



Llywodraeth Cymru
Welsh Government

RESEARCH

Rules of Origin: exploratory research with businesses (summary)

This report summarises the findings from qualitative interviews with a small number of businesses and a trade body organisation. The research aimed to develop a better understanding of Welsh business awareness of, and experiences with, Rules of Origin.

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Aims and methodology

In March 2022, Welsh Government commissioned IFF Research to undertake a small-scale exploratory research project to better understand Welsh business awareness of, and any experiences in using, Rules of Origin (RoO). In particular, the context of research was UK exporting to the EU following the new partnership established through the EU-UK Trade and Cooperation Agreement (TCA).

The TCA sets out a new economic and social partnership between the UK and the EU, including a Free Trade Agreement (FTA). The FTA sets out preferential arrangements in areas such as trade in goods and services. It includes provision for zero tariffs and zero quotas on all products which comply with the appropriate RoO.

Negotiated as part of the TCA, there was a one-year RoO easement, or grace period, for UK exporters up to 31 December 2021 on certifying the origin of components which made up their manufactured goods. This was designed to allow businesses time to understand, adapt and undertake the necessary administration relating to RoO.

The aim of the research was to build on previous research commissioned by Welsh Government on **RoO requirements for Wales' key industrial goods**. The research objectives were to explore with businesses and trade body organisations:

- awareness and understanding of RoO within the context of the changes to trading arrangements with the EU
- experiences of adjustments required to adapt to the RoO changes
- any challenges faced under the new EU trading arrangements
- any support or information sought on RoO, and any gaps in the support available for businesses.

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This report is based on findings from a small number (n:7) of qualitative semi-structured interviews with a small number of Welsh businesses (n:6) and one trade body organisation. The research is intended to provide Welsh Government with some initial insight from stakeholders to help inform actions and next steps in this area, including on providing appropriate support to businesses.

Findings

The small-scale qualitative nature of the research design does not allow the authors to comment generally on Welsh businesses' awareness and knowledge of RoO. The limited number of interviews meant it was not possible to conduct analysis by sector, size or any other subgroup. Findings should be seen as indicative.

Businesses interviewed had good general awareness of RoO however there was mixed understanding of specific terms and the easement period

While all businesses interviewed generally understood RoO, detailed knowledge varied between businesses. For those businesses interviewed, knowledge was, in some cases, explained by the amount of resource they had available to dedicate to understanding and managing RoO and other developments (e.g. relating to EU Exit, FTAs and wider HMRC changes). Businesses who outsourced management of RoO to an export agent also tended to have less knowledge and understanding of RoO than those who managed them internally.

All businesses interviewed were aware of certificate of origin requirements and commodity codes - businesses reported no corresponding difficulties or uncertainties when probed. General understanding of what cumulation arrangements were amongst businesses interviewed was good, but detailed

understanding of these arrangements was less common. There was mixed awareness amongst interviewees of the RoO easement period and businesses interviewed were not familiar with the HMRC penalties for non-compliance and inaccuracies. No businesses reported using product specific rules.

The research did not identify any specific difficulties in the process of businesses adapting to and navigating RoO

The recruitment process used to identify businesses for the sample revealed that a small minority of businesses who did not use RoO were prevented from doing so due to a lack of knowledge. Fewer still were deterred by associated costs and processes.

In general, businesses within the sample who were using RoO reported that they did not need to make large, or any changes to their exporting or importing practices as a result. This was either because they had spent time preparing for the changes, or because their business model was unaffected.

Businesses interviewed did not report any specific difficulties in navigating RoO. However, those businesses that relied on export agents generally had a limited understanding of RoO and correspondingly perceived the processes to be complex, difficult to compute and input information. These businesses did not get involved in administration relating to RoO themselves and instead relied on the advice of hired experts.

Businesses interviewed did not identify any gaps in, or demand for additional guidance or support (relating to RoO)

Businesses interviewed did not report seeking or accessing much guidance or support relating to RoO. Businesses felt that they had access to all the support they needed. In some cases, this was because they employed export agents to manage RoO on their behalf.

Future research

The TSW proved a useful tool for identifying and recruiting businesses willing to participate in Welsh Government research. Any future research in this area would be strengthened by engaging stakeholders such as agents and trade bodies and gathering data from a larger sample of businesses as well as those not already making use of preferential tariffs and RoO when exporting. Engaging trade bodies in the recruitment of research participants was also identified as a potential method for future research.

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Views expressed in this report are those of the researchers and not necessarily those of the Welsh Government.

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