

Post-Brexit Customs Requirements Hamper UK-EU Goods Trade Despite Agreement

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Prior to the United Kingdom’s [withdrawal](#) from the European Union on December 31, 2020, both parties signed a [Trade and Cooperation Agreement \(TCA\)](#) to mitigate non-tariff trade barriers between the two countries. UK-EU goods trade (on which the TCA eliminates tariffs) is significant: In 2019, UK exports to the EU totaled approximately [\\$2.6 billion](#), while UK imports from the EU were nearly [\\$5.3 billion](#). Despite customs and trade facilitation provisions in the TCA, firms shipping goods between the UK and the EU in the post-Brexit environment have encountered significant delays at [border checkpoints, including at maritime ports](#). Many of these delays arise from confusion over new customs paperwork and border clearance requirements for UK goods destined for or arriving from the EU. Following a brief overview of customs and related provisions in the TCA, this EBOT describes the current customs regime along the UK-EU border and how firms in both countries are coping with new challenges to UK-EU goods trade.

Customs and the TCA

Chapter 1 of the TCA sets out the conditions for the national treatment of goods crossing between the UK and EU. Although it does not establish specific licensing or customs procedures, it does set out the conditions for how these processes should occur. This includes bans on export tariffs, notifications on changing export licensing procedures, requirements on customs treatment of goods for repair, and administrative fees that may be required to maintain customs enforcement. Separately, Annex Orig-2 contains the rules of origin requirements for traded goods to receive duty-free treatment between the UK and EU.

Post-Brexit Customs Requirements Challenge Shippers

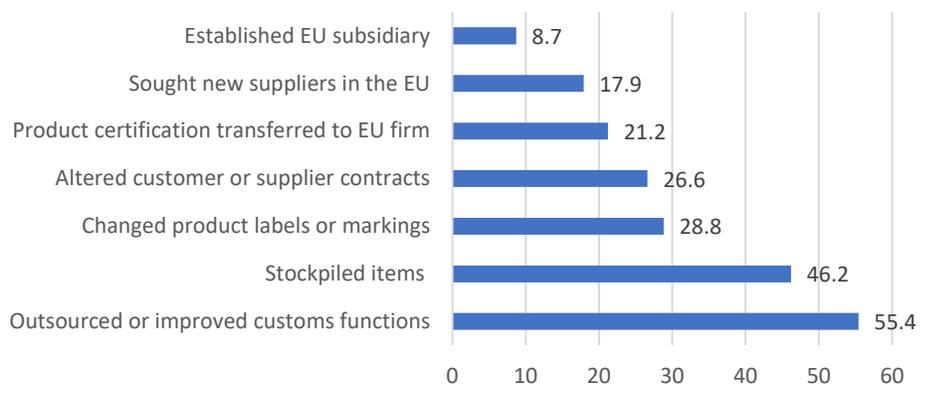
The UK’s exit from the [EU Single Market and Customs Union](#)

on December 31, 2020 resulted in new border clearance procedures and additional requirements for goods traded between the UK and the EU, and contributed to firms altering their business practices (figure 1). The additional requirements, detailed below, have also contributed to customs clearance delays of up to several days and, in some cases, have diminished UK-EU trade. One survey found that [border delays and the resulting congestion at ports](#) have [affected nearly half of UK shippers](#), leading to loss of inventory and higher costs. EU exports of perishable foods, [such as fruits and vegetables from France](#) to the UK have also been affected (with the problem exacerbated by the COVID pandemic) resulting in low inventories of these goods on UK supermarket shelves.

Box: Northern Ireland’s New Trade Rules

Brexit has resulted in challenges for trade involving Northern Ireland. For example, goods originating in Great Britain and transiting Northern Ireland (part of both the EU Single Market and the UK Customs Union), must undergo border clearance procedures before reaching either the Republic of Ireland or continental Europe. In addition, the [Northern Ireland Protocol](#) sets out the conditions for trade in the area, and does not envision construction at the border between Northern Ireland and the Republic of Ireland for customs enforcement. Moreover, certain EU customs rules and regulations are directly applicable to Northern Ireland, but not the rest of the UK, in order to facilitate this arrangement. The protocol also provided a grace period for import controls on shipments from the UK mainland to the EU via Northern Ireland until March 31, 2021.

Figure 1: How UK Manufacturers Prepared for Brexit, percentage of reporting firms (Source: MakeUK.org)



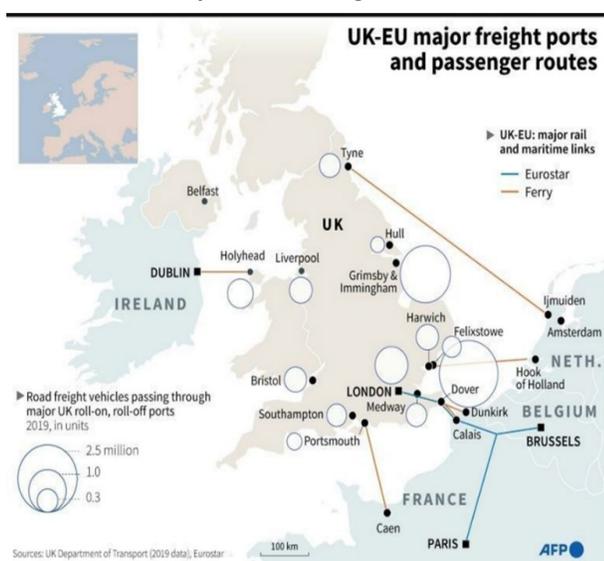
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Rules of Origin: The TCA requires both EU and UK exporters to provide certificates of origin for their goods to qualify for zero tariffs upon entry into either trading partner.¹ In addition, TCA provisions permit third-country goods from the UK and the EU that have undergone additional UK or EU manufacture to receive zero tariffs ([without requiring a certificate of origin](#)). However, such goods must meet rules of origin requirements (RoO), and these may vary by commodity or product. Companies not familiar with certificates of origin have reported delays in the export of goods. In some cases, uncertainty regarding the application of RoO for UK exports to the EU, for example, have led to UK trucks being turned away at EU border posts or the imposition of [EU tariffs on UK goods, increasing the costs and decreasing the price competitiveness of such exports](#).

Regulatory and inspection requirements: Beginning on April 1, 2021, UK customs authorities require additional customs forms for and inspection of EU goods derived from animals, and certain plants and plant products. Licensing and registration requirements must also be met for UK exporters of [live animals](#), chemicals, and [pharmaceuticals](#) to the EU (as of January 1, 2021) or EU exporters of these goods to the UK. The additional time and cost of complying with new UK-EU regulatory and inspection requirements have already had an [adverse impact on traders, including lost export opportunities](#).

Product labeling and marking requirements: Following Brexit, and absent any agreement on the mutual recognition of product markings, goods traded between the UK to the EU must adhere to [new labeling specifications](#) that certify conformity with UK or EU product standards. Therefore, UK imports from the EU are required to have a UK Conformity Assessed (UKCA) (or temporary sticker to that effect until January 1, 2023) rather than an EU Conformité Européenne (CE) label. New EU product standards will also require UK exporters to verify that their products with the EU CE label conform to EU assessments. However, for most products, current EU CE labels remain valid in both the UK and the EU (meaning that products already in distribution do not have to change markings). General provisions on marking and labeling are detailed in the TCA.

Brexit Has Precipitated Changes in How Goods are Transported Between the UK and the EU



[New border clearance](#) requirements have prompted near to medium term changes in transportation modes and routes between the UK and continental Europe (figure left), and may have longer term impacts. For example, many UK exports were previously transported to the EU by ro-ro (roll on, roll off) ferries, in which cargo remains loaded on trucks that travel by vessel. In order to bypass long lines at UK Channel ports, some of these goods are now being conveyed to the EU on shortsea shipping routes. Also, many EU exporters of perishable foods have shifted the transport of these items from truck to air freight. For non-perishable goods from the EU, some UK importers have transitioned from truck to rail transportation, and depending on the EU country of supply, have opted for ferry service from UK coastal ports rather than the more congested Channel ports. Separately, goods transported between the Republic of Ireland and continental Europe via the [UK Landbridge](#) have shifted to direct Ireland-EU maritime routes to avoid post-Brexit border clearance requirements. These requirements have led [to long lines of up to 7,000 trucks along the popular Dover \(England\)—Calais \(France\) corridor](#).

¹ In general, certificates of origin include information on a good's country of manufacture, its country of export, and its intended destination. For more information on UK certificates of origin, see [GOV.UK, "Get Proof of Origin of Your Goods."](#) The payment of EU VAT tax (by the importer) is also required for UK goods crossing the EU border.

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