



HM Government

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# Framework for the UK-EU partnership

## Economic partnership

MAY 2018

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## Introduction

This presentation is **part of a series produced by the UK negotiating team** for discussion with the EU, in order to inform the development of the future framework.

It **focuses on an element of the vision for our future relationship** set out by the Prime Minister in Munich and at Mansion House.

The **future framework will set out the terms of our future relationship**, to be translated into legally binding agreements after the UK's withdrawal.

The **UK and the EU will conclude the future framework alongside the Withdrawal Agreement** later this year.

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## Our vision for the future partnership

The United Kingdom wants to build a **new, deep and special partnership** with the European Union.

A partnership that **protects our shared interests and values**, ensuring we can act together for our mutual benefit.

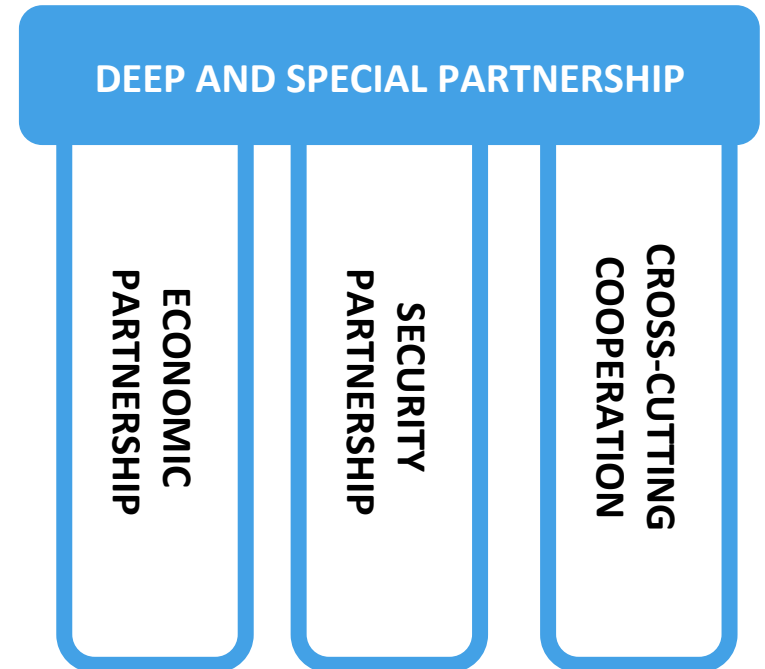
An approach that delivers for **the whole United Kingdom** and our wider family of overseas territories, as well as for the EU.

We believe this partnership should have **two core parts**.

An **economic partnership**, that goes beyond any existing FTA, covering more sectors and with deeper cooperation.

And a **security partnership**, maintaining and strengthening our ability to meet the ever evolving threats we both face.

These will sit alongside **cross-cutting areas** such as data protection.



## Structure of discussions on the future framework

The UK and EU negotiating teams have jointly published the **structure for discussions on the future framework**, reflecting the breadth of the partnership both sides want to build.

### BASIS FOR COOPERATION

Structure, governance, interpretation and application, dispute settlement, non-compliance and participation and cooperation with EU bodies

### ECONOMIC PARTNERSHIP

Aims of the economic partnership, goods, agricultural, food and fisheries products, customs, services and investment, financial services, digital and broadcasting, transport, energy, horizontal measures and mobility framework

### SECURITY PARTNERSHIP

Aims of the security partnership, law enforcement and criminal justice, foreign, security and defence and wider security issues

### CROSS-CUTTING/ STANDALONE

Data protection, cooperative accords (science and innovation/culture and education) and fishing opportunities

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# The UK's domestic economic and financial policy regime

A strong economy that works for all, embracing economic and social reform, and building on the UK's record of high standards, independent regulation, and free and open markets.

## STRONG FOUNDATIONS

Built on sustainable public finances, monetary and financial stability and an open and dynamic economy, with a practical approach to regulation that brings prosperity to all

## COMMITMENT TO HIGH STANDARDS

Champion of a global rules based system and international standards

Predictable, competitive and responsible tax system

Highest standards on tackling financial crime

Fair and open markets, with independent enforcement

Environmental standards that are not only maintained but enhanced

Legal protection for workers that keeps pace with the changing labour market

## MODERN INDUSTRIAL STRATEGY

The industrial strategy sets a path to boost productivity, successful businesses, and earning power across the whole of the UK

## Our shared values and approaches

The UK and the EU share the same fundamental values and have adopted the same approach across a number of policy areas.

### RULE OF LAW

We value predictability in the law, providing citizens and businesses with legal certainty and ensuring accountability of law-makers

### FAIR AND OPEN COMPETITION

We believe in open and fair competition – for example the UK has aligned its domestic competition regime with the EU wide regime

### INTERNATIONAL STANDARDS

We work together to improve global standards, cooperating with regulators internationally

### STRONG INSTITUTIONS

We are both committed to strong institutions that uphold rules, independent of political interference

### AUTONOMY

We both want our future relationship to protect the autonomy of our separate legal orders





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## Principles for the economic partnership

The UK believes it would be in our mutual interest to deliver an economic partnership with the EU that is broad, deep and balanced, underpinned by robust arrangements.

### BROAD

The partnership should cover more sectors than any other free trade agreement, including areas where our economies and peoples are linked, such as financial services, energy, transport, and digital

### DEEP

The partnership should break new ground on depth of mutual market access, reflecting our unique starting point where at the end of the implementation period we will have the same laws and rules

### BALANCED

The partnership should include reciprocal commitments to ensure open and fair competition, proportionate to the level of market access, and needs to be consistent with our commitments on Northern Ireland

# A comprehensive economic partnership

The UK wants a comprehensive economic partnership that covers more sectors than any free trade agreement anywhere in the world today.

<p><b>I. Aims of the economic partnership</b></p> <p><b>II. Goods</b></p> <ul style="list-style-type: none"><li>a. General principles</li><li>b. Tariffs and rules of origin</li><li>c. Non-tariff barriers</li></ul> <p><b>III. Agricultural, food and fisheries products</b></p> <ul style="list-style-type: none"><li>a. General principles</li><li>b. Tariffs and rules of origin</li><li>c. Non-tariff barriers</li></ul> <p><b>IV. Customs</b></p> <p><b>V. Services and investment</b></p> <ul style="list-style-type: none"><li>a. General principles</li><li>b. Investment</li><li>c. Mutual recognition of professional qualifications</li></ul> <p><b>VI. Financial services</b></p> <p><b>VII. Digital and broadcasting</b></p> <ul style="list-style-type: none"><li>a. General principles</li><li>b. Telecoms</li><li>c. Broadcasting</li><li>d. Digital trade, consumer measures and technology</li></ul>
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<p><b>VIII. Transport</b></p> <ul style="list-style-type: none"><li>a. Aviation</li><li>b. Road</li><li>c. Maritime</li><li>d. Rail</li></ul> <p><b>IX. Energy</b></p> <ul style="list-style-type: none"><li>a. Electricity and gas</li><li>b. Civil nuclear</li></ul> <p><b>X. Horizontal measures</b></p> <ul style="list-style-type: none"><li>a. State aid and competition law</li><li>b. Environment and sustainable development</li><li>c. Social</li><li>d. Civil judicial cooperation</li><li>e. Company law</li><li>f. Public procurement</li><li>g. Intellectual property</li><li>h. Consumer protection</li></ul> <p><b>XI. Mobility framework</b></p>
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## A deep economic partnership: goods and services

The depth of the existing UK and EU relationship, coupled with our unique starting point, means we have the opportunity to break new ground in the depth of our future relationship.

### GOODS

System of mutual recognition to prevent non-tariff barriers, and support €246bn of EU exports to the UK and €142bn of UK exports to the EU

### CUSTOMS

A new customs arrangement, in addition to maintaining zero tariffs between the EU and the UK

### SERVICES AND INVESTMENT

Minimising barriers to trade, and mutually recognising professional qualifications; the UK is the EU's 2<sup>nd</sup> largest services trading partner

### AGRIFOOD AND FISHERIES PRODUCTS

An agreement based on outcome equivalence, to support €37bn of EU exports to the UK and €15bn of UK exports to the EU

### FINANCIAL SERVICES

Mutual market access based on equivalent outcomes and cooperation, to benefit businesses and consumers in the UK and the EU



## A deep economic partnership: goods and services

The depth of the existing UK and EU relationship, coupled with our unique starting point, means we have the opportunity to break new ground in the depth of our future relationship.

### DIGITAL

An agreement that supports this innovative and fast evolving sector, in which the UK is a world leader

### BROADCASTING

Mutual recognition for transfrontier broadcasting, supporting freedom of transmission and promoting cultural exchange

### TRANSPORT AND ENERGY

Continuity of air, maritime and rail services, and protecting the rights of our road hauliers; broad cooperation on energy

### MOBILITY FRAMEWORK

A framework that links our citizens and enables our businesses and professionals to travel to provide services

### HORIZONTAL MEASURES

Fair market access with binding commitments where appropriate, for example remaining in step with the EU's state aid and competition regimes

## A balanced economic partnership

The UK is leaving the single market and the customs union, so our rights and obligations will need to be held in a new and different balance.

### BINDING COMMITMENTS

Like any trading agreement, the economic partnership will need to include **reciprocal, binding commitments** to ensure fair and open competition. This is in our mutual interest.

The UK recognises that a deep and broad economic partnership will need to include a balanced set of commitments to underpin a fair and open trading environment.

### MARKET ACCESS

The UK will transpose the EU state aid rules and principles in full through the EU Withdrawal Bill.

We have said we will consider keeping in step with the EU's state aid rules and competition regime. Binding commitments that go further than those in a standard FTA should be in return for **commensurate levels of market access**.

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## Framework for delivering the economic partnership

To underpin an enduring relationship, provisions will need to ensure that competition is fair and open, there is a formal institutional structure and there are robust governance arrangements.

### FAIR AND OPEN COMPETITION

The cooperation provided for in the agreements should ensure that trade between the parties is as frictionless as possible.

But equally, that this is based on an environment where competition remains open and fair.

### GOVERNANCE

To underpin this wide ranging cooperation, the institutional provisions will also need to include robust governance arrangements to give confidence to individuals and businesses, maintain regular dialogue and resolve disputes as they arise.

### STRUCTURE

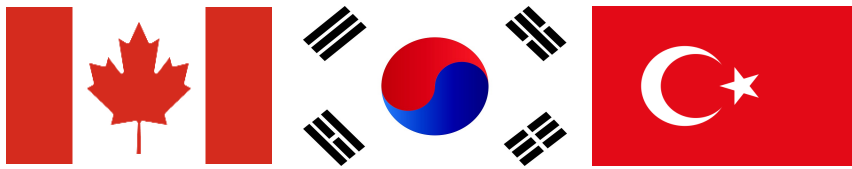
The institutional structure should provide for a broad range of cooperation, requiring an overarching framework.

But it should be sufficiently flexible to allow some parts of the agreement to fall outside of this framework where this makes sense.



## Structure: precedents

There are a variety of precedents for economic cooperation between the EU and third countries. It is clear that deeper cooperation requires a more formal and deeper institutional structure.



Some EU-third country agreements have a shallow level of cooperation that is inconsistent with our ambition and therefore only need to have limited institutional arrangements



Other EU-third country agreements have a much deeper level of cooperation, and therefore require more comprehensive institutional arrangements

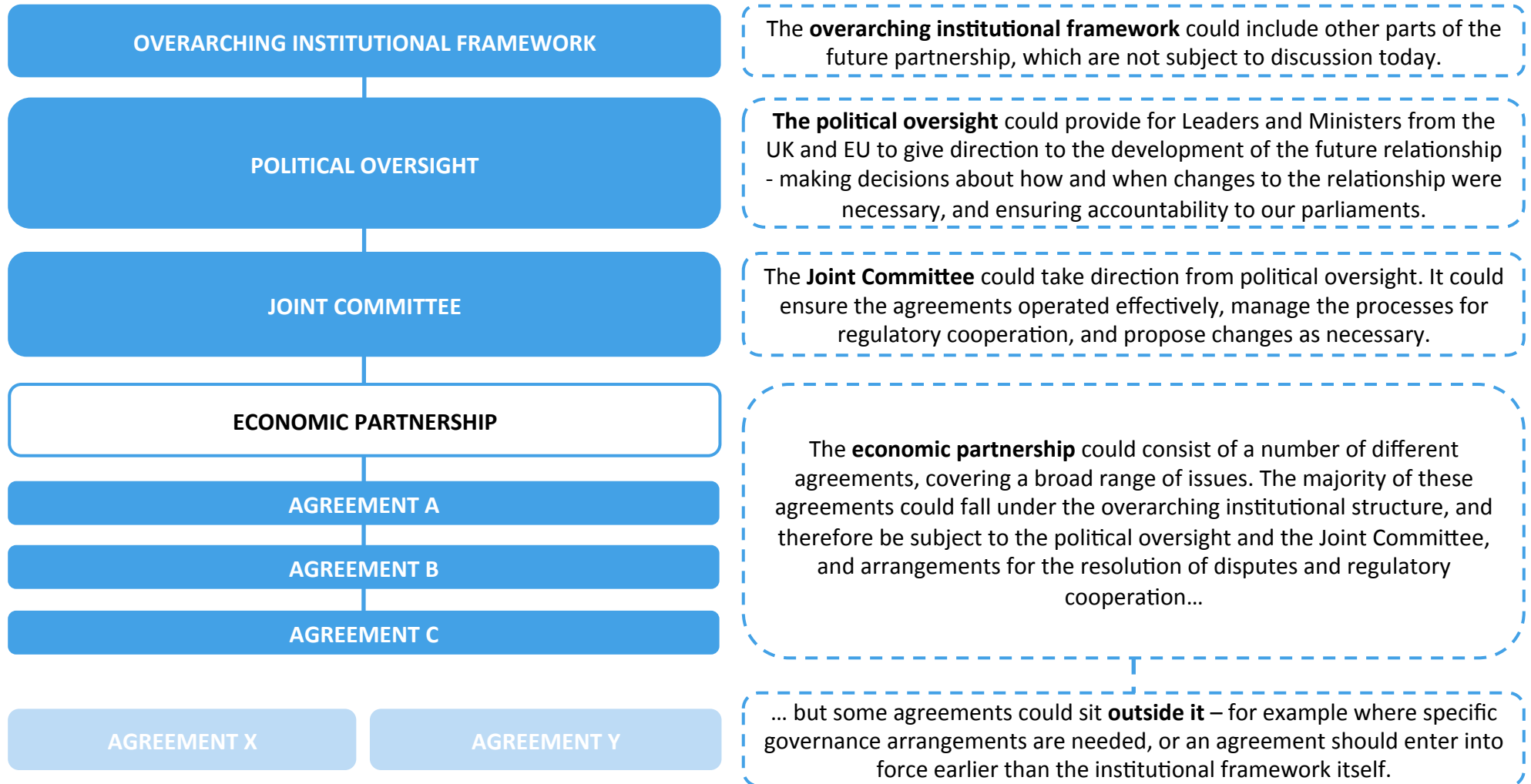


The EU and Switzerland are in negotiations to agree an institutional framework agreement that would govern bilateral relations

As set out in the Florence speech, **existing models for the economic partnership** either do not deliver the ambition we need or impose unsustainable constraints on our democracy.

## Structure: proposal for the UK-EU economic partnership

A deep and special partnership would likely require an overarching framework, but be flexible enough for some agreements to be standalone, outside of this framework.

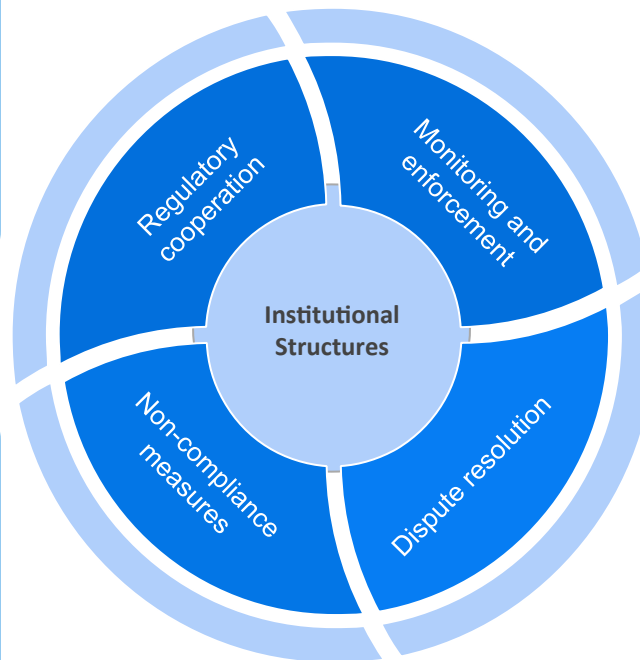


## Governance

The cooperation that sits within the economic partnership will need to be underpinned by **robust governance arrangements**.

**Regulatory cooperation:**  
including methods to demonstrate that our rules are substantially similar – identical or equivalent in outcomes

**Non-compliance measures:**  
determining the consequences in the event of a breach of the terms of the agreement



**Monitoring and enforcement:** ensuring domestic legislation is compatible with the agreement, and rights and obligations are upheld

**Dispute resolution:** putting in place robust provisions to resolve differences between the UK and the EU over interpretation or application, including through independent arbitration

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## Conclusion

This presentation has set out the **UK's objectives for the economic partnership**, and the principles that should guide our approach to securing an enduring solution in the interests of the UK and EU.

We have set out a proposal for delivering our ambition for the future economic partnership, through the **institutional structure, the governance arrangements and provisions to ensure fair and open competition.**

Taken together, our proposed approach would **make the most of our unprecedented situation**, and this unique opportunity to lead global thinking on free trade.

We only have a short amount of time to negotiate a partnership that benefits both the UK and the EU. Building on the agreed topics published jointly on 4 May, we should **agree next steps on the process**, taking into account the time available.