



Summary in English

March 15 2017

## **Brexit – Options for a future regulatory framework for trade in services and customs and trade procedures between the EU and the UK**

Summary of the analysis *Brexit – Alternativ till framtida regelverk för handel med tjänster och tull- och handelsprocedurer mellan EU och Storbritannien*, by the National Board of Trade. The full report is available in Swedish at [www.kommers.se](http://www.kommers.se)

The National Board of Trade is a Swedish government agency responsible for issues relating to foreign trade, the Internal Market and trade policy.

### **Summary**

#### **Task**

In September 2016, the Swedish Government commissioned the National Board of Trade to analyse and provide alternatives for how trade in services between the EU and the UK can be regulated after a UK withdrawal from the EU and its single market. The assignment also includes analysing and providing alternatives for how customs and trade procedures for the trade in goods between the EU and the UK can be designed after a UK withdrawal from the EU.

The assignment is thus limited and the investigation highlights only some of the issues that the UK's withdrawal raises in relation to trade between the EU single market and the UK.

#### **Future of the single market**

The EU single market was created as a comprehensive legal and political project to improve and strengthen the European economy. It is of great importance for the various parties that the EU acts as a single common domestic market. Companies can expand their business without regard to national borders and consumers have a greater choice. Workers and employers can obtain better

matching opportunities in a common labour market. Access to the EU single market means that Member States are an integral part of a community based on the rule of law for the single market.

So far, the single market has been developed continuously, more countries have joined, new common rules have been negotiated and national barriers to trade have gradually been removed. Economic research shows that positive effects have been achieved where the single market and free movement have been well implemented. The result of the UK referendum on continued membership of the EU and the forthcoming negotiations on a new regulatory framework for trade risk reversing this trend.

### **The UK is an important trading partner**

The UK is one of Sweden's most important trading partners. In the full year of 2016, Sweden exported services to the UK for a value of SEK 51 billion, while the exports of goods amounted to SEK 72 billion. The UK is thereby the third largest recipient of Swedish services and the sixth largest recipient of goods. In regard to imports too, the UK is an important trading partner for Sweden. The Swedish import of services and goods in 2016 both amounted to SEK 62 billion each and the UK thereby ranks first and fifth respectively on the list of the most important countries of provenance for Sweden imports.

The development of international trade, especially through trade in so-called global value chains, has meant that countries today are interconnected through trade, both directly and indirectly. In terms of the relationship between Sweden and the UK, this means that it is not only the direct bilateral trade relationship between the countries that could be affected by a UK withdrawal from the EU. Half of the UK's trade is with EU Member States. 53 per cent of the UK's imports come from the EU and 44 per cent of its exports go to the EU. 1.7 per cent of the UK's imports come from Sweden and 1.5 per cent of its exports go to Sweden.

### **Common conclusions for the two parts**

As the first part of the assignment concerns the regulation of trade in services and the second part concerns customs procedures and trade facilitation for goods, and the prerequisites for these areas differ, the National Board of Trade has found it natural to present the government commission in separate parts.

Common to these parts is that, as a starting point for the analysis, we have chosen to include sections that briefly describe the regulations that govern trade today. By describing agreements that the EU has signed with other countries, we have highlighted how the current situation will change if trade relations with the UK would be regulated in a similar way.

A common conclusion of the two parts of the assignment is that no matter which option will be the result of the withdrawal negotiations, it will mean a *deterioration compared to that which applies today in trade between the EU and the UK*. In respect of the trade in goods, customs formalities will be

reinstated from the date when the UK is no longer a member of the EU. This will mean increased administration, higher costs and reduced predictability in the flow of goods. One exception is in the services area, where one of the options, namely an EEA solution, would not entail a deterioration compared to the current situation.

Another conclusion is that the trade in goods and services differ in terms of the *possibility to find new and innovative alternatives* that would mitigate drastically the negative impact of the UK's withdrawal from the EU. In the goods sector, there are no good alternative solutions: it is simply impossible to be only partly within the customs territory. As for the trade in services, this is not affected by customs duties and rules of origin and the opportunities to mitigate the effects of the UK leaving the EU are greater.

What is common for trade in goods and services is that it is highly *uncertain what the economic implications of the various options would be*. Trade in general and companies individually, adapt to opportunities and obstacles. Trading patterns are therefore not static and we can assume that, for the EU, other markets will have priority over the UK if the UK leaves the single market.

A common conclusion also concerns the *period of uncertainty* ahead. The UK's withdrawal from the EU will be a multi-step process, and although some steps will be able to be partly handled in parallel, nobody can know with certainty how it will be until several years' time has passed. In this context, it may be pointed out that the EU has been and continues to be, a long-term cooperation and it is crucial for Sweden how the single market, which is our most important "home market", is safeguarded and developed.

Another common conclusion concerns the need for *information and support to businesses and consumers* so that businesses and consumers do not end up being adversely affected. All relevant authorities must jointly promote coherent information. The EU should strive to create a *clear process for dealing with barriers to trade*. A dedicated body -, for example, in the form of a joint secretariat, should be created to deal with problems arising from trade between the EU and the UK.

A more general conclusion is that the value of *the single market* for trade in goods and services becomes clear, when the single market is measured against other alternatives. What is sometimes raised as an option; an in-depth and comprehensive free trade agreement such as the free trade agreements with Canada, Ukraine and South Korea, even in its most ambitious form, would not provide the benefits that the single market provides.

The two parts of the assignment are summarised separately below.

## Summary of Part 1

### **Options for a future regulatory framework for trade in services between the EU and the UK**

For our discussion of possible technical trade solutions, we have chosen to start from trade agreements that already exist. We have not discussed which of these options is the most likely; this is ultimately a political issue. In accordance with the assignment, nor have we discussed which alternative would be preferable. The analysis focuses instead on the regulatory components inherent in the various alternatives.

The only thing we know in the current situation is that if the EU and the UK cannot agree on a new bilateral trade agreement, trade in services will then be governed by the multilateral GATS agreement. If, on the other hand, it is possible to agree on a new trade agreement, it is likely that it will contain elements taken from previous EU agreements with other third countries.

With regard to how the trade in services with the UK can be regulated after Brexit, we note that although there are some basic requirements that must be met before a WTO member shall be allowed to deviate from the WTO's most-favoured-nation principle (MFN) and give benefits only to certain countries, there is no rule book that specifies what a trade agreement may contain. In order to be WTO compatible, the focus instead is on that a free trade agreement shall entail a substantial sectoral coverage, which in practice means that the agreement should lead to the elimination of essentially all discrimination between the parties. As long as this criterion is met, it is possible in the context of a trade agreement to liberalise trade in certain service sectors more than others. It is thus possible to agree on abolishing all discrimination in all service sectors, while going further in selected sectors and agreeing on common standards.

We have chosen four different regulatory alternatives and assessed the impact that each alternative may have. The alternatives we have examined are GATS combined with the GPA, CETA, which corresponds to the agreement that the EU concluded with Canada, DCFTA, which corresponds to the agreement the EU has with Ukraine, and the EEA Agreement, which governs trade between the EU and the EEA countries of Norway, Iceland and Liechtenstein.

To get a picture of how the various alternatives relate to what applies today, the analysis is based on the essential building blocks of the single market. The following picture gives an overview of which of these building blocks are included in the different alternatives.

|                           | GATS/GPA | CETA   | DCFTA  | EEA    | EU  |
|---------------------------|----------|--------|--------|--------|-----|
| Free movement of services | NO       | NO     | PARTLY | YES    | YES |
| Freedom of establishment  | NO       | PARTLY | PARTLY | YES    | YES |
| Free movement of workers  | NO       | NO     | NO     | YES    | YES |
| Supranationality          | NO       | NO     | NO     | PARTLY | YES |
| Competition law/state aid | NO       | NO     | YES    | YES    | YES |
| Public procurement        | PARTLY   | PARTLY | YES    | YES    | YES |
| Data transfer             | NO       | NO     | NO     | YES    | YES |

■ = NO    ■ = PARTLY    ■ = YES

If a building block is missing it does not automatically mean that trade in services is hampered. The EU will continue to trade services with the UK although trade will be regulated by the GATS. On the other hand, predictability will increase for companies the more building blocks are included. In other words, the fewer building blocks, *the greater the risk of national regulations and requirements making it more difficult, more expensive or even impossible* to trade in certain services or for certain modes of supply.

In contrast to what applies in the goods sector, for many service sectors there are no common rules within the EU and instead of a common regulatory framework, businesses face 28 different national regulatory environments. This means that there are limits to how a future agreement with the UK can be shaped. For these non-harmonised sectors to be covered by an agreement, it is necessary to either include the EU Treaty rules on free movement and the rules of the European Court of Justice, or to make use of the Services Directive which consolidates the EU Treaty and jurisprudence.

The effects of Brexit will have different impacts depending on the way in which a service sector is regulated. In the sectors where the EU has adopted common rules, *any barriers to trade will arise step-by-step* and only if the UK's and the EU's regulatory framework begin to diverge. In sectors where trade is governed by EU Treaty rules and mutual recognition, barriers to trade, on the other hand, may *arise directly when the UK is no longer a Member State*. The latter will also apply in the harmonised areas where the principle of mutual recognition is built into the secondary legislation.

## Summary of Part 2

### **Alternatives for a future regulatory framework for customs procedures and trade facilitation between the EU and the UK for the trade in goods**

The result of the EU regulation of trade is that trade between Sweden and the UK takes place today as intra-EU trade. This means that, with certain exceptions, there are no particular formalities related to the cross-border movement of goods. When the UK leaves the EU, it will become a third country, and the EU's regulatory framework for trade with third countries will

then be applicable. This will lead, among other things, to the reintroduction of customs formalities for imports from and exports to the UK.

In summary, the trade relationship between the EU and the UK can be regulated by supranational authority in the form of EU membership, through agreements or, failing any agreement, simply by applying WTO regulations. An agreement may in turn take the form of a customs union, a bilateral free trade agreement or the UK's accession to the EEA Agreement.

Efficient and smooth trade procedures is an important competitive advantage in a global market. Complicated trade procedures are a particular burden for small and medium-sized businesses. It is vital, therefore, that trade procedures are as smooth and cost-effective as possible. The UK's exit from the EU will result in the opposite.

### **EU customs territory**

The EU is a customs union, which means that Member States have abolished tariffs among themselves and apply common tariffs against countries outside the union. Furthermore, the EU Member States constitute a common customs territory, which means, among other things, that trade is regulated by a common customs legislation. When customs formalities for goods have been completed in connection with their import, the goods can circulate freely and be resold within the EU customs territory. Within the EU customs territory, all customs formalities between the Member States have been abolished and there is an extensive common regulatory framework governing import to and export from the EU.

When importing goods from third countries, from a safety and security perspective, an entry summary declaration must be lodged before the goods enter the EU. Means of transport and goods must be notified on entry to the EU, a customs declaration must be lodged, import restrictions will apply where appropriate and customs duty, import VAT and other fees must be paid. Authorisations, certificates of origin, other certificates, licenses or similar may all be required. In connection with import and export, the Swedish Customs can carry out controls on goods and documents. Swedish Customs also has the right to stop goods at the border on suspicion that the goods constitute a serious risk to health or safety, or for other public interests.

### **The EU's security area**

The EU's security area includes the EU's 28 Member States (EU28), Norway and Switzerland. Trade between these countries is thereby exempt from the requirement notify goods for safety and security purposes, lodge an entry summary declaration, prior to arrival to the EU border. At the same time, Norway and Switzerland have agreed to take similar protective measures on imports into Norway and Switzerland as well as for export from these countries.

## **Increased paperwork in trade with the UK**

When the UK leaves the EU, customs formalities will be reintroduced for imports from and exports to the UK. The UK will become a third country from a trade procedures perspective, which means that the regulatory framework for trade with countries outside the EU will be applicable in full. Which other requirements will be imposed and how extensive these will be, will depend on the actual technical trade solutions that emerge from negotiations.

What level of risk will be assessed depends on the solution that emerges from the negotiations between the EU and the UK on their mutual relationship. This will depend, among other factors, on the degree of regulatory harmonisation, the opportunities for ensuring compliance, the dispute settlement mechanisms and possibilities for sanctions that will be included in the agreement that is negotiated.

All the scenarios that entail the UK leaving the EU lead to increased costs, both direct and indirect, for businesses, consumers and governments in the form of administrative requirements and controls. The predictability of the flow of goods will be reduced, which will impair the competitiveness of companies in both the EU and the UK.

One uncertainty factor is how well the authorities in the UK and Sweden respectively, and other EU Member States, are able to handle the increased volume of administrative requirements in the form of, for example, customs declarations, authorisations, licenses, information measures and controls that the UK's exit will entail. What has been intra-EU trade must now be treated as trade with a third country, which will increase the amount of paperwork that authorities have to deal with. If these authorities are not given reasonable conditions for handling the increased amount of regulatory matters that Brexit will cause, businesses will be adversely affected.

Brexit will thus considerably complicate and increase the cost of trade between the UK and the EU/its Member States, lead to reduced transparency, increased costs and to legal uncertainty. *It is important to emphasise that this is not a result of political reluctance, but is a direct technical consequence of the UK leaving the EU, the customs union and the single market.*

The EU's internal market is the deepest level of economic integration between countries in the world. In principle, there is no difference between intra-EU trade and trade within a Member State. When the UK leaves the EU cooperation, it will entail, therefore, only disadvantages and increased costs for trade between the UK and other EU countries, including Sweden. The challenge for the upcoming negotiations between the EU and the UK will be to minimise these costs.

## **Impact on businesses**

How companies are affected will depend largely on the extent to which they already trade with countries outside the EU. Large multinational companies that

already trade with other countries are likely to have both knowledge of regulatory frameworks, expertise, and systems to manage the flow of goods between the EU and the UK. They will still be affected negatively though in the form of increased costs and reduced predictability in the flow of goods. For small businesses that currently only deal with countries in the EU, new administrative requirements that impose demands on knowledge of other regulatory environments, increased bureaucracy and completely new costs in terms of administration and possible system requirements, it will be even more burdensome. Brexit will therefore affect small businesses even harder.

### **The exit process**

Uncertainty and lack of predictability will affect companies and government authorities for a long time to come. The UK's withdrawal from the EU will be a multi-step process, and although some steps can be partly handled in parallel, nobody will be able to know with certainty how it will be until several years' time.

The UK will need to renegotiate its tariff commitments in the WTO after it has left the EU. Certain commitments may be relatively simple. Other commitments, such as quotas, could become more problematic and require renegotiation. Not until this is done, will the UK be able to conclude trade agreements with the EU or other countries.

The UK will be the first country to leave the EU, and this exit will establish a precedent. It is important to think carefully about how the exit should be carried out. All the advantages and disadvantages of different special solutions that may be possible and/or appropriate should be considered. Special solutions that convey benefits but not the corresponding commitments on the part of the UK could risk leading to more countries wanting to follow the UK's example, which would weaken the EU in the long term.

### **Alternative solutions**

#### **The UK joins the EEA Agreement**

If the UK should join the EEA Agreement, it would mean exemption from customs duty or tariff reductions for the goods covered by the EEA Agreement, harmonisation of technical requirements and application of the regulatory framework. Customs formalities would need to be completed though, in connection with border passage of goods and proof of origin of goods has to be presented for exemption from customs duty or reduced customs duty. It would not, therefore, from a trade facilitation perspective, be easier to trade between the EU and the UK than between the EU and Norway, for example. The EEA Agreement would not imply any limitation of Swedish Customs' authority to carry out controls in connection with border crossing for exports to or imports from the UK.



Although this option entails requirements for administration in connection with border crossings, the burden in some respects would be lower compared to other options because it would mean a continued high degree of harmonisation of legislation in many areas between the EU and the UK. In terms of health protection regulations for foods and agricultural products among others, there is a significant difference in terms of trade procedures between the EU's single market on the one hand, where the EEA participates and, on the other hand, trade with third countries. Within the EEA, the basic principle is free movement and in principle, there is no control of food and agricultural products at the border between the EU and EEA countries. Accession to the EEA Agreement would also mean continued free movement of goods in accordance with the EU's system of technical harmonisation (though with certain exceptions in the EEA Agreement).

However, there is reason to assume that many of the barriers/problems that companies experience in trade with Norway would also arise in relation to the UK if exit negotiations result in an EEA solution. Businesses are accustomed to trade flowing without any special administration between Sweden and the UK, and consumers are accustomed to being able to order goods without having to fill in import and/or export documentation and pay various fees in the form of customs duty, VAT etc. The fact that it is likely that the UK, at least in the initial stage, would largely apply the same legislation as the EU, could make trade with the UK simpler compared with trade with Norway, which basically does not have the same common legislation. At the same time, in order to benefit from exemption from customs duty under the agreement, the bureaucracy would be significant.

If the UK should join the EEA Agreement, it would still be covered by the four freedoms of the EU single market, contribute to the EU budget, comply with EU law without participating in decision-making and be under the EFTA Court's jurisdiction, which in practice follows ECJ case law. However, this is a less likely solution. The UK government has made clear that it wants national jurisdiction in the field of trade policy.

### **The EU and the UK conclude a bilateral free trade agreement**

What the UK has expressed as desirable instead is an in-depth and ambitious free trade agreement. The UK would then have full authority over its trade policy and would be able to negotiate free trade agreements with other countries itself, based on its own interests.

A free trade agreement between the EU and the UK would mean exemption from customs duty or reduced duty for the goods covered by the agreement and provided that they meet the applicable rules of origin.

Like the EEA Agreement, a free trade agreement would entail administration in connection with border crossing. Import and export formalities both in Sweden and in the UK would have to be completed and certificates of origin would be required for preferential treatment. However, it would mean a lower degree of

harmonisation compared with the EEA option, which would mean higher administrative costs associated with border crossing. Therefore, it would not be any easier, from a trade facilitation perspective, to trade between the EU and the UK than between the EU and other countries with which the EU has a free trade agreement, such as South Korea. As with the EEA option, a free trade agreement between the EU and the UK would pose problems in relation to other countries with which the EU has a free trade agreement.

What effects Brexit might have in terms of technical barriers to trade and regulative cooperation between the EU and the UK depends on the form of the agreement and the objectives. Either it could be a far-reaching and deep agreement based primarily on the regulatory framework of the EU's internal market, or on an ambitious free trade agreement based on the WTO/TBT Agreement's principles and that builds on current regulatory cooperation in priority areas/sectors depending on bilateral interests.

Negotiations on a free trade agreement could take a long time. Once negotiations are completed, all national parliaments in the EU must approve the draft agreement. The EU may also need to renegotiate existing agreements with other parties to agreements as an important market has disappeared. This will lead to a long period of considerable uncertainty.

#### **The EU signs an agreement on a customs union with the UK**

If the EU signs an agreement on a customs union with the UK, the country would have to have a common tariff structure with the EU towards third countries and the trade in goods covered by the agreement would be duty-free. Import and export formalities would have to be completed when goods cross borders. This would mean a higher level of administration than is the case at present for the UK as a member of the EU customs territory. At the same time, in trade between the EU and the UK, it would not be necessary to take into account the rules of origin and origin related administrative processes, as would be the case with a free trade agreement.

The UK has signalled that it wishes in the future to have full national right of decision-making over its trade policy. This makes this alternative less likely. A customs union would entail, among other things, severe restrictions in the UK's ability to negotiate its own free trade agreements with other contractual parties and to influence trade policy decisions in the EU.

#### **Trading on the basis of the WTO regulatory framework**

The UK is a member of the WTO and is therefore bound by the rules that apply. If the EU does not have a free trade agreement or customs union with the UK, it will be the WTO regulatory framework that applies. Trade procedures for trade with third countries will be applicable in full. MFN rates of duty will apply in trade between the EU and the UK. However, the UK's tariff commitments will have to be renegotiated. The consequences will vary between different

categories of goods and also depend on the tariff levels the UK chooses to apply.

The legal certainty is unclear when it comes to the UK's WTO commitments when the country leaves the EU. Only when the UK's status in the WTO is clarified will the country be able to enter formally into agreements with other countries on customs unions or free trade agreements.

### **Measures to mitigate negative effects**

Since no solution can be identified that would mean that the flow of goods could flow as smoothly as today, it is a question of minimising and mitigating the negative effects of the UK's exit. From a business perspective, it is crucial to shorten as far as possible the period during which there is uncertainty about what will apply. This is important, not least given that the uncertainty may last for several years.

### **Transitional solution**

The process for the UK's withdrawal from the EU may take a long time; the legal position in the period after exit until new rules and agreements are in place is unclear, and there will be great uncertainty about what will apply. One option could be an agreement on a transitional solution which means that the UK, during a transitional period, would continue to fully apply the EU legislation in the movement of goods area. This would reduce uncertainty for businesses and give them time to adapt to a new situation.

### **Negotiation by stages**

One way to minimise the period of uncertainty would be a gradual negotiation of a free trade agreement. The agreement could initially contain areas where there is consensus. More areas could then be added successively. The agreement should have a review clause.

### **Include the UK in the EU security area**

In order to minimise administrative requirements and controls, Sweden should work to ensure that the UK's exit agreement means that the UK, like Norway and Switzerland, would remain part of the EU's security area. Companies would then not have to submit an entry summary declaration for safety and security purposes for trade between the EU and the UK. From a customs perspective, the UK has played an active role in getting the legislation on safety and security in place-, so it can be assumed that the UK will continue to have an interest in a high level of protection nationally. Thus, there should not be any risk in having the UK within the security area.

### **Agreement on customs cooperation**

Irrespective of which technical trade solution results from negotiations with the UK, Sweden should encourage the EU to urgently sign an agreement on customs cooperation with the UK. Furthermore, agreement should be reached

on mutual recognition of AEOs, Authorised Economic Operators, which would allow simplification. It is also necessary to create flexible solutions for small and medium-sized enterprises that often do not have the potential to become AEOs, and which will be hit particularly hard by the reintroduction of customs formalities in trade with the UK.

The conditions for reaching agreement are probably good. The fact that the EU relatively recently adopted new customs legislation that customs authorities and companies are implementing, and with which the UK was largely satisfied, would most probably facilitate the conclusion of a customs cooperation agreement whereby the UK's customs legislation largely conforms to EU customs legislation.

Although Brexit will mean requirements for completing customs formalities, a harmonised regulatory framework between the EU and the UK represents a simplification for businesses. Close cooperation to find flexible and efficient solutions, and a continuous further development of cooperation will be desirable. One possibility is to look at solutions similar to the customs cooperation agreement between the EU and Norway, which, for example, means that the formalities for Norwegian exports and Swedish imports can be carried out in one place.

### **Trade facilitation**

The EU should strive to attain as smooth handling of proof of origin as possible, so that businesses can more easily take advantage of the duty exemption or reduction of duty with a free trade agreement.

There are prerequisites for smooth trade procedures regarding goods that may be subject to health protection measures, SPS measures, as the UK currently has EU-based SPS legislation. Another example would be to regulate parts of the SPS issues bilaterally, outside a free trade agreement, such as the EU has done with New Zealand.

In regard to technical barriers to trade and regulative cooperation, the UK's background as a member of the EU ought to provide good conditions for a free trade agreement that is based on far-reaching commitments on rule harmonisation. It is desirable that the UK, under a new free trade agreement, undertakes to retain as large a part as possible of the single market regulations for goods. A number of difficult issues are associated with such a commitment, including the question of ECJ jurisdiction in these respects, but Sweden's objective should be, in the view of the National Board of Trade, that the UK should continue to apply as large a part of the single market regulations as possible after an exit from the EU.

The UK has good conditions for becoming an authorised third country regarding the quality control of fruit and vegetables. It would then mean that the physical inspection of fruit and vegetables could be done in the UK and not at the border with the EU.

The EU is a frequent user of trade defence instruments (anti-dumping and countervailing measures). The UK has been a particular driving force during the global steel crisis to bring about protective measures. There is a risk that the UK may introduce protective measures against the EU and/or the individual Member States. The National Board of Trade considers that this possibility should be derogated from within the framework of a free trade agreement.

|   | The EU's customs territory  | The EU's security area  | The EU's customs union with Turkey   | Free Trade Agreement   | EEA   |
|---|---|---|--|--|---|
| <b>What does this mean?</b>                           | No customs formalities between Member States, common regulatory framework governing import and export. Uniform application of the EU Customs legislation.           | Exemption from requirements of entry summary declaration from a safety and security perspective for countries within the EU's security area.                              | Common trade policy measures, including customs duty on trade with countries outside the customs union. Abolished duties between each other.   | Association of countries that have abolished customs duty and certain other trade obstacles between each other, each country retains its own trade regime and decides over its customs duty levels itself.   | European Economic Area. The EEA countries are included in the EU's internal market. There is free movement of goods within the EU's internal market. Goods approved in one member state are also approved in other member states.   |
| <b>Which countries are included?</b>                  | The EU's 28 Member States   | The EU's 28 Member States<br>Norway<br>Switzerland  | The EU's 28 Member States<br>Turkey  | The EU's 28 Member States<br>Switzerland<br>Several agreements with various countries  | The EU's 28 Member States<br>Iceland (EFTA)<br>Lichtenstein (EFTA)<br>Norway (EFTA)   |
| <b>What are the membership requirements? Examples</b> | EU membership, application of the EU's customs regulatory framework, uniform application of regulatory framework linked to the EU's trade policy. Supranationality. | Adaption and application of the EU's regulatory framework linked to safety and security.  | Membership of the customs union, follow the EU's trade policy, participate in the formation of trade policy through opportunity for information and consultation in certain contexts, limited participation in decision making.  | Extensive negotiations for ambitious agreements that cover many areas. Market entry requires, among other things, that the goods meet the contractual parties' requirements, both technical and in terms of health protection.                         | EU membership or EEA membership which means that EEA countries must incorporate the EU common legislation in national legislation and in this way fulfil the requirements in regard to health protection, technical standards etc.  |
| <b>Which formalities must be met?</b>                 | No customs formalities in connection with border crossings between EU Member States.  | Exemption from providing entry summary declaration from a safety and security perspective before goods arrive in the EU for countries that are part of the security area. | Customs formalities must be fulfilled. For goods covered by the Customs Union Agreement, preferential treatment can be allowed provided that an acceptable movement certificate A.TR. is produced on import. When the customs formalities are completed, the goods are in free movement within the EU or Turkey. | Customs formalities must be fulfilled. Certificates of origin are required for preferential treatment for the import of goods from an FTA contracting party. When the customs formalities are completed, the goods are in free movement within the EU. | Customs formalities must be fulfilled in trade between the EU Member States and other EEA member states (Iceland, Lichtenstein and Norway). Certificates of origin are required for preferential treatment. When the customs formalities are completed, the goods are in free movement within the EU. |