



# BREXIT

## The Future EU-UK Dairy Framework - Rules of Origin

**Rules of origin are the criteria used within WTO to define where a product was made. They are used:**

- to determine whether imported products shall receive most-favoured-nation (MFN) treatment or preferential treatment
- to implement measures and instruments of commercial policy such as anti-dumping duties and safeguard measures
- for the purpose of trade statistics
- for the application of labelling and marking requirements
- for government procurement.

The WTO Rules of Origin Agreement requires WTO members to ensure that their rules are transparent; that they do not have restricting, distorting or disruptive effects on international trade; that they are administered in a consistent, uniform, impartial and reasonable manner; and that they are based on a positive standard (in other words, they should state what does confer origin rather than what does not).

In the case of Brexit, the United Kingdom will become a third country where rules of origin will apply for trade between the UK and the EU, whether as part of the WTO agreement on rules of origin, or a FTA between the UK and the EU<sup>1</sup>.

Until a trade agreement is settled between the EU and the UK, trade would be conducted on a most-favoured nation basis where non-preferential rules of origin will apply. (In the Agreement on Rules of Origin, WTO members agreed to negotiate harmonized non-preferential rules of origin. These negotiations have not been concluded).

Under Commission regulation 952/2013, article 60, goods wholly obtained in a single country or territory shall be regarded as having their origin in that country or territory. Goods the production of which involves more than one country or territory shall be deemed to originate in the country or territory where they underwent their last, substantial, economically-justified processing or working, in an undertaking equipped for that purpose, resulting in the manufacture of a new product or representing an important stage of manufacture.

The Commission is faced, in their FTA negotiations, with different positions from third countries. Generally, the EDA is of the position that a common threshold for all FTA negotiations should be pursued. However, Brexit is a special case, and since the EU and the UK/GB today share common rules, the EDA is of the position that the future trade relationship between the two parties should be kept as close as possible to the situation prevailing today.

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<sup>1</sup> Respecting the Northern Ireland Protocol in the Withdrawal Agreement, Northern Ireland is considered as being wholly obtained for both the EU & the UK.



This would imply that the EU and the UK agree to a cumulation for the EU–UK dairy trade intended for export. For import to the EU-UK the two parties would maintain common rules, leaving the situation as today. The UK (and the EU) would, in its future FTA negotiations with third countries, need to make sure to have the EU-UK cumulation recognised by these third countries, as well as setting uniform external rules.

The EDA in general believes that creating special rules for each FTA should be avoided, as it makes business life complicated, so, as mentioned above, the future trade relationship between EU and the UK should be addressed accordingly. Therefore, in the case of a free-trade agreement being discussed between the parties, the EDA is of the opinion that the rules for internal EU-UK trade should be subject to cumulation and the following rules of origin should apply both by the EU and the UK towards third countries.

The percentages given below constitute the limits of non-originating material from third countries in relation to granting a product originating status.

► [please see Nomenclature for more information on HS codes \(see below\)](#)

HS code	EDA position
<b>Chapter 4</b> <b>0401 - 0406</b>	Manufacture in which: <ul style="list-style-type: none"> <li>all the dairy materials of Chapter 4 used are wholly obtained,</li> <li>the weight of all the materials of Chapter 17 used does not exceed <b>20 %</b> of the weight of the product</li> </ul>
<b>1702.11 - 1702.19</b> <b>Lactose</b>	<ul style="list-style-type: none"> <li>if the materials of chapter 4 do not exceed <b>20%</b> of the total weight of the raw materials used in the production of the goods</li> </ul>
<b>1704</b> <b>Sugar - Confectionary</b>	Manufacture from materials of any heading, except that of the product in which: <ul style="list-style-type: none"> <li>the individual weight of sugar does not exceed 40% of the weight of the final product</li> <li>and of the material of Chapter 4 used does not exceed <b>20% of the weight of the final product</b> and</li> <li>the total combined weight of the sugar and of the material of Chapter 4 used does not exceed 60% of the weight of the final product</li> </ul>
<b>Chapter 18</b> <b>Cocoa - Cocoa preparations</b>	Manufacture from materials of any heading, except that of the product in which: <ul style="list-style-type: none"> <li>the individual weight of sugar does not exceed 40% of the weight of the final product</li> <li>and of the material of Chapter 4 used does not exceed <b>20% of the weight of the final product</b> and</li> <li>the total combined weight of the sugar and of the material of Chapter 4 used does not exceed 60% of the weight of the final product</li> </ul>



<p><b>Chapter 19</b></p> <p><b>Food preparations</b></p>	<p>Manufacture from materials of any heading, except that of the product, in which:</p> <ul style="list-style-type: none"> <li>the weight of the materials of Chapters 2, 3 and 16 used does not exceed 20 % of the weight of the final product, and</li> <li>the weight of the materials of headings 1006 and 1101 to 1108 used does not exceed 20 % of the weight of the final product, and</li> <li>the individual weight of sugar (1) and of the materials of Chapter 4 used <b>does not exceed 20 % of the weight of the final product</b>, and</li> <li>the total combined weight of sugar (1) and the materials of Chapter 4 <b>used does not exceed 20 % of the weight of final product</b></li> </ul>
<p><b>Chapter 21</b></p> <p><b>Food preparations</b></p>	<p>Manufacture from materials of any heading, except that of the product, in which:</p> <ul style="list-style-type: none"> <li>the individual weight of sugar (1) and of the materials of Chapter 4 used does not exceed 20 % of the weight of the final product, and</li> <li>the total combined weight of sugar (1) and the materials of Chapter 4 used does not exceed 20 % of the weight of final product</li> </ul>
<p><b>Chapter 22</b></p> <p><b>Beverages</b></p>	<p>Manufacture from materials of any heading, except that of the product and headings 2207 and 2208, in which:</p> <ul style="list-style-type: none"> <li>all the materials of sub-headings 0806 10, 2009 61, 2009 69 used are wholly obtained, and</li> <li>the individual weight of sugar (1) and of the materials of Chapter 4 used <b>does not exceed 20% of the weight of the final product</b>, and</li> <li>the total combined weight of sugar (1) and the materials of Chapter 4 used <b>does not exceed 20 % of the weight of final product</b></li> </ul>
<p><b>Chapter 23 – 2309.</b></p> <p><b>Feed</b></p>	<p>Manufacture from materials of any heading, except that of the product, in which:</p> <ul style="list-style-type: none"> <li>all the materials of Chapters 2 and 3 used are wholly obtained, and — the weight of materials of Chapter 10 and 11 and headings 2302 and 2303 used does not exceed 20 % of the weight of the final product, and</li> <li>the individual weight of sugar (1) and of the materials of Chapter 4 used <b>does not exceed 20 % of the weight of the final product</b>, and</li> <li>the total combined weight of sugar and the materials of Chapter 4 used <b>does not exceed 20 % of the weight of final product</b></li> </ul>
<p><b>Chapter 35</b></p>	<p><b>3501</b> – if the materials of Chapter 4 do not exceed <b>20%</b> of the total weight of the raw materials used in the production of the goods</p> <p><b>3502</b> – if the materials of Chapter 4 do not exceed <b>20%</b> of the total weight of the raw materials used in the production of the goods</p> <p><b>3504</b> – if the materials of Chapter 4 do not exceed <b>20%</b> of the total weight of the raw materials used in the production of the goods</p>