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# Trading places: Brexit on the world trade scene

Part of the *Navigating the Negotiations* webinar series

11 June 2018

# Agenda

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1. The ongoing EU-UK negotiations
2. What's on the menu in Geneva?
3. UK trade with rest of the world
4. Case studies

# The on-going EU-UK negotiations



# Trade aspects in the draft Withdrawal Agreement

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## Goods placed on the market

- Goods placed on the market in EU or UK before the end of transition can continue to be made available and circulate in the market
- Market surveillance and exchange of information provisions

## On-going customs procedures

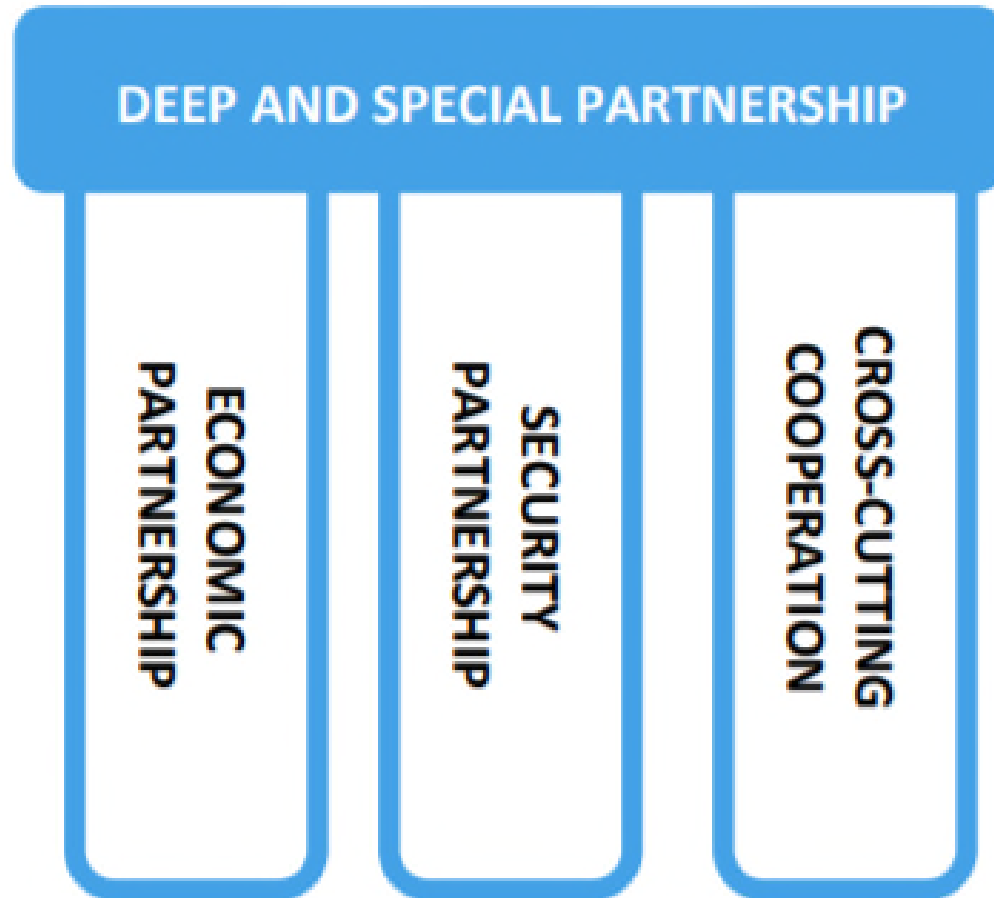
- Union Customs Code continues to apply to EU/UK goods if movement started before the end of transition
- Customs status of EU goods needs to be proven for every movement through transport documentation

## Transitional period

- EU law applies to and in the UK as if it were still an EU Member State until 31 December 2020, unless the Withdrawal Agreement provides otherwise
- The UK may negotiate, sign and ratify international agreements in its own capacity in the areas of EU exclusive competence, as long as they do not enter into force or apply during the transitional period

# The UK's proposal for the EU-UK future relationship

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Source: HM Government

# Future customs options

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**Customs  
Partnership**

**'Max Fac'**

**'Modified Max  
Fac'**

**The EU  
'backstop'**

**The UK  
'alternative  
backstop'**

# The Irish conundrum



Theresa May: *"The draft legal text the Commission has published would (...) threaten the constitutional integrity of the UK (...) and no UK Prime Minister could ever agree to it"*

28 February 2018

- UK and EU27 have committed to avoiding a hard border between Northern Ireland and the Republic of Ireland via:
  1. the overall EU-UK future relationship;
  2. specific solutions proposed by the UK; or
  3. in the absence of agreement, a 'backstop'
- A workable solution is proving difficult to find
  - The UK Government's latest Brexit White Paper on the future relationship delayed
  - Up-coming votes in House of Commons on the House of Lords amendments to the EU Withdrawal Bill



What's on the menu  
in Geneva?





# What are Tariff-rate quotas?

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- Tariff-rate quotas (“TRQs”):
  - Applicable to agricultural products such as cheese, beef, sugar etc
  - Allow limited quantities of imports with no or lower tariffs, while quantities of imports over the quota threshold are subject to higher tariffs
  - Usually on a first-come first-served basis
- EU applies approximately 100 TRQs on imports into all 28 EU Member States, including the UK
- Post-Brexit, how will the EU's TRQs be apportioned between the EU and the UK?

# Allocation of TRQs between the EU and the UK

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- The UK needs its own Schedule of Concessions – which must be approved by all WTO Members
  1. **"Technical rectification"**
    - does not require negotiation
  2. **"Modification"**
    - requires consultation with other WTO Members that have a "substantial interest"
    - possible compensation in the form of new concessions
- Potential opportunities for other WTO members to push for better market access to UK and/or EU markets

# What to expect

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- Seven WTO members have publicly criticised UK's 'technical rectification' solution
- European Commission has proposed:
  - a Council Decision authorising the Commission to open negotiations with other WTO members for the modification of the EU's Schedule of Concessions and the UK to launch negotiations on its own Schedules before Brexit; and
  - a Regulation *unilaterally* apportioning the EU's TRQs based on existing trade flows under each TRQ for a recent representative period (2013-2015), in case no agreement is reached before Brexit

# UK trade with the rest of the world



# UK trade with the EU's existing third country partners

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## Transitional period

- The UK remains bound by its obligations under EU trade agreements with third countries
- Third countries are technically not bound to continue to apply EU-third party agreements to the UK
- UK proposal: third parties requested to interpret references in existing EU trade agreements to "EU Member State" to include the UK during transitional period

## Post-Brexit

- If the UK leaves the Customs Union, it would lose the benefit of existing EU trade agreements, unless agreed otherwise
- UK Government intends to:
  - negotiate grandfathering existing trade agreements between the EU and third countries and
  - enter into new arrangements with other countries

# Spotlight on US/UK trade

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- Current US-UK relations – steel tariffs and the G7 summit
- Lessons for life after TTIP
  - Agriculture
  - Sanitary and phytosanitary measures
- Mini-TTIP?

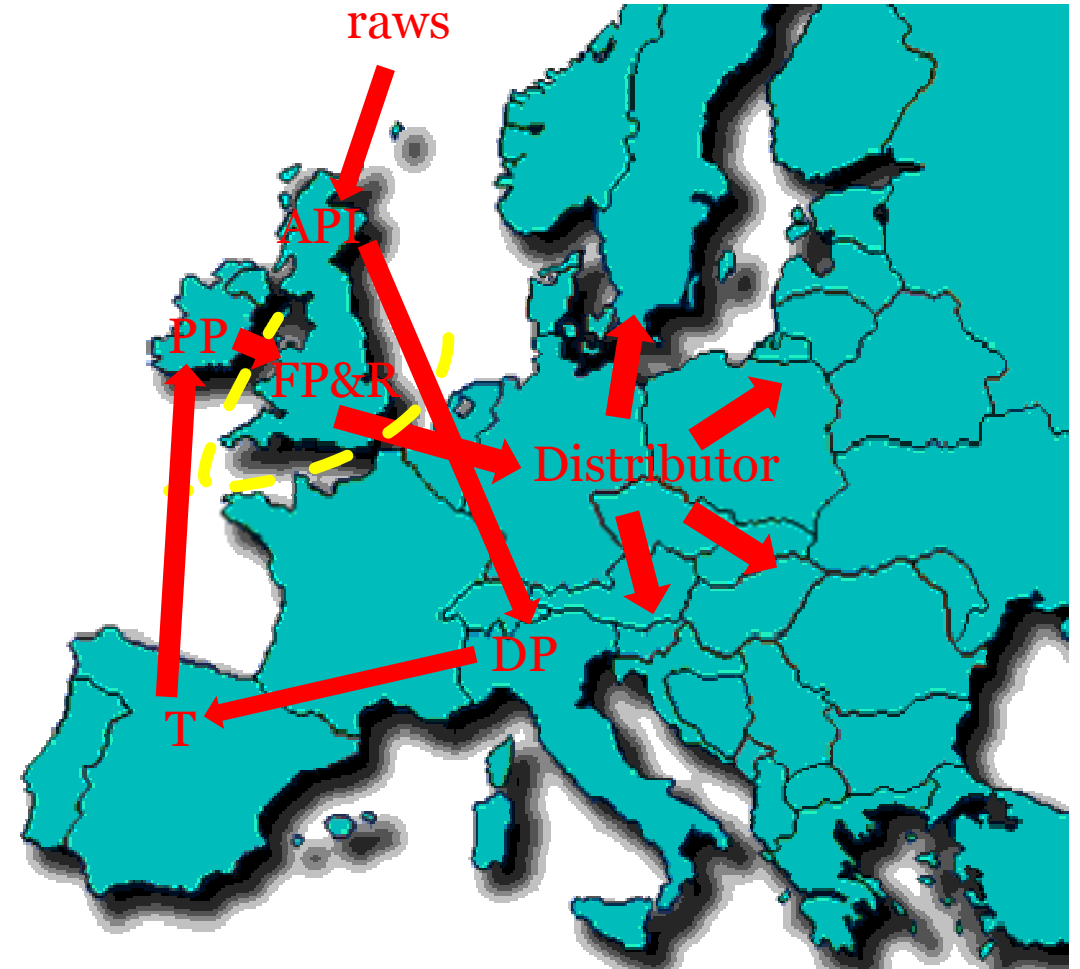


# Case studies



# Case study one: Life Sciences

- Highly complex, highly regulated supply chains
- Need minimal border friction
- EU/UK trade agreement
  - Mutual recognition of testing
- Expand WTO list

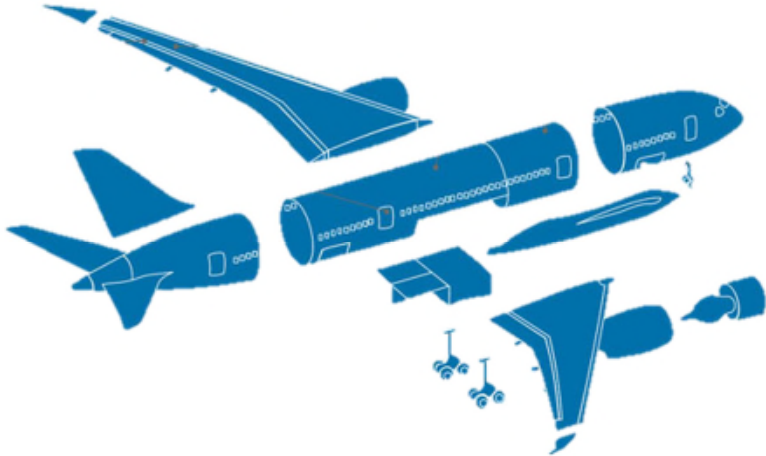




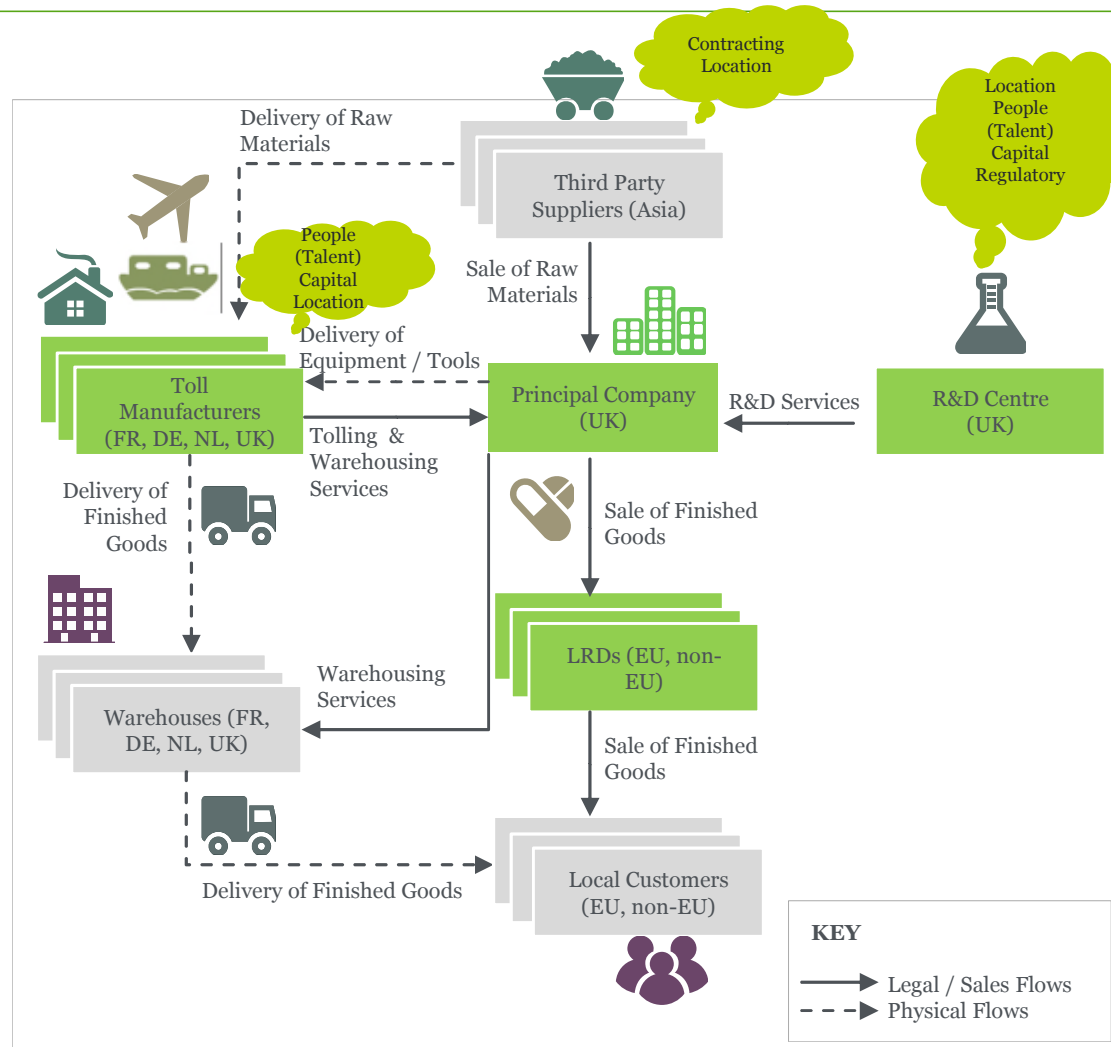
# Case study two: Aviation

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- EU-wide integrated supply chains
- Harmonised regulatory frameworks for licencing and safety certification



# Case study three: Supply Chains



# International approaches to regulation

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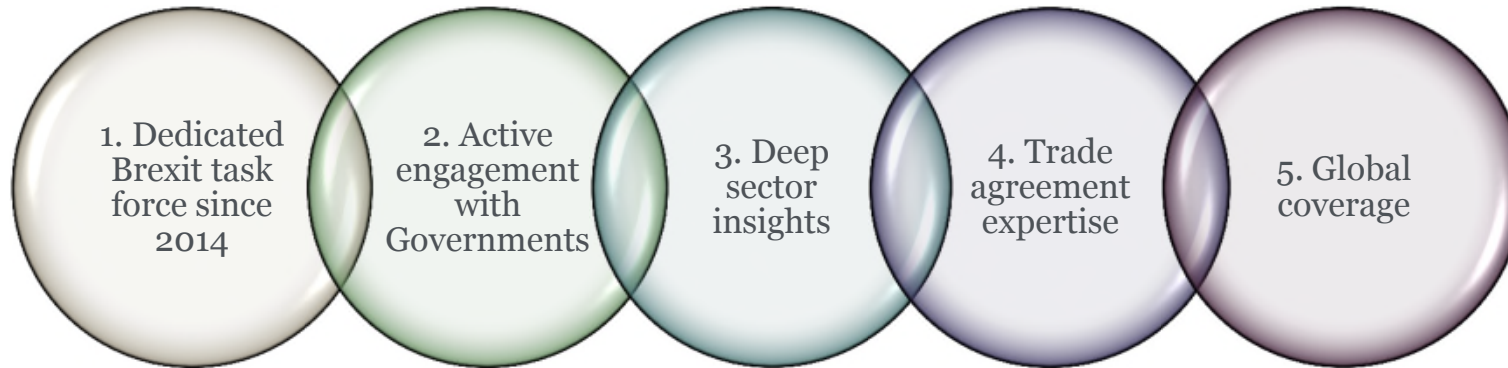
"In the US they believe that if no risks have been proven about a product, it should be allowed. In the EU we believe something should not be authorized if there is a chance of risk"

*Pascal Lamy, Former EU Trade Commissioner*



# Hogan Lovells Brexit resources

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- Brexit Toolkit
- EU Withdrawal Bill flow chart
- Latest thinking
- Industry sector analysis
- Events and webinars
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Contact us with any questions about Brexit at:

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