



Open for business

What a transatlantic trade and investment agreement means to the UK chemicals sector



Susan Brench,
Commercial Manager,
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“I like doing business with Americans. I like their ‘can do’ attitude and that they are quick decision takers. We share common values and we speak the same language in terms of quality and efficiency standards. Building a reputation is about making a product right from the very first time, and doing what you say you will do.

The UK chemical sector has long experience of exports. In fact, UK SMEs often have more experience of exporting than our US counterparts. It is not uncommon for companies like us to export 70% to 90% of products overseas. And the US is particularly interesting for chemical businesses because of its sheer size and the number of innovative market leaders based there.

Briar Chemicals employs over 200 people and is based in Norwich. We provide world-class contract manufacturing services to global leaders in the agrochemical, fine- and specialty-chemical sectors. Our activity is focused on Contract Manufacturing.”

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This leaflet was published following the event **'What a transatlantic trade and investment agreement means to the UK chemicals sector'** organised on **18th June 2015 in Runcorn, North West**. The event explored the UK-US trade and investment dimension in the chemicals sector and the changes and benefits a transatlantic trade and investment partnership (TTIP) agreement can bring to business. Panellists included: **Dr Geoff Mackey, Sustainable Development & Communications Director, BASF North Europe; Susan Brench, Commercial Manager, Briar Chemicals; Neil Harvey, Head of International Trade, Chemicals Industries Association (CIA) and Paul Griffiths, Deputy Head of the Transatlantic and International Unit, Department for Business, Innovation & Skills (BIS)**. The panel was chaired by **Richard Currie, Director of Public Affairs, UPS and Co-Chair of the BritishAmerican Business (BAB) EU-US Forum**.

The UK chemicals sector

The UK chemicals sector (including pharmaceuticals) is an essential source of innovation and strength within the wider UK economy. With around 500,000 jobs and an annual turnover of almost £50bn, its sales equals 9% of all UK manufacturing¹ and more than 18% of UK manufacturing exports². The North West hosts the UK's largest chemicals cluster, with an annual turnover of over £10bn³. Today, 650 companies operate in the sector, directly employing 50,000 people and making an annual contribution of £3bn to the regional economy, from multinationals such as Tata and BASF to small, highly specialized enterprises like MEL Chemicals and Plater Chemicals (Lancashire Chemicals).

The UK-US trade and investment dimension

The chemicals sector (including pharmaceuticals) is Britain's number one manufacturing exporter⁴. More than 40% of annual production is exported outside the EU⁵, with the US making up the largest share⁶. The US is the UK's largest non-EU trading partner for chemicals with trade in non-pharmaceutical chemical products accounting for £2.8bn in exports and £2.1bn in imports,

resulting in a trade surplus with the US of around £0.7bn in 2014⁷. In the North West, around 20% of manufactured chemical exports go to the US⁸. Within the UK manufacturing sector, the chemicals sector receives a large portion of foreign direct investment (FDI)⁹ for which the US is the largest source by a wide margin¹⁰.

Barriers to trade

Whilst the chemicals sector is successful in trading with the US, there remain a number of barriers to greater and more effective trade:

- Tariffs on chemicals cost exporters to the US 3% on average. Complete tariff elimination on chemicals alone would give a £168m per annum boost to the manufacturing economies of the US and the UK¹¹.
- Different customs procedures and regulations regarding issues such as Safety Data Sheets and the size of shipping containers, creating administrative challenges and adding unnecessary costs.
- Non-tariff barriers based on different legislative frameworks, such as duplicative standards and regulations in regards to labelling, classification and assessments.

What a transatlantic trade and investment agreement means to the UK chemicals sector

Independent estimates suggest that an ambitious agreement could increase UK chemicals sector exports by 7%¹². Many of the estimated savings will affect the entire chemicals supply chain. A combination of measures could allow industry to deliver this, including the elimination of remaining tariffs, greater access to public procurement, easing customs procedures and greater regulatory coherence. Improved access to US energy exports should also put downwards pressure on energy prices.

¹ONS (2015): UK Non-Financial Business Economy 2013, Revised Results, SIC 20 + 21, 2013

²ONS (2015): UK Trade in Goods by Classification of Product by Activity CPA (08), Quarter 1 (January to March) 2015, SIC 20 + 21, 2014, Current prices

³Chemicals Northwest Website

⁴Chemicals Industries Association Website

⁵Ibid footnote 2

⁶CIA (2014): Transatlantic Trade and Investment Partnership (TTIP)

⁷HMRC Tradeinfo

⁸Chemicals Northwest

⁹Government Office for Science (2013): How attractive is the UK for future manufacturing foreign direct investment? (page 10)

¹⁰UKTI (2014): UKTI Inward Investment Report 2013-2014

¹¹Ibid footnote 6, based on its estimated impact on aggregated UK-US trade across the Atlantic

¹²CEPR (2013): Estimating the Economic Impact on the UK of a Transatlantic Trade and Investment Partnership (TTIP) Agreement between the EU and the US (page 41, based on modified ambitious scenario)

¹³European Commission: Chemicals in TTIP

Closer working on regulatory issues should significantly improve the ease of doing business in the US. Expected improvements include:

- allowing the exchange of relevant technical and scientific information between regulators;
- holding bilateral consultations and developing common methodologies;
- developing assessment priorities and agreement on rules for classification and labelling.

TTIP will not lower standards and will not change the statutory framework in the EU – the Regulation on Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH), and the Regulation on Classification, Labelling and Packaging (CLP) or make the EU adopt the US Toxic Substances Control Act (TSCA)³. A successful TTIP deal will help create a better level playing field for UK companies, making it easier for businesses to decide whether to expand their business to the US.

Susan Brench continued

“With our supply chain team sourcing raw materials and packaging materials worldwide and delivering to an international customer network, I would say we truly link the global to the local.

Export is key to our business model. With the EU, US and Japan as our main target markets, we export 90% of our production! Briar Chemicals is ‘compliance competent’ for import/export regulations, REACH and the transportation of dangerous goods by road, rail, sea and air. Corporate social responsibility and global competitiveness go hand in hand for our business!

The big question for us is: Will TTIP create a ‘level playing field’? A challenge for us is the fact that US based companies’ energy costs can be significantly lower. This reflects on raw material purchase prices and toll conversion fees. It would make UK businesses more competitive if we can secure lower cost energy and raw material supplies.

A current disadvantage for EU chemical manufacturers is the complex regulatory framework that applies



throughout every single step of production and not just to the end product. US companies are subject to a different regime and when exporting to the EU, only need to comply with registration of the final product – so there is scope for harmonising regulatory compliance.

To some extent, negotiations with overseas clients can be influenced by perceptions. For some US manufacturers, particularly small ones, when they think of importing or exporting it’s just too much of a hassle to go through the paperwork needed. And perceptions become reality. So I hope once TTIP is in place, it will not only decrease tariffs but will get rid of some of the administrative work of trading.

Furthermore, if we can standardise drums and packages, we can make the most of our storage spaces and shipping costs. There is definitely scope for cost improvement through standardisation and efficiency savings.”

The UK government is keen for industry to provide further evidence of the barriers it faces when trading and investing with the US. Please get in touch at ttip.team@bis.gsi.gov.uk. For further information, please contact partners represented on the back cover and click on links provided in information box (on soft copy)



BritishAmerican Business is the leading transatlantic business organization, dedicated to helping companies build their business on both sides of the Atlantic. It incorporates the American Chamber of Commerce (UK) and the British-American Chamber of Commerce (USA), which merged in 2000 to create a single, pre-eminent transatlantic organization under the BAB brand. We represent a pragmatic, creative and conscientious British-American business community and we are a driving force for a pro-growth transatlantic economic zone.

Open for Business is a series of industry specific events with the objective to explore the changes and opportunities that a successful and comprehensive trade and investment partnership (TTIP) agreement can bring to UK sectors, in particular in regards to the scope and sector-specific content of the agreement. This initiative aims to build a nation-wide sector case for TTIP and UK-US trade and investment in general that will contribute to the debate in the UK and beyond.

-  UK Government: TTIP
-  European Commission: Fact Sheet on Chemicals in TTIP
-  Chemicals Industries Association (CIA): TTIP
-  The European Chemical Industry Council (CEPIC): TTIP

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