deal/trade-marks-and-designs-if-theres-no-brexit-deal>

<sup>37</sup> <https://www.gov.uk/government/publications/patents-if-theres-no-brexit-deal/patents-if-theres-no-brexit-deal>

<sup>38</sup> The government's guidance on the GDPR after Brexit is here: <https://www.gov.uk/guidance/using-personal-data-after-brexit>



systems are fit for purpose to implement these changes – ideally no later than 31 October.

## Employment

All EU employment law will automatically be enshrined as UK legislation on Brexit. There are few implications for UK employers under any of the scenarios<sup>39</sup>.

Under all scenarios other than staying in the Single Market, free movement of labour from EU countries will end. EU citizens already in the country will have the right to remain here. Going forward, immigration from EU countries will be controlled, along with the existing controls on non-EU immigrants.

In September 2018 the government's Migration Advisory Committee issued recommendations for the post- Brexit immigration regime<sup>40</sup>. Put simply, the MAC recommends treating EEA citizens the same as immigrants from other countries are currently treated. It proposes making it easier for medium and (in particular) high skilled migrants to obtain visas – defined as a salary threshold of £30,000. Below this threshold, immigration would be severely restricted.

Members are advised to assess whether their recruitment would be affected by these changes if they were accepted by the government.

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<sup>39</sup> The government has identified European Works Councils and employee rights in insolvencies as two areas where employee rights could be affected by a hard Brexit. See their guidance document: <https://www.gov.uk/government/publications/workplace-rights-if-theres-no-brex-it-deal/workplace-rights-if-theres-no-brex-it-deal>

<sup>40</sup> The report is available here: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/741926/Final\\_EEA\\_report.PDF](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/741926/Final_EEA_report.PDF)

## CHECKLIST

### A. Issues to consider in the short term

1. Do you import from or export to other EU countries, or countries with which the EU has a Free Trade Agreement (FTA)? If “**no**”, jump to point 16.
  - 1.1 Familiarise yourself with the tariff codes under which you import raw materials and/or feedstock, and export your products.
  - 1.2 Start using the UK’s tariff schedule (instead of the CN) once it has been issued.
2. Do you import from other EU countries pig iron and/or ferro-alloys (**other than** ferro-nickel, ferro-tungsten, ferro-silico-tungsten, ferro-niobium, and ferro-phosphorus)? Do you import from other EU countries cast iron tubes, tube fittings, steel castings or steel forgings? If so, you will start incurring UK import duties from the day we leave the EU if there’s a No Deal Brexit. If so:
  - 2.1 Have you conducted a risk analysis of the impact on your competitiveness of these duties?
  - 2.2 Do you export your products (to any country)? If so, have you evaluated whether applying for Inward Processing Relief would help mitigate the loss of export competitiveness if there’s a hard Brexit? If “**yes**”:
    - 2.2.1 Familiarise yourself with the documentary and regulatory requirements.
    - 2.2.2 Are changes needed to your internal systems to meet these requirements?
  - 2.3 Are there any other mitigating strategies?
3. Have you contracted, or are you planning, to buy any plant or machinery from other EU countries to arrive on or after 31 October? If so these will incur UK import duties if there’s a No Deal Brexit.
  - 3.1 Is the liability for paying these duties stipulated in the contract?
  - 3.2 Consider discussing with your suppliers their absorption of the duties, or sharing the costs.
  - 3.3 Are there alternative UK-based suppliers who might be more competitive after 29 March?
  - 3.4 Analyse the financial planning implications.
4. Do you export to other EU countries cast iron tubes, tube fittings, steel castings or steel forgings? If so, your sales will start incurring EU import duties from the day we leave the EU if there’s a No Deal Brexit. If so:
  - 4.1 Consider the contractual implications, including liability for paying the duties.
  - 4.2 Are there other strategies for mitigating the loss of competitiveness?
5. Do you have EU competitors making cast iron tubes, tube fittings, steel castings or steel forgings who sell in the UK?
  - 5.1 Do you have a strategy in place to capitalise on their loss of competitiveness if there’s a No Deal Brexit?
6. Do you import from countries with whom the EU has an FTA: pig iron and/or ferro-alloys (**other than** ferro-nickel, ferro-tungsten, ferro-silico-tungsten, ferro-niobium, and ferro-

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phosphorus)? Do you import from countries with whom the EU has an FTA: cast iron tubes, tube fittings, steel castings or steel forgings? If so, there's a high probability that you will start incurring UK import duties from the day we leave the EU if there's a No Deal Brexit. This situation will continue until the UK negotiates its own FTA with the country in question.

- 6.1 Have you conducted a risk analysis of the impact on your competitiveness of these duties?
  - 6.2 Do you export your products (to any country)? If so, have you evaluated whether applying for Inward Processing Relief would help mitigate loss of export competitiveness if there's a hard Brexit? If **"yes"**:
    - 6.2.1 Familiarise yourself with the documentary and regulatory requirements.
    - 6.2.2 Are changes needed to your internal systems to meet these requirements?
  - 6.3 Are there any other mitigating strategies?
7. Do you export to countries with whom the EU currently has an FTA? If so, there's a high probability that these sales will start incurring import duties from the day we leave the EU if there's a No Deal Brexit. The duties incurred will be those countries' MFN duties, instead of the preferential duties that EU sales currently enjoy. This situation will continue until the UK negotiates its own FTA with the country in question.
- 7.1 Consider the contractual implications, including liability for paying the duties.
  - 7.2 Are there other strategies for mitigating the loss of competitiveness?
8. Have you investigated whether Outward Processing Relief would reduce your costs? If so:
- 8.1 Familiarise yourself with the documentary and regulatory requirements.
  - 8.2 Are changes needed to your internal systems to meet these requirements?
9. Have you conducted a risk analysis of the impact of Brexit under various scenarios on your customers – both in the UK and EU?
- 9.1 Are your customers likely to pull out of the UK if they have to start paying import duties?
  - 9.2 Are your customers, or your customers' customers, reliant on sales to countries with whom the EU has an FTA?
    - 9.2.1 If so, can you estimate whether watering down their EU content by buying UK steel will lead to their products losing EU origin?
10. Do you export any controlled goods to the EU? If so:
- 10.1 Keep the licensing requirements under review.
11. Are you familiar with the EU's customs declaration requirements?
- 11.1 If not, check out the EU's guidance at [https://ec.europa.eu/taxation\\_customs/sites/taxation/files/eucdm\\_guidance\\_document\\_en.pdf](https://ec.europa.eu/taxation_customs/sites/taxation/files/eucdm_guidance_document_en.pdf)
  - 11.2 In either case, are your systems capable of dealing with the likely increased volume of paperwork?
12. Do you have an Economic Operator Registration and Identification (EORI) number?
- 12.1 If not, you should apply for one.

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- 12.2 In either case, you should keep under review whether UK-issued EORIs will be valid in the EU after Brexit.
13. Are you an Authorised Economic Operator (AEO)?
- 13.1 If not:
- 13.1.1 You should consider whether you have sufficient export and import transactions to justify seeking AEO status.
- 13.1.1.1 You will need to review if your internal systems require amending to meet the standards.
- 13.1.2 Alternatively, check that your customs broker or logistics company has AEO status.
- 13.2 In either case, keep under review whether the UK and EU have agreed mutual recognition of AEO status.
- 13.2.1 If not, consider applying to an EU Member State for AEO status; or
- 13.2.2 Check that your customs broker or logistics company has acquired AEO status from an EU Member State.
14. Are your accounting systems set up to handle the change in VAT treatment?
15. Do your terms and conditions need amending to reflect the UK's new status as a non-EU state?
16. Do you produce any of the products that will be covered by new UK trade remedies measures (see Annex 4)?
- 16.1 If so, you are advised to identify the resources within your company that will be needed to meet the TRA's data requirements when they review whether the measures can legally continue to be imposed by the UK.
17. Do you produce and or export to the EU any products currently covered by the EU steel safeguard measure? If so:
- 17.1 Consider your preparedness to provide detailed information to the UK Government for its own, possible safeguards investigation that may be necessary.
- 17.2 Consider how the possibility of EU safeguard measures against the UK could impact on your future export plans to EU countries.
18. Do you use, produce or import any substances or articles controlled by the EU's chemical regulatory regime REACH? If yes then the following considerations/steps should be made:
- 18.1 Ensure you have read the guidance from ECHA regarding a 'no-deal' scenario<sup>41</sup>
- 18.2 In any Brexit scenario, communicate the potential risks to their supply chain as early as possible and ensure contingency plans are in place in case of a no-deal Brexit.

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<sup>41</sup> <https://echa.europa.eu/uk-withdrawal-from-the-eu>

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- 18.3 In the case of a No Deal Brexit, be prepared to have your existing registrations and authorisations validated with the UK authority, the Health and Safety Executive. Basic information will need to be provided within 120 days of leaving the EU by opening up an account on UK REACH IT system and uploading the information.
  - 18.4 Those companies that have their registrations grandfathered (see 18.3) across, will have two years from the date of a hard Brexit to provide the UK authority with the full data set that supported their EU registration. Members should prepare for this eventuality including investigating the data protection/sharing conditions of the consortia they are members of. Some may require you to purchase this data.
  - 18.5 Importers who do not hold an EU REACH registration will have 180 days from the date of leaving the EU to notify the UK authority of basic data relating to the chemicals instead of having to fully register immediately. This is an interim approach and is subject to a review of the whole process in a UK context.
  - 18.6 Existing UK registrants that export controlled substances or articles to EU countries would need to transfer their registration to an EU affiliate or an Only Representative. The alternative is to change your working relationship with your customers which will require action before the UK leaves the EU.
19. Do you participate in the EU ETS? If yes, then you should consider the following:
- 19.1 In the case of agreeing a deal with the EU, do you have sufficient permits to cover all your 2019 emissions?
  - 19.2 Have you worked out where to move any remaining, unused allowances to in a hard Brexit scenario to ensure you still have access to them?
  - 19.3 Have you read the EU ETS technical note to check what UK obligations will be in place after October 2019 in the event of a no-deal Brexit?
20. Do you sell regulated products (e.g. construction products)? If not, skip to point 21. If yes, then the following considerations will apply if there's a hard Brexit, or an agreed Brexit that does not provide for mutual recognition of certification bodies:
- 20.1 Do you sell such products on the UK market?
    - 20.1.1 You should ensure that within the short term your conformity assessment(s) are issued by a UK-authorized body.
    - 20.1.2 If you currently use a notified body authorised in another EU member state, you may instead seek to arrange for your files to be transferred to a UK-recognised notified body to allow for certificates of conformity issued by the EU-based notified body to continue to be valid.
  - 20.2 Do you sell such products on the EU market? If so, you again have two choices, which to avoid disruption after Brexit should be actioned as soon as it becomes clear that a hard Brexit will happen:
    - 20.2.1 Get your products retested by a conformity assessment body recognised by another EU member state; or
    - 20.2.2 Arrange for your files to be transferred to an EU-recognised notified body to allow for certificates of conformity issued by a UK-based notified body to continue to be valid.

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20.2.3 Where necessary, change your marking procedures to ensure that products destined for the EU market are re-marked with the new EU-recognised notified body's four-digit number.

20.3 In both cases, you are advised to start making preparatory plans.

21. Do you sell other products into EU markets? If yes:

21.1 Under the hard Brexit scenario you should assess whether there will be a requirement from your customers for your products to be certified by an EU-recognised body, and act accordingly.

22. Do you have trademarks and/or patents that you wish to protect in the EU after a hard Brexit?

22.1 You are advised to read the government guidance regarding [trademarks](#) and [patents](#) and to consult your professional advisers.

23. If (under a No Deal Brexit) the UK is unable to agree with the EU that the UK's data protection measures are "adequate" under the GDPR, members should consider amending their contractual arrangements so that personal data can continue to flow freely from the EU.

24. All members are advised to put in place an action plan to ensure that their IT systems are fit for purpose to implement the changes consequent on the UK ceasing to be an EU member state - potentially as soon as 31 October.

25. All members are advised to review their future recruitment needs. Are you likely to seek to recruit immigrants on annual incomes under £30,000? If so, availability may be severely limited. Mitigation strategies could include:

25.1 Improving the remuneration package?

25.2 Training recruits already resident in the UK prior to leaving, and with the right to remain here?

25.3 Outsourcing to other countries?

[Note: this advice is based on the recommendations of the Migration Advisory Committee, which is not yet government policy. This could therefore change.]

## **B. Issues for future review**

1. Keep the UK's FTAs under review.

1.1 Note that even under all scenarios for a negotiated settlement, the EU's FTAs will cease to apply to the UK from the day we exit, unless or until the UK has negotiated its own agreements with these countries.

1.2 As the UK negotiates FTAs with the countries that have agreements with the EU, the remarks at A.6 and A.7 will cease to apply.

1.3 As the UK negotiates FTAs with other countries, you will start enjoying a competitive advantage.

UK Steel will keep you advised about the UK's progress.

2. Monitor of imports of your products into the UK, to provide indications of whether

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dumping of products is taking place and whether trade remedies action is required. UK Steel will take on a monitoring and reporting function to help members in this regard as well.

3. Keep under watch any reviews of existing trade remedies measures that will take place. UK Steel will monitor and inform members as well.
4. Keep under review whether UK-issued EORIs will be valid in the EU after Brexit.
5. Keep under review whether the UK and EU have agreed mutual recognition of AEO status.
6. UK Steel will keep UK climate, environmental and health & safety legislation under review as it is amended post-Brexit.
7. Keep the requirements for marking of construction products under review.
8. Under the negotiated settlement scenarios, keep under review the mutual recognition of UK and EU compliance and testing regimes.
9. Keep the government's immigration policy under review.

## ANNEX 1

### Classification of goods

For trade purposes, all goods are given a commodity code. These codes are harmonised globally at a six digit level, specified in the Harmonised System (HS). The UK will continue to use this basic system, whatever the Brexit outcome.

Within the EU (and many other countries), additional granularity in terms of product analysis is obtained by adding a further 2 digits. These codes (and the MFN duties applicable to imports), are set out in the Combined Nomenclature (CN). They apply to both imports and exports. The UK has said that it will also apply these codes initially. However, unless we remain in the Customs Union, the UK will publish its own tariff schedule, which could in the longer term deviate from the EU's at the 8-digit level.

For imports, the EU also adds a further two digits to allow for the classification of goods additionally by country of origin. This is necessary for example to identify goods from countries with preferential trade agreements. These are set out in the TARIC - the Integrated Tariff of the EU. Although the UK's intention is to apply this same system immediately after leaving, unless we remain in **the** Customs Union the UK's codes at this 10-digit level will quite rapidly start deviating from the EU's, as it is unlikely that we will have exactly the same set of preferential trade agreements. Members are advised to rely on the UK's own tariff schedule for all imports and exports as soon as this is published.

The TARIC also specifies further 4-digit additions to the codes that relate to anti-dumping and similar measures. The UK's will differ from the EU's – see "Trade remedies" in the main section.



## ANNEX 2

### EU/UK MFN tariffs on selected steel and steel-related products

Tariff heading	Description	Tariff rate
2601	Iron ore	Zero
2701	Coking coal	Zero
2704	Coke	Zero
7201	Pig iron	Zero to 2.2%
7202	Ferro-alloys	Zero to 7%
7203	Directly reduced iron	Zero
7204	Scrap	Zero
7205	Iron/steel granules & powders	Zero
7206 – 7207 7218 7224	Ingots and semis	Zero
7208 – 7216 7219 – 7222 7225 – 7228	Rolled steel products	Zero
7217, 7223, 7229	Wire	Zero
7302	Rails	Zero
7303	Cast iron tubes	3.2%
7304 – 7306	Steel tubes	Zero
7307	Tube fittings	Generally 3.7%
7312	Wire rope	Zero
7325	Steel castings	2.7%
7326	Steel forgings	2.7%
8417	Furnaces	1.7%
8426, 8428	Cranes, handling machinery	Zero
8427	Fork lift trucks etc	4.5%
8454	Converters, casting equipment, moulds	1.7%
8455	Rolling mills and rolls	2.7%

## ANNEX 3

### Analysis of EU trade agreements

Note that all comments concerning the level or phasing of duties relate to duties on UK Steel member products imported into the country/region. Unless otherwise stated, if the status is given as “in force”, then import duties on UK Steel members’ products have already been eliminated.

Country/region	Year	Type	European parties	Status
<b>AGREEMENTS PROVIDING FOR FREE TRADE IN BOTH DIRECTIONS</b>				
Albania	2009	Stabilisation and Association Agreement	EC and each MS	In force
Algeria	2005	Association Agreement	EC and each MS	In force
Andorra	1991	Customs Union	EEC	In force
Bosnia and Herzegovina	2015	Stabilisation and Association Agreement	EC and each MS	In force
Cameroon	2009	Interim Economic Partnership Agreement	EC and each MS	Provisionally applied since 2014. Duties on some products already ended, others to be phased out by 2021.
Canada	2016	Comprehensive Economic and Trade Agreement (CETA)	EU and each MS	Provisionally applied since 2017. Steel duties were already zero. §
CARIFORUM (Antigua & Barbados, Bahamas, Barbados, Belize, Dominica, Dominican Rep, Grenada, Guyana, Haiti, Jamaica, St Kitts & Nevis, St Lucia, St Vincent & the Grenadines, Suriname, Trinidad & Tobago)	2008	Economic and Partnership Agreement	EC and each MS	Provisional application, awaiting ratification by Haiti. Duties on some products already ended, others are being phased out at varying rates.
Central America (Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Panama)	2012	Association Agreement	EU and each MS	Provisionally applied since 2013. Duties being phased out at varying rates, with completion due in 2028.
Chile	2005	Association Agreement	EC and each MS	In force
Colombia & Peru	2012	Trade Agreement	EU and each MS	Provisionally applied since 2013. Duties being phased out at varying rates, with completion due in 2024.
Ecuador	2015	Adds Ecuador to Colombia & Peru Agreement	EU and each MS	Provisionally applied. Duties being phased out at varying rates, with completion due in 2026.

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Country/region	Year	Type	European parties	Status
Egypt	2004	Association Agreement	EC and each MS	In force
Eastern and Southern Africa (Comoros, Djibouti, Eritrea, Ethiopia, Madagascar, Mauritius, the Seychelles, Sudan, Zambia, Zimbabwe)	2009	Economic Partnership Agreement	EC and each MS	Signed 2009, provisionally applied for some countries only. Phasing of duty elimination varies by product and country.
Faroe Islands	1997	Agreement	EEC and Denmark	In force
Fiji and Papua New Guinea	2011	Interim Partnership Agreement	EC	Provisionally applied since 2014. Awaiting ratification by Fiji. Duties will be eliminated annually over 10 to 15 years.
Georgia	2016	Association Agreement and Deep & Comprehensive Free Trade Area	EU and each MS	In force
Iceland	1973	Free Trade Agreement*	EEC	In force
Israel	2000	Association Agreement	EC and each MS	In force
Japan	2019	Economic Partnership Agreement	EU	In force
Jordan	2002	Association Agreement	EC and each MS	In force
Kosovo	2016	Stabilisation and Association Agreement	EU	In force. Duties being phased out up to 2026.
Lebanon	2006	Association Agreement	EC and each MS	In force
Liechtenstein	1973	Free Trade Agreement*	EEC	In force
Mexico	2000	Economic Partnership, Political Coordination and Cooperation Agreement	EC and each MS	In force. Tariffs ended on industrial goods. New comprehensive FTA awaiting ratification..
Moldova	2016	Association Agreement and Deep & Comprehensive Free Trade Area	EU and each MS	In force
Montenegro	2010	Stabilisation and Association Agreement	EC and each MS	In force
Morocco	2000	Association Agreement	EC and each MS	In force
Norway	1973	Free Trade Agreement*	EEC	In force
North Macedonia	2004	Stabilisation and Association Agreement	EC and each MS	In force
Palestinian Authority	1997	Interim Association Agreement	EC	In force
Samoa	2018	Interim Partnership Agreement	EC	Provisionally applied since 2018
San Marino	1992	Customs Union	EEC	In force
Serbia	2013	Stabilisation and Association Agreement	EC and each MS	In force

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Country/region	Year	Type	European parties	Status
South Africa	2000	Trade, Development and Co-operation Agreement	EC and each MS	Now in SADC agreement
South African Development Community (Botswana, eSwatini, Lesotho, Mozambique, Namibia, South Africa)	2018	Economic Partnership Agreement	EU and each MS	In force for some countries, provisional application others. Phasing of duty elimination varies by product and country.
South Korea	2016	New Generation Free Trade Agreement	EU and each MS	In force. Steel duties were already zero. §
Switzerland	1973	Free Trade Agreement +	EEC	In force
Tunisia	1998	Association Agreement	EC and each MS	In force
Turkey	1995	Customs Union ‡	EEC	In force
Ukraine	2014	Association Agreement and Deep & Comprehensive Free Trade Area	EU and each MS	Provisionally applied since 2016. Steel duties were already zero. §
West Africa (Côte d'Ivoire, Ghana)	2016	Economic Partnership Agreement	EU and each MS	Provisionally applied. Duties being phased out at varying rates, with completion due in 2022.
<b>OTHER AGREEMENTS</b>				
Armenia	1999	Partnership and Cooperation Agreement	EC and each MS	In force
Cuba	2017	Political Dialogue and Cooperation Agreement	EC and each MS	Provisionally applied
Iraq	2012	Partnership and Cooperation Agreement	EU and each MS	Provisionally applied since 2012
Kazakhstan	1999	Partnership and Cooperation Agreement	EC and each MS	Provisionally applied since 2016
Russia	1997	Partnership and Cooperation Agreement	EU and each MS	In force
Syria	1977	Cooperation Agreement	EEC and each MS	In force. Duties were eliminated for Syrian sales into EU, not for EU sales into Syria. Agreement now partially suspended.

§ Relates to countries who apply the zero-for-zero deal on steel products. This applies to all members' products **other than** cast iron tubes, tube fittings, steel castings and steel forgings.

\* Norway's, Liechtenstein's and Iceland's FTAs have been subsumed into the European Economic Area since 1994. The EEA agreements are co-signed by all individual Member States.+ Switzerland also has multiple agreements with the EU on various aspects of the Single Market.

+ Switzerland also has multiple agreements with the EU on various aspects of the Single Market.

‡ The EU/Turkey Customs Union agreement does not apply to the former European Coal and Steel Community. Instead there is a Free Trade Agreement between the EU and Turkey. For the purposes of this guidance document, this distinction makes no practical difference.

## ANNEX 4

### Existing EU trade remedies measures

Case and type of measure	Target countries	Case history	Product Identified as being produced in UK?	UK Government plan to terminate or maintain measure?
Cold-rolled flat steel products (AD)	China, Russia	Definitive measures imposed 29/7/16. Due to expire 4/8/21.	Yes	Maintain
Corrosion-resistant steel (AD)	China (investigation ongoing)	Investigation opened 9/12/16. Provisional measures imposed 9/8/17, definitive measures by 9/2/18.	Yes	Maintain
Grain-oriented flat-rolled products of electrical steel (GOES) (AD)	Brazil, Japan, Korea, Russia, USA	Definitive measures imposed 29/10/15. Due to expire 30/10/20	Yes	Maintain
Heavy (quarto) plate (AD)	China	Definitive measures imposed 27/2/17. Due to expire 28/2/22.	Yes	Maintain
Hot-rolled flat products of iron, non- alloy or other alloy steel (AD)	Brazil, Iran, Russia, Serbia, Ukraine (investigation ongoing)	Investigation opened 7/7/16. No provisional measures imposed. Definitive measures imposed on Brazil, Iran, Russia and Ukraine, and investigation terminated re Serbia, 5/10/17.	Yes	Maintain
Hot-rolled flat products of iron, non- alloy or other alloy steel (AD)	China	Investigation opened 13/2/16. Definitive measures imposed 5/4/17 and amended 9/6/17. Due to expire 6/4/22.	Yes	Maintain
Hot-rolled flat products of iron, non- alloy or other alloy steel (AS)	China	Investigation opened 13/5/16. Definitive measures imposed 9/6/17. Due to expire 9/6/22.	Yes	Maintain
Organic coated steel (AD)	China	Definitive AD and AS measures imposed 11/3/13. Due to expire 15/3/18	Yes	Maintain
Organic coated steel (AS)	China	Definitive AD and AS measures imposed 11/3/13. Due to expire 15/3/18	Yes	Maintain

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Case and type of measure	Target countries	Case history	Product Identified as being produced in UK?	UK Government plan to terminate or maintain measure?
PSC wires and strands (AD)	China	Definitive measures imposed 5/5/09. Renewed 4/6/15. Due to expire 6/6/20.	Yes	Maintain
Rebar (AD)	Belarus	Definitive measures imposed 16/6/17. Due to expire 17/6/22.	No	Terminate
Rebar (high fatigue performance steel concrete reinforcement bars (AD)	China	Definitive measures imposed 28/7/16. Due to expire 29/7/21.	Yes	Maintain
Seamless pipes and tubes (large (exceeding 406.4mm)) (AD)	China	Definitive measures imposed 11/5/17. Due to expire 12/5/22.	No	Terminate
Seamless pipes and tubes of iron or steel (AD)	China	Definitive measures imposed 24/9/09. Renewed 7/12/15. Due to expire 9/12/20.	No	Terminate
Seamless pipes and tubes of iron or steel (AD)	Russia, Ukraine	Definitive measures imposed 27/6/06. Renewed 26/6/12. Expiry Review ongoing: 4/7/17 - 4/10/18.	No	Terminate
Seamless pipes and tubes of stainless steel (AD) (ER) (CV)	China, extension to India possible	Definitive measures imposed 14/12/11. Expiry Review ongoing: 10/12/16 – 10/03/18. Circumvention investigation re India terminated 15/11/17.	No	Terminate
Stainless steel bars and rods (AS)	India	Definitive measures imposed 19/4/11. Renewed 27/6/17. Due to expire 28/6/22.	Yes	Maintain

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Case and type of measure	Target countries	Case history	Product Identified as being produced in UK?	UK Government plan to terminate or maintain measure?
Stainless steel cold-rolled flat products (AD)	China, Taiwan	Definitive measures imposed 26/8/15. Anti-absorption investigation re Taiwan opened 11/8/16 but terminated 10/4/17. Due to expire 28/8/20.	No	Terminate
Stainless steel tube and pipe butt-welding fittings (AD)	China, Taiwan	Opened 29/10/15. Definitive measures imposed 26/1/17. Due to expire 27/1/22.	No	Terminate
Stainless steel wires (AD)	India	Definitive AS measures imposed 2/9/13. Definitive AD measures imposed 5/11/13. AD measures amended 1/9/15 following anti-absorption investigation. Measures amended 8/2/17 following Interim Review. Due to expire 9/11/18.	No	Terminate
Stainless steel wires (AS)	India	Definitive AS measures imposed 2/9/13. Definitive AD measures imposed 5/11/13. AD measures amended 1/9/15 following anti-absorption investigation. Measures amended 8/2/17 following Interim Review. Due to expire 8/9/18.	No	Terminate
Steel (wire) ropes and cables (AD) (ER)	China, extended to Korea and Morocco	Definitive measures imposed 12/8/99. Extended to Morocco in 2004. Renewed 8/11/05. Extended to Korea in 2010. Renewed 27/1/12. Expiry Review ongoing: 8/2/17 – 8/5/18	Yes	Maintain



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Case and type of measure	Target countries	Case history	Product Identified as being produced in UK?	UK Government plan to terminate or maintain measure?
Tube and pipe fittings of iron or steel (AD)	China, as extended to Indonesia, Philippines, Sri Lanka, Taiwan	Definitive measures imposed 11/3/96. Extended to Taiwan in 2000. Renewed 2/6/03. Extended to Indonesia in 2004. Extended to Sri Lanka in 2004. Extended to Philippines in 2006. Renewed 27/8/09 and 27/10/15. Due to expire 29/10/20.	No	Terminate
Tube and pipe fittings of iron or steel (AD)	Korea, Malaysia	Definitive measures imposed 19/8/02. Renewed 13/10/08 and 2/12/14. Due to expire 4/12/19.	No	Terminate
Tube and pipe fittings of iron or steel (AD)	Russia, Turkey	Definitive measures imposed 17/1/13. Due to expire 30/1/18.	No	Terminate
Welded tubes and pipes of iron or non- alloy steel (AD)	Belarus, China, Russia	Definitive measures imposed 16/12.08. Measures renewed 26/1/15. Due to expire 28/1/20.	Yes	Maintain
Wire rod (AD)	China	Definitive measures imposed 27/7/09. Renewed 14/10/15. Due to expire 16/10/20.	Yes	Maintain

## ANNEX 5

### Rules of Origin and the EU's Free Trade Agreements

Each of the EU's Free Trade Agreements (FTAs) contains rules that determine whether a product has "originating status" and thereby qualifies for the preferential treatment given by that FTA. Put simply, from our perspective, the rules stipulate what needs to be done in the EU to an imported input to ensure that the resulting output is an EU product. If it is not deemed to be of EU origin, it will not qualify for preferential treatment.

If/when the UK leaves the Customs Union, any processing carried out in the UK will no longer be EU processing. It will therefore be necessary for EU steel consumers to check whether using UK-origin steel will stop the products they make from having EU origin, if those products are being sold to a country with which the EU has an FTA.

There are two common methodologies for determining this:

1. By reference to the tariff headings of the input(s) and the end product – the "change in tariff heading rule". For example, the rule may specify that making an end product from products that have different four digit tariff headings from the end product will automatically confer "originating status" on that end product. Sometimes the use of certain other headings will not be allowed: frequently for example the rule will not allow mere assembly from components to qualify as conferring originating status, even though those components are classified under a different heading.
2. By reference to the proportionate value of non-originating materials and components used in the manufacture of a product.
3. A hybrid methodology is often used too. This will start by applying rule 1, but then if rule 1 is not met, rule 2 will be used. In other words a product that is made entirely from sub-products classified under other headings will acquire originating status, but if it contains one or more inputs from a "prohibited" heading, then a value-based rule will be applied instead.

It should be noted that once a product has obtained originating status, the entire value of that product is considered as originating for the purposes of calculating rule 2 above when it undergoes any further processing. For example, if a component made in the EU uses UK steel, but sufficient processing is undertaken for that component to acquire EU origin, then the whole value of the component is considered to be EU and will be treated as entirely of EU origin when a car maker subsequently calculates the EU content of the vehicles he produces.

#### Implications for steel

Because steel is frequently used at the start of a long supply chain, there will be many instances where a product made in the EU containing imported steel will acquire EU origin through the "change of heading rule". The origin of the steel itself is then irrelevant to subsequent users of the product further down the supply chain.

Thus it will normally be safe for EU customers to buy UK steel for use in products where a "change in heading rule" is specified. The main caveat to this will be where a product is

both steel products and components classified under its own heading. In such a case the “change in heading” will not have been achieved.

Unfortunately, not all agreements contain the same rules for the same products.

The spreadsheet entitled “Simplified summary of rules of origin affecting steel products” summarises the rules contained in the EU’s FTAs with the larger countries for the main steel-containing products. This by definition is not complete, but should give an indication of products/markets where EU consumers will be able to use UK steel without losing preferential tariff treatment under the EU’s FTAs. In the grid, the following key is used:

H	Means that a simple “change in four-digit tariff heading” rule is used, i.e. if a product is made entirely from materials or goods classified under a different heading, then originating status is acquired.
H+	Means that in addition to the simple “change in tariff heading” rule, originating status will not be acquired if products classified under certain other headings are used; or it might restrict the value of goods used from certain specified headings. This might for example be used to prevent the mere assembly of an end-product from its component parts to confer originating status.
A number, e.g. 20	Indicates that a value based rule is applied. For example, “20” means that the value of non-originating materials and components used must not exceed 20% of the ex works value of the product.
e.g. H&20	Indicates a double rule: Both a change in tariff heading is required AND the value of non-originating materials and components used must not exceed the stated % of the ex works value of the product.
e.g. 20+	Indicates that additional criteria are applied on top of the straight value based rule. It might for example restrict the value of goods to be used that are classified under the same heading as the product.
/	Indicates there are two options. E.g. “H/20” means either a “change in tariff heading” rule OR a value based rule can be used.
C	Denotes a rule too complex to summarise.

As a general rule of thumb, if “H” or “H/x” is indicated (and frequently also “H+”), then there is a high probability that an EU customer will be able to use UK-origin steel without losing the EU origin of his end product. Care should however be taken if a steel product is being used directly (i.e. without undergoing some intermediate processing) by a manufacturer of a complex product, such as a spare part or component for a machine.

In cases where members have an interest in a specific transaction, where defining the rule of origin that will be applied by the processor of their steel – or further downstream – is critical to a commercial decision, they are strongly advised to consult the detailed rules of origin contained in the relevant FTA. Appendix 1 contains links to each of the FTAs analysed, together with advice on where to find the rules of origin.

## Steel rules of origin

The FTAs have different rules of origin for steel products than the EU norm (its non-preferential rules of origin). There are two models, which are labelled as S1 and S2 in the spreadsheet. The effects are as follows:

S1	<p>Ingots have the origin of the country in which the steel was melted and cast. Continuously cast semis have the origin of the country in which they are cast. Semis rolled from ingots retain the origin of the ingot.</p> <p>For hot rolled flat, bars, rods, sections &amp; rails; cold rolled/drawn flat &amp; long products; and coated products: if produced from continuously cast semis they retain the origin of the steel as originally cast. (If produced from ingot-route semis however they acquire the origin of the country in which the hot rolling takes place.) Thus, when the UK leaves the Customs Union, if a UK concast semi is hot rolled, then cold rolled, then coated in an EU country, the final product will still retain UK origin.</p> <p>Wire, seamless tubes and welded tubes also retain the origin of the semis from which their feedstock was produced.</p>
S2	<p>Ingots have the origin of the country in which the steel was melted and cast. Continuously cast semis have the origin of the country in which they are cast. Semis rolled from ingots acquire the origin of the country in which they are rolled.</p> <p>Hot rolled flat and long products (other than rails) acquire the origin of the country in which they are rolled.</p> <p>Further processing beyond this does not change origin: cold rolled and coated products retain the origin of the HR.</p> <p>Wire, seamless tubes and welded tubes retain the origin of the semis from which their feedstock was produced.</p> <p>Rails and railway products retain the origin of the country in which their ingots or semis were melted and cast.</p>

### Note:

The rules summarised here are only used to determine whether steel supplied to an EU customer undergoes sufficient further processing in the EU to enable the end-product to be of EU origin for the purposes of gaining preferential treatment in the EU's FTAs. These rules cannot be used for determining a steel product's origin for customs declarations. If the UK leaves the EU without a deal, then the EU's non-preferential rules of origin will be used to determine the steel's origin when imported into the EU. If the UK leaves the EU with a negotiated future arrangement (e.g. on 31 December 2020), then the applicable rules are likely to be set by that agreement.

## Customs Unions

The EU has customs unions with Turkey, Andorra and San Marino, covering processed agricultural and industrial products.

In a customs union, goods that are in free circulation in one partner country are automatically free to circulate in the other partner. To qualify as being in free circulation, goods must either:

- Have been produced in the territory of one of the two;
- Or have been imported, and the full customs duties paid.

There is therefore no need for rules to establish “originating origin” in the EU’s three Customs Union.

**Note:**

The EU/Turkey and EU/San Marino Customs Unions do not apply to ECSC steel products (i.e. semis; hot rolled, cold rolled and coated flat products (other than CR narrow strip <600mm); hot rolled bars and rods; hot rolled sections). For these products there is a separate EU/Turkey Free Trade Agreement – see Appendix 1 for a link.

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**Rules of Origin applicable to steel-containing products in certain key EU Free Trade Agreements**
**Key:**

H	Means that a simple “change in tariff heading” rule is used, i.e. if a product is made entirely from materials or goods classified under a different heading, then originating status is acquired.
H+	Means that in addition to the simple “change in tariff heading” rule, originating status will not be acquired if products classified under certain other headings are used. This might for example be used to prevent the mere assembly of an end-product from its component parts to confer originating status. Please consult detailed rules.
e.g. 20	Indicates that a value based rule is applied. E.g. “20” means that the value of non-originating materials and components used must not exceed 20% of the ex works value of the product.
e.g. 20+	Indicates that additional criteria are applied on top of the straight value based rule.
H&20	Indicates a double rule: Both a change in tariff heading is required AND the value of non-originating materials and components used must not exceed the stated % of the ex works value of the product.
/	Indicates there are two options. E.g. "H/20" means either a “change in tariff heading” rule OR a value based rule can be used.
C	Denotes a rule too complex to summarise.

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Tariff heading	Product description	EU Free Trade Agreements with:														
		Algeria	Canada	Chile	Colombia/Peru/Ecuador <sup>1</sup>	Egypt	Israel	Japan <sup>2</sup>	Mexico	Morocco	Norway <sup>3</sup>	Serbia	South Africa	South Korea	Tunisia	Ukraine
7206 to 7306	Steel products (See the Introductory Guidance Notes for an explanation of these codes.)	S1	S2	S1	S2	S1	S1	S2	S1	S1	S1	S1	S1	S2	S1	S1
7307	Tube fittings	H+	H+	H+	H+	H+	H+	C	C	H+	H+	H+	H+	C	H+	H+
7308	Steel structures	H+	H+	H+	H+	H+	H+	H+/50	H+	H+	H+	H+	H+	H+	H+	H+
7309	Steel reservoirs, tanks & vats	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H
7310	Steel casks, drums, cans, boxes	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H
7311	Steel containers for compressed or liquified gas	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H
7312	Wire ropes	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H
7313	Fencing wire, including barbed wire	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H
7314	Steel cloth, netting, fencing etc	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H
7315	Steel chains	H+	H/50	H+	H+	H+	H+	H+	H+	H+	H+	H+	H+	H+	H+	H+
7316	Steel anchors & grapnels	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H
7317	Steel nails, tacks, staples	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H
7318	Steel screws, bolts, rivets, washers etc	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H
7319	Steel pins & needles etc	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H
7320	Steel springs	H	H	H	H	H	H	H+	H	H	H	H	H	H	H	H
7321	Stoves & similar cooking appliances and parts thereof	H	H/50	C	H	H	H	H	H/50	H	H	H	H	H	H	H
7322	Radiators & parts of heating systems	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H
7323	Kitchen ware	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H
7324	Sanitary ware & parts thereof	H	H/50	H	H	H	H	H	H	H	H	H	H	H	H	H
7325	Other steel castings	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H
7326	Steel forgings & articles made from steel wire	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H
8201	Agricultural and horticultural hand tools	H	H/50	H	H	H	H	H/50	H/50	H	H	H	H	H	H	H
8202	Hand saws & blades	H	H/50	H	H	H	H	H/50	H/50	H	H	H	H	H	H	H
8203	Files, raps, pliers, bolt cutters	H	H/50	H	H	H	H	H/50	H/50	H	H	H	H	H	H	H
8204	Spanners & wrenches	H	H/50	H	H	H	H	H/50	H/50	H	H	H	H	H	H	H
8205	Other hand tools	H	H+	H	H	H	H	H+	H+/50	H	H	H	H	H	H	H
8206	Sets of hand tools	H+	H+	H+	H+	H+	H+	H+	H+/50	H+	H+	H+	H+	H+	H+	H+
8207	Interchangeable tools for hand tools	H&40	H+/50	H&40	H	H&40	H&40	H/50	H/50	H&40	H&40	H&40	H&40	C	H&40	H&40
8208	Knives and cutting blades for machines	H&40	H	H&40	H	H&40	H&40	H/50	H/50	H&40	H&40	H&40	H&40	H	H&40	H&40
8209	Plates, sticks, tips for tools	H	H	H	H	H	H	H/50	H/50	H	H	H	H	H	H	H
8210	Hand operated mechanical food appliances	H	H	H	H	H	H	H/50	H/50	H	H	H	H	H	H	H
8211	Knives and blades	H+	C	H+	H+	H+	H+	H/50	H/50	H+	H+	H+	H+	H+	H+	H+
8212	Raxors & razor blades	H	H	H	H	H	H	H/50	H/50	H	H	H	H	H	H	H
8213	Scissor, shears	H	H	H	H	H	H	H/50	H/50	H	H	H	H	H	H	H
8214	Other cutlery	H+	H+	H+	H+	H+	H+	H/50	H/50	H+	H+	H+	H+	H+	H+	H+
8215	Spoons, forks, ladles	H+	H+	H+	H+	H+	H+	H/50	H/50	H+	H+	H+	H+	H+	H+	H+
8301	Padlocks & locks	H	H+/50	H	H+/50	H	H	H/50	H/50	H	H	H	H	H	H	H
8302	Fittings & mountings	H+	H+/50	H+	H+/50	H+	H	H/50	H/50	H	H	H+	H+	C	H	H+



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8303	Safes	H	H	H	H	H	H	H/50	H/50	H	H	H	H	H	H	H
8304	Filing cabinets	H	H	H	H	H	H	H/50	H/50	H	H	H	H	H	H	H
8305	Metal fittings for stationery	H	H/50	H	H	H	H	H/50	H/50	H	H	H	H	H	H	H
8307	Flexible tubing	H	H	H	H	H	H	H/50	H/50	H	H	H	H	H	H	H
8308	Metal fittings for clothing & luggage	H	H+	H	H	H	H	H/50	H/50	H	H	H	H	H	H	H
8309	Stoppers, caps & lids	H	H	H	H	H	H	H/50	H/50	H	H	H	H	H	H	H
8401	Nuclear reactors and parts thereof	H&40/30	H/50	H&40/30	H/60	H&40/30	H&40/30	H/50	H/50	H&40/30	H&40/30	H&40/30	H&40/30	H/45	H&40/30	H&40/30
8402	Steam boilers	H&40/25	H/50	H&40/25	H/60	H&40/25	H&40/25	H/50	H/50	H&40/25	H&40/25	H&40/25	H&40/25	H/50	H&40/25	H&40/25
8403	Central heating boilers	H/40	H/50	H/40	H/60	H/40	H/40	H/50	H/50	H/40	H/40	H/40	H/40	H/50	H/40	H/40
8404	Auxiliary plant for 8402 & 8403	H/40	H/50	H/40	H/60	H/40	H/40	H/50	H/50	H/40	H/40	H/40	H/40	H/45	H/40	H/40
8405	Gas generators	H&40/30	H/50	H&40/30	H/60	H&40/30	H&40/30	H/50	H/50	H&40/30	H&40/30	H&40/30	H&40/30	H/50	H&40/30	H&40/30
8406	Steam turbines and parts thereof	40	H/50	40	40	40	40	H/50	H/50	40	40	40	40	H/50	40	40
8407	Spark ignition engines	40	H/50	40	50	40	40	50 <sup>2</sup>	50	40	40	40	40	50	40	40
8408	Diesel engines	40	H/50	40	50	40	40	50 <sup>2</sup>	50	40	40	40	40	50	40	40
8409	Parts for engines	40	H/50	40	H/60	40	40	H/50	H/50	40	40	40	40	H/50	40	40
8410	Hydraulic turbines	H&40/30	H/50	H&40/30	H/60	H&40/30	H&40/30	H/50	H/50	H&40/30	H&40/30	H&40/30	H&40/30	H/50	H&40/30	H&40/30
8411	Gas turbines	H&40/25	H/50	H&40/25	H/60	H&40/25	H&40/25	H/50	H/50	H&40/25	H&40/25	H&40/25	H&40/25	H/50	H&40/25	H&40/25
8412	Other engines & motors	40	H/50	40	40	40	40	H/50	H/50	40	40	40	40	H/50	40	40
8413	Pumps for liquids	H&40/25	H	H&40/25	H/60	H&40/25	H&40/25	H/50	H/50	H&40/25	H&40/25	H&40/25	H&40/25	H/50	H&40/25	H&40/25
8414	Air pumps	H&40/25	H/50	H&40/25	H/60	H&40/25	H&40/25	H/50	H/50	H&40/25	H&40/25	H&40/25	H&40/25	H/50	H&40/25	H&40/25
8415	Air conditioners	40	H/50	40	H/60	40	40	H/50	H/50	40	40	40	40	H/50	40	40
8416	Furnaces	H&40/30	H	H&40/30	H/60	H&40/30	H&40/30	H/50	H/50	H&40/30	H&40/30	H&40/30	H&40/30	H/50	H&40/30	H&40/30
8417	Non-electric Industrial & laboratory furnaces	H&40/30	H	H&40/30	H/40	H&40/30	H&40/30	H/50	H/50	H&40/30	H&40/30	H&40/30	H&40/30	H/50	H&40/30	H&40/30
8418	Fridges & freezers	C	H/50	C	H/60	C	C	H/50	H/45 or 50	C	C	C	C	H/50	C	C
8419	Heat treatment equipment	C	H/50	C	H/60	C	C	H/50	H/50	C	C	C	C	H/50	C	C
8420	Rolling machines, other than for glass or metal	40+/30	H/50	40+/30	H+/30	40+/30	40+/30	H/50	H/50	40+/30	40+/30	40+/30	40+/30	H/50	40+/30	40+/30
8421	Centrifuges, purifying machinery	H&40/30	H/50	H&40/30	H/60	H&40/30	H&40/30	H/50	H/50	H&40/30	H&40/30	H&40/30	H&40/30	H/50	40+/30	40+/30
8422	Dishwashers	H&40/30	H/50	H&40/30	H/60	H&40/30	H&40/30	H/50	C	H&40/30	H&40/30	H&40/30	H&40/30	H/50	H&40/30	H&40/30
8423	Weighing machines	H&40/25	H	H&40/25	H&40/25	H&40/25	H&40/25	H/50	H/50	H&40/25	H&40/25	H&40/25	H&40/25	H/45	H&40/25	H&40/25
8424	Machines for spraying & blasting	H&40/30	H	H&40/30	H/60	H&40/30	H&40/30	H/50	H/50	H&40/30	H&40/30	H&40/30	H&40/30	H/50	H&40/30	H&40/30
8425	Pulleys, winches & jacks	40+/30	H	40+/30	H/60	40+/30	40+/30	H+/50	H+/50	40+/30	40+/30	40+/30	40+/30	H/45	40+/30	40+/30
8426	Cranes & derricks	40+/30	H	40+/30	40+/30	40+/30	40+/30	H+/50	H+/50	40+/30	40+/30	40+/30	40+/30	H/45	40+/30	40+/30
8427	Fork lift trucks	40+/30	H/50	40+/30	40+/30	40+/30	40+/30	H+/50	H+/50	40+/30	40+/30	40+/30	40+/30	50	40+/30	40+/30
8428	Other lifting equipment	40+/30	H	40+/30	40+/30	40+/30	40+/30	H+/50	H+/50	40+/30	40+/30	40+/30	40+/30	H/45	40+/30	40+/30
8429	Bulldozers, graders, excavators, road rollers etc	C	H	C	C	C	C	H+/50	H+/50	C	C	C	C	H/45	C	C
8430	Other such machinery, incl pile drivers, borers, snow ploughs	40+/30	H	40+/30	40+/30	40+/30	40+/30	H+/50	H+/50	40+/30	40+/30	40+/30	40+/30	H/45	40+/30	40+/30
8431	Parts for machinery under headings 8425 to 8430	C	H/50	40	C	C	C	H/50	H/50	C	C	C	C	H/50	C	C
8432	Soil preparation machines	H&40/30	H	H&40/30	H/60	H&40/30	H&40/30	H/50	H/50	H&40/30	H&40/30	H&40/30	H&40/30	H/45	H&40/30	H&40/30
8433	Harvesting, threshing, cleaning, grading machines	H&40/30	H	H&40/30	H/60	H&40/30	H&40/30	H/50	H/50	H&40/30	H&40/30	H&40/30	H&40/30	H/45	H&40/30	H&40/30
8434	Milking and dairy machines	H&40/30	H	H&40/30	H/60	H&40/30	H&40/30	H/50	H/50	H&40/30	H&40/30	H&40/30	H&40/30	H/45	H&40/30	H&40/30

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8435	Fruit presses	H&40/30	H	H&40/30	H/60	H&40/30	H&40/30	H/50	H/50	H&40/30	H&40/30	H&40/30	H&40/30	H/50	H&40/30	H&40/30
8436	Other agricultural or horticultural machines	H&40/30	H	H&40/30	H/60	H&40/30	H&40/30	H/50	H/50	H&40/30	H&40/30	H&40/30	H&40/30	H/50	H&40/30	H&40/30
8437	Machines for cleaning, sorting seeds and grains	H&40/30	H	H&40/30	H/60	H&40/30	H&40/30	H/50	H/50	H&40/30	H&40/30	H&40/30	H&40/30	H/50	H&40/30	H&40/30
8438	Other food and drink machinery	H&40/30	H	H&40/30	H/60	H&40/30	H&40/30	H/50	H/50	H&40/30	H&40/30	H&40/30	H&40/30	H/50	H&40/30	H&40/30
8439	Pulp and paper machines	40+/30	H	40+/30	H/50	40+/30	40+/30	H/50	H/50	40+/30	40+/30	40+/30	40+/30	H/50	40+/30	40+/30
8440	Book-binding machines	H&40/30	H	H&40/30	H/60	H&40/30	H&40/30	H/50	H/50	H&40/30	H&40/30	H&40/30	H&40/30	H/50	H&40/30	H&40/30
8441	Other paper/board related machines	40+/30	H	40+/30	H/60	40+/30	40+/30	H/50	H/50	40+/30	40+/30	40+/30	40+/30	H/50	40+/30	40+/30
8442	Printing machine components	H&40/30	H	H&40/30	H/60	H&40/30	H&40/30	H/50	H/50	H&40/30	H&40/30	H&40/30	H&40/30	H/50	H&40/30	H&40/30
8443	Printing equipment	H&40/30	H/50	H&40/30	C	H&40/30	H&40/30	H/50	H/50	H&40/30	H&40/30	C	H&40/30	45	H&40/30	C
8444	Machines for extruding, cutting textiles	40	H	40	40	40	40	H+/50	H+/50	40	40	40	40	H/45	40	40
8445	Machines for preparing fibres	40	H	40	40	40	40	H+/50	H+/50	40	40	40	40	H/45	40	40
8446	Weaving machines	40	H	40	40	40	40	H+/50	H+/50	40	40	40	40	H/45	40	40
8447	Knitting machines	40	H	40	40	40	40	H+/50	H+/50	40	40	40	40	H/45	40	40
8448	Auxiliary machines for the above	C	H	C	C	40	40	H/50	H/50	40	40	40	40	H/50	40	C
8449	Felt making machines	H&40/30	H	H&40/30	H/60	H&40/30	H&40/30	H/50	H/50	H&40/30	H&40/30	H&40/30	H&40/30	H/50	H&40/30	H&40/30
8450	Household washing machines	H&40/30	H/50	H&40/30	H/60	H&40/30	H&40/30	H/50	H/45	H&40/30	H&40/30	H&40/30	H&40/30	H/50	H&40/30	H&40/30
8451	Other washing etc machines	H&40/30	H/50	H&40/30	H/60	H&40/30	H&40/30	H/50	H/45	H&40/30	H&40/30	H&40/30	H&40/30	H/50	H&40/30	H&40/30
8452	Sewing machines and related equipment	C	H/50	C	C	C	C	H/50	H/50	C	C	C	C	H/50	C	C
8453	Leather making and working machines	H&40/30	H	H&40/30	H/60	H&40/30	H&40/30	H/50	H/50	H&40/30	H&40/30	H&40/30	H&40/30	H/50	H&40/30	H&40/30
8454	Metallurgical converters, ladles, ingot moulds & casting machines	H&40/30	H	H&40/30	H/60	H&40/30	H&40/30	H/50	H/50	H&40/30	H&40/30	H&40/30	H&40/30	H/50	H&40/30	H&40/30
8455	Rolling mills	H&40/30	H/50	H&40/30	H/60	H&40/30	H&40/30	H/50	H/50	H&40/30	H&40/30	H&40/30	H&40/30	H/50	H&40/30	H&40/30
8456	Laser or water-cutting machine tools	40	H+/50	40	40	40	40	H+/50	H+/50	40	40	40	40	H/45	40	40
8457	Machine tools for working metal	40	H+/50	40	40	40	40	H+/50	H+/50	40	40	40	40	H/45	40	40
8458	Lathes for removing metal	40	H+/50	40	40	40	40	H+/50	H+/50	40	40	40	40	H/45	40	40
8459	Machine tools for drilling, boring, milling, threading metal	40	H+/50	40	40	40	40	H+/50	H+/50	40	40	40	40	H/45	40	40
8460	Machine tools for deburring grinding, polishing etc	40	H+/50	40	40	40	40	H+/50	H+/50	40	40	40	40	H/45	40	40
8461	Machine tools for planing, shaping, cutting	40	H+/50	40	40	40	40	H+/50	H+/50	40	40	40	40	H/45	40	40
8462	Machine tools for forging, stamping, pressing, etc	40	H+/50	40	40	40	40	H+/50	H+/50	40	40	40	40	H/45	40	40
8463	Other machine tools for working metal without removing material	40	H+/50	40	40	40	40	H+/50	H+/50	40	40	40	40	H/45	40	40
8464	Machine tools for working stone, ceramics, glass etc	40	H+/50	40	40	40	40	H+/50	H+/50	40	40	40	40	H/45	40	40
8465	Machine tools for working wood, rubber, plastic etc	40	H+/50	40	40	40	40	H+/50	H+/50	40	40	40	40	H/45	40	40
8466	Parts for machine tools	40	H	40	40	40	40	H/50	H/50	40	40	40	40	H/45	40	40
8467	Electrical hand tools	H&40/30	H/50	H&40/30	H/60	H&40/30	H&40/30	H/50	H/50	H&40/30	H&40/30	H&40/30	H&40/30	H/45	H&40/30	H&40/30
8468	Welding etc equipment	H&40/30	H/50	H&40/30	H/60	H&40/30	H&40/30	H/50	H/50	H&40/30	H&40/30	H&40/30	H&40/30	H/50	H&40/30	H&40/30
8470	Office machines	40	H	50	40	40	40	H+/50	H+/50	40	40	40	40	H/45	40	40
8471	Computers	40	H	50	40	40	40	H+/50	H+/50	40	40	40	40	H/45	40	40
8472	Other office machines	40	H	50	40	40	40	H+/50	H+/50	40	40	40	40	H/50	40	40
8473	Parts for office machines	H&40/30	H/50	50	H/60	H&40/30	H&40/30	H/50	H/50	H&40/30	H&40/30	H&40/30	H&40/30	H/50	H&40/30	H&40/30
8474	Machinery for processing minerals	H&40/30	H	H&40/30	H/60	H&40/30	H&40/30	H/50	H/50	H&40/30	H&40/30	H&40/30	H&40/30	H/45	H&40/30	H&40/30
8475	Machinery for making lamps, tubes, valves	H&40/30	H	H&40/30	H/60	H&40/30	H&40/30	H/50	H/50	H&40/30	H&40/30	H&40/30	H&40/30	H/50	H&40/30	H&40/30

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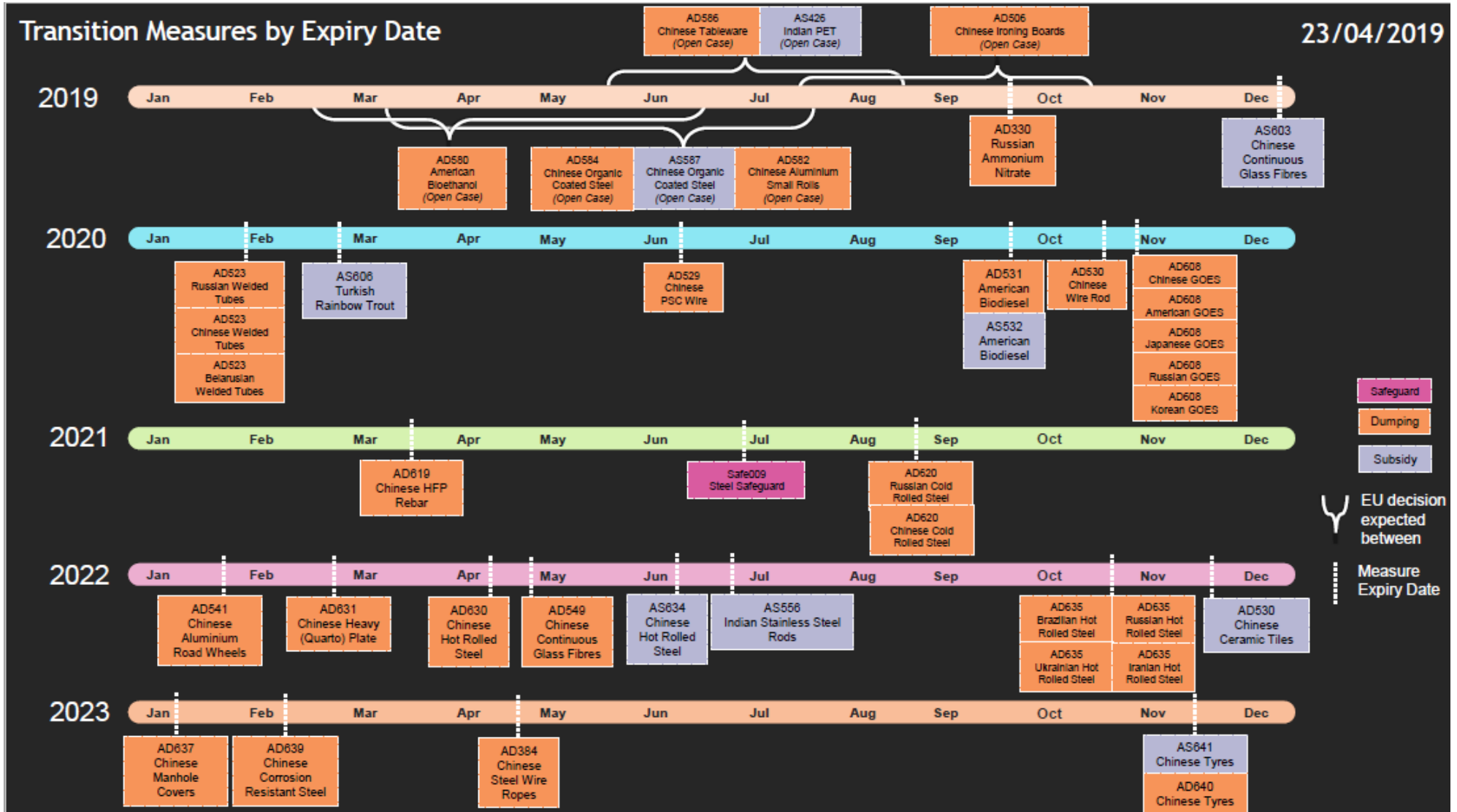
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8476	Automatic vending machines	H&40/30	H	H&40/30	H/60	H&40/30	H&40/30	H/50	H/50	H&40/30	H&40/30	H&40/30	H&40/30	H/50	H&40/30	H&40/30
8477	Machinery for processing rubber or plastic	H&40/30	H	H&40/30	H/60	H&40/30	H&40/30	H/50	H/50	H&40/30	H&40/30	H&40/30	H&40/30	H/50	H&40/30	H&40/30
8478	Machinery for processing tobacco	H&40/30	H	H&40/30	H/60	H&40/30	H&40/30	H/50	H/50	H&40/30	H&40/30	H&40/30	H&40/30	H/50	H&40/30	H&40/30
8479	Any other machines	H&40/30	H	H&40/30	H/50	H&40/30	H&40/30	H/50	H/50	H&40/30	H&40/30	H&40/30	H&40/30	H/50	H&40/30	H&40/30
8480	Foundry etc moulds	50	H/50	50	H/50	50	50	H/50	H/50	50	50	50	50	H/45	50	50
8481	Taps, valves etc	H&40/30	H/50	C	H/50	H&40/30	H&40/30	H/50	C	H&40/30	H&40/30	H&40/30	H&40/30	H/50	H&40/30	H&40/30
8482	Bearings	H&40/25	H/50	H&40/25	H&40/25	H&40/25	H&40/25	H/50	H/50	H&40/25	H&40/25	H&40/25	H&40/25	H/50	H&40/25	H&40/25
8483	Transmission systems	H&40/30	H/50	H&40/30	H/60	H&40/30	H&40/30	H/50	H/50	H&40/30	H&40/30	H&40/30	H&40/30	H/50	H&40/30	H&40/30
8484	Metal gaskets & seals	40	H+	40	H/60	40	40	H/50	H/50	40	40	40	40	H/50	40	40
8486	Machines for making electronic equipment	40	H/50	40	C	H&40/30	H&40/30	H/50	H/50	H&40/30	H&40/30	C	H&40/30	H/50	H&40/30	C
8487	Any other non-electric machines	H&40/30	H	H&40/30	H/60	H&40/30	H&40/30	H/50	H/50	H&40/30	H&40/30	40	H&40/30	H/50	H&40/30	40
8501	Electric motors & generators	40+/30	H+/50	40+/30	40+/30	40+/30	40+/30	H+/50	H+/50	40+/30	40+/30	40+/30	40+/30	H/45	40+/30	40+/30
8502	Electric generating sets & rotary converters	40+/30	H+/50	40+/30	40+/30	40+/30	40+/30	H+/50	H+/50	40+/30	40+/30	40+/30	40+/30	H/45	40+/30	40+/30
8503	Parts for 8501 & 8502	H&40/30	H/50	H&40/30	H/50	H&40/30	H&40/30	H/50	H/50	H&40/30	H&40/30	H&40/30	H&40/30	H/45	H&40/30	H&40/30
8504	Transformers, inductors	40	H/50	C	C	40	H&40/30	H/50	H/50	H&40/30	H&40/30	40	40	45	H&40/30	C
8514	Electric furnaces and ovens	H&40/30	H/50	H&40/30	H/60	H&40/30	H&40/30	H/50	H/50	H&40/30	H&40/30	H&40/30	H&40/30	H/50	H&40/30	H&40/30
8601	Electric locomotives	40	H+/50	40	40	40	40	H+/50	H+/50	40	40	40	40	C	40	40
8602	Other locomotives	40	H+/50	40	40	40	40	H+/50	H+/50	40	40	40	40	40	40	40
8603	Trams & self-propelled rail coaches	40	H+/50	40	40	40	40	H+/50	H+/50	40	40	40	40	C	40	40
8604	Railway maintenance vehicles	40	H+/50	40	40	40	40	H+/50	H+/50	40	40	40	40	40	40	40
8605	Passenger rolling stock	40	H+/50	40	40	40	40	H+/50	H+/50	40	40	40	40	40	40	40
8606	Goods wagons	40	H+/50	40	40	40	40	H+/50	H+/50	40	40	40	40	40	40	40
8607	Parts for railway and tramway locomotives & rolling stock	40	H/50	40	40	40	40	H+/50	H+/50	40	40	40	40	40	40	40
8608	Transport control equipment	H&40/30	H	H&40/30	H&40/30	H&40/30	H&40/30	H+/50	H+/50	H&40/30	H&40/30	H&40/30	H&40/30	H&40/30	H&40/30	H&40/30
8609	Containers for transporting goods or fluids	40	H	40	40	40	40	H+/50	H+/50	40	40	40	40	40	40	40
8701	Tractors	40	45	40	50	40	40	45 <sup>2</sup>	H/45	40	40	40	40	45	40	40
8702	Road vehicles carrying =>10 people.	40	45	40	50	40	40	45 <sup>2</sup>	H/45	40	40	40	40	45	40	40
8703	Road vehicles carrying <10 people.	40	45	40	50	40	40	45 <sup>2</sup>	H/45	40	40	40	40	45	40	40
8704	Goods vehicles	40	45	40	50	40	40	45 <sup>2</sup>	H/45	40	40	40	40	45	40	40
8705	Special purpose vehicles	40	45	40	50	40	40	45 <sup>2</sup>	H/45	40	40	40	40	45	40	40
8706	Chassis fitted with engines	40	H+/50	40	50	40	40	45 <sup>2</sup>	H/45	40	40	40	40	45	40	40
8707	Road vehicle bodies	40	H+/50	40	50	40	40	45 <sup>2</sup>	H/45	40	40	40	40	45	40	40
8708	Road vehicle parts and accessories	40	H/50	40	H/50	40	40	H/50 <sup>2</sup>	H/50	40	40	40	40	H/50	40	40
8709	Works trucks and materials handling equipment	H&40/30	H/50	H&40/30	H&40/30	H&40/30	H&40/30	H/50	H/50	H&40/30	H&40/30	H&40/30	H&40/30	H/50	H&40/30	H&40/30
8710	Armoured fighting vehicles	H&40/30	H	H&40/30	H&40/30	H&40/30	H&40/30	H/50	H/50	H&40/30	H&40/30	H&40/30	H&40/30	H/50	H&40/30	H&40/30
8711	Motorcycles	C	H	C	H/50	C	C	H/50	H/50	C	C	C	C	H/50	C	C
8712	Bicycles	C	H+/50	C	50	C	C	45	H/45	C	C	C	C	45	C	C
8713	Mobility vehicles	40	H	40	50	H&40/30	40	H/50	H/50	40	40	40	40	H/50	40	40
8714	Parts for items in headings 8711 to 8713	40	H/50	40	H/50	40	40	H/50	H/50	40	40	40	40	H/50	40	40

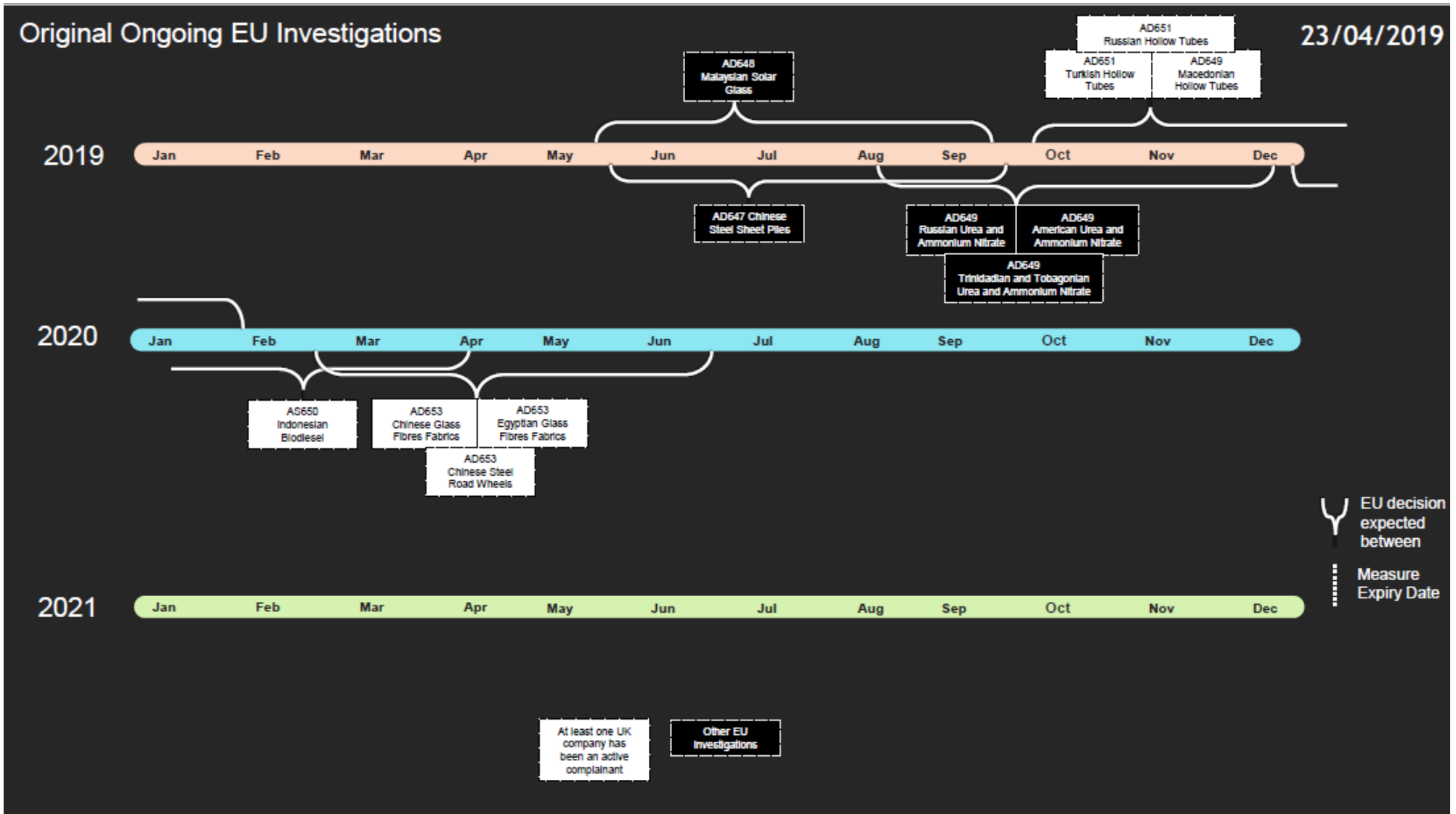
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Tariff heading	Product description	EU Free Trade Agreements with:														
		Algeria	Canada	Chile	Colombia/Peru/Ecuador <sup>1</sup>	Egypt	Israel	Japan <sup>2</sup>	Mexico	Morocco	Norway <sup>3</sup>	Serbia	South Africa	South Korea	Tunisia	Ukraine
8715	Prms	H&40/30	H/50	H&40/30	H&40/30	H&40/30	H&40	H/50	H/50	H&40	H&40/30	H&40/30	H&40/30	H/50	H&40	H&40/30
8716	Caravans & trailers	H&40/30	H/50	H&40/30	H/50	H&40/30	H&40/30	H/50	H/50	H&40/30	H&40/30	H&40/30	H&40/30	H/50	H&40/30	H&40/30
8802	Aircraft	H/40	H/50	H/40	H/40	H/40	H/40	H/50	H/50	H/40	H/40	H/40	H/40	H/40	H/40	H/40
8803	Aircraft parts	H/40	H/50	H/40	H/40	H/40	H/40	H/50	H/50	H/40	H/40	H/40	H/40	H/40	H/40	H/40
8901	Cruise ships, ferries, cargo ships, barges	H+/40	H/40	H+/40	H+/40	H+/40	H+/40	H+/40	H/40	H+/40	H+/40	H+/40	H+/40	H+/40	H+/40	H+/40
8902	Fishing boats, fish-factory boats	H+/40	H/40	H+/40	H+/40	H+/40	H+/40	H+/40	H/40	H+/40	H+/40	H+/40	H+/40	H+/40	H+/40	H+/40
8903	Yachts, rowing boats, canoes	H+/40	H/40	H+/40	H+/40	H+/40	H+/40	H+/40	H/40	H+/40	H+/40	H+/40	H+/40	H+/40	H+/40	H+/40
8904	Tugs	H+/40	H/40	H+/40	H+/40	H+/40	H+/40	H+/40	H/40	H+/40	H+/40	H+/40	H+/40	H+/40	H+/40	H+/40
8905	Light vessels, dredgers, floating cranes, oil platforms	H+/40	H/40	H+/40	H+/40	H+/40	H+/40	H+/40	H/40	H+/40	H+/40	H+/40	H+/40	H+/40	H+/40	H+/40
8906	Other boats, incl warships & lifeboats	H+/40	H/40	H+/40	H+/40	H+/40	H+/40	H+/40	H/40	H+/40	H+/40	H+/40	H+/40	H+/40	H+/40	H+/40
8907	Other floating structures	H+/40	H	H+/40	H+/40	H+/40	H+/40	H+/40	H/40	H+/40	H+/40	H+/40	H+/40	H+/40	H+/40	H+/40
9301	Artillery, rocket launchers	50	H+/50	50	50	50	50	50	50	50	50	50	50	50	50	50
9302	Revolvers	50	H+/50	50	50	50	50	50	50	50	50	50	50	50	50	50
9303	Other firearms	50	H+/50	50	50	50	50	50	50	50	50	50	50	50	50	50
9304	Other arms	50	H+/50	50	50	50	50	50	50	50	50	50	50	50	50	50
9305	Parts for 9301 to 9304	50	H/50	50	50	50	50	50	50	50	50	50	50	50	50	50
9306	Munitions	50	H/50	50	50	50	50	50	50	50	50	50	50	50	50	50
9307	Swords, bayonets etc and parts therefor	50	H/50	50	50	50	50	50	50	50	50	50	50	50	50	50
9401	Seats, and parts thereof	H/40	H/50	H/40	H/55	H/40	H	C	H/50	H	H	H/40	H/40	H/40	H+	H+
9402	Medical etc furniture, and parts thereof	H/40	H/50	H/40	H/50	H/40	H	H/50	H/50	H	H	H/40	H/40	H/40	H	H/40
9403	Other furniture, and parts thereof	H/40	H/50	H/40	H/50	H/40	H	H/50	H/50	H	H	H/40	H/40	H/40	H+	H+
9404	Mattresses	H/40	H/50	H/40	H/50	H/40	H	H/50	H/50	H	H	H/40	H/40	H/40	H	H/40
9406	Prefabricated buildings	50	H/50	50	50	50	50	H/50	H/50	50	50	50	50	50	50	50
<b>Notes:</b>																
1	The FTA with <b>Colombia, Peru and Ecuador</b> is being applied provisionally, but has not yet been ratified by all parties.															
2	<b>Japan:</b> Although the agreement only entered into force on 1 February 2019, tariffs on industrial goods were eliminated with immediate effect. The rules of origin applicable to vehicles and their parts are being phased in over 6 years, with 10 percentage points more non-originating content allowed in the initial 3 years, falling to 5 percentage points for the next 3 years. Where the Japanese agreement stipulates a value rule relating to the % of non-originating content allowed, it also has an alternative rule relating to the % of local content. To keep it simple, this table ignores that option.															
3	Norway: This is the European Economic Area Agreement. The same rules will therefore apply to Iceland and Liechtenstein.															

# ANNEX 6

## Provisional timetable for transition reviews of Trade Remedies





## ANNEX 7

### Glossary of Abbreviations

AEO	Authorised Economic Operator. A type of quality assurance scheme underpinned by standards set by the World Customs Organisation. An AEO must demonstrate professional competence in the field of customs declarations and must have robust compliance systems in place. In return, an AEO benefits from being able to input directly into electronic customs systems, minimising the need for paper controls and border inspections.
BSI	British Standards Institution.
CEN	Comité Européen de Normalisation. One of the bodies recognised by the EU for agreeing EU harmonised standards, including for steel products.
CMA	The UK's Competition and Markets Authority.
CN	Combined Nomenclature. The EU's system for classifying goods for import and export purposes – at an 8-digit level.
CPR	Construction Products Regulation ( <a href="#">Regulation (EU) No 305/2011</a> )
EEA	European Economic Area. The Single Market covering the EU plus Norway, Iceland and Lichtenstein. The latter countries are not in the Customs Union.
EN	Euronorm. An EU harmonised standard.
EORI	Economic Operator Registration and Identification number. An EORI number is needed for all companies based in the EU who wish to import from or export to non-EU countries. It is also needed for non-EU companies selling into the EU. EU companies apply to the customs authority of the Member State in which they are based. Non-EU companies apply to the customs authority of the Member State to which they are first exporting.
FCA	Facilitated Customs Arrangement. The UK's proposals for minimising the customs controls on trade between the UK and EU.
FTA	Free trade agreement.
GDPR	General Data Protection Regulation .
GSP	Generalised System of Preferences. The EU system that gives preferential low or zero tariffs for imports from developing countries.
HS	Harmonised System. A globally agreed list of codes to classify goods for trade purposes, based on a 6-digit system.
IPR	Inward Processing Relief: Import duty and VAT is not paid on goods (e.g. raw materials or semi-finished products) imported for processing when the finished product is subsequently re-exported.
ISO	International Organization for Standardization.
MAC	The government's Migration Advisory Committee.
MFN	Most Favoured Nation. Refers to a WTO member's standard import tariff, which it has committed to apply to imports from all WTO members with whom it does not have a special trading relationship, such as an FTA.
OPR	Outward Processing Relief: When goods are exported for processing and the finished good is then re-imported, import duty and VAT is only paid on the added value of the overseas processing – i.e. net of the value of the goods when initially exported.
SAD	Single Administrative Document. A form used for customs declarations in the EU, Switzerland, Norway, Iceland, Turkey, Macedonia and Serbia, used for trade with non-EU countries and for the movement of non-EU goods within the EU.



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TARIC	The Integrated Tariff of the EU. The EU's system for classifying goods for import purposes only – at a 10-digit level.
TRA	Trade Remedies Authority. The UK body that will investigate anti-dumping, anti-subsidy and safeguards complaints after Brexit.
UCC	Union Customs Code. A comprehensive framework for customs rules and procedures in the EU customs territory, including the use of digital solutions.

## ANNEX 8

### Guidance on post-Brexit Tariffs (separate document)

An accompanying spreadsheet to this document sets out the following information in relation to tariffs on steel products to key export markets:

- Tab 1 'Summary of Tariff situation' – The tariff situation with regards to each UK steel export market at the time of writing, along with information on the historic level of UK exports to that market.
- Tab 2 'EU Safeguards Product List' – A list of the products, and corresponding tariff codes, currently subject to the EU's safeguard measures.
- Tab 3 'Products in Scope of US Tariffs' – A list of products currently subject to the US's Section 232 tariff on steel imports.
- Tab 4 'Newly Applied Tariffs' – A list of the tariffs that would be applied to UK steel exports to key markets following Brexit and any transition period. These reflect those countries that still have MFN tariffs on steel products but which are not levied on UK exports currently due to the UK's inclusion within EU FTAs with these countries. Until the UK replicates these FTAs we would be subject to these countries MFN tariffs on steel. Details of these MFN tariffs are detailed in this tab.
- Tab 5 'UK Zero Tariffs' – A list of the EU's MFN tariffs on steel products (nearly all zero) and a comparison with the UK Government's planned temporary regime in the event of a no deal Brexit. In summary, the UK's proposed zero tariff regime would not directly impact most steel products but a number of inputs (such as ferro alloys) do currently have tariffs of 2-7% which would be reduced to 0% following a no-deal Brexit.
- Tab 6 'UK Trade Remedies' – a definite list, and details, of all the EU's current steel relevant trade remedies measures and which will be transitioned to the UK after Brexit.



**About UK Steel:** UK Steel is the trade association for the UK steel sector. As the voice of the steel industry, we interface with government and parliament – in both London and Brussels – to influence policy so that it underpins, rather than undermines, the long term success of our sector. Membership of UK Steel is open to all UK-based companies and organisations involved in the production of steel and downstream processes.

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