




**Customs Knowledge
Institute**

Thinking Beyond Brexit

UK  EU

Trade for SMEs

Agenda

1. What is happening to trade? Is the trend permanent?
2. What problems have been reported/observed?
3. Overview from Ireland and the UK
4. Northern Ireland problems and opportunities
5. Pressures on traditional supply chain patterns – cost, origin, administrative systems
6. How an SME can trade successfully across borders

Don't forget to answer poll questions!

What is happening to trade?

UK World Trade in Goods								
Indexed, 2018 = 100, January to July each year.								
	IMPORTS				EXPORTS			
	2018	2019	2020	2021	2018	2019	2020	2021
EU 27	100	104	79	81	100	102	81	88
Non-EU	100	115	88	107	100	107	95	94
Total	100	109	83	93	100	104	88	91

- Note the clear impact of Covid-19
- The impact on EU Trade is disproportionate (drop in % share as well as value)
- Is this frictional or permanent?

Temporary or Permanent? Some Factors

Temporary

- Confusion
- Adjusting to new administrative procedures and controls
- Renegotiating supply chains
- Staffing shortages

Permanent

- Cost of customs
- Cost of extended establishment
- Loss of access for distribution etc.
- Diverging regulations (= additional cost)

Problems reported and observed

- Confusion in January
- Additional import procedures very complex, especially for Agri-Food products (SPS products)
- Customs computer systems not robust or not ready
- Customs and other administrative systems not ready
- Extra cost of declarations and transport unexpected
- VAT very complex – establishment required?
- Some traders apparently able to circumvent controls – awaiting post clearance checks
- Customs interpretation of rules makes no allowance for lack of knowledge
- Reluctance of suppliers to modify procedures and contracts

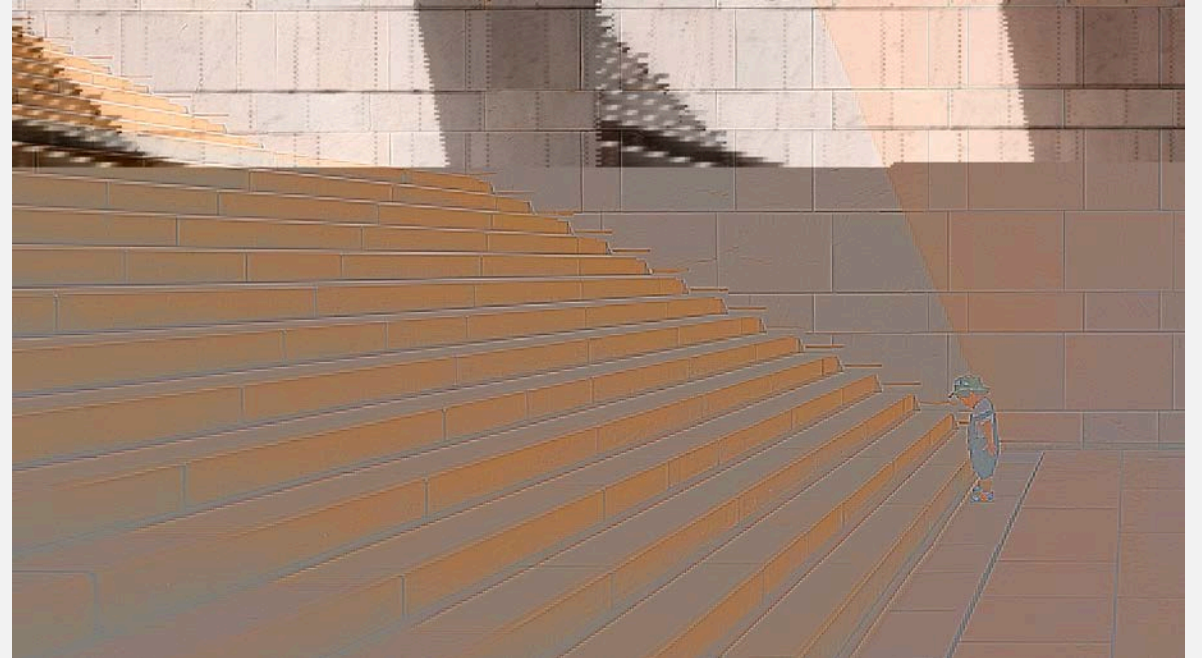
Overview from Ireland

- Adjustment continuing – new reality accepted.
- Workarounds and new supply chains are being developed - ferries to France, Belgium, Holland, Spain.
- Deficiencies in TCA becoming obvious – rules of origin, lack of diagonal cumulation.
- Loss of intra-community VAT has a major impact.
- Major impact on some sectors –
 - Used cars – UK imports very important – 10% duty on nearly all.
 - Raw material/component import – additional cost of small consignments crippling for many.
 - Online shopping dropping rapidly – many UK sellers will not supply IE.
 - Major restructuring of retail is in prospect.
 - Food exports in doubt.

Overview from the UK

Top 5 challenges:

- Customs data
- Customs status vs origin
- Distribution model
- Interpreting rules of origin
- Trading with Northern Ireland



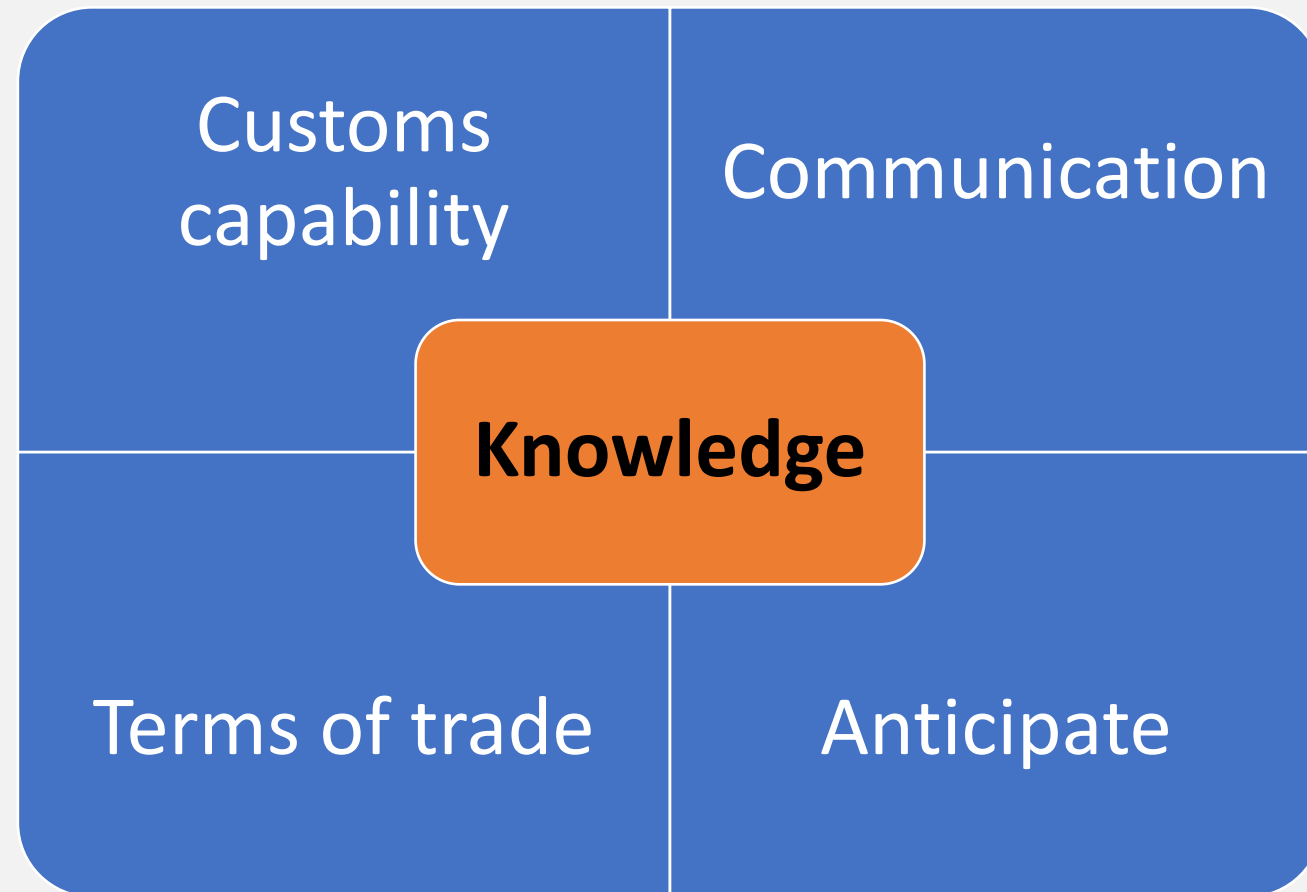
Northern Ireland Problems and Opportunities

- Attempts to apply simplified customs have led to confusion, with both EU and UK customs law applying.
 - UK has been very supportive of traders (e.g. TSS)
- Problems with SPS goods (food etc.) have not been resolved.
 - Major increase in goods flowing into Northern Ireland.
- Some believe the Protocol will not last.
 - Bringing goods from ROW into NI gives free access to both GB and the EU.
- It is unlikely that import/export in NI will fully stabilise in 2021.
 - Extension of easements gives time for adjustments.
- Uncertainty, but also considerable economic possibilities.

Pressures on Supply Chains

- The UK's trade partners are dealing with major adjustments as a result of Brexit.
- The coincidence of massively increased global transport costs has hampered transition.
- Supply and distribution agreements in place challenge smaller businesses.
- Technical requirements – certification, declaration costs, proofs of origin, formal terms of trade, VAT, invoicing, etc. add up to major costs for business which limit the ability of small traders.
- Online sales are hampered by new VAT regulations (OSS/IOSS).
- SPS goods (POAO especially) are likely to face ongoing cost and delivery problems.

How an SME can trade successfully



Thank You!

Questions?

