

Sticky wicket

The next stage of Brexit discussions around trade are proving to be tricky.

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THE Brexit negotiations have of course moved onto the topic of trade and as has been predicted by many in world trade the exact nature of our future customs relationship with the EU is proving to be quite a sticking point. The UK Government position in May 2018 appeared to rule out a 'Customs Union' but nonetheless looked to preserve barrier and tariff free trade between the UK and the other EU member states. At the time of writing, the options being suggested are a loose 'Customs Partnership' that somehow avoids a customs border on the one hand, and a 'Streamlined Customs Arrangement' acknowledging checks and controls on the other.

The 'Customs Partnership' indicates that the UK and the EU would consider 'innovative approaches' that could facilitate trade outside of a Customs Union arrangement while removing the need for border checks and controls. This would likely resemble a Customs Union but without the politically sensitive name, allowing the UK to set up its own tariffs, but requiring a complex system for goods imported into the UK to then be sold onto the EU in a way that would equalise the tariff at the EU rate. This could be a difficult system for UK businesses to comply with given the potentially complicated nature of the tariff equalising process.

The 'Streamlined Customs Arrangement' or Max Fac (short for facilitation) would admit that some form of customs clearance

would be inevitable, regardless of duties charged on goods. There are a few options for facilitating this in a way that would reduce the delays and costs anticipated from a hard border. These include various technological solutions and data sharing arrangements with the EU, simplifications of the customs procedure to move it away from the border, and a mutual recognition and benchmarking of Authorised Economic Operator (AEO) status.

It appears likely that some sort of customs controls and checks will be brought in should the UK continue to look for an arrangement outside of a Customs Union. Even if the two negotiating parties were to arrange a form of new 'Customs Partnership', there would nonetheless be new compliance and tariff requirements for businesses looking to move goods between the UK and the EU.

HMRC is currently estimating that this could lead to a significant increase in the numbers of customs declarations submitted by businesses – some figures predict this will jump from 60 million per year to over 250 million. HMRC also predicts that 180,000 businesses currently trading with the EU would need to submit customs declarations for the first time.

It is paramount that we don't end up with the dreaded situation whereby a sudden new influx of declarations and exports leads to significant delays and chaos at our ports. The UK Government is understandably anxious to find a solution that moves customs interventions away from the border. Authorised Economic Operator (AEO) – which allows for some traders to become 'trusted traders' who can move goods under customs control to an inland destination (such as their premises), with their declarations to be completed or resolved at a later date – is an interesting suggestion.

Only around 700 UK businesses are currently accredited with AEO status, of which over 50 percent are freight forwarders and logistics companies.

HMRC is preparing for a substantial increase in applications leading up to Brexit but whether companies are sufficiently prepared to apply successfully is an interesting point.

Businesses must be able to demonstrate high standards in customs and security procedures in order to attain AEO. Customs competency – something that UK businesses currently just selling into the EU haven't really had to think about in decades – is a key requirement. Businesses will need their individuals involved in customs to be able to demonstrate their competency in customs matters. To demonstrate this, the individual is required to have 'successfully completed training covering customs legislation consistent with and relevant to the extent...involvement in customs related activities'.

At the Institute we provide this training through our Diploma in World Customs Compliance and Regulations or our one-day training sessions. It's fair to say that we haven't had individuals from all 180,000 businesses signing on to take the course since Brexit, but those who have taken it have gained a greater understanding of how international customs works and have been much better able to prepare their businesses for the potential changes ahead in the customs environment, including but not limited to Brexit.

Whatever the solution to the UK's customs conundrum, businesses will undoubtedly be faced with greater customs requirements than they've been used to within the EU. It's only by learning about the complexities of international trade and gaining greater customs competency through courses like our Diploma that they will be able to prepare for the future.

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