

# Trade after Brexit: what's on the table?

## Bespoke customs union

The UK could sign up to a new, bespoke customs union with the EU as a non-member state – with no tariffs on goods, and a common tariff on goods from external states outside the EU/UK customs union.

### Trade in goods

A customs union entails alignment with the EU on trade tariffs for goods from non-parties. As a member of a customs union the UK could not independently negotiate a free trade deal for goods with third countries.

### Trade in services

WTO law deals with services differently from goods, and so a customs union would not concern services issues. If the UK entered into a customs union with the EU, it could still negotiate free trade in services with non-EU countries.

### Northern Ireland

It doesn't solve the Irish border problem in itself. The challenges are not mainly about customs laws, but about alignment with internal market laws on goods. The EU position is that at least Northern Ireland should be subject to both sets of laws, while the UK government prefers other solutions.

### Rules and regulations

A customs union would not need to include free movement of people with the EU, handing over customs duties to the EU budget or accepting jurisdiction of the EU's Court of Justice. However, the EU's customs union with Turkey does include rules on competition and state aid, the application of EU rules on technical barriers, and alignment with EU law on trade in goods from non-parties.

## The Canada option

The Comprehensive Economic and Trade Agreement (CETA) is a free trade agreement between the EU and Canada, provisionally implemented since September 2017 with the aim of reducing a range of non-tariff barriers to trade in goods and services between the EU and Canada.

### Trade in goods

A CETA-type agreement would provide free trade for almost all areas (98% of EU goods exports will enter Canada duty free under CETA). The CETA agreement allows for measures to simplify trade such as giving the EU and Canadian certification bodies the ability to pass goods on behalf of the other side.

### Trade in services

The tariff-free agreement does not encompass services, but CETA aims to reduce barriers to services, such as mutually recognising qualifications.

### Northern Ireland

It doesn't solve the Irish border problem, as a CETA agreement would not be aligned with the EU's internal market.

### Rules and regulations

A CETA-style deal would avoid payments to the EU, jurisdiction of the EU's court, or the need to accept free movement of people. However, it will entail the imposition of customs checks and regulatory trade barriers between the UK and the EU; for instance, proof of origin that goods are made in the UK.

## The Chequers proposal

The Chequers proposal aims to give the UK an independent trade policy, end the role of the ECJ in UK affairs and end annual payments to the EU budget – although with “appropriate contributions for joint action in specific areas”.

### Trade in goods

The UK and the EU would maintain a common rulebook for all goods including agri-food, with the UK committing to ongoing harmonisation with EU rules on goods, “covering only those necessary to provide for frictionless trade at the border”. The UK would have the option to diverge from the EU rules, but “recognising that this would have consequences”. Co-operative arrangements will be established between EU and UK competition regulators.

### Trade in services

Under the Chequers plan the UK would not adopt EU rules on all services. Different arrangements would be organised for services “where it is in (UK and EU’s) interests to have regulatory flexibility”.

### Northern Ireland

A new ‘Facilitated Customs Arrangement’ would solve the Irish border problem by removing the need for customs checks+ and controls between the UK and the EU. The UK would apply domestic tariffs and trade policies for goods intended for the UK, but charge EU tariffs and their equivalents for goods heading into the EU.

### Rules and regulations

The proposal would avoid jurisdiction of the European Court of Justice. A joint institutional framework will be established to interpret UK-EU agreements; in the UK by UK courts, and in the EU by EU courts. Free movement of people would end; a “mobility framework” will be set up to allow UK and EU citizens to travel and apply for study and work.

## Association agreement

An AA is a bilateral agreement between the EU and a third country (ie, a non-EU country) that provides a framework for varying degrees of cooperation across a variety of policy areas, involving reciprocal rights and obligations, common action and special procedure.

The EU currently has more than 20 AAs which are concluded both with neighbouring countries as well as geographically distant states. There is no template for the content of an AA – it depends on the nature and needs of a particular relationship. Such agreements can cover security cooperation, deeper political ties, taxation, science and technology, economic relationship.

## No deal (WTO option)

Under WTO rules the EU and the third country have to apply the same tariff rates and quotas that they apply to the rest of the world. Both are free to impose regulatory barriers to trade, and the rules do not cover trade in services.

Under the WTO’s ‘most favoured nation’ rules, the UK couldn’t lower tariffs for the EU, or any specific country, alone. It would have to treat every other WTO member around the world in the same way.

The average EU tariff is fairly low, but in some sectors tariffs can be quite high. Under WTO rules, cars and car parts, for example, would be taxed at 10% every time they crossed the UK-EU border. And agricultural tariffs are significantly higher, rising to an average of over 35% for dairy products.

After Brexit the UK could choose to lower tariffs to stimulate free trade. This could mean some cheaper products for UK consumers, but could also risk driving some UK producers out of business.

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