HM Government

Future customs arrangements

A FUTURE PARTNERSHIP PAPER

The United Kingdom wants to build a new, deep and special partnership with the European Union.

This paper is part of a series setting out key issues which form part of the Government's vision for that partnership, and which will explore how the UK and the EU, working together, can make this a reality.

Each paper will reflect the engagement the Government has sought from external parties with expertise in these policy areas, and will draw on the very extensive work undertaken across Government since last year's referendum.

Taken together, these papers are an essential step towards building a new partnership to promote our shared interests and values.

Future customs arrangements: a future partnership paper

Executive summary

1. As we leave the European Union and therefore the EU Customs Union, the Government seeks a new customs arrangement that facilitates the freest and most frictionless trade possible in goods between the UK and the EU, and allows us to forge new trade relationships with our partners in Europe and around the world.

2. This is the first in a series of papers setting out the UK Government's thinking on our future relationship with the EU. This paper details the Government's aspirations for the UK's future customs arrangements. These proposals respond to points raised in discussion with business and are intended to be the start of a wider dialogue with both business and other stakeholders ahead of negotiations in the autumn.

3. The UK's traders are a key part of our economy and the Government is clear that any new customs system should be as facilitative as possible to encourage growth in trade with the EU and the rest of the world, and should mitigate to the greatest extent possible against any additional administrative burdens or delays.

4. The Government believes that there are two broad approaches the UK could adopt to meet these objectives. These approaches represent different choices about the nature of our relationship with the EU and countries around the world, but in either option the UK would seek to pursue its independent trade policy objectives.

   - **A highly streamlined customs arrangement** between the UK and the EU, streamlining and simplifying requirements, leaving as few additional requirements on EU trade as possible. This would aim to: continue some of the existing arrangements between the UK and the EU; put in place new negotiated and potentially unilateral facilitations to reduce and remove barriers to trade; and implement technology-based solutions to make it easier to comply with customs procedures. This approach involves utilising the UK's existing tried and trusted third country processes for UK-EU trade, building on EU and international precedents, and developing new innovative facilitations to deliver as frictionless a customs border as possible.

   - **A new customs partnership with the EU**, aligning our approach to the customs border in a way that removes the need for a UK-EU customs border. One potential approach would involve the UK mirroring the EU's requirements for imports from the rest of the world where their final destination is the EU. This is of course unprecedented as an approach and could be challenging to implement and we will look to explore the principles of this with business and the EU.

5. Our ultimate customs arrangement will depend on our negotiations with the EU. However, under either approach, both the UK and EU Member States would benefit from time to fully implement the new customs arrangements, in order to avoid a cliff-edge for businesses and individuals on both sides. The Government believes a model of close association with the EU Customs Union for a time-limited interim period could achieve this. It would help both sides to minimise unnecessary disruption and provide certainty for businesses and individuals if this principle were agreed early in the process.The Government would

need to explore the terms of such an interim arrangement with the EU across a number of dimensions. The UK would intend to pursue new trade negotiations with others once we leave the EU, though it would not bring into effect any new arrangements with third countries which were not consistent with the terms of the interim agreement.

6. The Government has held discussions with a range of businesses, including those with complex customs requirements and those who trade mainly with the EU. We will continue to discuss these proposals with stakeholders over the summer and will publish a Customs White Paper in advance of the Customs Bill in the autumn.

7. The border between Northern Ireland and Ireland is the UK's only land border. We must avoid a return to a hard border, and trade and everyday movements across the land border must be protected as part of the UK-EU deal. The Government welcomes the clear commitment made in the European Council's negotiating guidelines and the European Commission's directives to work with us on "flexible and imaginative" solutions to achieve this. Ahead of those discussions, this paper includes proposals that are first steps to meet our objective of trade across that land border being as seamless and frictionless as possible, but further steps will be necessary. The Government will publish a paper relating to Northern Ireland shortly.

Context

8. As the UK looks to forge new and ambitious trade relationships with our partners in Europe and around the world, we have a major opportunity to build a stronger, fairer and more prosperous UK, and one that is more outward looking than ever before.

9. In working to achieve that, we will:

- boost our trade relationships with both old friends and new allies;
- support the rules-based global trading system;
- ensure we protect our businesses from unfair anti-competitive practices;
- maintain our high level of standards and protect our public services;
- make trade work for everyone;
- support developing countries to reduce poverty through trade; and
- make trade more transparent and inclusive.

The benefits of trade

10. Trade is a key driver of growth and prosperity. It stimulates greater business efficiency and higher productivity, sharing knowledge and innovation across the globe. Trade boosts jobs, helps to raise living standards and provides a foundation for stronger and more prosperous communities. It ensures more people can access a wider choice of goods at lower cost, making household incomes go further, especially for the poorest in society. Businesses also benefit from cheaper and better inputs, and trade is vital to the UK's prosperity - exports and imports were each equivalent to about 30 per cent of GDP in 2016.[1]

Our approach to trade

11. As we leave the EU, and establish an independent trade policy, the Government will prioritise ensuring that UK and EU businesses and consumers can continue to trade freely with one another, as part of a new deep and special partnership. As a bloc the EU accounts for the largest proportion of UK trade.[2] In 2016, UK imports from and exports to the EU totalled £553bn[3], with over 200,000 UK businesses[4] trading with the EU. Furthermore, UK-EU trade is an important contributor to the economy in all parts of the United Kingdom. We want to ensure that our future arrangements with the EU maximise our future trade with Europe, including through integrated supply chains.

12. We will also **boost our trade relationships with old friends and new allies**. The EU itself estimates that 90 per cent of future global economic growth is expected to be generated outside Europe - a third of it in China alone.[5] As a first step, we will seek continuity in our existing trade and investment relationships, including those covered by EU Free Trade Agreements or other EU preferential arrangements. Our exit from the EU will provide considerable additional opportunities for UK business through ambitious new trade arrangements and comprehensive trade deals that play to the strengths of the UK economy of today and the future, including in areas such as services and digital trade, as well as trade in goods. As a services-based economy, services account for around 80 per cent of UK GDP[6] and the UK is the second largest exporter of services worldwide.[7] Services exports accounted for £246 billion in 2016.[8] The share of services in total UK exports has increased from around 27 per cent in 1990 to 45 per cent in 2016[9] – the largest share of any of the G7 economies.[10] To capitalise fully on those opportunities, the UK will need an independent trade policy, with the freedom to set for ourselves the terms of our trade with the world.

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[1] 'Balance of payments: Jan to Mar 2017', ONS, June 2017; 'Gross Domestic Product at market prices: Current price: Seasonally adjusted £m',ONS, June 2017.
[2] 'Geographical breakdown of the current account, The Pink Book: 2016', ONS, July 2016.
[3] 'Balance of payments: Jan to Mar 2017', ONS, June 2017.
[4] Includes VAT-registered businesses only and includes businesses which also trade with the non-EU countries. '2015 UK VAT Registered Importer and Exporter Population', HMRC Overseas Trade Statistics, August 2017.
[5] 'Contribution from the Commission to the February 2013 European Council debate on trade, growth and jobs', European Commission, February 2013.
[6] 'UK index of services: May 2017', ONS, July 2017.
[7] 'Trade in Services', OECD, 2017.
[8] 'BOP: Exports:CP SA: Total Trade in Services £m', ONS, June 2017.
[9] 'Balance of Payments: Trade in Goods & Services: Total exports: CP SA £m', ONS, June 2017; 'BOP: Exports:CP SA: Total Trade in Services £m', ONS, June 2017
[10] 'Services (BPM6): Exports and imports of total services, value, shares, and growth, annual, 2005-2016', UNCTAD, June 2017.

13. The Government will continue to **be a proud champion of global free trade and a strong supporter of the rules-based global trading system**. The UK was a founding member of both the General Agreement on Tariffs and Trade and the World Trade Organization (WTO). As we leave the EU, we will again take up our independent seat at the WTO. This means updating the terms of our current WTO membership. To minimise disruption, we will prepare schedules that replicate as far as possible our current obligations. We will work closely with the EU and other WTO members to secure a simple, fair and transparent transition. We will also aim to support and strengthen the multilateral trading system, to shape its rules and to make sure they are followed.

14. We will **ensure we protect our businesses from unfair anti-competitive practices**. When countries do not play by the rules or take an unfair advantage, we will act swiftly to ensure that trade remains fair and that markets are kept open. We, like many of our partners, believe that providing a safety net for domestic businesses if they suffer harm as a result of unfair trading practices is an important part of supporting the free trade agenda.

15. We will **maintain our high level of standards and protect our public services.** As we leave the EU, the Government will continue to maintain our high standards for consumers, employees, the environment and animal welfare. The Government will also ensure that decisions about how public services including the NHS are delivered for UK citizens, are made by UK governments and not by our trade partners.

16. We will aim to **make trade work for everyone.** We recognise that some areas and sectors may benefit from trade liberalisation more than others, while some people feel left behind. We will work with all stakeholders to ensure the benefits of trade can be widely felt and understood, managing the transition brought about by changes in the trade environment. Our approach to trade will align with our Industrial Strategy. That will be key to delivering an innovative, competitive and growing UK economy that benefits individuals and communities and makes sure the value of trade is more widely shared.

17. We will **support developing countries to reduce poverty through trade**. Recognising that some developing countries require help to secure the benefits of international trade, our trade agenda will support our foreign policy, security and development goals. As we leave the EU, we will maintain current access for the Least Developed Countries (LDCs) to UK markets and aim to maintain the preferential access of the remaining (non-LDC) developing countries, including those countries with which we have Economic Partnership Agreements. Our continuing commitment, of spending 0.7 per cent of our Gross National Income as official development assistance, is shaped by a strategy that supports both poverty reduction and aligning our aid spending with the UK's national interest.

18. We will **make trade transparent and inclusive**. The Government is committed to ensuring that the process of setting out our future independent trade policy is transparent and inclusive. Business, trade unions, civil society, Parliament, the devolved administrations, local government and the public at large, together with the governments of the Overseas Territories and Crown Dependencies, will have the opportunity to engage with and to contribute to our trade policy.

19. The Government will bring forward a Trade White Paper ahead of the Trade Bill in the autumn. This will set out the Government's approach to developing an independent UK trade policy which will seek to build new and ambitious relationships with our partners around the world, while ensuring the greatest amount of certainty, continuity and stability in our existing trade and investment relationships for our businesses and citizens.

Our future customs relationship with the EU

20. The way we approach the movement of goods across our borders, and in particular our approach to a future customs agreement with the EU, will be a critical building block for our independent trade policy.

21. Up until we leave the EU, we will continue to be a member of the EU Customs Union and will continue to apply EU law on customs. The rules for the EU Customs Union are governed almost entirely by EU law[11] and customs policy is largely an exclusive competence of the EU. Membership of the EU Customs Union means that:

- goods moving between the UK and other EU Member States are not subject to customs duty, quotas or routine customs processes (including the need to provide customs declarations); and

- Member States apply the EU's Common External Tariff (i.e. the same rates of customs duty) and its quotas and customs processes to goods which are moving between the EU and non-EU countries - the EU negotiates trade agreements, including tariffs, on behalf of all Member States.

22. As we leave the EU we will also leave the EU Customs Union. To achieve our objectives on trading independently with both the EU and the rest of the world, we will need to establish a new customs arrangement with the EU outside of the EU Customs Union.

23. In assessing the options for the UK's future outside the EU Customs Union, the Government will be guided by what delivers the greatest economic advantage to the UK, and by three strategic objectives:

- ensuring UK-EU trade is as frictionless as possible;
- avoiding a 'hard border' between Ireland and Northern Ireland; and
- establishing an independent international trade policy.

24. Customs is only one of the ways in which we control the movement of goods across borders, so achieving these objectives in full will depend on other elements of the deep and special partnership and trading arrangements we secure with the EU. The Government will set out proposals in relation to these other areas in due course.

[11] The majority of the law governing the administration of the EU Customs Union is contained in the Union Customs Code (UCC) and its delegated and implementing acts, supplemented by some domestic legislation.

25. The UK starts from a strong position. The World Bank's Logistics Performance Index 2016 ranked the UK fifth in the world for the efficiency of its customs services.[12] The UK's risk-based and intelligence-led approach to interventions seeks to minimise disruption to legitimate trade while deterring fraud and duty evasion.

26. The UK is currently implementing a new Customs Declaration Service (CDS), which will replace the existing HMRC customs system (CHIEF). This is a high priority project within Government and HMRC is on track to deliver by January 2019. CDS will be compliant with the EU's Union Customs Code to ensure continuity for business and will provide modern, digital customs technology, which will ensure HMRC has the flexibility needed to deal with the outcome of the negotiations with the EU. Utilising CHIEF, the UK has accepted electronic declarations since the 1990s, reducing the need for paperwork and streamlining processes for business. CDS will build on this track-record by accommodating new digital functionality, providing businesses engaged in international trade with a robust, modern and flexible declarations service capable of dealing with our future trade with the EU and the rest of the world.

27. Building on this strong foundation the Government has considered two broad approaches to a future customs relationship with the EU that would facilitate these objectives. How we proceed will depend on our negotiation with the EU, but the two models provide different approaches, with a range of subsequent choices underpinning these, to our customs arrangements.

- **A highly streamlined customs arrangement** between the UK and the EU, streamlining and simplifying requirements, leaving as few additional requirements on UK-EU trade as possible. This would aim to: continue some of the existing agreements between the UK and the EU; put in place new negotiated and unilateral facilitations to reduce and remove barriers to trade; and implement technology-based solutions to make it easier to comply with customs procedures.

- **A new customs partnership with the EU**, aligning our approach to the customs border in a way that removes the need for a UK-EU customs border. One potential approach would involve the UK mirroring the EU's requirements for imports from the rest of the world where their final destination is the EU.

A highly streamlined customs arrangement

28. Outside the EU Customs Union, the UK will set its domestic customs arrangements to facilitate the flow of trade across its border. In order to comply with international rules, the UK will need to extend customs processes to all UK trade with EU Member States, as well as continuing to apply these to trade from partners around the world. These processes will need to:

- ensure businesses declare goods for import or export and provide HMRC with the required documentation, including customs declarations, safety and security information and any licenses required or supporting documentation (such as that required to demonstrate the origin of goods, as may be required under a future trade agreement between the UK and the EU);

[12] Logistics Performance Index Global Rankings, World Bank, 2016

- enable HMRC to verify that a declaration has been made, that it corresponds to the goods arriving and to intervene if necessary; and

- ensure that any duties, such as customs duties and import VAT, are paid when goods arrive in the UK and the goods are released.

29. Under this approach, the UK would aim to negotiate trade facilitations with the EU and implement unilateral improvements to our domestic regime to make trade with the EU and rest of the world easier. This will support our ability to facilitate trade with other countries in the world, although there will remain an increase in administration compared with being inside the EU Customs Union. While the Government has looked at precedents set by customs agreements between other countries, it is not seeking to replicate another country's model and will pursue the approach that works best for the UK.

30. The promotion of the free flow of trade in both directions between the UK and the EU would also require the EU to implement equivalent arrangements at its borders with the UK. The Government believes that collaborative solutions would benefit all parties and will work closely with European partners to negotiate and implement such arrangements.

31. The facilitations the Government would seek to put in place would deliver a range of different benefits. Below we provide examples of the ways in which we would seek to facilitate trade across the border, and we will look to explore these and broader facilitations with the EU.

32. First, we would look to simplify the requirements for moving goods across borders, for example:

- by negotiating a continued waiver from the requirement to submit entry and exit summary declarations for goods being moved between the UK and the EU, removing a time-sensitive administrative requirement; and

- through membership of the Common Transit Convention (CTC), which simplifies border crossing for goods in transit, meaning that goods do not need to complete import and export declarations each time they cross a new border - it would allow goods moving between the UK and the rest of the world, and vice versa, to travel via the EU, without paying EU duties, providing cash-flow benefits to traders, and would make border clearances easier at key ports and airports, such as Dover and Holyhead.

33. Second, we would look at options to reduce the pressure and risk of delays at ports and airports, for example by:

- negotiating mutual recognition of Authorised Economic Operators (AEOs), enabling faster clearance of AEOs' goods at the border - according to HMRC estimates, UK companies with AEO status account for around 60 per cent of the UK's imports and 74 per cent of the UK's exports; and[13]

[13] These were based on April to December 2016 figures, of a total 548 AEOs in the UK. "Brexit: trade in goods", European Union Committee, House of Lords, 16th Report of Session 2016–17.

- bilateral implementation of a technology-based solution for roll-on, roll-off ports which could consist of pre-arrival notification of consignments on a port IT system, linked to customs declarations and vehicle registration numbers so that vehicles were not required to stop at the border, enabling traffic to flow smoothly.

34. Third, we would look to contribute to the wider safety and security agenda, for example by:

- negotiating customs co-operation, mutual assistance and data-sharing which replicates existing levels of UK cooperation with other Member States to reduce revenue and security risks to the UK, and improve targeting of inspections, reducing delays for legitimate traders.

35. Fourth, we would look to reduce the time and costs of complying with customs administrative requirements through exploring the viability of unilateral measures, primarily in respect of imports, for example:

- simplifications for business, such as self-assessment to allow traders to calculate their own customs duties and aggregate their customs declarations;

- speeding up some authorisation processes, for example through increased automation and better use of data, and in the longer-term streamlining authorisation requirements to reduce complexity, such as in relation to the UK's existing framework of duty suspensions and reliefs; and

- making existing domestic simplified procedures easier for traders to access, in a way that is compatible with the UK's international obligations, in order to reduce the requirements traders need to comply with for their goods to be cleared at the border.

36. The Government will continue to work, including with businesses, to identify further facilitations or simplifications that could be delivered without negotiation.

37. The Government would seek to ensure that individuals travelling to the UK from the EU and vice versa can continue to travel with goods for personal use as freely and as smoothly as they do now, and that the movement of goods as small parcels, via Royal Mail and fast parcel operators, continues to operate effectively.

A new customs partnership with the EU

38. The streamlined customs arrangement is based on the UK and the EU trading with each other essentially as third parties, and looks to ensure the supporting customs processes are as efficient as possible. The Government believes that the UK and the EU should also jointly consider innovative approaches that could support UK-EU trade outside of a customs union arrangement, while still removing the need for customs processes at the border.

39. One potential approach the UK intends to explore further with the EU would involve the UK acting in partnership with the EU to operate a regime for imports that aligns precisely with the EU's external customs border, for goods that will be consumed in the EU market, even if they are part of a supply chain in the UK first. The UK would need to apply the same tariffs as the EU, and provide the same treatment for rules of origin for those goods arriving in the UK and destined for the EU.

40. By mirroring the EU's customs approach at its external border, we could ensure that all goods entering the EU via the UK have paid the correct EU duties. This would remove the need for the UK and the EU to introduce customs processes between us, so that goods moving between the UK and the EU would be treated as they are now for customs purposes. The UK would also be able to apply its own tariffs and trade policy to UK exports and imports from other countries destined for the UK market, in line with our aspiration for an independent trade policy. We would need to explore with the EU how such an approach would fit with the other elements of our deep and special partnership.

41. There would need to be a robust enforcement mechanism that ensured goods which had not complied with the EU's trade policy stayed in the UK. This could involve, for instance, a tracking mechanism, where imports to the UK were tracked until they reached an end user, or a repayment mechanism, where imports to the UK paid whichever was the higher of the UK's or the EU's tariff rates and traders claimed a refund for the difference between the two rates when the goods were sold to an end user in the country charging lower tariffs. Businesses in supply chains would need to be able to track goods or pass the ability to claim a repayment along their supply chain in order to benefit.

42. We acknowledge this is an innovative and untested approach that would take time to develop and implement. The Government is keen to explore this approach with businesses and other stakeholders to understand the practical complexities involved in making it work and assess which other approaches could have a similar effect, how they would work in practice and whether they could achieve the Government's objectives.

The land border with Ireland

43. The border between Northern Ireland and Ireland is the UK's only land border. We must avoid a return to a hard border, and trade and everyday movements across the land border must be protected as part of the UK-EU deal.

44. The proposals set out above for new customs approaches are first steps to meet our objective of trade across that land border being as seamless and frictionless as possible, but further steps will be necessary. The Government welcomes the clear commitment made in the European Council's negotiating guidelines and the European Commission's directives to work with us on "flexible and imaginative" solutions to achieve this, and we will be setting out our guiding principles for a land border arrangement in a forthcoming publication.

45. The Government has made clear that the answer to avoiding a hard border between Northern Ireland and Ireland cannot be to impose a new customs border between Northern Ireland and Great Britain. We should avoid any approach that would create new barriers to doing business within the UK (including between Northern Ireland and Great Britain).

Delivering new arrangements and providing certainty and stability for business

Providing certainty

46. Investors, businesses and citizens in both the UK and across the remaining 27 Member States, as well as those from third countries around the world, need to be able to plan ahead. In order to avoid any cliff-edge as we move from our current relationship to our future partnership, people and businesses in both the UK and the EU would benefit from an interim period, for the implementation of the arrangements, that allowed for a smooth and orderly transition. The Government believes it would help both sides to minimise unnecessary disruption and provide certainty for businesses and individuals if we agree this principle early in the process.

47. Agreeing an interim period would:

- provide the necessary time for both the UK and EU Member States to implement any agreed long term solutions, and put in place facilitations and technology-based solutions to make the customs regime as smooth as possible for importers and exporters; and

- ensure that businesses, intermediaries and other third parties in the UK and the EU have the necessary time to implement the new arrangements, thereby providing businesses with certainty and enabling a smooth transition.

48. The Government is keen to explore with the EU a model for an interim period which would ensure that businesses and people in the UK and the EU only have to adjust once to a new customs relationship. This could be delivered through a continued close association with the EU Customs Union for a time-limited period after the UK has left the EU. This could involve a new and time-limited customs union between the UK and the EU Customs Union, based on a shared external tariff and without customs processes and duties between the UK and the EU. The length of the interim period needs further consideration and will be linked to the speed at which the implementation of new arrangements could take place. We intend to discuss implementation timelines with business as part of our engagement with stakeholders as set out in paragraphs 56-61 below.

49. The Government would need to explore the terms of this interim arrangement with the EU across a number of dimensions. The UK has been clear that, once it has left the EU, it intends to pursue new trade negotiations with others. However, the UK would not bring into effect any new arrangements with third countries which were not consistent with the terms of the interim agreement while the interim agreement was in place.

50. This agreement would support customs and duty free trade and could sit alongside any other interim arrangements, aimed at supporting businesses and citizens as the UK moves to a deep and special partnership with the EU.

Implementation and business readiness

51. The UK's priority is to negotiate future customs arrangements with the EU, which under any outcome will have the following objectives. They should:

- support the economy by making international trade as quick and easy as possible, including for cross-border supply chains which have driven the global trading environment in recent years;

- minimise the costs for businesses of complying with customs processes, including rules of origin, as far as possible, while bearing down on avoidance and evasion and making it easier for customers to reduce error and pay the right tax;

- support the speed and efficiency of customs processes at the border, which is particularly important for just-in-time supply chains and businesses trading perishable goods such as food;

- contribute to ensuring safety and security at the border, striking the right balance between security and supporting the smooth flow of goods; and

- ensure continuity, where possible, with the UK's current customs rules and processes, which align with the EU's Union Customs Code.

52. 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. This is because the rules governing customs are mostly in EU law and current UK customs legislation is insufficient to create a standalone customs regime. Leaving the EU will therefore mean that the UK will require new domestic legislation and the Government will bring forward a Customs Bill in the autumn. The Bill will also ensure that UK law remains as consistent as possible with EU law and responds to business requests for continuity and certainty.

53. While the UK hopes and expects to achieve a negotiated settlement that is in the interests of all parties, it is only prudent that the Government prepares for every eventuality. In addition to providing for negotiated outcomes, the Customs Bill will give the Government the powers necessary to operate standalone customs, VAT and excise systems, as necessary, following our exit from the EU. This is not the Government's preferred outcome to the negotiations, but it is essential that the UK is prepared for all possible outcomes on customs arrangements.

54. In this scenario, without any further facilitations or agreements, the UK would treat trade with the EU as it currently treats trade with non-EU countries. Customs duty and import VAT would be due on EU imports. Traders would need to be registered. Traders exporting to the EU would have to submit an export declaration, and certain goods may require an export licence. 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. Other EU Member States will also need to make contingency preparations to mitigate the risk of delays resulting from their own customs processes.

55. The UK would seek to recognise the unique circumstances of Northern Ireland and aim to protect individuals and traders by making maximum use of the UK's flexibility in relation to our own operation of the border. As elsewhere, the processes on the other side of the border would be constrained by the relevant requirements of EU law.

Next steps

Developing our options for a new customs relationship

56. The Government believes that businesses from across the UK have an important role to play in the policy making process and welcomes responses to the content of this paper.

57. The Government is undertaking a comprehensive stakeholder engagement programme as part of our preparations for the UK's exit from the EU. A wide range of firms, from both the UK and overseas, have already inputted their concerns and priorities for the negotiations and our future customs arrangements.

58. Those contributions have been core to our policy development and preparations. Business stakeholders have, for example, made clear:

- the need for certainty and, where possible, continuity;
- the need to minimise administrative costs of new procedures whether it be filing declarations or holding goods;
- the impact of unexpected delays caused by new checks;
- the impact on particular sectors and on industries reliant on 'just-in-time' processes or getting fresh goods across borders quickly;
- the requirement to recruit and train new staff and the availability of agents to carry out the work particularly for SMEs, or for HMRC support; and
- the potential impact of customs procedures in Northern Ireland.

59. The Government intends to build on this work, continuing existing conversations, as well as starting new ones as we develop the detail of our future customs system. The Government intends to continue to engage with a variety of firms, large and small, alongside other potential users of the customs system across the length and breadth of the UK, as well as with important trade partners in key EU Member States. We will work with trade bodies, infrastructure providers and logistics experts to ensure we reach all relevant sectors and obtain a diverse set of views and insights. In doing so, we will seek views from across the United Kingdom: from England, Scotland, Wales and Northern Ireland.

60. The Government will be engaging in a variety of ways. The objectives of this engagement are twofold:

- first, to gather intelligence on the needs and priorities of business for cross border trade, in order to ensure that our negotiated solution meets their needs and contributes to the UK's future prosperity; and

- second, to ensure open dialogue between the Government and the business community, to be as open and transparent as possible in an effort to provide as much certainty as possible, without compromising the negotiating position.

61. The Government would particularly welcome views on:

- the approach based on a highly streamlined customs arrangement (as outlined in paragraphs 28-37) and a new customs partnership with the EU (as outlined in paragraphs 38-42), including how closely they meet the objectives in paragraph 23, how far these could address some of the concerns raised by businesses and other stakeholders, including those outlined in paragraph 58 above, and whether the Government should consider any additional or alternative proposals and technological solutions; and

- whether the approach to interim arrangements set out in (46-50) meets the Government's objective to allow businesses both in the UK and the EU time to adjust to new customs arrangements in a smooth and orderly way.

Devolved Administrations

62. Customs is a reserved matter. However, the Government is committed to working with the Scottish Government, the Welsh Government and the Northern Ireland Executive (when it returns) to understand the practical impact of new customs arrangements in different parts of the UK, including on specific issues such as the Northern Ireland - Ireland land border with the Northern Ireland Executive, and the implications for ports in Wales and Scotland with the Welsh and Scottish Governments.

The Crown Dependencies and Overseas Territories

63. The Crown Dependencies of the Channel Islands and the Isle of Man, are part of the EU Customs Union. As we leave the EU, the Government will work with the Governments of the Crown Dependencies and ensure their priorities are taken into account as we progress negotiations with the EU.

64. Neither Gibraltar nor the other Overseas Territories[14] are part of the EU Customs Union. However, trade in goods with the EU will remain a priority issue for Gibraltar and the other Overseas Territories, and the UK Government will continue to work with their governments to ensure their priorities are taken into account.

[14] Except the Sovereign Base Areas in Cyprus, which are in the EU Customs Union. These will be addressed as part of the discussions on the UK's withdrawal from the EU.