



Looking ahead: A new relationship with Europe?

The people of the UK have taken the decision to leave the European Union. What happens next – and the implications for businesses and organisations in the UK – is less clear.

It is now up to the UK Government to decide on what economic relationship it would seek to replace our current EU membership. To provide an overview of the available options, we set out the possible models the UK may look to negotiate.

Post-Brexit economic arrangements

What might our future relationship with the European Union look like?

KEY COLOURS ● Yes ● No ● Unsure

KEY

-  Access to the Single Market
-  Tariff-free trade in goods
-  Passporting of banks from the UK
-  Avoid EU regulation domestically
-  Ability to influence EU regulations
-  Freedom to independently pursue trade deals
-  No contribution to EU budget
-  Freedom to dictate immigration controls

Norwegian-style EEA agreement:

- UK joins European Economic Area (EEA) – full access to the single market but it must adhere to EU standards and regulations over which it has no say and contributions to the EU budget will continue. Norway is currently paying more per head for membership of the EEA than the UK does as an EU member.

Swiss-style bilateral accords:

- The UK's relationship would be based upon a series of bilateral agreements negotiated on a case by case basis. Switzerland has access to the free trade of goods but not financial services. The UK would need to pay for this, comply with regulations and accept the free movement of people.

Free Trade Agreements:

- A series of Free Trade Agreements (FTA) would dictate our relationship with the EU. Tariff barriers would be unlikely to apply but the EU has the power to impose other restrictions. While this option provides the opportunity to implement immigration controls, there are question marks around the time it would take to implement.

Turkish-style customs union:

- Internal tariff barriers would be avoided. The UK would adopt EU standards and regulations, without influence over them. No financial contributions would be made and the UK would be free to impose immigration controls. However the UK would be required to implement EU external tariffs, without influence or guaranteed access to third markets.

World Trade Organisation (WTO) model:

- The UK can negotiate its own trade deals and set its own tariffs on imports. We would face 'most favoured nation' tariffs when trading with the EU if no FTA is in place. This option guarantees the most independence on regulations and immigration and doesn't require paying into the EU budget but membership of the single market is sacrificed. According to the WTO, the additional tariffs on goods imports would cost British consumers £9bn and exporters could face an extra £5bn of tariffs.

Sources:
House of Commons Library/Institute of Fiscal Studies/Global Counsel