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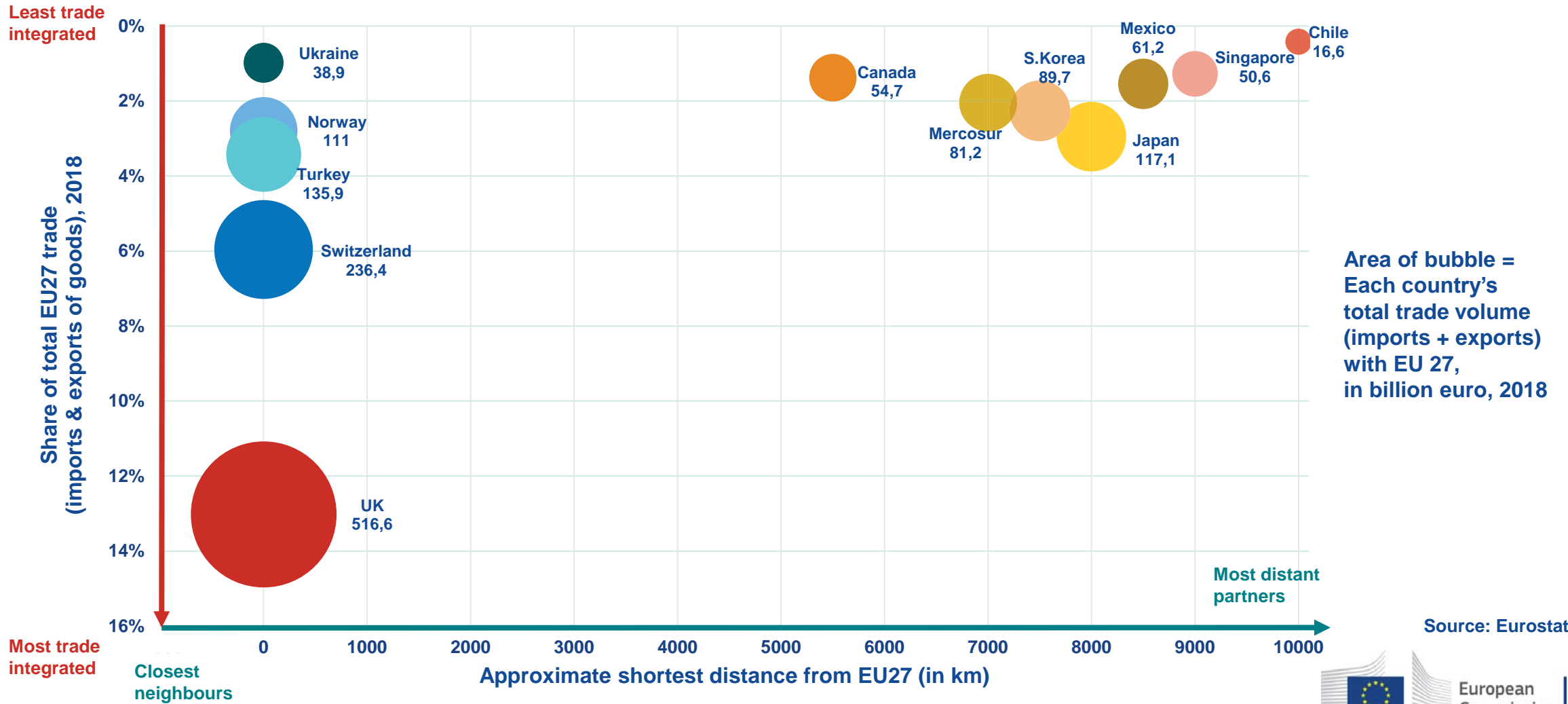
Subject: Trade Agreements: Geography and trade intensity

Origin: European Commission, Task Force for Relations with the United Kingdom

Remarks: These documents are for presentational and information purposes only and were distributed in their initial version to the Council Working Party on the United Kingdom on 18 February 2020. The contents are without prejudice to discussions on the future relationship.

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EU trade agreements: Geography & trade intensity



Source: Eurostat



European Commission

UK is different from other trade partners

1. The UK has left the EU. It will leave the Single Market and the Customs Union at the end of the transition period. It will **no longer benefit from the advantages of membership, nor be bound by its obligations.**

The UK has, however, agreed to have **an unprecedented and broad economic partnership** – as a third country – with the EU, with zero tariffs and zero quotas on all goods entering our Single Market of 450 million people, and covering also other areas such as transport and energy. This is set out in the Political Declaration.

2. We are ready to offer this highly ambitious trade deal but **the UK cannot expect high-quality access to the Single Market if it is not prepared to accept the guarantees the EU requires to ensure that competition remains open and fair.**

There must be **robust level playing field safeguards to avoid unfair competitive advantages in social, environmental, tax and state aid matters.**

This is not new. The UK government - and Parliament - agreed this with the EU's 27 Member States less than six months ago.

3. **Every trade deal we do around the world has a level playing field element to it, tailored to the specific circumstances of our partners:**

- This is the case for **Canada, Japan, Korea**, where our agreements foresee non-regression clauses and rules on subsidies and safeguards, amongst other provisions.
- It also the case for **Turkey, Ukraine** and the recent institutional framework agreement with **Switzerland**, which include comprehensive provisions on competition and state aid.

4. **Each agreement with a third country depends on a number of different factors, including distance, and the level and intensity of trade** we have with that particular country (see attached slide). All these factors matter and determine the content of the agreement.

- The UK will be the EU's third largest trading partner, with EU27 imports from the UK worth € 197bn for 2018. This represents almost 10 times more imports into the EU than Canada. At the same time, Canada is some 5000 km away.

- The combined imports from Canada, Japan, and South Korea into the EU for 2018 together (€ 125bn) are still considerably less than those of the UK alone (€ 197bn).
5. Therefore, **comparing the situation of the UK to other countries, such as Canada, simply does not work.**

In the specific case of the UK, the level and intensity of trade is determined as well by its past economic integration with the EU. We have been together with the UK for almost half a century. This economic interconnectedness and geographic proximity are such that it is in our mutual interest to agree on fair competition standards between us, as well as on their effective enforcement.

This will also be in the interest of British consumers and businesses, as the EU is by far the greatest export market for UK businesses and most UK imports are from the EU.

BACKGROUND

The European Council has been clear since its initial guidelines on Brexit (April 2017) that it would only be prepared to consider a future trade deal with the UK if accompanied by strong level playing field guarantees, beyond what the Union has required in its FTAs with partners such as Japan or Canada.

The European Council set this requirement based on the specific circumstances of the EU-UK relationship, characterised by geographic proximity and by the degree of interdependence and economic connectedness generated by more than 45 years of UK integration into the EU. These circumstances position the UK very differently from other trading partners, including in terms of the benefits the UK would be able to reap from the broad and ambitious economic partnership that we plan to negotiate. Distance matters in trade.

The principle of robust level playing field guarantees was already agreed by both Parties in the Political Declaration based on Article 50(2) of the Treaty on European Union (TEU). This is clearly outlined in paragraph 77 of the Political Declaration under the heading ‘Level playing field for open and fair competition’:

“Given the Union and the United Kingdom's geographic proximity and economic interdependence, the future relationship must ensure open and fair competition, encompassing robust commitments to ensure a level playing field. The precise nature of commitments should be commensurate with the scope and depth of the future relationship and the economic connectedness of the Parties. [...]”

In accordance with the Political Declaration - which provides the agreed baseline for the negotiations – the future economic partnership should prevent distortions of trade and unfair competitive advantages through commitments in the areas of State Aid and competition; social and employment standards; environment; climate change; and relevant tax matters.