



## CUSTOMS UNION

The phrase 'customs union' is heard frequently in the Brexit debate, but what does it mean?

Intended to facilitate trading between countries (or blocs of countries), countries entering into a customs union agree not to impose charges (referred to as tariffs) on goods moving between them. This is the internal element of the customs union. There is also an external element, by which any goods arriving in any of the customs union member countries are charged the same tariff, regardless of the landing country.

Once goods have arrived in one of the customs union member countries and the tariff has been paid, those goods can then move freely between any of the other countries in the customs union without attracting any further charges or customs checks.

The EU customs union consists of all 28 EU member states plus Monaco, but the EU also has customs union arrangements with non-member states, including Turkey. However, the rules of the EU's custom union prohibit member states from negotiating independent trade deals with countries outside the customs union. This forms the basis of the argument that the UK needs to leave the customs union so that post-Brexit it can negotiate its own trade deals and establish an independent trade policy.

Labour's policy has been to leave the EU customs union and replace it with a 'customs union arrangement', giving the UK a say in any trade agreement negotiations which the EU conducted. Exactly what constitutes 'a say' has been the subject of discussion. It may amount to a veto over any agreement the UK believed was disadvantageous. Giving a country outside the EU any formal role in EU trade discussions, however, would not be possible under current EU rules: EU law prevents any non-EU member from influencing or vetoing its trade negotiations.

Defending its proposal, Labour argues that the EU has already been supportive of the concept of the UK remaining in a customs union post-Brexit. The fact remains however, that what Labour is seeking does not currently exist with any country outside of the EU.

Those in favour of some form of post-Brexit customs union cite Turkey as an example of a non-EU country having an effective customs union arrangement with the EU. The Turkish deal has been in place since 1995 but only applies to industrial products. This means Turkey is able to negotiate its own trade deals, but only in areas not covered by the customs union arrangement with the EU. Its deal also means that Turkey is required to apply common tariffs on any industrial products arriving from countries outside of the EU customs union.



Whether a Turkish model arrangement would work for the UK remains hotly-contested with those opposing such a plan pointing out that the Turkish deal covers neither services nor agriculture. The UK economy is 80% services, while agriculture is very significant in areas on both sides of the Irish border, which will constitute the only UK/EU land border after Brexit.