

UK-EU future economic partnership

The political declaration on the future framework for the relationship between the UK and the EU after Brexit was published on 22 November 2018. At 26 pages long, it offers the first concrete indication of what a UK-EU trade deal might look like. But with lots of detail still to finalise, it also leaves significant room for manoeuvre.

The table below presents the broad range of trading possibilities, ranging from continued EU membership to trade on WTO terms, passing through the UK Government's unprecedented Chequers plan en route. Based on IfG analysis of the political declaration, the area within the yellow border remains on the table for when negotiations on the future relationship get underway after March 2019. The political declaration also contains contradictions. For instance, it commits to an agreement "which obviates the need for checks on rules of origin." This would seem to rule out a free trade agreement in favour of a customs union. On the other hand, the declaration references the UK's "independent trade policy," which would be difficult in a customs union where the EU controls tariffs.

Not all individual elements within the yellow border can be combined through a 'pick and mix' approach. The document is not legally binding, meaning there is nothing to stop significant changes in position from either side.

Type of arrangement	Example	Access to the Single Market		Requirements		Influence over EU rules and regulations	EU trade policy	
		Goods	Services	Financial contribution	EU rules and legal system		People	
Membership of the EU	UK (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.	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. The UK receives 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 with 56 countries, which provide better access to markets outside of the EU such as Korea, Mexico and Chile.	Must accept free movement of people. Freedom of movement allows all EU citizens to live and work anywhere with the EU area.
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 makes a significant contribution to EU budget, including research programmes and education. It does not contribute to Common Agricultural Policy 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, but cannot diverge from Single Market rules in the process. 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.	Must accept free movement of people. 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.
Chequers	Bespoke	The UK and the EU would maintain a common rulebook for a range of goods, including food, where doing so is necessary to provide for frictionless trade at the border. The Facilitated Customs Arrangement proposed would remove the need for tariffs, quotas and origin checks. Would apply UK-wide and remove the need for the backstop.	The UK would not align with EU rules on services, losing current levels of access to the EU market as a result. The UK would seek enhanced equivalence on financial services and mutual recognition of professional qualifications.	The UK will have to meet outstanding obligations, as settled in the Withdrawal Agreement. Beyond this, it could choose to contribute to some EU programmes, but the white paper suggests these payments would be managed through new 'cooperative accords' rather than going through the EU budget.	The UK would continue to update its rules in line with EU law for goods included in the common rulebook, and on state aid. Although the UK would not fall under the direct jurisdiction of the ECJ, on the interpretation of EU law the ECJ would have the final say.	Where the UK commits to maintaining a common rulebook, it would also seek participation in relevant EU agencies and technical committees so it can play a role in designing and implementing rules - although there would be no formal voting rights.	The UK will no longer be part of the EU's free trade agreements. It will be free to negotiate and, after the end of the proposed transition period, conclude its own trade deals with other countries. UK trade policy will be constrained by the proposed common rulebook, as the UK will need to ensure its standards remain consistent with the EU in those areas.	No obligation to accept free movement of people. Proposes a mobility framework so that UK and EU citizens can continue to travel to each other's territories to visit, study and work – similar to what the UK may offer other close trading partners in the future.
Free trade agreement (FTA)	Canada	The Comprehensive Economic and Trade Agreement (CETA) phases 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. This kind of deal would require alternative arrangements for Northern Ireland – possibly the backstop.	CETA will increase Canadian firms' access to the EU market in services, but not substantially.	None	Exporters must comply with EU rules and regulations when exporting to the Single Market. Not subject to ECJ rulings.	No formal ability to influence EU laws or regulations.	Canada is free to negotiate and agree trade deals with other countries.	No obligation to accept free movement of people.
Membership of a customs union	Turkey	Joining a customs union with the EU removes tariffs, quotas and duties on agreed goods. The EU-Turkey Customs Union covers industrial goods and processed agricultural goods, but does not apply to raw agricultural goods. This kind of arrangement would require some Northern Ireland specific mechanisms to avoid a hard border.	A customs union would not afford any preferential access to the Single Market in services.	None	A typical customs union would not require the UK to enforce EU standards for goods domestically. Under the EU-Turkey Customs Union, for 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.	No formal ability to influence EU laws or regulations.	Customs union membership does not allow for participation in the EU's free trade agreements. 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. Turkey can conclude trade agreements with other non-EU countries, but its external tariffs must be aligned with the EU's external tariff.	No obligation to accept free movement of people.
World Trade Organization (WTO)		Each member must apply the same tariffs to all other countries (unless they have an FTA). There is no automatic provision for preferential access to the EU Single Market: unless an 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 an FTA such as that agreed between the EU and Canada.	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.	WTO rules provide a basic framework for international trade, which can be supplemented with free trade agreements.	No obligation to accept free movement of people. WTO rules make no provision for free movement of labour.

No integration
 Low integration
 High integration
 Full integration

Source: Institute for Government analysis of the Draft Political Declaration setting out the framework for the future relationship between the United Kingdom and the European Union.