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## EU'S BREXIT TRADE GUIDELINES: KEY POINTS

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The EUs draft negotiating guidelines unveiled on Wednesday (7 March) set out plans for a free trade deal but stop well short of Prime Minister Theresa Mays wish list.

Here are the key points of the six page document produced by EU President Donald Tusk for approval by the 27 remaining member states:

### **Negative economic consequences**

The guidelines warn up front that while the EU wants ties to be as close as possible, Mays red lines for severing Britain from the worlds biggest trading block limit the depth of the future partnership.

Despite Mays calls for the deepest possible trade arrangement, the guidelines spell out that being outside the Customs Union and the Single Market will inevitably lead to frictions.

The key issue is the divergence between Britain and EU on key market standards and controls, the guidelines say, adding: This unfortunately will have negative economic consequences.

### **No cherry picking**

The EUs favourite piece of Brexit jargon means that Britain cannot pick the bits of the union it likes □ access to Europe for its financial services industry for example □ and drop the bits it doesnt □ such as free immigration for EU nationals.

There can be no cherry picking through participation based on a sector-by-sector approach that would undermine the integrity and proper functioning of the Single Market, they say.

The fear is that special carve outs for Britain may encourage other EU countries to try their luck on the outside.

### **Ambitious FTA**

The guidelines say the EU is ready to initiate work towards a free trade agreement involving zero tariffs on goods that would be concluded after Britain leaves.

Tusk said this was the only kind of arrangement possible given Britains demands, citing the EUs deal with Canada – which excludes financial services – as a model.

But the EU still wants an ambitious deal, a senior EU official said, adding that it would cover goods and services in all sectors.

One key issue is ensuring a level playing field – finding a mechanism to prevent either side undercutting the other economically by slashing regulation or giving state subsidies to businesses.

### **No mention of financial services**

The EU guidelines make no overt mention of Britains call for a special deal for financial services, a demand repeated by Finance Minister Philip Hammond on Wednesday.

Instead they say the EU wanted to allow market access to provide services under host state rules – basically insisting that Britain has to play by the unions rules if it wants access.

The lack of a specific reference was deliberate to avoid going into the details of a thorny issue and to avoid mentioning particular sectors – which could itself encourage cherry picking, the senior EU official said.

### **EU moves to extend grip on financial sector after Brexit**

The European Commission proposed on Wednesday (20 September) transferring some powers to oversee the financial sector from national capitals in a move to extend the EUs grip on the industry as the bloc prepares for the departure of London, its main financial hub.

### **Evolve and reconsider**

The EU keeps its options open in case Mays position changes – notably on the customs union, which she is under pressure to join from some in her own Conservative party and also from the opposition Labour party.

On the British stance, the guidelines say: If these positions were to evolve, the Union will be prepared to reconsider its offer.

### **UK backtracks over Brexit transition period**

The Prime Ministers office has sought to play down suggestions that Theresa Mays government is preparing to re-open talks about the length of the transition period after the UK formally leaves the EU.

### **Beyond trade**

The guidelines call for close ties on defence, security and counter-terrorism in particular between the EU and Britain, one of Europes biggest military powers and an influential member of NATO and the UN Security Council.

Tusk called for the early signing of an air transport agreement to ensure that air links between Britain and the continent are not threatened.

Britain would have to leave the EUs various regulatory agencies but the guidelines do not rule out an associate role.

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