



## BREXIT: THE CUSTOMS IMPLICATIONS AND SOLUTIONS

SUMMARY - June 2018

BusinessEurope's paper on Brexit's customs implications and solutions<sup>1</sup> is meant to inform policy-makers and businesses alike of the customs-related impact that Brexit could have, to help businesses understand the issues they might face and to provide the policy makers with proposals to eliminate or offset the problems identified in this paper. The exact customs implications resulting from Brexit would very much depend on the agreement the UK and the EU reach regarding their future relationship. Without prejudice to the type of future relationship that the EU and the UK will negotiate, it is clear that every option that represents less than fully fledged membership of the single market and the customs union will create economic barriers between the EU and the UK that could lead to significant costs for businesses.

Until the type of future model has been determined and ratified, business lacks the clarity necessary to prepare adequately for Brexit, and the possibility of a "cliff-edge" scenario whereby the United Kingdom leaves the European Union and ends the transition period without an agreement on the future relationship remains a high risk.

BusinessEurope urges policy-makers to find the best model to address the issues that we outline in this paper in a timely manner. In doing so, we call on the EU and the UK to maintain the closest possible economic relationship while preserving the integrity of the single market, in order to minimise the economic impact of Brexit. Rather than cutting through value chains, decision-makers should be cautious to preserve and strengthen the European continent as one of the world's important industrial clusters, as other regions across the world continue strengthening theirs.

### MAIN TAKEAWAYS

- **Businesses require a seamless transition to a future relationship.** The transition period must provide an adequate bridge to the future relationship in order to avoid a cliff edge scenario. In the event that the transition period would end before an agreement on the future relationship is in place, trade between the EU and the UK would fall back on WTO terms, and all the problems outlined in the paper would be of immediate relevance.
- **Brexit could result in a myriad of costly customs procedures, non-tariff barriers and regulatory issues.** Every degree of divergence from EU membership creates additional economic barriers. These could entail customs duties and declarations; complex rules of origin or issues of cumulation; physical and digital bottlenecks; diverging rules and legislation; a lack of mutual recognition and the introduction of conformity assessments.
- **Many of the recommendations will nevertheless take time to be implemented.** The lower the level of economic integration between the EU27 and the UK, the greater the level of adaptation that will be required as new systems, procedures and infrastructure will have to be established. In the event that both sides opt to negotiate a free trade agreement, there might not be sufficient time before the end of the transition period to implement all the required solutions. An ambitious model of economic integration could provide an overarching solution to these issues.

<sup>1</sup> The full text is available at: [www.businesseurope.eu](http://www.businesseurope.eu)

# KEY RECOMMENDATIONS



- 1 Maintain the closest possible economic relationship while preserving the integrity of the single market.** Any degree of divergence by the UK from the European Union will create additional economic barriers that could lead to significant costs for business operators. Different models result in different rights and obligations, and consequently, varying costs and barriers for business.
- 2 Regulatory alignment between the EU and the UK is of utmost importance** to preserving value chains and avoiding non-tariff barriers to trade. Regulatory cooperation is paramount to avoiding unnecessary regulatory divergence. A vast amount of horizontal technical regulations, market access rules, intellectual property, data protection, sector-specific and other rules apply to products. Divergence between the EU and the UK in key areas of regulation would create additional costs and knock-on effects for companies trading between the two markets as well as their supply chains. No free trade agreement to date has come close to solving the issues of regulatory divergence, and this will be a challenge for both sides to address in the framework of the future relationship.
- 3 Develop simplified customs procedures for all businesses.** In the event that the UK would leave the Single Market and the Customs Union, businesses would require simplified customs procedures to ensure that trade remains as frictionless as possible. This is particularly true for companies with no recent experience of trading outside of the single market, which includes very large numbers of small and medium-sized enterprises that would face a high degree of difficulty and costs in adapting to substantial changes.
- 4 Improve outreach to businesses.** Both EU and UK authorities should proactively reach out to and work with their business communities to obtain a full understanding of what business needs from them to prepare for Brexit. Authorities should provide adequate information to businesses that will help them prepare and offer training and resources, particularly to those companies who have never traded beyond the EU and have never encountered any customs formalities.
- 5 Improve and accelerate preparation for Brexit.** Given the challenges outlined in the paper and the needs of the business community, it is paramount that the authorities on both sides are prepared to urgently deal with the changes resulting from Brexit so that businesses do not face any unnecessary bottlenecks at the borders. This includes recruiting and training staff (customs official, veterinarians, and related staff such as those involved in managing sanitary and phytosanitary (SPS) issues), but also preparing and implementing physical and digital infrastructure, and offering as much clarity as possible to businesses on the possible future EU-UK relationship so that businesses have time to adapt.