

Trade Implications of Brexit



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Negotiation schedule

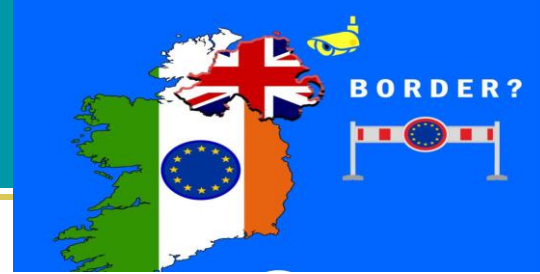
- What's needed to avoid Hard Brexit on 30 March 2019?
 - Agreement on withdrawal terms – dealing with legacy of currently applicable EU law, and
 - Agreement on the shape of the future relationship (the general direction and form the new relationship should take)
 - Both need to be agreed in time
 - **Politically:** 17 Oct Summit, mid-Nov special Summit, or 13 Dec 2018 final chance? (December final so withdrawal agreement can be voted on in Council)
 - **Adoption:** Super qualified majority vote in Council (e.g., Italy, Spain, France and Portugal can block it), plus consent of European Parliament, by 29 March 2019.
- If exit terms agreed, then Transition period, to 31 December 2020 (or 2021?)
 - Transition period = business as usual (customs union, free movement of goods, services & people, Court of Justice rules, and time for business to adapt and time to work out details of new trade arrangements)
- If no agreement for transition, then “no-deal” /”cliff edge” on 30 March 2019 = hardest Brexit

The Irish border. The problem.



- The Irish boarder is the last remaining obstacle to finding an agreement on withdrawal and future relationship.
- The EU wants a commitment from the UK that no physical border will be raised in Ireland, ever.
 - Protect understandings of 1998 Good Friday Agreement (no physical border infrastructure)
 - EU offers the N Ireland backstop
- The UK rejects the N Ireland backstop: UK does not want to rule out that the UK (N Ireland included) could leave the customs union and negotiating its own FTAs. Offers the 'creative' Chequers model: UK outside of customs union but collecting EU tariffs at UK external border.
- Chequers rejected by the EU: too complicated, untested, based on trust (there is none).

The Irish border. The solution?



- Possible Middle ground?
 - The UK agreeing to stay as a whole in a customs union and the single market, for goods only.
 - Plus some of Chequers: binding rules to ensure level playing field in terms of environmental regulations, state aid and competition policy
 - More, or total freedom for the UK on services and investments
 - Endorsed yesterday by German industry think tank [IW](#):
“The narrative of the four freedoms is not indispensable to prevent bandwagon effects ... On closer inspection, less service trade integration is not a real problem, because it would not lead to relevant competitive distortions as feared by the EU”
 - Solves the Ireland issue, protects existing supply chains

UK rollover of EU FTAs, or hard negotiations?

- Beyond new trade arrangements with EU, UK is actively seeking “rollover” of terms of existing EU FTAs with third countries (30+) in order for UK exporters to benefit, immediately upon Brexit, from these same preferential trade arrangements.
- Despite some generally positive replies (Japan, Norway), UK will not be able to simply and unilaterally declare that the old EU terms & conditions will apply for the UK going forward bilaterally. Most partners will prefer to “wait & see” what the UK first agrees with the EU (esp. regulatory alignment with EU or not – financial services, autos, chemicals, food/environmental safety req., etc.) before agreeing bilateral terms with UK.
- UK Gov itself believes rollover “will be difficult”, at least with UK’s developed country partners.
- Negotiating new FTAs? Negotiating improved market access requires leverage. More difficult, less effective than keeping existing EU FTAs.

Latest perspective

- Operators should assume the worst: as of 29 March 2019, the UK will depart the EU without any customs union arrangements :
 - Goods crossing the EU-UK border will be subject to customs duties and controls in both directions
 - Regulatory controls on goods (conformity certification) for UK market will revert to UK Authorities and UK Authorities can no longer approve goods for the EU market
 - The UK will cease to be a gateway to Europe. Servicing and supplying the UK market from the EU will be harder, too.
 - UK business must rely on UK Gov to negotiate not only a satisfactory trade agreement with EU but also multiple third country FTAs
- Hope for the best: a customs union and single market for goods

Trade disputes between the US / EU / China

- US duties:
 - Section 232:
 - Against most countries
 - Steel (25%), aluminium (10%)
 - Under investigation: Uranium and cars
 - Section 301
 - Against China
 - Long list of products
- EU duties
 - Rebalancing duties, against the US (similar measures adopted by Turkey, Mexico, Canada, China, etc.)
 - Safeguard measures (steel), against most countries
- EU-US trade “negotiations”
 - Scoping, not negotiations
 - Immediate focus on regulatory cooperation
 - Then proper trade negotiations (reduction of tariffs, removal of barriers to trade)
 - Very early days

Thank You !

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