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THE UK'S EXIT FROM THE EU: WHAT IT MEANS FOR CUSTOMS

2 November 2017

Outline

- Key developments since the UK decided to leave the EU
- UK thinking on customs arrangements
- Where Norway fits

Key developments

- 23 June 2016: The British people vote to leave the EU
- 17 January 2017: The British Prime Minister sets out the Government's objectives for exiting the EU
- 2 February 2017: Publication of White Paper setting out policy approach
- 29 March 2017: Prime Minister triggers Article 50 in a letter to Donald Tusk
- 8 June 2017: UK general election
- 19 June 2017: UK/EU negotiations begin
- 21 June 2017: Queen's Speech announces EU Withdrawal Bill
- 15 August 2017: Future Partnership Paper on customs published
- 22 September 2017: Prime Minister's Florence Speech
- 9 October 2017: Customs Bill White Paper published

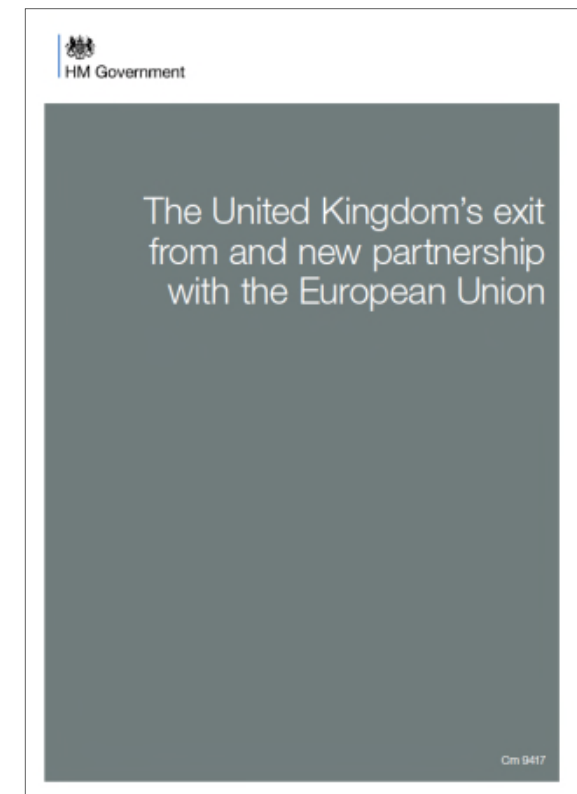
Lancaster House Speech

- “Britain will not be part of the Common Commercial Policy nor bound by the Common External Tariff. We will therefore **no longer be part of the Customs Union.**”
- “Britain will also **no longer be a member of the EU Single Market.**”
- “Instead, the UK will pursue a new strategic partnership with the EU, including an ambitious and comprehensive Free Trade Agreement and **new customs agreement.** This will seek to ensure that cross-border trade with the EU is **as frictionless and seamless as possible.**”



White Paper - UK Negotiating Objectives

- ‘**Ensuring free trade with European markets** – We will forge a new strategic partnership with the EU, including a wide reaching, bold and ambitious free trade agreement, and will seek **a mutually beneficial new customs agreement** with the EU.’
- ‘Our new relationship should aim for the freest possible trade in goods and services between the UK and the EU. [...] This should include a **new customs agreement** with the EU.’



Article 50 Letter

- ‘The UK does not seek membership of the single market: we understand and respect your position that the four freedoms of the single market are indivisible and there can be **no "cherry picking"**.’
- We should work together to **minimise disruption** and **give as much certainty as possible**.’
- ‘In order to **avoid any cliff-edge** [...] the UK and the EU would **benefit from implementation periods**...’
- ‘We want to **avoid a return to a hard border** between our two countries.’



UK planning customs modernisation before EU referendum



- ‘Customs Vision for 2020’, published in January 2016, set out plans to modernise UK customs.
- Good basis to build on:
 - Ranked fifth for the efficiency of customs services in the World Bank Logistics Performance Index 2014.
 - Given a top class performance mark by the OECD for trade engagement.
 - Handles over 50 million declarations a year – 99 per cent of them electronically.
 - Clears 92 per cent of goods in less than 5 seconds.
 - Processes 80 per cent of all import and export licences electronically.
 - Clears in excess of 200 million items of imported postal packages a year.

Customs 2020 Vision



- International trade worth over £700 billion a year to UK economy, expected to increase by 15% over next 5 years
- Growing internet trade
- Digital at heart of customs modernisation

Proposals for Future Customs Arrangements with EU

- Published on 15 August
- Three strategic objectives:
 - ensuring UK-EU trade is as frictionless as possible;
 - avoiding a ‘hard border’ between Ireland and Northern Ireland;
 - establishing an independent international trade policy.’



Two approaches UK could adopt

1. **A highly streamlined customs arrangement between the UK and EU**

- Simplifying requirements and leaving as few additional requirements on EU trade as possible
- Using technology to make customs procedures easier
- Utilising existing 3rd country processes for UK-EU trade

2. **A new customs partnership with the EU**

- Aligning our approach to customs in a way that removes the need for a UK-EU customs border
- Could potentially mean UK mirroring EU's requirements for imports from rest of the world where final destination is the EU.
- Unprecedented, challenging to implement but UK ready to explore with business and EU

Ultimate customs arrangements will depend on negotiations with the EU



- Whichever approach emerges from the negotiations, we believe an implementation period would benefit both the UK and EU Member States.

Making sure UK is ready for the future, whatever it is



- Customs Bill White Paper published on 9 October
- Regardless of the outcome of the negotiations, the Government will need to legislate for a new customs regime to be in place by March 2019, and make changes to the VAT and excise regimes.
- While the UK hopes and expects to achieve a negotiated settlement that is in the interests of all parties, we need to be ready for every eventuality.
- Without any further facilitations or agreements, the UK would treat trade with the EU as it currently treats trade with non-EU countries. The EU would also apply the customs rules and VAT to imports from the UK that it applies to non-EU countries.
- The government is actively considering ways in which to mitigate the impacts of such a scenario.

Contingency scenario

- While the government hopes for and expects a mutually beneficial outcome to negotiations, we are making provisions for the UK to establish a standalone customs regime from the day after we leave the EU in case we need one.

Next steps and Norway

- UK and EU have now had 5 rounds of negotiations
- October European Council signalled preparations for 2nd phase of negotiations
- UK keen to progress talks

Norway

- UK/Norway/EU arrangements complicated
- Norway outside EU and EU Customs Union, but inside Single Market through EEA Agreement, and a Schengen member
- UK can't negotiate with Norway until we have left the EU
- What the UK agrees with the EU will be highly relevant to new agreements with Norway
- Both Norway and the UK agree on the importance of maintaining the dynamic of our very strong economic relationship
- Both UK and Norway want to minimise disruption for citizens and businesses, and to maximise clarity and certainty as soon as possible
- Both UK and Norway are doing a lot of homework
- Both UK and Norway want the future to be a good one, and not to make life too difficult for customs officers



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Takk for oppmerksomheten

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