



Brussels, December 2017

The Brexit and the European Plastics Converting Industry

The EU28 plastics converting industry is one of the leading industries in the EU. The over 50,000 European plastics converting companies employ over 1.6 million workers and create a turnover exceeding €260 Billion. Small and medium-sized enterprises form more than 85% of the plastics converting industry.



50,000
companies

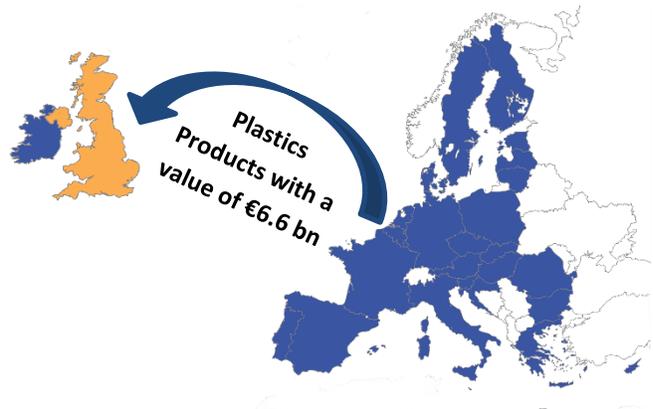


1,600,000
people employed

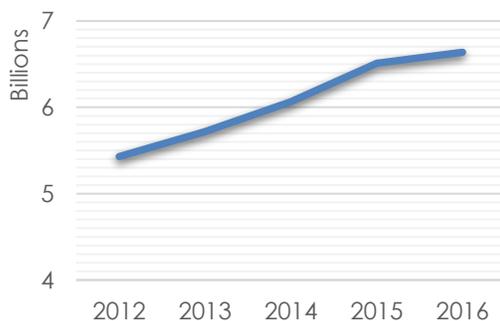


€260,000,000,000
industry turnover

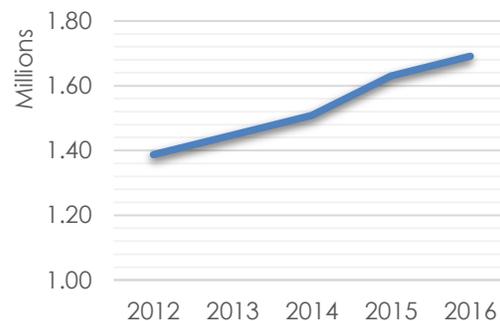
The UK is the most important trade partner of the EU27 for manufactured plastic articles. In 2016, the EU 27 exported goods with a trade value above €6.6 Billion to the UK. In second place lie the US, with a trade value of €4.3 Billion. On average, the EU27 exported goods with a value of over €6 Billion to the UK during the five years from 2012 to 2016. The total value and quantity of exported goods grew steadily during this period.



EU 27 Plastic Products Exports Value (€) to UK



EU 27 Plastic Products Exports Quantity (t) to UK

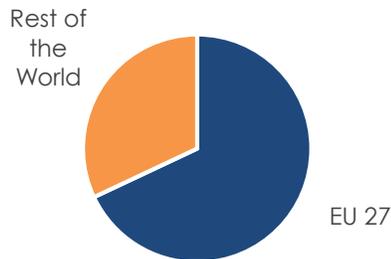


The trade with raw materials is as well important for the European Plastics Converting companies. In 2016 the EU 27 imported raw plastics materials with a value of €2.5 Billion from the UK.

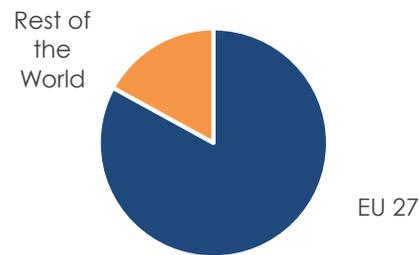


For the UK on the other hand, the EU is as well the most important trading partner for plastics products. In 2016, the intra EU exports of the UK amounted to over €4.5 Billion, which is 68% of the UK's total plastic products exports. Additionally, the British plastics converting industry is heavily reliant on raw material imports. In 2016, the UK imported €4,5 Billion of raw plastics materials from the EU 27, which is 83% of the total imports of raw plastics materials.

UK Plastics Products Exports



UK Raw Materials Imports



Plastics is an international business. There is considerable ownership of UK plastics businesses by EU companies from other Member States and equally there is significant ownership of plastics companies by UK based firms in the other countries of the European Union. For example some **25% of the member companies of the British Plastics Federation are EU owned**. This is also reflected in the management of these plastics companies, there are many instances of EU managers running British firms and many where UK managers are running firms in the EU.

The UK plastics industry has a certain dependence on EU workers. Of the 166,000 employees in the UK sector, roughly 18,000 are from other EU states. They work at all levels including shop floor. From time to time they return to their EU Member State and often become re-engaged in the plastics industry and bring their new found skills with them.

Many aspects of the plastics industry are subject to European legislation. The UK and its partner plastics industries in the EU have long been champions of a single market in plastics products and this is manifest in their support for such legislation as the packaging and packaging waste directive, waste from electrical and electronics equipment directive, and the REACH regulation. The issues which such legislation is addressing do not respect national frontiers. Pollution is mobile whether it is on land, in the sea or in the air. Waste is also mobile and is traded internationally and globally. The EU's flagship programme to create a circular economy can only be addressed in conjunction with the UK as a partner with the EU.

Research and Development collaboration, through for example EU funded projects has always benefitted from the collaboration between EU partners including those from the UK. There is a very strong innovative capacity in the UK and it is important to harness this innovative spirit in the rest of the EU.



No EU member state is entirely self-sufficient in the plastics products it needs to function on a day-to-day basis. Some countries do not manufacture all the raw materials they need, some have to import large quantities of machinery and equipment, others need to import products because they don't have the expertise to manufacture them themselves. In the case of the EU and the UK, EU member states export some £9.1 Billion worth of materials, equipment and products into the UK, whilst the UK exports some £5.6 Billion worth to the European Union. It is often not realised that in the supply chain of many EU industries, for example Automotive and Aerospace, many plastics components have to pass across the UK EU boundary several times in their gestation for additional and specialist finishing operations to be carried out. It has been calculated by the British Plastics Federation that if no trade deal is reached and WTO tariffs were applied to both imports and exports with the EU then the cost of imports into the UK will go up by £540 Million and the cost of export from the UK will increase by £340 Million, a total additional two way cost of £880 Million.

Key Messages

- An uncontrolled or hard Brexit is in every point of view the worst case scenario for the European plastics converting industry on both sides of the English Channel.
- Legal uncertainties are a major barrier to international trade and investments, they should be avoided through an ideally early arrangement on the future legal relationship between the UK and the EU.
- No important trading partner trades with the EU solely on the basis of WTO agreements. A Brexit without any agreement would provoke massive disruptions and should be avoided.
- The major risks of a hard Brexit include the imposition of customs duties and other non-tariff barriers such as regulatory barriers or custom checks. Any of those barriers would have negative impacts on the highly integrated plastics converting industry. Therefore a temporary or permanent agreement should include:
 - The confirmation of duty-free trade between the EU27 and the UK.
 - Mutual recognition of regulatory procedures and standards, especially REACH regulation.
 - Customs procedures that are as efficient, simple and fast as possible.
- The European plastics converting industry is already facing a shortage of qualified personal, a restriction of the free movement of labour would further worsen this situation.

A Brexit without at least a temporary agreement would have the potential to cause heavily disruptive consequences for the highly international and integrated European plastics converting industry. EuPC and the BPF call on the European Commission and the British government to find a deep and comprehensive agreement that eliminates customs and minimises possible non-tariff barriers.