

Welcome to the SIA Global Webinar

MEETING LOGISTICS

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UK as member of the European Union

- ▶ UK joined the European Communities in 1973 after aborted attempts in the 1960's
- ▶ Not a Founding Father - but influential member pushing about its weight on many issues
 - ▶ Staunch defender of free market principles in the EU, including effective competition policy. In the forefront on the creation of EU's internal market, and its projection beyond EU.
 - ▶ Strong supporter of the expansion of the membership of the EU (from 6 to 28 member).
 - ▶ In the forefront in developing an ambitious EU policy on global free trade. Promoting close transatlantic economic relations, while maintaining NATO as the forum to deal with security and defence.
 - ▶ Expanding EU action into areas like environment, energy, research (Horizon), student exchange (ERASMUS).
- ▶ But also a brake on ambition of "Ever closer European Union"
 - ▶ Generally opposed to Treaty changes that increased EU competences - when not able to block the UK secured special arrangement (opt outs) - EURO, Schengen (abolishment of internal frontiers), major part of Home and Justice Affairs (but retains option to "opt in").
 - ▶ In the frugal camp on EU budget.
- ▶ Will EU change as result of EU departure?
 - ▶ Will other member states follow?
 - ▶ Other factors more important - Rise of China, Trump-ism not defeated, COVID-19
 - ▶ UK has changed and its influence reduced since the seed of BREXIT was sown (Referendum 2016)

The proces

- ▶ BREXIT referendum in the UK June 2016 (52% yes - 48% no). March 2017 EU formally notified of UK's intension to leave.
- ▶ Negotiations on Withdrawal Agreement (Treaty) terminated October 2019
 - Citizens rights
 - Financial settlement
 - Northern Ireland
 - Transitional period with full application of EU rules and regulations in the UK until 31. December 2020. Possibility for prolongation until end 2023 but rejected by UK. Option now excluded.
- ▶ UK left the EU on 1. February and negotiations started on an Agreement on future relations after 1. January 2021. International treaty 400-500 pages that needs to be formally approved before 1. January 2021. Otherwise UK will drop out of all EU polities and EU-UK relations be based on normal WTO rules + unilateral temporary decisions by the EU including on
 - ▶ Financial Services (Conformity assessment by Commission) - both “deal” and “no deal” situation
 - ▶ Data transfers (Conformity assessment) - both “deal” and “no deal” situation.
 - ▶ A few Short term stop gab measures on transport (air, road and rail)
- ▶ Final stretch: Negotiations restarted in London Sunday at the level of Chief negotiators (EU: Michel Barnier, UK: David Frost). Negotiation at SUMMIT level? Final deadline 16. November to give time for approval by EU(Council of ministers and European Parliament) and UK (House of Commons).
- ▶ No legal possibility of extending the deadline.

Content of possible agreement

- ▶ Modern Comprehensive Economic and Free Trade Agreement (FTA) similar to recent EU agreements with Canada, Japan, South Korea. Main elements:
 - ▶ Trade in goods: More ambitious than any other FTA - elimination of all tariffs and quantitative restrictions. But divergence on norms and standards. Some scope for regulatory cooperation*. Border control but some elements of customs facilitation Rules of Origin*. EU border controls in place 1.1.2021 - UK six or more months later.
 - ▶ Trade in services: As for other FTA's limited ambition (national treatment gone). Temporary business travel (mode 4)*. Recognition of diplomas*
 - ▶ Public procurement - beyond WTO rules but less than EU
 - ▶ Transport. Aviation point to point. Road transport (limited by licences and on cabotage)
 - ▶ Participation in some areas of police and anti-terrorist cooperation
 - ▶ Participation in some EU programs (e.g. Horizon but at higher price and without influence on priority setting)
 - ▶ Participation in EU energy market *
 - ▶ Fisheries (Access to waters and markets)*
 - ▶ Level Playing Field (Competition and State Aid policy, environment, climate and labour conditions.*

*) Depend on final negotiations. +/- 30 points outstanding.

Inevitable consequences of BREXIT

- ▶ Loss of influence on direction of EU policies
- ▶ Less access to EU market even if a FTA is concluded.
- ▶ Increased costs for business and UK treasury in various areas (border control, establishment of UK regulatory agencies).
- ▶ Loss of benefit from EU trade deals (+60) - UK trade deals will take time and likely to be of lesser value.
- ▶ Freedom for UK citizens to travel, work and study everywhere in the EU falls away.
- ▶ UK less attractive as bridgehead into Europe for third country firms.

No-deal situation will add

- ▶ Increased chaos at EU-UK frontier on 1. January 2021
- ▶ More difficult to implement agreement on Northern Ireland
- ▶ Depending on the circumstances of the break - likely to take time to renew bonds and restart negotiations on a trade deal. Probably be on a new basis and take time (several years). Smaller stop gap measures in various fields probably easier.



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