

Existing free trade agreements if there's no Brexit deal

Summary

How we would ensure continuity for the UK's existing free trade agreements if the UK leaves the EU in March 2019 with no deal.

Detail

If the UK leaves the EU in March 2019 without a deal, we will seek to:

- replicate the effects of existing EU agreements with other countries as far as possible
- activate these agreements from exit day where possible

A scenario in which the UK leaves the EU without agreement (a 'no deal' scenario) remains unlikely given the mutual interests of the UK and the EU in securing a negotiated outcome.

Negotiations are progressing well and both we and the EU continue to work hard to seek a positive deal. However, it's our duty as a responsible government to prepare for all eventualities, including 'no deal', until we can be certain of the outcome of those negotiations.

For two years, the government has been implementing a significant programme of work to ensure the UK will be ready from day 1 in all scenarios, including a potential 'no deal' outcome in March 2019.

It has always been the case that as we get nearer to March 2019, preparations for a no deal scenario would have to be accelerated. Such an acceleration does not reflect an increased likelihood of a 'no deal' outcome. Rather it is about ensuring our plans are in place in the unlikely scenario that they need to be relied upon.

This series of technical notices sets out information to allow businesses and citizens to understand what they would need to do in a 'no deal' scenario, so they can make informed plans and preparations.

This guidance is part of that series.

Also included is an [overarching framing notice](<https://www.gov.uk/government/publications/uk-governments-preparations-for-a-no-deal-scenario/uk-governments-preparations-for-a-no-deal-scenario>) explaining the government's overarching approach to preparing the UK for this outcome in order to minimise disruption and ensure a smooth and orderly exit in all scenarios.

We are working with the devolved administrations on technical notices and we will continue to do so as plans develop.

Purpose

The purpose of this notice is to inform businesses and other interested parties about the government's plans to ensure continuity for the UK's existing trade agreements with partners outside the EU if we do not reach agreement with the EU on the terms of our withdrawal prior to 29 March 2019.

While the UK government is confident that it will agree a deal and a time-limited implementation period, as a responsible government it will continue to prepare for all scenarios, including the unlikely outcome that the UK leaves the EU on 29 March 2019 without a deal.

This is contingency planning for a scenario that the UK government does not expect to happen, but people should be reassured that the government is taking a responsible approach.

Before 29 March 2019

As a member of the EU, the UK currently participates in around 40 free trade agreements with over 70 countries. These free trade agreements cover a wide variety of relationships, including:

- Economic Partnership Agreements with developing nations
- Association Agreements, which cover broader economic and political cooperation
- trade agreements with countries that are closely aligned with the EU, such as Turkey and Switzerland
- more conventional free trade agreements

In 2017, ONS data showed that trade with third countries with EU free trade agreements accounted for around 12% of the UK's total trade. Businesses in the UK, EU and partner countries are eligible for a range of preferential market access opportunities under the terms of these free trade agreements. These can include, but are not limited to:

- preferential duties for goods. This includes reductions in import tariff rates across a wide range of products, quotas for reduced or nil rates of payable duties, and quotas for more relaxed rules of origin requirements.
- enhanced market access for service providers.
- access to public procurement opportunities across a range of sectors.
- improved protections for intellectual property.

For continuity and stability for businesses, consumers and investors, we are committed to ensuring these benefits are maintained, providing a smooth transition as we leave the EU.

We are currently working with partner countries to prepare for a range of possible scenarios to maintain existing trading relationships.

After March 2019 if there's no-deal

During any implementation period, arrangements would be put in place with partner countries so that the UK is treated as an EU Member State for the purposes of international agreements, including trade agreements.

In the event of a 'no deal', there will be no implementation period. In this scenario, the government will seek to bring into force bilateral UK-third country agreements from exit day, or as soon as possible thereafter.

These new agreements will replicate existing EU agreements and the same preferential effects with third countries as far as possible, whilst making the technical changes needed to ensure the agreements operate in a bilateral context. Ministers and officials are engaging regularly with partner countries to complete this work. When we reach final agreements with partner countries will depend on our ongoing discussions with them.

Should arrangements to maintain particular preferences in a no deal scenario not be in place on exit day, trade would then take place on a 'Most-Favoured Nation' (MFN) basis, which is sometimes referred to as 'World Trade Organisation (WTO) Terms', until such a new arrangement has been implemented. Under WTO rules, the principle of MFN treatment means that the same rate of duty, on the same good, must be charged to all WTO members equally. This principle is subject to certain exceptions, including if a free trade agreement is in place. For services, the MFN principle means WTO members are required to grant treatment no less favourable to services and service suppliers of any other WTO member, than that which they grant to like suppliers from any other country.

In leaving the EU, the UK is regularising the terms of our WTO membership because our commitments are currently contained within the EU schedules. We are working closely with WTO members to ensure a simple, fair, and transparent transition in establishing the UK's independent WTO schedules, in a manner that minimises disruption to our trading relationships.

The UK is already a full member of the WTO, and negotiations are ongoing for us to become independent members of the WTO Agreement on Government Procurement, on the basis of its current commitments as a member of the EU. Separate to seeking continuity for existing free trade agreements, powers in the Taxation (Cross-border Trade) Act 2018 enable the UK to put in place a UK

unilateral trade preference scheme for developing countries as the UK leaves the EU. In the first instance, it is intended that this will provide the same level of access as provided by the current EU trade preference scheme. This will maintain tariff free access for Least Developed Countries and continue to offer generous tariff reductions to around 25 other developing countries.

Implications

In the event of a 'no deal', EU trade agreements will cease to apply to the UK when we leave the EU.

Our intention is that the effects of new bilateral agreements will be identical to, or substantially the same as, the EU agreements they replace. However, users of current EU free trade agreements should be aware that, in contrast to the current situation and during any Implementation Period, there may be practical changes to how they make use of preferences under these new agreements. For example, UK and EU content will be considered distinct, and each new agreement will individually specify what origin designations may be used to qualify for preferences. We will aim to limit these changes as far as possible, but the final form of new agreements and any resulting changes will depend on ongoing discussions with our trading partners. The Trade Bill contains a reporting requirement stating that the government will publish a report before these new free trade agreements are ratified on any significant changes to the new trade-related provisions.

Where arrangements to maintain particular preferences in a no-deal scenario are not in place by exit day, trade would take place on WTO terms. Under such terms, traders would pay the applied MFN tariff. This is the tariff applied equally to all countries in the absence of preferential arrangements. In the event of no-deal, the government will determine and publish a new UK MFN tariff schedule before we leave the EU. Information on the current tariff rates are freely available to view in the UK's applied goods schedule and can be found on the UK Government's [Tariff Look Up tool](<https://www.gov.uk/trade-tariff>). Further practical information on arrangements for the border and relevant contact information for guidance can be found in:

- [Classifying your goods in the UK Trade Tariff if there's no Brexit deal] (<https://www.gov.uk/government/publications/classifying-your-goods-in-the-uk-trade-tariff-if-theres-no-brexite-deal/classifying-your-goods-in-the-uk-trade-tariff-if-theres-a-no-brexite-deal>)
- [Trading with the EU if there's no Brexit deal] (<https://www.gov.uk/government/publications/trading-with-the-eu-if-theres-no-brexite-deal/trading-with-the-eu-if-theres-no-brexite-deal>)

The specific commitments for services trade that WTO Members apply to trading partners, independently of any preferential arrangements, are set out in each Member's schedule of commitments under the General Agreement on Trade in Services. Some countries have liberalised beyond these specific commitments.

For more information on the WTO, visit the [WTO website](<https://www.wto.org/>).

This notice is meant for guidance only. You should consider whether you need separate professional advice before making specific preparations.

It is part of the government's ongoing programme of planning for all possible outcomes. We expect to negotiate a successful deal with the EU.

Norway, Iceland and Liechtenstein are party to the Agreement on the European Economic Area and participate in other EU arrangements. As such, in many areas, these countries adopt EU rules. Where this is the case, these technical notices may also apply to them, and EEA businesses and citizens should consider whether they need to take any steps to prepare for a 'no deal' scenario.