

A Customs Union with the EU is a daft idea

The latest pronouncements from Michel Barnier, the EU's Chief Negotiator, provide little comfort to those of us seeking reassurance that the Government knows how to fulfil its declared aim of leaving the EU in 18 months' time while avoiding a "cliff edge" for business.

Essentially, the rather tired "having cake and eating it" analogy sums up what Barnier sees as the root of the problem. He talked of a "nostalgia" for the Single Market and made it clear that you cannot be outside the Single Market while continuing to enjoy its benefits. "This is simply impossible", he said.

There is a wide range of views among Brexit supporters regarding whether or not we should stay within the Single Market. If there is a non-single market option which could provide us with something as near as possible to the frictionless trade which Business is demanding, the Government is keeping very quiet about it. This in turn is resulting in a concern that our Brexit team – and perhaps the Government as a whole – still does not grasp what it means to be a "third country" for trade purposes.

When it comes to the EU's Customs Union, however, there is no reason to support our continued membership. It is an open and shut issue. We certainly need a Customs arrangement with the EU or else a massive queue of lorries is going to build up on the M20 immediately after Midnight on March 29th 2019, but that is not the same as a Customs Union.

A Customs Union is an area within which goods can circulate without restriction but which imposes a common external tariff on goods from outside. The first Customs Union was the German

Zollverein, established in 1834 and which gradually included most German states. Significantly, the economic union was followed by political union.

The Treaty of Rome, which established what has become the European Union, proposed the establishment of a Customs Union. By the time the UK joined, it was up and running and we had to impose the common external tariffs on all goods from outside, including those from our Commonwealth friends such as Australia and New Zealand. In other words, we surrendered the freedom to negotiate our own trade deals.

Shortly after the Treaty of Rome, the UK which at the time was not keen on joining the European project instead became one of the founder members of EFTA, the European Free Trade Association, which was not a Customs Union. It thus allowed members to negotiate their own trade agreements if they so desired, although EFTA also has negotiated free trade deals on behalf of all its constituent countries. Significantly, EFTA has never sought to create any sort of political union among its members. It was and is purely about trade.

Why then should a non-EU member want to be associated with the EU's Customs Union? If you are a micro-state like San Marino or Monaco, you are unlikely to have the resources to negotiate your own trade deals and thus piggybacking on your larger neighbours is the best way of keeping trade flowing smoothly across your borders. This is not the case with Turkey, the only large non-EU country which has a customs union with it.

During last year's Referendum debate, the so-called "Turkish option" received very little coverage. Being in a similar customs union with the EU was occasionally mentioned as one possible post-Brexit scenario but then almost immediately dismissed as being unsatisfactory. The Turks themselves don't like it, which is one very good reason for rejecting it.

For starters, being a member of the Customs Union requires

accepting the jurisdiction of the European Court of Justice. Turkey also may not negotiate trade agreements with non-EU countries but does not benefit from the EU's Free Trade agreements. Countries who have signed a free trade agreement with the EU can export their goods into Turkey tariff free while imposing tariffs on Turkish goods.

One reason for Turkey accepting this unsatisfactory arrangement was its aspiration to join the EU. We are going in the opposite direction, so there is even less reason for us to adopt it, even as a transitional arrangement.

If further proof were needed of this argument, this article on the Kapikule Border crossing between Turkey and EU member state Bulgaria, shows that a Customs Union with the EU does not result in quick and easy movement of goods across borders. A Turkish lorry driver is quoted as saying that a mere 14-hour wait at the customs post constitutes a "good day"!

The article goes on to describe how "each driver clutches a sheaf of several dozen documents – an export declaration, a carnet from Turkish customs officers, invoices for the products they are hauling, insurance certificates and, when lucky, a transport permit for each EU nation they will drive through."

No one in their right minds should be suggesting that any future UK-EU trading relationship be conducted along these lines. Like it or loathe it, re-joining EFTA as an interim arrangement and thus accessing the Single Market along the same lines as Norway and Iceland would spare us this chaos. Maybe the Government has some better alternative up its sleeve, although if this is the case, it is playing its cards very close to its chest, but we can't stay in the EU's Customs Union if we're not an EU member; we can only make a Customs Union agreement on Turkish lines and evidence strongly suggests it's not worth the bother.

Photo by Peanut99 