



7/ The UK in the Global Landscape





Navigating New UK Relationships Internationally

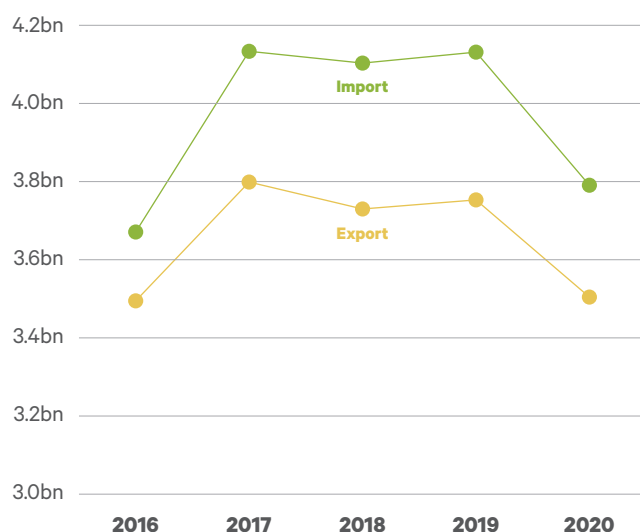
by Nico Shaw Núñez, Head of International Growth & Regulatory Services, CTPA

Starting as we mean to go on is a principle many of us used to set our hopes and expectations for the year ahead, and the cosmetics industry approached 2020 with an understanding that this year would mark both an end and a beginning to international trade and political relations with the world. At the beginning of 2020, the UK was still a member of the EU, but the days of being an active member of this international community were numbered. It was clear that the cosmetics industry would have to prepare for exit from the EU on the 31 January 2020 and subsequently, leaving the EU Single Market on the 31 December 2020. It was hoped that the transition period between these two dates would:

- firstly, give the UK and EU time to re-establish their relationship, which was consolidated into the EU-UK Trade and Cooperation Agreement (EU-UK TCA) announced on 24 December 2020;
- secondly, allow businesses to have greater access to the international trade landscape as the UK, through the Department for International Trade (DIT), formalised the plan to cover at least 80% of UK trade under a Free Trade Agreement; and
- thirdly, for the cosmetics industry to analyse how the changes in the supply chain could affect the ability of UK businesses to be present in international markets.

These alone would have presented challenges during a normal year, but 2020 cannot be considered a normal year by any means.

Year-on-Year UK Import and Export



	Import (£M)	Export (£M)
2016	3,670	3,488
2017	4,136	3,798
2018	4,102	3,726
2019	4,130	3,753
2020	3,792	3,504

The trade value of the cosmetics and personal care sector in regard to both exports and imports reverted back to levels comparable with 2016.



In its annual reports, CTPA presents a summary of international trade showcasing the strengths of the UK industry in the global trade landscape.

As a year of transition, 2020 is the last year that the UK was part of the EU Single Market with its largest trading partner. It is also the first year in which the UK was able to secure direct continuity trade agreements with key international markets, and begin negotiations with the United States of America, Australia and New Zealand for future trade agreements. The CTPA has contributed significantly to the negotiations in favour of specific sectorial considerations. A few other regions will see negotiations start in 2021, such as Canada and Turkey, which could present future trade opportunities.

Category Shares



Trade Balance

The decline in trade made a smaller impact on the overall trade balance, as both export and import values lowered. The EU is still the UK's main trading partner, but in 2020 the UK was still a part of the EU Single Market.

		2019 (£)	2020 (£)	
EU27	Import	2,732,510,348	2,487,253,149	-9%
	Export	2,340,261,667	2,258,761,755	-3%
	Balance	(392,248,681)	(228,491,394)	-42%
Extra EU	Import	1,397,629,834	1,304,408,071	-7%
	Export	1,412,372,773	1,245,507,960	-12%
	Balance	14,742,939	(58,900,111)	-500%
Worldwide	Import	4,130,140,182	3,791,661,220	-8%
	Export	3,752,634,440	3,504,269,715	-7%
	Balance	(377,505,742)	(287,391,505)	-24%

Trade Value and Market Share 2020

The trade value and market share highlight the main trading partners for the UK, both in the EU and non-EU, and with consideration to product categories.

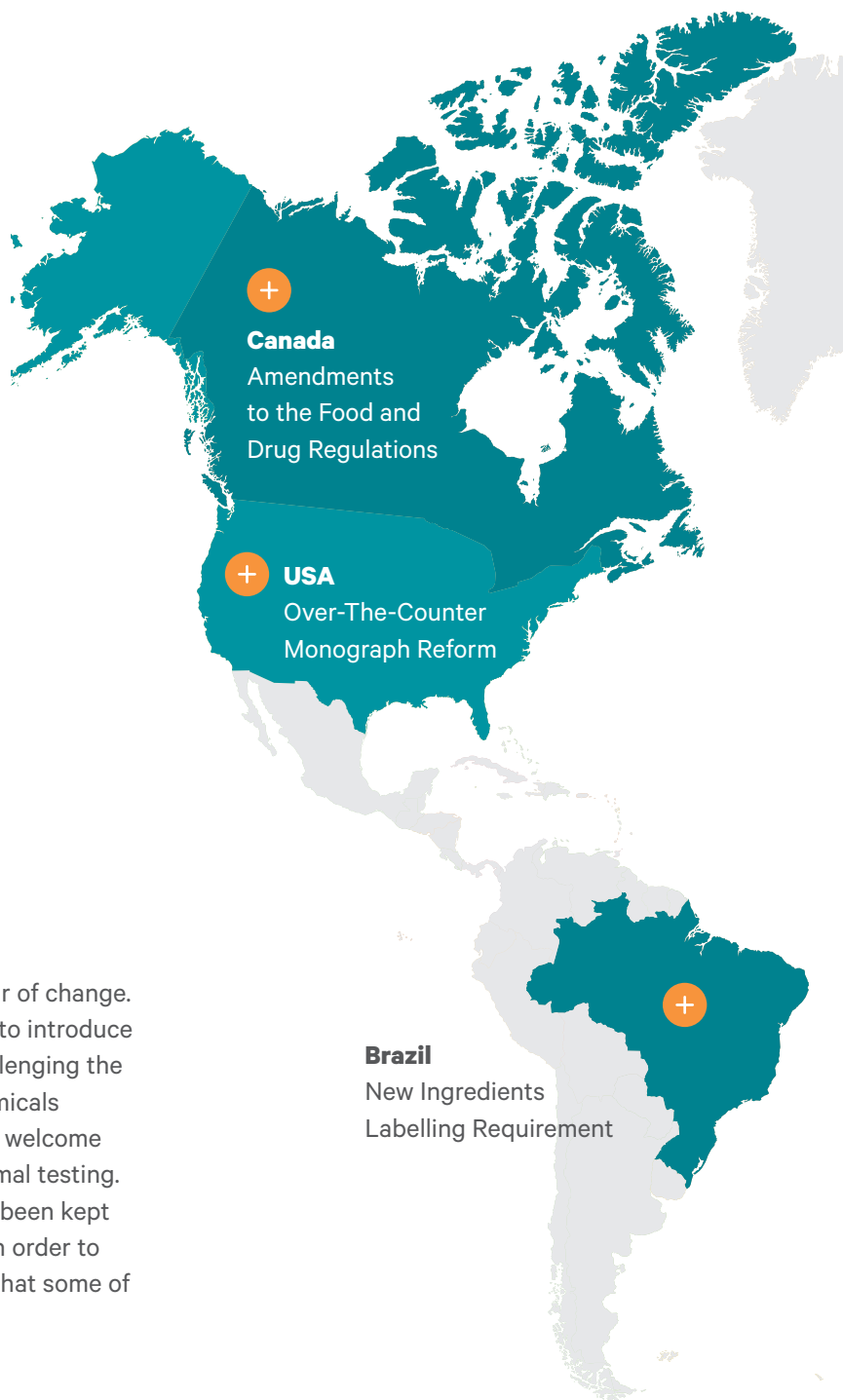
		Import				Export			
		Country	Size		Market Share	Country	Size		Market Share
Perfumes	EU27	France	243,906,582	▼	6.43%	Irish Republic	64,970,561	▼	1.85%
		Spain	113,236,591	▲	2.99%	Netherlands	42,214,253	▲	1.20%
		Germany	67,718,556	▼	1.79%	Germany	35,969,032	▼	1.03%
	Non-EU	United States	91,554,238	▲	2.41%	United States	34,614,746	▲	0.99%
		Switzerland	18,697,812	▼	0.49%	Switzerland	21,994,217	▲	0.63%
		UAE	14,119,821	▲	0.37%	UAE	19,403,317	▼	0.55%
Beauty (Skincare/Decorative)	EU27	France	305,710,071	▼	8.06%	Belgium	214,507,416	▲	6.12%
		Germany	137,513,518	▼	3.63%	Irish Republic	185,119,301	▼	5.28%
		Poland	73,660,891	▲	1.94%	Germany	122,348,462	▼	3.49%
	Non-EU	United States	293,887,973	▼	7.75%	United States	171,021,507	▼	4.88%
		China	187,658,054	▼	4.95%	Switzerland	88,837,880	▼	2.54%
		Canada	45,306,787	▼	1.19%	Hong Kong	58,203,982	▼	1.66%
Hair Care	EU27	France	101,536,976	▼	2.68%	Irish Republic	68,839,184	▲	1.96%
		Germany	98,282,021	▼	2.59%	France	36,975,646	▼	1.06%
		Belgium	45,653,731	▲	1.20%	Germany	32,744,410	▼	0.93%
	Non-EU	United States	113,938,290	▼	3.00%	United States	23,835,458	▼	0.68%
		China	11,840,421	▼	0.31%	Australia	9,311,637	▼	0.27%
		Israel	4,853,497	▼	0.13%	China	8,720,265	▲	0.25%
Oral Care	EU27	Poland	57,230,817	▲	1.51%	Irish Republic	31,417,365	▲	0.90%
		Germany	51,105,109	▲	1.35%	Germany	20,978,229	▼	0.60%
		Italy	39,443,740	▼	1.04%	Italy	12,200,428	▼	0.35%
	Non-EU	China	15,899,416	▲	0.42%	UAE	15,288,917	▲	0.44%
		United States	5,451,932	▼	0.14%	Saudi Arabia	9,488,414	▲	0.27%
		India	2,179,424	▼	0.06%	China	7,023,825	▲	0.20%
Bath, Deos, Mens, Other Toiletries	EU27	Italy	51,410,181	▼	1.36%	Belgium	89,888,041	▼	2.57%
		Germany	46,419,932	▼	1.22%	Netherlands	74,480,889	▲	2.13%
		France	45,277,332	▼	1.19%	Germany	65,301,417	▼	1.86%
	Non-EU	China	42,801,303	▼	1.13%	United States	22,227,227	▼	0.63%
		United States	17,479,666	▲	0.46%	Nigeria	17,640,057	▲	0.50%
		Russia	3,587,253	▼	0.09%	Australia	12,162,745	▲	0.35%
Toilet Soap Inc. Liquid Soap	EU27	Germany	103,048,256	▲	2.72%	Irish Republic	64,876,862	▲	1.85%
		Poland	63,548,902	▲	1.68%	Germany	27,139,222	▲	0.77%
		France	35,129,735	▲	0.93%	Belgium	17,214,035	▲	0.49%
	Non-EU	China	79,727,196	▲	2.10%	United States	30,265,215	▼	0.86%
		Turkey	26,695,233	▼	0.70%	China	15,415,970	▲	0.44%
		United States	10,031,388	▼	0.26%	Hong Kong	7,945,992	▼	0.23%



Trade Values 2020

	Export			Import		
Region	£			£		
EU27	2,258,761,755	▼		2,487,253,149	▼	
Western Europe	173,612,220	▼		93,218,169	▼	
Eastern Europe	28,376,920	▼		8,610,506	▲	
North America	313,644,202	▼		586,271,595	▼	
South America	33,284,181	▼		3,396,062	▼	
MENA	200,224,103	▼		51,163,900	▲	
Africa	64,588,716	▼		20,875,305	▲	
Asia	346,556,418	▼		509,573,457	▲	
Oceania	85,221,200	▼		31,299,077	▼	

The UK has not been alone, however, in making this a year of change. Many international countries have taken the opportunity to introduce major regulatory amendments despite the circumstances, challenging the current perception of the industry on issues such as chemicals management and sustainability, and taking the chance to welcome scientific advancement in the areas of alternatives to animal testing. Throughout, CTPA has ensured that the UK industry has been kept informed and members have been able to provide input in order to support the Association's representation on the barriers that some of these changes have introduced.



Top 5 EU Export

Country	2019 £	2020 £
Irish Republic	493,848,626	467,235,445
Belgium	370,544,483	358,747,076
Germany	321,460,434	304,480,772
Netherlands	200,593,167	196,957,285
France	218,037,849	189,260,224

Top 5 EU Import

Country	2019 £	2020 £
France	893,627,865	739,394,659
Germany	632,006,770	504,087,392
Poland	248,903,545	301,953,402
Spain	224,395,144	230,534,629
Italy	246,030,587	222,316,042



Top 5 Non-EU Export

Country	2019 £	2020 £
United States	352,197,678	283,895,095
Switzerland	120,979,583	119,188,493
China	58,855,352	90,854,696
Hong Kong	109,072,377	81,952,400
UAE	94,825,236	80,439,467

Top 5 Non-EU Import

Country	2019 £	2020 £
United States	591,955,736	532,343,487
China	335,733,475	350,784,890
Canada	55,787,097	51,967,532
Switzerland	111,571,859	49,231,062
Turkey	36,111,679	42,252,602



Free Trade Agreements with Overseas Markets

The departure of the UK from the EU meant that it would no longer be covered by the range of bilateral and multilateral trade agreements which have been established between the EU and other countries. Therefore, efforts from the UK were directed at securing the UK's ability to trade internationally with the same conditions as within EU membership and seeking new opportunities where available in an attempt to secure future trade prosperity. This manifested in an ambition to cover 80% of all UK trade under FTAs, as expressed by Liz Truss, Secretary of State for International Trade, on numerous occasions when discussing the UK Government's overarching trade objectives.

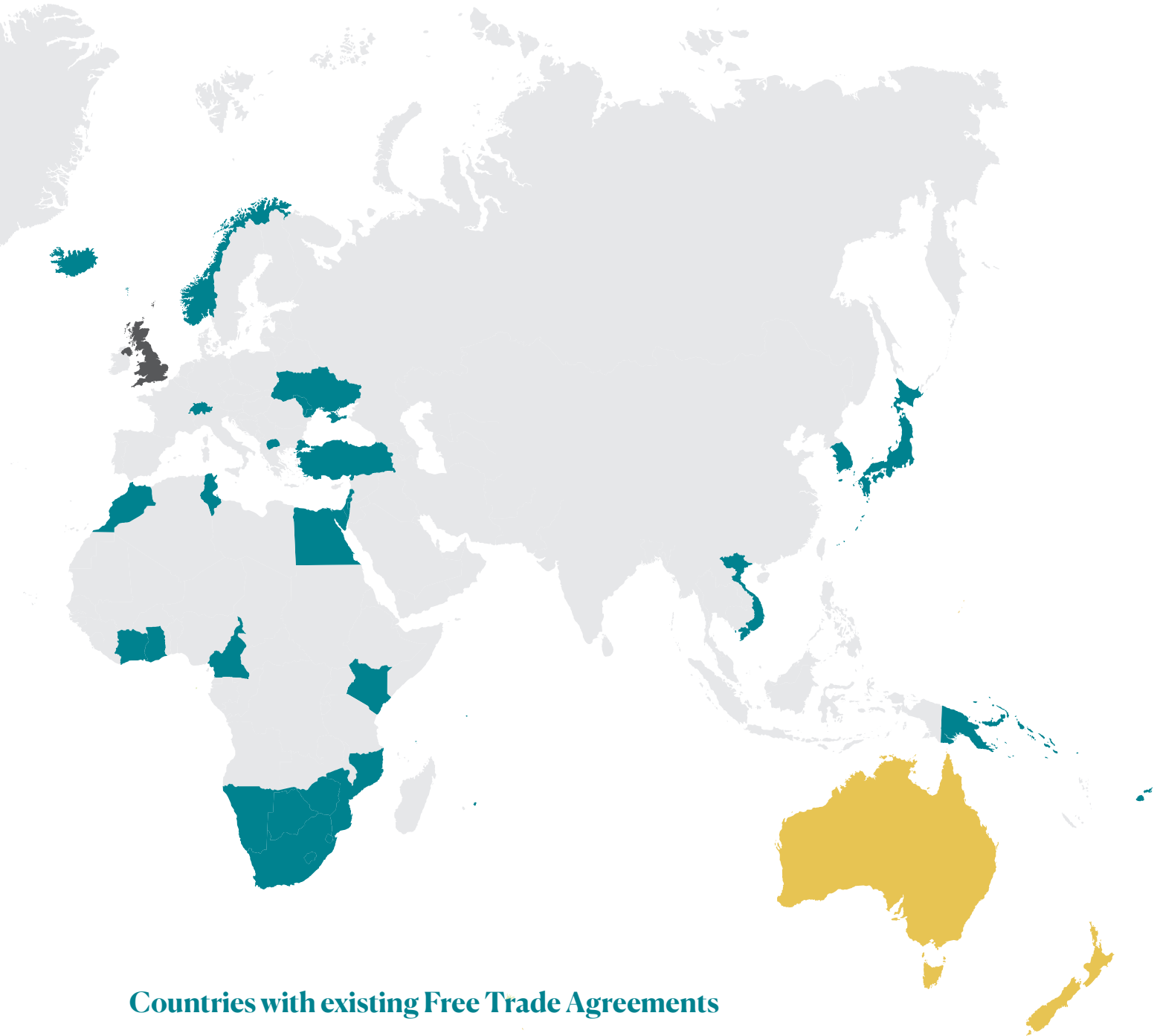
The UK has since then been able to secure a series of Trade Continuity Agreements (TCA), which establish that trade can continue to operate between the UK and the interested countries under the same rules and conditions as held under the EU. Additionally, some of these territories have expressed their commitment to renegotiate and secure a trade deal that would go further than the TCA. In addition, the UK has also launched negotiations with ambitions to secure FTAs with countries which did not have existing agreements with the EU, such as the USA or Australia, and to manifest interest in accessing international multilateral agreements such as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). Through the collaborative work with the UK negotiators, CTPA was able to not only contribute to the discussions, but to make cosmetics an area of priority for the talks with the understanding that common ground would be beneficial for both parties. In collaboration with its International Trade and Regulatory Committee (IRTC), CTPA was able to present relevant objectives to the negotiations and contribute to the ongoing dialogue, working together with the relevant Trade Associations.



Ongoing Free Trade Agreement Negotiations

- Australia
- New Zealand
- United States of America

● Countries with existing FTA
 ● Ongoing negotiations with CTPA input
 ● No current FTA



Countries with existing Free Trade Agreements

- | | | | | |
|-----------------------|---------------------------|-----------------|-------------------------|----------------|
| • Colombia | • Jamaica | • Seychelles | • Liechtenstein | • Lesotho |
| • Ecuador | • St Vincent / Grenadines | • Zimbabwe | • Moldova | • Mozambique |
| • Peru | • Trinidad and Tobago | • Egypt | • Morocco | • Namibia |
| • Cameroon | • Republic of Guyana | • Faroe Islands | • North Macedonia | • South Africa |
| • Antigua and Barbuda | • Costa Rica | • Georgia | • Fiji | • Switzerland |
| • Barbados | • El Salvador | • Ghana | • Papua New Guinea | • Tunisia |
| • St Kitts and Nevis | • Guatemala | • Iceland | • Samoa | • Turkey |
| • Belize | • Honduras | • Norway | • Solomon Islands | • Ukraine |
| • Bahamas | • Nicaragua | • Israel | • Palestinian Authority | • Vietnam |
| • Saint Lucia | • Panama | • Japan | • Singapore | |
| • Dominica | • Chile | • Kenya | • South Korea | |
| • Dominican Republic | • Cote d'Ivoire | • Kosovo | • Botswana | |
| • Grenada | • Mauritius | • Lebanon | • Eswatini | |



International Updates

Indonesia **New Procedure for Submission of Cosmetic Notifications**

On 24 June 2020, the Regulation 12/2020 Procedures for Submission of Cosmetic Notifications entered into force, adding a new requirement for cosmetic companies when exporting to Indonesia. Specifically, the Indonesian authority, the National Agency of Drug and Food Control (BPOM), now requires a Good Manufacturing Practice (GMP) certificate issued by an authorised government official or recognised institution in the country of origin, or a GMP certificate issued by an accredited certification body and a production licence. Currently, the UK Government does not issue GMP certificates for Indonesia or production licences and therefore, CTPA is actively working with the UK authorities to try and resolve this trade barrier.

Australia **New Chemicals Regulatory Scheme**

On 1 July 2020, the National Industrial Chemicals Notification and Assessment Scheme (NICNAS) was replaced by the Australian Industrial Chemicals Introduction Scheme (AICIS). The new regulatory scheme constitutes the new framework to which imported and manufactured cosmetic products must comply. Under AICIS, companies importing cosmetic products in Australia need to follow specific rules, such as register the business and pay the corresponding registration fee, categorise each chemical importation or manufacture into one of six categories, as well as report and keep records.

Amendment of the Mandatory Standard for Cosmetic Ingredients Labelling

On 24 November 2020, the Consumer Goods (Cosmetics) Information Standard 2020 was published by the Australian Competition & Consumer Commission (ACCC). Whilst the updated Standard maintains all of the requirements under the previous Standards, it introduces new requirements with regards to hand sanitisers classified as cosmetics and containing alcohol as the primary active ingredient. The new requirements will be applicable to products manufactured or imported after 24 May 2021.

Brazil **New Ingredients Labelling Requirement**

On 5 November 2020, the Brazil National Health Surveillance Agency, Agência Nacional de Vigilância Sanitária (ANVISA), published Resolution RDC No. 432/2020 on the obligation to describe the composition in Portuguese on the labelling of personal hygiene products, cosmetics and perfumes, in addition to the International Nomenclature of Cosmetic Ingredients (INCI) list. The new requirement will enter into force on 5 November 2021 and effectively diverges from international practices, where many countries recognise the INCI as a single and universal way to list cosmetic ingredients on a product's label. CTPA has joined other trade associations around the world in the discussions to advocate for the recognition of the INCI system internationally.



Canada **Amendments to the Food and Drug Regulations**

Regulations amending the Food and Drug Regulations (FDR) for finished products testing were published and entered into force on 1 July 2020. The Regulations under SOR/2020-73 come after the launch and success of the Sunscreen Pilot Project and they exempt Canadian importers and distributors from testing requirements for certain finished drug products such as sunscreens, imported from a GMP compliant establishment, and allow shipping of qualifying products directly to retailers, wholesalers or distributors in Canada, under certain conditions. Canadian importers or distributors are however still required to retain a copy of the batch certificate for each batch of the drug that they import, and remain responsible for the safety, efficacy and quality of the finished products imported into Canada.



China

Cosmetic Supervision and Administration Regulation (CSAR) Publication

In order to further standardise cosmetic production and operation as well as reinforcing cosmetic supervision and administration, the final version of the Cosmetic Supervision and Administration Regulation (CSAR) was published on 29 June 2020, and entered into force on 1 January 2021. The overarching requirements were introduced through the publication of the CSAR and are followed by a number of secondary and tertiary implementing texts that provide the detailed requirements of the CSAR. The new regulatory framework represents a complete overhaul of the way cosmetics are regulated in China, which will see the classification and registration requirements of cosmetics and ingredients changed. Most of the implementing texts are currently at draft stage and the industry is waiting for further information with regards to when the final implementing texts will be published and will enter into force.

Animal Testing Exemption

Following the publication of the CSAR and the release of the draft implementing rules, further clarification was provided with regard to the conditions to benefit from the animal testing exemption for imported general cosmetics in China. According to the drafts, the filer applicant may complete the application for toxicological test exemption by submitting a full safety assessment report and the original GMP certificate issued by the competent government department of the country where the production enterprise is located or by a mandated organisation such as the local trade association. Currently, not all governments are able to issue GMP certificates, including the UK. Therefore, CTPA has engaged with its members and the UK Government to explore ways in which the requirement to benefit from the animal testing exemption could be met. A proposal was under development during 2020 with the objective of finding a solution and continuing to engage in parallel with the Chinese authorities to maximise its chance of acceptance.



India

Publication of Cosmetics Rules, 2020

On 15 December 2020, the Ministry of Health and Family Welfare published the Cosmetics Rules, 2020 in the Gazette of India. The publication of the rules came after receiving public comments from the Draft Cosmetics Rules, 2018 and the Rules entered into force on the date of their publication in the Gazette.



Russia

Second Amendment of TR CU 009/2011

The second amendment of the Technical Regulation of the Customs Union (TR CU 009/2011) on “Safety of Perfumery and Cosmetics” entered into force on 6 May 2020. The Regulation further aligns with the Annexes of the EU Cosmetic Products Regulation (EC) No. 1223/2009 as of March 2019, and provides clarification on specific topics such as the conformity assessment process and claims. In addition, the Russian authorities are also working on a third draft amendment which is expected to be released in 2021.

Update on Unique Product Identifier Marking

The Federal Law No. 488 established the requirement for the introduction of a Unique Product Identifier (UPI), to which the Russian authorities published Resolution No.792-r listing products that must be labelled. In addition, Decree No. 1957/2019 established the particularities related to the introduction of the system on perfumes and eau de toilettes. The Resolution proposes a full serialisation system, and perfumes and eau de toilettes are currently the only cosmetic items falling under the scope, as authorities believe such items to be at greater risk of counterfeiting. Since 1 October 2020, companies manufacturing or importing perfumes and eau de toilettes to Russia are therefore required to comply with the UPI marking requirements. Products already placed on the Russian market before 1 October 2020 may be sold without UPI marking until 30 September 2021 (inclusive). The Russian authorities have reported that the system was a great success and therefore the requirements may be extended to all cosmetic products by 2024.



USA

Over-The-Counter Monograph Reform

On 27 March 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law and includes an important legislative initiative that reforms and modernises the way certain Over-The-Counter (OTC) drugs are regulated in the US. The CARES Act gives the Food and Drug Administration (FDA) the authority to modernise the OTC Monograph drug development and review process under the OTC Drug Review. The law also provides the FDA with the authority to collect user fees from manufacturers of OTC Monograph drugs, and the fees will provide the FDA with resources necessary to implement and sustain these policy reforms.

These country topics were also reviewed and communicated to CTPA members throughout 2020



China

- New Cosmetic Ingredients Approved
- Microbeads Ban



Saudi Arabia

- Products Classification Guidance



Singapore

- Mandatory Packaging Reporting (MPR)



USA

- New York State – Toxic Chemicals in Children's Products
- Florida - Law Pre-empting Regulation to the State

The CARES Act gives the Food and Drug Administration (FDA) the authority to modernise the OTC Monograph drug development and review process under the OTC Drug Review.



Certificates of Free Sale Following the UK Exit from the EU

When exporting to third countries, companies are often asked to provide a Certificate of Free Sale (CFS) as part of their export dossier. Since 1 January 2021, the way cosmetic products are regulated in the UK has changed and therefore, the DIT's Import Licensing Branch (ILB) has updated its CFS templates to reflect the different requirements which apply to products placed on the market in Great Britain (GB) and Northern Ireland (NI).

COVID-19 Update on Key International Markets

At the beginning of the COVID-19 pandemic, a series of countries implemented measures to facilitate the protection of human health. In addition, discussions and engagement happened across the globe to ensure the cosmetics industry is represented and trade is maintained. For example, the World Trade Organisation (WTO) created a dedicated page on its website to provide up-to-date trade-related information including relevant WTO notifications by WTO members, the impact the virus has had on exports and imports and how WTO activities have been affected by the pandemic.

CTPA Online Regulatory Resource

CTPA members have access to additional support through the CTPA online Regulatory Resource. This online resource provides additional information on the regulatory requirements for the UK, the EU and international markets.

This comprehensive online Regulatory Resource is divided into two sections, which can be accessed individually by members:

- The UK and EU Section, referencing the applicable legislation and providing in-depth advice on the practical aspects of compliance with the frameworks;
- The International Section, with information on the regulatory landscape for the main markets for the UK and giving key compliance and market access information, as well as relevant updates and contacts.

Annual subscriptions to the online Regulatory Resource provide an additional member benefit. The International Section gives opportunities for individuals from companies subscribed to attend webinars on countries and markets at no additional cost. The UK and EU Section provides information such as practical interpretations on labelling requirements, advice on specific product types (e.g. wipes, aerosols, sun products, essential oils), weights and measures requirements and domestic laws applicable in each EU Member State.

During 2021, the online Regulatory Resource will be changing to the Regulatory Handbook providing a perfect addition to the member-only resources already available on the CTPA website, helping to save members time in understanding the different legislative texts and have confidence in their products' compliance.

