Brexit:
Protecting growth in the Irish Timber Industry

TIMBER INDUSTRY BREXIT FORUM

Brexit: Protecting growth in the Irish Timber Industry

With Brexit posing significant challenges to the Irish Timber Industry, the TIBF has produced this document to analyse potential future trade and customs scenarios and to outline a set of recommendations for the movement of timber post-Brexit that will minimise disruption to Irish industry.

Executive Summary

The Irish timber industry is uniquely exposed to Brexit, with almost 80% of its output, and 100% of future growth, dependent on ongoing access to the UK. Due to the physical properties of Ireland's fast grown conifers, diversification into other markets is not a realistic option. The Timber Industry Brexit Forum (TIBF) was established when the principals of the 10 companies responsible for the export volume of the Irish timber industry came together to assess the risks of Brexit and to devise strategies to minimise negative impact on the industry. The TIBF has produced this document to analyse potential future trade and customs scenarios and to outline a clear set of recommendations that would minimise disruption, not only for the timber industry but to future Irish trade with the UK.

This paper undertakes to provide an in-depth analysis of the strategic implications arising from changes in the EU-UK trading relationship through the lens of the Irish Timber Industry. While the final outcome of the EU-UK negotiations is still unclear, our assessment of the political environment suggests that Irish industry should be planning for a post Brexit scenario where the UK will leave the EU Customs Union, thereby leaving the island of Ireland uniquely exposed due to the extensive Irish-UK trading relationship.

Given the red lines set down by the British Government, it is our view that a Free Trade Agreement, Canada-style model remains a likely outcome to the current Brexit negotiations. We have assessed the customs and trading practices of other EU/Non EU trading models including the Norway, Canada (CETA), and Turkish models. We have identified examples and practices from those models that will ensure that the potential impact on the Irish Timber Industry is minimized.

While we accept that a future trading relationship will never be as seamless as the current arrangement, certain elements from each of the possible trade models could ensure that the potential damage inflicted on the Irish Timber Industry is minimized.

This paper aims to identify the best practices which will help to ensure the continuation of the close trading relationship which currently exists between Ireland and the UK. We have identified the following steps which will minimise the damage to future Irish trade with the UK:

- Continued Irish-UK free movement of labour
- Homogeneous standardized regulations and rules on goods such as timber or other wood-based materials
- A reciprocal legal relationship between the two jurisdictions
- Mutual trust, training and recognition of border officials and customs authorities across both jurisdictions
- Advanced authorisation and trusted trader programmes
- The adoption and incorporation of the NAFTA FAST programme (or similar) for the enrolment and screening of frequent trusted traders that enables approved participants to be fast-tracked at border crossings

> **We have identified examples and practices that will ensure that the potential impact on the Irish Timber Industry is minimized**


FORESTRY IS AN EXTREMELY IMPORTANT GROWTH SECTOR FOR IRELAND
€2.3 BILLION
contributed by the industry to the economy every year
12,000
RURAL-BASED JOBS
supported by the industry
2.2 MILLION
TONNES OF CO_2
sequestered every year
78% INDUSTRY OUTPUT
exported to the UK
40,000
international truck movements per annum
The industry is forecast to
DOUBLE
IN SIZE BY 2035

Contents

BACKGROUND

Following agreement by the UK and EU on Phase One of the Brexit talks, the negotiators are now firmly focused on the design of the future trading relationship between the United Kingdom and the European Union.

We have reviewed three models which could be used as a basis for a bespoke EU-UK trade model, while taking into account current stated positions on both sides, as well as commitments on the Irish border. These are the EU - Norway model; the EU – Canada model and the EU – Turkey model.

While examining the Canadian model below, we further investigate the trading relationship between Canada and the United States. Although neither are members of the EU, they are both members of the North American Free Trade Agreement (NAFTA) and enormous levels of trade occur across their mutual border every day. By examining this relationship, we have identified certain best practice arrangements that could be adopted for the Irish border, and East-West trade, in any future EU-UK Free Trade Agreement.

“We have identified certain best practice arrangements that could be adopted for the Irish border in any future EU-UK Free Trade Agreement

I. Norwegian Model

This is the preferred option of the Irish government[1]

- Involves some form of European Economic Area membership (this would mean participation in the single market and customs union) to address the border
- Free movement of labour
- Abandoning the ability to do bilateral trade deals with other countries
- Automatic transposition of EU regulations into UK law
- Payment of fees to the EU budget in exchange for access = internal market level playing field
- Member of European Economic Area, full access to single market, obliged to make a financial contribution and accept majority of EU laws, free movement applies as it does in the EU (see Figure 1)
- Through the Agreement on the European Economic Area (EEA Agreement), the three EEA EFTA States – Iceland, Liechtenstein and Norway – participate fully in the Internal Market of the European Union (EU)
- In order to achieve the aim of the EEA Agreement of a homogeneous economic area, based on common rules and equal conditions of competition, relevant EU rules are continuously incorporated into the EEA Agreement
- A Two pillar structure of surveillance has been established under the agreement, along with mechanisms catering for uniform interpretation and application of common rules throughout the EEA
- The EU and its institutions constitute one pillar (EU bodies), while the EEA EFTA States and their institutions constitute the other pillar (EEA EFTA bodies), mirroring those of the EU. Between these two pillars, a number of joint bodies have been established (see Figure 2)

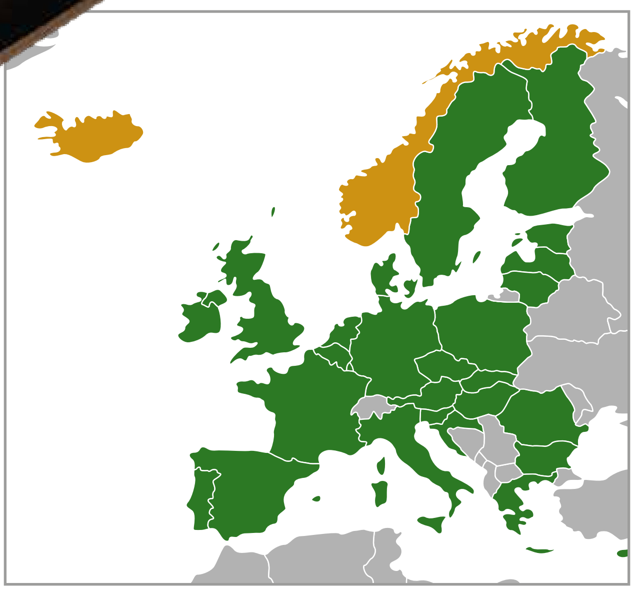

Figure 1: Member of European Economic Area, full access to single market, obliged to make a financial contribution and accept majority of EU laws, free movement applies as it does in the EU

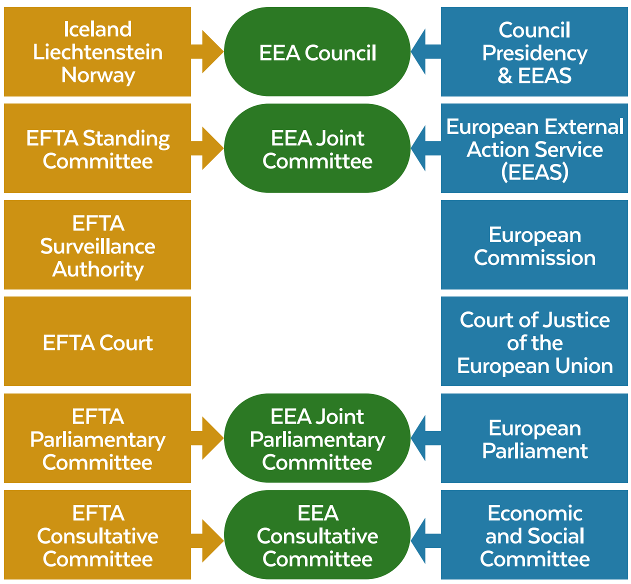

Figure 2: the two-pillar structure under the EEA Agreement

1 January 25, 2018, Irish Times, "Varadkar calls for 'Norway-plus' Brexit deal with UK", Irishtimes.com https://www.irishtimes.com/business/economy/varadkar-calls-for-norway-plus-brexit-deal-with-uk-1.3368186 (accessed Jan 26, 2018)

What is a border-obstacle?

Any obstacle that prevents, hampers or restricts the potential of people to operate freely across the national borders

NORDIC COUNCIL OF MINISTERS

Treatment of Border Obstacles

- When border obstacles are referred to they fall into one of three categories: formal obstacles; informal obstacles and administrative obstacles
- Border obstacles occur regionally and must initially be addressed regionally

Practicalities of the Norwegian border with Sweden

- Sweden is a member of the EU while Norway is part of the European Free Trade Association (EFTA)
- Norway is a member of the single market, which means 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
- However, in connection with border passage of goods, customs formalities still need to be completed just as with exports to any other country outside the EU
- To manage the practicalities of customs checks, there is cross-border agency cooperation
- This cooperation between the authorities is critical as it saves time, money and human resources, both for the border authorities themselves and also for traders crossing each day
- The process is based on the principle that the customs authorities of one of the Contracting Parties may control the implementation of customs provisions, import and export provisions and any other provisions concerning trade on behalf of the customs authorities of the other Contracting Party involved
- Based on a simple idea of division of labour: the national border authorities of each country are allowed to provide services and exercise legal powers not only on behalf of their home state, but that of their neighbouring state as well
- The infrastructure and allocation of customs offices at remote places along the long Norwegian-Swedish and Norwegian-Finnish borders reflect the fact that, by virtue of the existence of these agreements, it is unnecessary to establish customs offices and deploy customs officers on both sides of the border
- Through bilateral negotiations, it is decided which country or countries will manage a border post, as well as the allocation of costs
- The Border Agency Cooperation Agreements has established a joint control zone of 15km on both sides of the Swedish-Norwegian Border

When goods are exported from Norway, either a Swedish or Norwegian customs office may take care of all paperwork related to exportation from Norway and importation into the before mentioned countries. The same occurs when goods are imported into Norway. As a result, trucks only need to stop once.

Cross-border agency co-operation is a key feature in managing the practicalities

The process of border crossings

- Unstaffed crossings are treated as customs green lanes
- It is illegal to use them when carrying goods that need to be declared
- In order to check compliance, Norwegian customs has for several years used pole-mounted ANPR (automatic number plate recognition) cameras at unstaffed crossings in the south-east of the country
- Norway is currently installing ANPR cameras at all vehicle border crossings by 2020, at a cost of around NOK130m or €10m-€11m
- The data collected from ANPR is checked against Norwegian Customs' intelligence databases and with Norway's road authorities
- Towards the end of this year, Norwegian Customs' office at Ørje on the E18 road will **pilot an automated system for trusted companies that send data in advance and homogenous loads of goods such as wood**
- Vehicles will still use a "something to declare" red lane, but through **use of ANPR cameras and automated checks they may be able to pass without stopping**
- However, officials would still pick out some vehicles for checks[2]

At the Svinesund border crossing along the E6 motorway between Oslo and Gothenburg, Norwegian and Swedish authorities share responsibility for border crossings. The base is open 24/7 and handles 72% of Norway's road imports. Vehicles with something to declare stop just once and officers enforce both countries' rules. According to officials at the border crossing, 99% of the handling is electronic, but it still has to use paper for some tasks – although barcodes help with this.

Challenges

- **Data** poses a considerable challenge as some computer systems contain highly confidential information, and therefore the access is limited to the country's own officers
- However, foreign officials will have the same access to the systems as the country's own officers where a border station is operated only by customs officials from one of the countries
- **Differing regulatory frameworks** is an additional issue but according to officials operating on the border, they have good knowledge of the other countries' legislation
- In Norway, there are special courses during **customs education process** for officials who will be working along the Swedish/Finnish border
- Language has also been a challenge for border authorities but this issue would not be present on the island of Ireland as it would for the rest of the EU

2 May 16, 2017, Annika Daisley, member of the Svinesundskommittén (political cooperation committee, Norway/Sweden) speaking at the CCBS (Cente for Cross Border Studies) seminar on Models of Cross-Border Cooperation for a Post-Brexit Context

II. Canadian Model

- Canada recently signed a free trade agreement with the EU, Ceta (after 7 years of talks)
- A similar agreement for the UK would raise problems for the Irish border as, unless all goods are included in the trade agreement the need for border controls would remain (automatic mechanisms as defined by the EU would have to be transposed into UK law)
- The Ceta deal ensures the elimination of custom duties for the import of goods originating in the EU and Canada, ultimately the tariffs for almost 99% of all Canadian tariff lines will be removed
- **Tariffs for wood and timber products have been eliminated (a similar argument could be made for timber products in Ireland as a major export product with huge growth potential)**
- However, sales tax is levied depending on the provinces in Canada
- **Goods and services tax (GST) at a rate of 5%** is generally applied at importation

Rules of Origin and Tariff Rates

- Rules of origin ensure that CETA preferential tariff rates benefit EU and Canadian production
- For traders to take advantage of the CETA preferential tariff rates, they must fulfil the rules of origin defined in the agreement and prescribed for each and every product
- How?
  - Products must be “originating” in the EU
  - To do so, exporters need to be registered in the Registered Exporter system (the REX system)
  - REX is the system of certification of origin of goods that applies in the Generalised System of Preference (GSP) for the EU. It is based on a principle of self-certification by economic operators who will make out for themselves the so-called statement of origins. However, for shipments with a value below €6,000 no registration is required
  - Exporters need to make the origin declaration on a commercial document e.g. invoice
- **Multiple shipments of the identical originating products may be covered by one origin declaration if those shipments take place within a maximum of 12 months**
- To confirm the origin of a specific product, the importer in either the EU or Canada must ask their nation’s customs authorities to issue a **Binding Origin Information (BOI)** which is valid for three years and is binding on the customs authorities in all EU member states or Canada

Exports

- In principle, the competent authorities of the exporting country regulate the scope of goods to be controlled upon their exportation and in respect of the parties and countries involved in the transactions
- Export authorisations may be issued following the examination of the relevant documentation
- In addition, the export control authorities may also require documents from the respective bodies in the country of destination in order to control the goods and monitor their delivery chains
- Documents that may be required are international import certificates, end-user certificates or delivery verification certificates

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If a Canada style Free Trade Agreement is the outcome of Brexit, then the type of cooperation seen between Norway and Sweden must be developed between the EU and the UK in order to minimise trade disruption

Canadian Option currently seen as the most realistic result for EU

Given the red lines set down by the UK, a Canadian style free trade deal appears to be the most likely option for a future EU-UK relationship. While this format has reduced the majority of tariffs and border checks, custom controls would exist on the island of Ireland for any goods being imported/exported to mainland UK. Traders would therefore need to have their goods checked and documents verified at the border, impacting trade and adding considerable costs.

For products like timber or other wood-based materials, advanced authorisation and regulatory conformity between both jurisdictions could allow Irish saw mills to continue exporting into the UK market with relative ease.

At the December European Council Summit, the Brexit chief negotiator Michel Barnier shared the slide seen below to the EU27 leaders (see Figure 3). It highlights how the red lines set down by the UK government mean that the only possible option left is a Free Trade Agreement like that of EU-Canada deal.

If a Canada style Free Trade Agreement is the outcome of Brexit, then the type of cooperation seen between Norway and Sweden must be developed between the EU and the UK in order to minimise trade disruption. We believe that this is possible from a practical point of view, even assuming the UK does not opt to join the EEA Agreement.

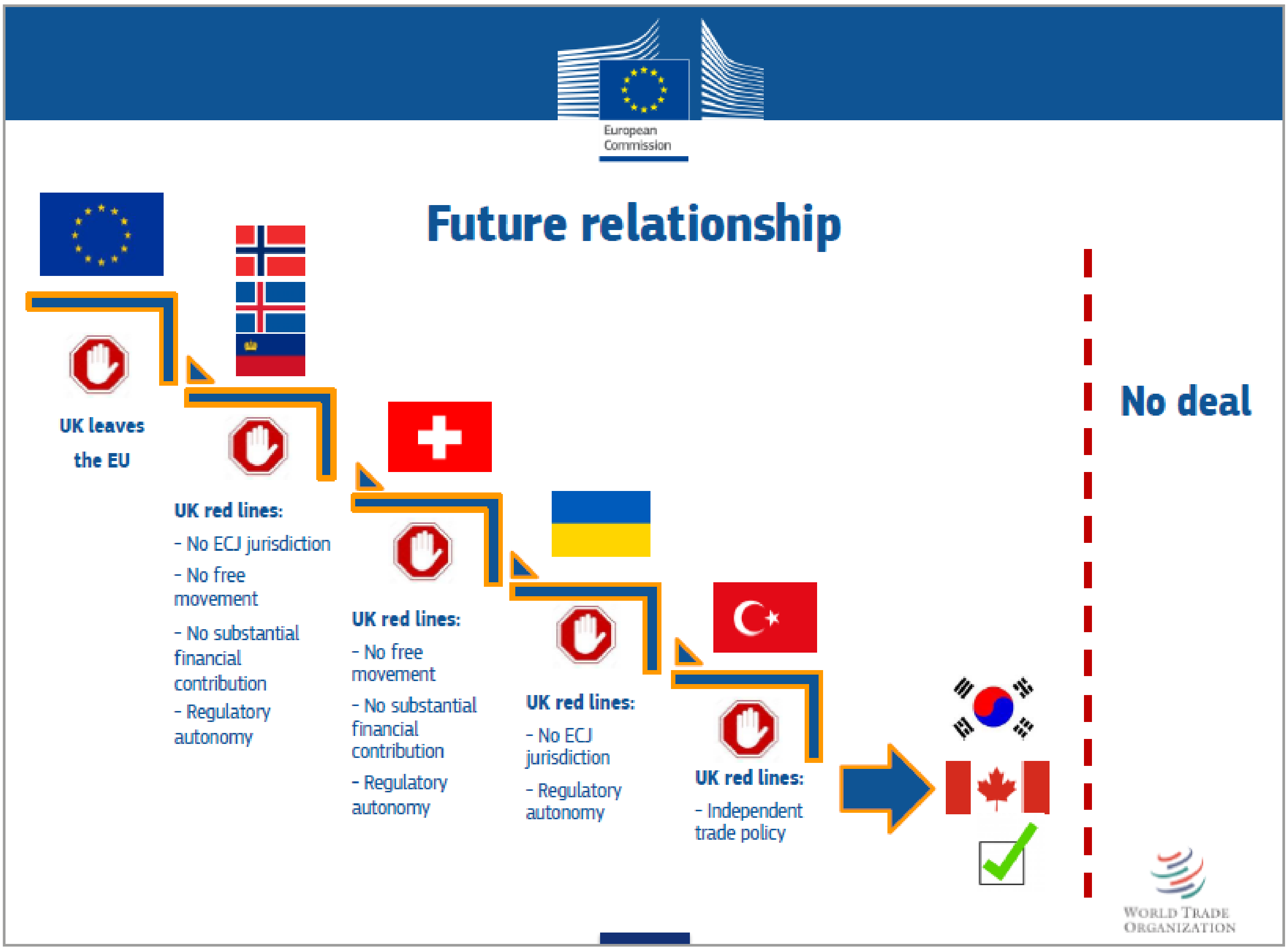


Figure 3: slide shared by the EU's Brexit chief negotiator Michel Barnier with the EU27 leaders at the December European Council Summit

USA – Canadian Trade and Movement of People

The USA and Canada are both members of the North American Free Trade Agreement (NAFTA). Given the enormous level of trade that occurs every day between both nations, there have been a number of programmes implemented to facilitate faster and more seamless trade.

In 2011, the USA and Canada signed the Beyond the Border Declaration that aimed to enhance perimeter security and economic competitiveness. This included the introduction of:

- **Exit-entry pilot programme**: The U.S. Customs and Border Protection (CBP) and Canadian Border Services Agency (CBSA) began sharing visitor entry information, so that entry into one country serves as a record of exit from the other
- **Enhanced trusted traveller programmes**: The CBP and CBSA introduced the NEXUS programme (frequent travel programme). It allowed pre-screened U.S. and Canadian travellers to expedite processing at dedicated air, land and maritime ports of entry. Membership of the NEXUS programme benefited from dedicated processing lanes at land border crossings and self-service kiosks at certain U.S. and Canadian airports
- **Mutual recognition of air cargo**: Both governments agreed to mutual recognition of their air cargo security regimes under the principle of "cleared once, accepted twice." Cargo screened on passenger aircraft is now screened only once at the point of origin, rather than being rescreened at the border or when loaded onto an aircraft in the other country
- **Facilitate improvements in "trusted trader" programme**: This programme streamlines cargo screening for known, low-risk traders. Its overall goal is to allow traders to be enrolled in both countries' trusted trader programmes when they join one in their own country. It contains two tiers:
    - Tier One's goal is to improve trusted-trader benefits and more closely harmonize the countries two supply chain security programmes. In addition, it seeks to improve the Free and Secure Trade (FAST) programme (outlined below), which enables drivers, carriers, and importers to be identified as low-risk, allowing them to cross the border with less paperwork, and hence more quickly
    - Tier Two aims to align the U.S. Importer Self-Assessment (ISA) and the Canadian Customs Self-Assessment (CSA) programmes. In the end, these steps will make it easier to transport low-risk goods across the border and free more resources to be directed toward high-risk activities

Facilitating faster trade – FAST Programme

Truck drivers and traders regularly crossing the border are encouraged to enrol in the Free and Secure Trade (FAST) programme

- The FAST programme is a commercial clearance programme for known low-risk shipments entering the United States from Canada and Mexico
- FAST enrolment is open to truck drivers from the United States, Canada, and Mexico
- FAST vehicle lanes process cargo at land border ports of entry that serve commercial cargo. The majority of dedicated FAST lanes are located in northern border ports in Michigan, New York and Washington and at southern border ports from California to Texas. Participation in FAST requires that every link in the supply chain, from manufacturer to carrier to driver to importer, is certified under the Customs-Trade Partnership Against Terrorism (C-TPAT) programme

How does FAST work?

- All FAST programme participants (drivers, carriers and importers) must undergo a risk assessment
- FAST-approved participants are identified as low risk, which enables the CBSA and CBP to focus its resources and security efforts on travellers of high or unknown risk
- When a FAST-approved driver arrives at the border, he or she presents three bar-coded documents to the border services officer (one for each of the participating parties: the driver, the carrier and the importer)
- The officer can quickly scan the bar codes while all trade data declarations and verifications are done at a later time, away from the border
- Under FAST, eligible goods arriving for approved companies and transported by approved carriers using registered drivers are cleared into Canada or the U.S. with greater speed and certainty, which reduces costs for FAST participants
- As a FAST-commercial driver, you must declare all personal and commercial goods you are importing whenever you cross the border into Canada and the U.S.

The practicalities of border crossing between Canada and the USA

- Before arriving at the border, truck drivers are encouraged to send paperwork through to their customs broker at least two hours before arriving at customs. This may expedite the process by up to 30 minutes
    - For commercial drivers entering the US, an ACE e-manifest must be submitted and accepted in the system prior to arrival at the primary lane
- The first point of contact is called the *"Primary Inspection"*
    - If enrolled in the FAST Programme and all paperwork has been processed ahead of time, trucks are released at the primary lane, and this may be their only stop
    - If paperwork is not in order, then the truck will be ordered to visit a customs broker, or if selected for examination, they will be directed to *"Secondary Inspection"*
- It is estimated that only 20% of vehicles that report to Primary inspection need to be referred to Secondary inspection to clear up paperwork issues

III. EU-Turkey Customs Union

It should be noted that a customs union arrangement has been in existence between the EU and Turkey since 1995 and as such provides a possible template for the UK and EU. However, the arrangement is limited in that it covers industrial goods and excludes agricultural goods (with the exception of processed agricultural goods), services and public procurement. The European Commission has been attempting to modernise the EU Turkey agreement over the past few years, thus making it all the more interesting (though incomplete) model for any new customs arrangement between the UK and EU.

Overall, the Customs Union between the EU and Turkey has led to the removal of tariffs and customs checks on the products covered by the agreement. However, some products such as raw agricultural goods and steel are not covered, so many trading obstacles are still in place. Furthermore, the Customs Union also affects Turkey's ability to negotiate free trade agreements (FTAs) with countries outside the EU as the agreement requires that Turkey impose the EU's Common External Tariff on all goods covered in the agreement. Such an arrangement would not fit the red lines set down by the UK government.

Although the EU-Turkey Customs Union does not contain many applicable features that could be replicated at the Irish border, it does allow tariff-free trade on certain goods and the agreement ensures that there is constant review and a process of dialogue on the trading relationship.

VAT
AND IMPLICATIONS FOR BUSINESS POST-BREXIT

The UK's departure from the EU has led to concerns regarding the implications on VAT for businesses and SMEs both in Britian and in the EU. Currently, UK VAT law is governed by EU VAT Directices, regulation and decisions laid down by the Court of Justice of the European Union (CJEU). However, once the UK leaves it will no longer need to comply with EU VAT law. While it is not expected to deviate from EU VAT law radically, without an agreement in place, traders will be subject to huge administrative and fiscal burdens that cannot be underestimated.

> **Without an agreement in place, traders will be subject to huge administrative and fiscal burdens that cannot be underestimated**

Cross-border trade VAT implications

- Since the introduction of the Single Market in 1993, there has been no VAT charged on cross border supplies of goods to business customers (B2B) based in other European Union (EU) Member States and no requirement to pay VAT on import when an EU based business brings goods in from another Member State
- Instead, supplies of goods between VAT registered entities within the EU are 'zero rated' for VAT purposes, provided that the customer's VAT number in a different EU Member state is obtained and there is proof that the goods have left the country of departure
    - Under the current system, the onus is on the customer to self-account for any VAT arising on the intra community acquisition of the goods on a reverse charge basis, at the rate of VAT prevailing in the country of arrival, with VIES/EC Sales and Intrastat filing obligations generally arising as part of the related procedure
        - Any VAT implications post-Brexit for goods being supplied to customers based in the UK & NI will depend on the outcome of the forthcoming Brexit negotiations
- If it is assumed that trading with UK post-Brexit will be similar to trading with any other non-EU country then the following scenarios are likely to prevail
    - **VAT on importation** will become payable on the value of goods being brought into the UK from EU Member States (and vice versa) by both business customers and consumers (allowing for likely de Minimis amounts on which VAT will not be collected). The Value for VAT purposes includes the cost of the goods, the related freight and insurance and the customs duty. In these circumstances arrangements will need to be made by importers of goods to discharge any VAT arising on import or alternatively, to put a VAT deferral account in place which involves lodging a bond with the Tax Authorities. Otherwise the goods being imported will not be released by the Authorities until the related VAT liability is paid

UK businesses and VAT implications

- UK business groups are warning about the negative impact on companies' cash flow of changes to the VAT regime
- Without a new agreement, UK trading companies face having to pay VAT upfront on imports of goods from the EU
    - Such intra-EU trade is currently exempt from VAT
- Under the current system, UK companies that buy goods from the EU add the VAT charge to the price of the product when it is sold to the final buyer
- In contrast, UK companies importing goods from outside the EU have to pay the VAT upfront and can reclaim the cost after they have sold the products to the final buyers
- The British Retail Consortium, which represents retail companies, warned that liability for upfront VAT would create *"additional cash flow burdens for companies"*
- The Chancellor, Philip Hammond, insisted that the Government was committed to a ''smooth transition''
- The Treasury added that the precise nature of the UK's future customs relationship with the EU had not yet been decided and it was too early to say whether it would remain in the EU VAT area

Current VAT System - Trading with non-EU Countries

Selling

- If you sell goods outside the EU, then you **do not charge VAT**, though you may still deduct the VAT you yourself have paid on your related expenses (goods/services bought in specifically to make those sales)

Buying

- If you buy goods for the purposes of your business from a supplier outside the EU, you must generally **pay VAT at the point of import** (and may deduct this in your next VAT return if you make taxed sales)

Current VAT System - Purchasing goods from outside the EU (in Ireland)

VAT

- VAT is payable on goods at the rate that would apply if they were bought in Ireland. The value of the goods for calculating the VAT is the customs value plus:
- Any duty or other tax (excluding VAT) payable; **and**
- Any transport, insurance or handling costs **after** the goods arrive in the EU

Tracking Systems and the Movement of Goods

The use of technology and especially tracking systems will play an important role in the movement of goods post Brexit. There are many tracking systems currently in use for timber products in Ireland. For non-UK exports to locations such as Scandinavia, North Africa and North America, Masonite products are tracked by the designated shipping company at all stages. Shipments originating from the manufacturing plant are tracked both online with the container serial number and manually by spot checks.

Every shipping container has its own serial number that allows the shipping company to track its movements via an online global computer system. In addition, the company checks the location of the container two to three times a week manually to ensure its safe delivery. Shipments are tracked manually at every stage of the supply chain – port, rail, road haulage service – until they reach their final destination point. This two-pronged tracking approach allows the designated exporter to monitor all shipments so that they can verify when products have arrived or if any problems arise during the transit process.

> **“Innovative technology results in reduced paperwork and significant haulage efficiencies through centralised planning, lowering overall fleet travel**

CASE STUDY

Paperless Timber Tracking

The Coillte estate produces almost 2.6m m3 of timber for the Irish wood processing sector every year. That equates to approximately 420 truck movements a day – and not a single paper docket.

Every truck transporting roundwood from the Coillte estate is equipped with the Blue True Telematics system which not only facilitates much more efficient fleet management, but has entirely eliminated the use of paper dockets and permits. The system monitors the location of every truck and trailer that transports Coillte timber in real time using GPS data on a 24/7 basis.

With the use of a geofence around each of Coillte's properties, the system recognises when a truck has entered or exited the forest estate and a small in-cab computer automatically sends and receives the relevant electronic documents and approvals via the mobile network.

The system provides real time monitoring of all timber collections and deliveries, including deliveries to processing facilities in Northern Ireland. The innovative technology is designed first and foremost to provide world class security, however it also results in reduced paperwork and significant haulage efficiencies through centralised planning, lowering overall fleet travel and reducing the company's carbon footprint.

The same technology provides an almost ready made solution to facilitate the efficient movement of sawn timber to customers in the UK not only from a commercial perspective but also from a customs control perspective that would be applicable in various post Brexit scenarios.

“This technology provides an almost ready made solution for transporting timber across a customs border

CONCLUSIONS AND RECOMMENDATIONS

Following an in-depth examination of the potential future trade and customs scenarios, and given the red-lines set down by the UK government, it is clear that there are legal and trading obstacles for each model. However, despite the challenges, it is our conclusion that there are certain established practices from each system that could be applied to both the future EU-UK trade agreement and the Irish border, in particular elements from the Norway model which is the preference of the Irish government.

Although the EU-Canadian agreement is much more limited, it additionally contains certain best practices that could be replicated. Similarly, aspects of the U.S.-Canadian trading relationship under NAFTA are applicable as there exists practical solutions that could be applied to the Irish border such as ''trusted trader'' programmes and advanced screening for frequent and low-risk travellers such as cargo drivers.

While the future trading relationship with the UK will never be as seamless as the current arrangement allows, we believe that the following recommendations should be examined and implemented to help minimise the damage, not only to the timber industry, but to future Irish trade with the UK.

Key Recommendations for Action by the Government

- Send Irish officials to the Norway/Sweden border to see how it works in reality with a view to implementing best practice on the island of Ireland
- Adopt similar practices established on the Norway-Swedish border such as:
  - Interchangeable customs officials
  - Mutual trust and training of border officials
  - Mutual recognition of customs authorities and policing bodies
- Identify border points with highest level of crossings by traders and assess feasibility of establishing the required border infrastructure that best facilitates the free flow of goods. E.g. replicating similar infrastructure seen at the Svinesund border crossing between Sweden and Norway
- Identify highest volume traded goods between RoI & NI and, where possible, put in place advanced authorisation mechanisms
- Establish regulatory conformity for products like timber or other wood-based materials between both jurisdictions
- Begin testing Automatic Number Plate Recognition (ANPR) prototype cameras at a number of border crossing points
- Collaborate with the Norwegian and Swedish authorities on their work to develop latest state-of-the-art technology required for number plate recognition and data collection
- Seek EU investment and support for this
- Establish best practice in existing tracking systems for wood haulage and assess its suitability as well as transferability post Brexit and across other sectors
- Establish mutually recognised single database for traders that covers all forms of trading data required e.g. EU single administrative document (SAD)
- Implement an Ireland-UK-EU equivalent of the FAST programme that exists within the NAFTA agreement to facilitate faster trading for regular cross-border travellers
- Continued adherence by the UK to current EU VAT structure to minimize impact for both Irish and UK businesses

“It is our conclusion that there are established practices from each system that could be applied to both the future EU-UK trade agreement and the Irish border that would minimise the damage to future Irish trade with the UK

Annex I Commitment to avoid Hard Border on Island of Ireland

Phase I of the Brexit talks included a commitment by the UK to guarantee the avoidance of a hard border *"through the overall EU-UK relationship"*, or if this is not possible then with *"specific solutions to address the unique circumstances of the island of Ireland"* in order to achieve this objective. If such agreed solutions cannot be found, then ***"the United Kingdom will maintain full alignment with those rules of the Internal Market and the Customs Union"***. (Article 49 of the Joint report from the negotiators of the European Union and the United Kingdom Government on progress during phase 1 of negotiations under Article 50 TEU on the United Kingdom's orderly withdrawal from the European Union).

Annex II Regulatory Basis/Guidelines

EU Council Guidelines

"In view of the unique circumstances on the island of Ireland, ***flexible and imaginative solutions will be required, including with the aim of avoiding a hard border****, while respecting the integrity of the Union legal order"* (Para 11).

EU Commission Directives (Annex)

"Nothing in the Agreement should undermine the objectives and commitments set out in the Good Friday Agreement and its related implementing agreements; the unique circumstances and challenges on the island of Ireland will require ***flexible and imaginative solutions. [...] Existing bilateral agreements and arrangements between Ireland and the United Kingdom, such as the Common Travel Area, which are in conformity with EU law, should be recognised****"* [para 14].

UK Position Paper on Northern Ireland and Ireland

In its position paper on ***Northern Ireland and Ireland***, the UK proposes that, "One option for achieving our objectives could be **regulatory equivalence** on agrifood measures, where the UK and the EU agree to achieve the same outcome and same high standards, with scope for flexibility in relation to the method for achieving this". It is possible that timber products could seek the same applications. (https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/638135/6.3703_DEXEU_Northern_Ireland_and_Ireland_INTERACTIVE.pdf)

The 8th December 2017 Joint Report by UK and EU Negotiators

"On ensuring continuity in the availability of goods placed on the market under Union law before withdrawal both Parties recognise the need to provide legal certainty and minimise disruption to business and consumers. Both Parties have agreed the principles that the goods placed on the market under Union law before withdrawal may freely circulate on the markets of the UK and the Union with no need for product modifications or re - labelling; be put into service where provided in Union law, and that the goods concerned should be subject to continued oversight." [point 90]

Annex III Main Messaging for the Forestry Industry as context

1. The growth opportunity of Irish Forestry

- The forest industry in Ireland represents an incredible success story – both for Ireland and the EU, creating huge environmental, social and economic benefits in otherwise deprived rural areas
- The success and continued expansion of this sector is critical to Ireland (and the EU) meeting its climate change obligations
- The industry is now at a critical juncture, it is on the cusp of significant growth with output set to double over the next 10-15 years

2. Unique dependence on the UK market

- The sustainability and growth of the industry is wholly dependent on unencumbered access to the UK construction market
- Due to its climatic conditions, Ireland can produce the fastest growing timber in Europe with the highest rates of carbon absorption
- However, the physical properties of this timber limits it to use in similar temperate climates i.e. the UK, one of the largest importers of timber in the world

3. Irish Forestry is an all island industry

- The industry operates on an all island basis. There are growers and processors on both sides of the Irish border that buy and sell product without any impediment or differentiation
- These cross-border supply chains would be severely disrupted by any new border obstacles and would be difficult to replicate

4. Customs and logistics barriers would be particularly acute for Irish timber

- There are approximately 40,000 roll on/ off truck deliveries of Irish timber products to the UK per annum
- Due to the relative size of each load relative to value, the imposition of new customs and logistics costs would effectively create an expensive tariff on the Irish timber into the UK
- The ability to service the UK market in a just in time basis gives Irish timber a competitive advantage against non-EU timber, any port related delays would severely reduce this advantage

5. A Hard Brexit will lead to deforestation and reduced carbon absorption

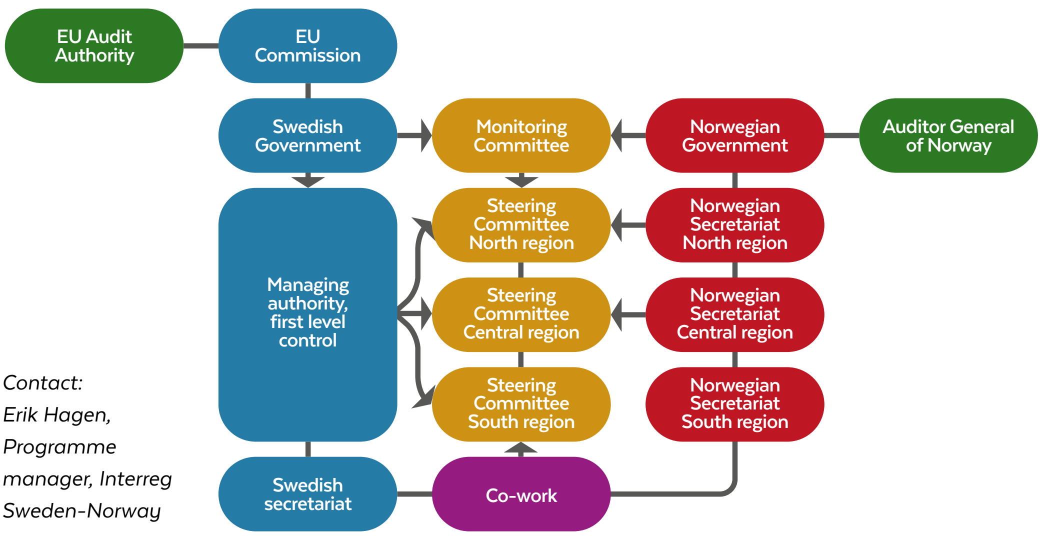
- Most private forest owners in Ireland are small scale, first generation owners, if these owners have a negative experience, Ireland risks deforestation that will be almost impossible to control

Annex IV Additional Agreements which could help facilitate the process

Interreg

Interreg Europe helps regional and local governments across Europe to develop and deliver better policy. Opportunities are sought to share solutions so that government investment, innovation and implementation efforts all lead to better integration for example at border regions.

Norway-Sweden Interreg Agreement – two pillar structure



Contact: Erik Hagen, Programme manager, Interreg Sweden-Norway

Schengen

The free movement of persons is a fundamental right guaranteed by the EU to its citizens. It entitles every EU citizen to travel, work and live in any EU country without special formalities. Schengen cooperation enhances this freedom by enabling citizens to cross internal borders without being subjected to border checks. The border-free Schengen Area guarantees free movement to more than 400 million EU citizens, as well as to many non-EU nationals, businessmen, tourists or other persons legally present on the EU territory.

Today, the Schengen Area encompasses most EU States, except for Bulgaria, Croatia, Cyprus, Ireland, Romania and the United Kingdom. However, Bulgaria and Romania are currently in the process of joining the Schengen Area. Of non-EU States, Iceland, Norway, Switzerland and Liechtenstein have joined the Schengen Area.

Annex V Transition period

Theresa May has indicated that the UK intends to sign trade deals during a Brexit transition period. Though Britain is due to leave the EU on the 29th of March 2019, it will continue to obey the rules of the single market and the customs union for at least two years after this date so it is possible that the status quo or equivalent regarding trade of goods will remain in place until at least the 29th of March 2021. This is a slightly longer period than that currently envisaged by the European Union 27. Michel Barnier has proposed the conclusion of transition arrangements by December 2020.

Annex VI European Commission DG Trade Market Access Model (MADB)

Norway

DG Trade has a specific Market Access Model (MADB) tool which gives information to companies exporting from the EU about import conditions in third countries. Each product has a specific code and for the purposes of this report we have taken the example of product code 441012, for Oriented Strand Board (OSB), and provided a snap shot of applicable tariffs. Other timber products can be similarly inputted. Below is the example for the Norwegian market and similar examples are provided for the Canadian and Turkish models.

Web address http://madb.europa.eu/madb/indexPubli.htm

Code	Product description	EU	MFN	RoO
44	CHAPTER 44 - WOOD AND ARTICLES OF WOOD; WOOD CHARCOAL			
4410	Particle board, oriented strand board (OSB) and similar board (for example, waferboard) of wood or other ligneous materials, whether or not agglomerated with resins or other organic binding substances:			
	- Of wood:			
4410.11	- - Particle board:			
4410.11.01	- - - Unworked or not further worked than sanded	0%	0%	RoO
4410.11.02	- - - Not further worked than continuously shaped (milled along one or several edges)	0%	0%	RoO
4410.11.03	- - - Covered with a sheet of plastic or laminated plastic	0%	0%	RoO
4410.11.04	- - - Surface-covered with melamine-impregnated paper	0%	0%	RoO
4410.11.09	- - - Other	0%	0%	RoO
4410.12	- - Oriented strand board (OSB):			

Canada

Tariff information set out below generated from DG Trade market database. Tariff rate set of the product **Oriented Strand Board (OSB)**, product code **441012** with the country of **Canada**.

Code	Product description	EU	MFN	RoO
44	CHAPTER 44 - WOOD AND ARTICLES OF WOOD; WOOD CHARCOAL			
4410	Particle board, oriented strand board (OSB) and similar board (for example, waferboard) of wood or other ligneous materials, whether or not agglomerated with resins or other organic binding substances:			
	- Of wood:			
4410.11	- - Particle board	0%	0%	RoO
4410.12	- - Oriented strand board (OSB)	0%	0%	RoO
4410.19	- - Other	0%	0%	RoO
4410.90	- Other	0%	0%	RoO

Turkey

VAT tariff rate set for **Oriented Strand Board (OSB)**, product code **441012**, for **Turkey**
Information generated from the DG Market Database website as follows:

Code	Product description	EU	MFN
44	CHAPTER 44 - WOOD AND ARTICLES OF WOOD; WOOD CHARCOAL		
4410	Particle board, oriented strand board (OSB) and similar board (for example, waferboard) of wood or other ligneous materials, whether or not agglomerated with resins or other organic binding substances:		
	- Of wood:		
4410.11	- - Particle board:		
4410.11.10	- - - Unworked or not further worked than sanded	0%	7%
4410.11.30	- - - Surface-covered with melamine-impregnated paper	0%	7%
4410.11.50	- - - Surface-covered with decorative laminates of plastics	0%	7%
4410.11.90	- - - Other	0%	7%
4410.12	- - Oriented strand board (OSB):		
4410.12.10	- - - Unworked or not further worked than sanded	0%	7%
4410.12.90	- - - Other:		
4410.12.90.10	- - - - Covered with high pressure decorative laminated sheet or melamine resin impregnated paper	0%	7%
4410.12.90.90	- - - - Other	0%	7%
4410.19	- - Other:		
4410.19.00.10	- - - Waferboard covered with high pressure decorative laminated sheets or melamine resin impregnated paper	0%	7%
4410.19.00.90	- - - Other	0%	7%
4410.90	- Other:		
4410.90.00.10	- - Derived from extracts of flax	0%	7%
4410.90.00.90	- - Other	0%	7%

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Organisations participating in the Timber Industry Brexit Forum

Balcas Timber

Coillte

Coolrain Sawmills

ECC Timber Products

Glennon Brother Timber

GP Wood

Laois Sawmills

Masonite Ireland

Murray Timber Group

Woodfab Timber


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