

What might a UK/EU Agreement Look Like?

Early next year we should begin talks about trade and the future relationship with the EU. Until we do so the language developed over money and the Irish border is parked. Both sides confirmed "Nothing is agreed until all is agreed".

There may be continuing misunderstandings on the EU side about what the UK has in mind once the proper talks begin. The UK offers a full free trade agreement covering goods and services, with zero tariffs and no new barriers to trade. The EU sometimes seems to be suggesting they want the UK to sign a leaving agreement and implement it prior to 29 March 2019, to leave, and then engage in more detailed talks on trade. The first thing to clear up is the phasing of the talks. The UK needs to stress the urgency of getting on with the free trade talks. It is accepted we only sign a free trade agreement with them after we have left, but we need to know the details of such an agreement before we leave to judge the rest of the Agreement and the phasing of implementation.

The second thing to sort out is the possible Transitional arrangement. The PM always stressed this would be an Implementation Agreement. It would be as short as needed. We would only need one if there is an Agreement on our future trade and partnership to implement. The idea should not be to create a further two years in the EU under the guise of a Transitional Agreement, in order to have another two years of uncertainty and more talks about trade. Business and consumers need to know where they stand. They want to know as soon as possible if we are en route to a free trade agreement, or if we will be trading under most favoured nation WTO terms.

The third necessity is that once we have left in March 2019 with or without an Implementation Agreement, the UK will be free to sign trade deals with other countries and to pursue its own overseas trade agenda. There are various misunderstandings about regulatory alignment and convergence. Of course when you trade with another country or trading bloc you need to meet their requirements and product rules to sell to them. The UK accepts US law and rules when selling into the US, and will accept EU rules and laws when selling into the EU. What you do not do as an independent country is also accept all the rules and laws to govern all the rest of your trade. You have your own national rules based on an understanding of world standards instead. Alignment or equivalence means you have regulations with the same purpose but they may be different in the areas where this matters. The US sells services into the EU based on acceptance of equivalence for its regulations compared to EU regulations. It does not have to enforce EU rules on its domestic businesses or foreign trade outside the EU.