

Brexit Brief: Options for the UK's future trade relationship with the EU








Now that the UK has voted to leave the European Union, attention has turned to what our future trade relationship with the EU might look like. The table below summarises five existing models and sets out what they entail in several key areas:

- **access to the Single Market** in goods, services and people
- **requirements** to follow EU rules and regulations and contribute to the EU budget
- **influence** over EU laws and regulations.

For each of these areas, we indicate what each model involves in terms of the degree of integration and involvement with the EU: full, partial or none. Clearly these are not the only options, but these models provide an indication of what might be possible in a bespoke relationship.

Key

- Full integration
- Partial integration
- No integration

Type of arrangement	Example	Access to the Single Market			Requirements		Influence over EU rules and regulations	Non EU markets
		Goods	Services	People	Financial contribution	EU rules and legal system		
Membership of the European Union (EU)	United Kingdom (current model) 	Membership of the Single Market in goods and the Customs Union means no customs barriers, tariffs, quotas or duties are applied to the movement of goods between EU countries, and that a common set of rules apply.	UK companies have the right to establish companies to provide services in other member states. These rights apply to a wide range of sectors including retail and business services. Financial services firms based in the UK also have the right to provide services.	Freedom of movement of people allows all EU citizens to live and work anywhere within the EU area.	The UK pays a 'membership fee' to the EU, which supports a number of EU policies and programmes including the Common Agricultural Policy, EU structural funds, and research and innovation. The UK receives funding from these programmes and a rebate on its net contribution.	Some EU law, including regulations, has direct effect in the UK without the need for UK legislation. EU directives are legally binding but member states must pass their own laws to put them into practice. Under the 1972 European Communities Act, EU law has supremacy over UK law.	The UK is represented in all of the EU institutions which take decisions and approve laws that apply to the UK. This includes the European Commission which proposes and drafts laws, and the European Council and the European Parliament, which must approve laws.	As a member of the Customs Union, the UK is not allowed to negotiate other bilateral trade deals. It is part of the EU's existing free trade agreements (FTAs) with 56 countries, which provide better access to markets outside of the EU, such as Korea, Mexico and Chile.
European Economic Area (EEA)	Norway 	The EEA agreement provides considerable but not unlimited access to the Single Market in industrial goods – with some restrictions on agricultural and fisheries produce. Norway is not a member of the EU Customs Union, which means there are customs checks between Norway and EU member states.	Companies based in EEA member states have the right to establish companies to provide services in other member states. These rights apply to a wide range of sectors including retail and business services. Financial services firms based in EEA member states also have the right to provide services.	Norway is required to allow free movement of people within the EU and EEA areas. It has chosen to be part of the border-free Schengen area.	Norway makes a significant contribution to the EU budget including research programmes and education. It does not contribute to Common Agricultural Policy (CAP) funding.	Under the terms of the EEA agreement, all EEA members must automatically implement all EU rules concerning the Single Market. All must comply with rulings of the EFTA court – in the majority of cases these rulings follow European Court of Justice (ECJ) principles.	EEA members have the right to be consulted on laws and regulations under the EEA agreement but there are limited channels for formal influence. Norway is not represented as a member within EU institutions.	Norway is not part of the EU's free trade agreements. It has the right to conclude its own bilateral free trade agreements with non-EU member states. It can also negotiate free trade agreements as part of the European Free Trade Association. The EFTA has so far negotiated 27 free trade agreements covering 38 countries.
European Free Trade Agreement (EFTA) plus bilateral agreements	Switzerland 	EFTA membership allows access to the Single Market in all non-agricultural goods. Switzerland has supplemented the EFTA agreement with a series of bilateral deals securing access to some other areas of the Single Market. Switzerland is not a member of the EU Customs Union, which means there are customs checks between Switzerland and EU member states.	Bilateral agreements provide limited access to the market in services. Switzerland's set of bilateral agreements do not cover some sectors, including financial services.	Switzerland has a Free Movement of Persons Treaty with the EU which is linked to other bilateral agreements with the EU, removing barriers to accessing the Single Market. It has chosen to be part of the border-free Schengen area.	EFTA membership does not require contributions to the EU budget. Switzerland contributes to the EU budget to cover regional funding as well as the costs of programmes it participates in – such as research programmes.	Switzerland must adapt domestic regulation to reflect EU laws and regulation relating to those parts of the Single Market in which it participates. It is not formally bound by rulings of the ECJ, although in some areas (such as civil aviation) ECJ rulings do apply.	Switzerland has no formal right to be consulted on EU legislation and very limited informal influence over them. Switzerland is not represented as a member within EU institutions.	Like Norway, Switzerland is not part of EU free trade agreements and has the right to conclude its own bilateral free trade agreements with non-EU member states. The EFTA has so far negotiated 27 free trade agreements covering 38 countries.
Free Trade Agreement (FTA)	Singapore 	The EU-Singapore Free Trade Agreement (EUSFTA) will phase out tariffs and duties on trade in goods, though quotas will apply to some products.	EUSFTA will provide some (but not unlimited) access to the market in services, covering sectors including business services and financial services.	Singapore has no obligation to accept free movement of people.	None	Exporters must comply with EU rules and regulations when exporting to the Single Market. Singapore is not subject to ECJ rulings.	Singapore has no formal ability to influence EU laws or regulations.	Singapore is free to negotiate and agree trade deals with other countries.
	Canada 	The Comprehensive Economic and Trade Agreement (CETA) will phase out duties and tariffs on the majority of goods: 98% of EU goods will enter Canada free of tariffs and duties. While most quotas will be removed, Canada will have to accept EU quotas on some agricultural produce.	CETA will increase Canadian firms' access to the EU market in services, but some sectors – including financial services – are not included.	Canada has no obligation to accept free movement of people.	None	Exporters must comply with EU rules and regulations when exporting to the Single Market. Canada is not subject to ECJ rulings.	Canada has no formal ability to influence EU laws or regulations.	Canada is free to negotiate and agree trade deals with other countries.
Membership of the EU Customs Union	Turkey 	As a member of the EU Customs Union, Turkey has access to the EU market in industrial goods and processed agricultural goods which means that no tariffs, quotas or duties are placed on industrial goods between Turkey and the EU. The Customs Union does not apply to raw agricultural goods.	The Customs Union does not give Turkey any preferential access to the single market in services.	Turkey has no obligation to accept free movement of people.	None	In areas where Turkey has access to the EU market (such as industrial goods), it is required to enforce rules that are equivalent to those in the EU. This includes competition, product, and environmental rules.	Turkey has no formal ability to influence EU laws or regulations.	Turkey is not part of the EU's existing FTAs with 56 countries. When the EU signs an agreement with a third country, such as South Korea, Turkey must give that country access to its own market on the same terms but the third country has no obligation to open its markets to Turkey. As a member of the Customs Union, Turkey can negotiate and agree trade agreements with other non-EU countries, but its external tariffs must be aligned with the EU's external tariff.
World Trade Organization (WTO)		Each member must apply the same tariffs to all (unless they have a Free Trade Agreement). There is no automatic provision for preferential access to the EU Single Market: unless a FTA is agreed, the EU must impose a common external tariff on exports from non-EU member states.	The WTO General Agreement on Trade in Services offers less access to overseas markets than EEA or EFTA membership, or the FTAs described above.	WTO rules make no provision for free movement of labour.	None	Exporters must comply with EU rules and regulations when exporting to the Single Market. Under WTO rules, members are not subject to ECJ rulings.	The WTO and its members have no formal ability to influence EU laws or regulations.	

CETA and EUSFTA are not yet in place – the agreements need to be ratified by the European Parliament and EU member states.

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