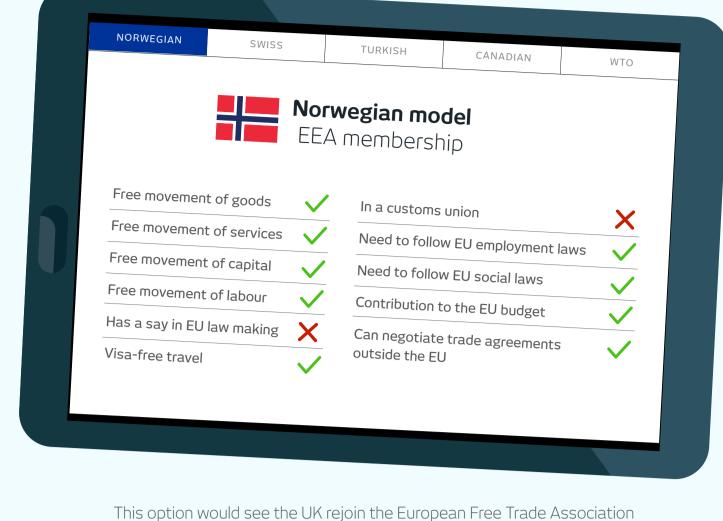


On Tuesday 16 January, 2017, UK prime minister Theresa May outlined her objectives for the forthcoming Brexit negotiations. These goals make clear that she plans to take the country out of the single market and try to negotiate a free trade agreement with the EU's 27 other members. Although Theresa May has expressed her desire for an EU-UK free

trade agreement, the EU itself may not be so keen, and may try to negotiate a different relationship, perhaps incorporating elements of one of the existing deals it has with non-EU countries.

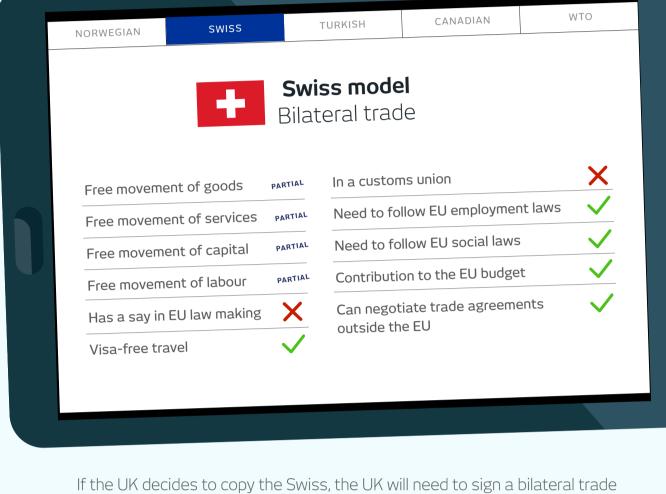


Membership of the European Economic Area would mean that the UK has full access to the single market, but as it would not be part of a customs union,

(EFTA) and then enter the European Economic Area (EEA), like Norway, Iceland and Lichtenstein.

tariffs for trade outside the EU would be set by the UK. This would allow the UK to maintain access to the single market and continue trading with EU member countries, with some export/import restrictions. But it

would also require the UK to accept EU laws without any representation in the institutions that make them, and the four principles of free movement of goods, services, capital and labour.



single market access covers goods and some – but not all – services. Moreover, if it wanted to follow the Swiss model, the UK would also be likely to

agreement with the EU after rejoining EFTA, rather than join the EEA.

Switzerland has 120 separate accords with the EU which make it a quasi-member of the single market. But it has no say in regulations and its

and accept the free movement of people. This model does allow Switzerland to negotiate its own bilateral trade agreements outside the EU, though most are made via EFTA.

have to contribute to the EU budget, abide by some internal market laws —

NORWEGIAN SWISS TURKISH CANADIAN

WTO



WTO CANADIAN TURKISH SWISS NORWEGIAN

Canadian model

Free trade agreement

PARTIAL

Free movement of goods

Free movement of goods

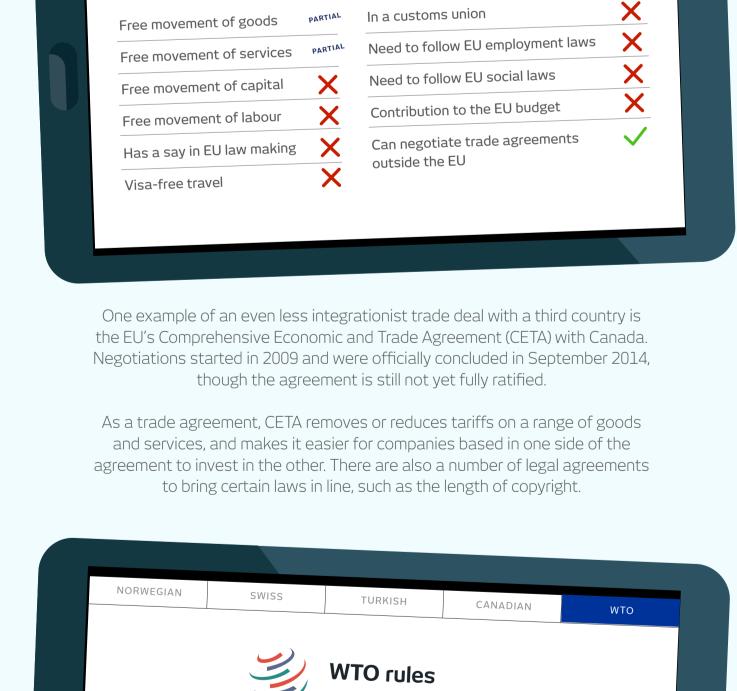
Free movement of services

Free movement of capital

Free movement of labour

In a customs union

country has an agreement with the EU that covers the goods and services in an EU-UK customs union, the UK would have to give a similar agreement, despite not being involved in the negotiations.



Has a say in EU law making Can negotiate trade agreements outside the EU Visa-free travel

In a customs union

Need to follow EU employment laws

Need to follow EU social laws

Contribution to the EU budget

This is the fall-back position, if the UK and EU cannot strike a deal before the two-year time limit for Brexit negotiations run out. WTO agreements are lengthy and complex, and deal with all forms of international trade including agriculture, textiles and clothing, banking, telecommunications, government purchases, industrial standards and product

safety, food sanitation regulations and intellectual property. Under current WTO agreements, some goods are tariff-free, though free movement is not assured as all imports need to be checked thoroughly by

customs officials.

If the UK decides to do this, it will be free to strike trade agreements outside the EU beyond the levels of the WTO, although having left the EU, its bargaining leverage will be less than the EU's, which speaks for 500 million consumers in 28 member countries.