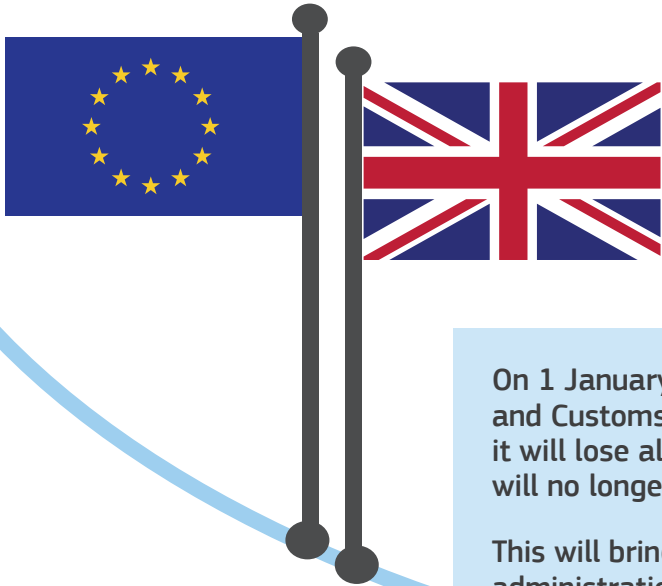




European
Commission

EU-UK Trade and Cooperation Agreement

A new relationship,
with big changes



On 1 January 2021, the United Kingdom will leave the EU Single Market and Customs Union, and all EU policies. This was its choice. As a result, it will lose all the rights and benefits it had as an EU Member State, and will no longer be covered by the EU's international agreements.

This will bring far-reaching changes, affecting citizens, businesses, public administrations and stakeholders in both the EU and the UK.

To limit the disruption insofar as possible, the EU and the United Kingdom have spent the past year negotiating the terms of a new "Trade and Cooperation Agreement" to govern their future relations now that the UK is a third country.

On 23 December 2020, an agreement in principle was reached at negotiators' level. Both parties will now advance with the signature and ratification of the draft Agreement, in line with their respective rules and procedures, with a view to its application as from 1 January 2021.

What changes on 1 January 2021?

Even with the new EU-UK Trade and Cooperation Agreement in place, there will be big changes on 1 January 2021. On that date, the UK will leave the EU Single Market and Customs Union, as well as all EU policies and international agreements. It will put an end to the free movement of persons, goods, services and capital with the EU.

The EU and the UK will form **two separate markets**; two distinct regulatory and legal spaces. This will recreate barriers to trade in goods and services and

to cross-border mobility and exchanges that have not existed for decades – in both directions, affecting public administrations, businesses, citizens and stakeholders on both sides.

To help them prepare for these **unavoidable changes**, the Commission issued extensive guidance in a "Readiness Communication" adopted on 9 July 2020 and accompanied by some 90 sectorial notices, available [here](#).

Examples of inevitable change on 1 January 2021:

- **The free movement of persons will end:** UK citizens will no longer have the freedom to work, study, start a business or live in the EU. They will need visas for long-term stays in the EU. Border checks will apply, passports will need to be stamped, and EU pet passports will no longer be valid for UK residents.
- **The free movement of goods will end:** Customs checks and controls will apply to all UK exports entering the EU. UK agri-food consignments will have to have health certificates and undergo sanitary and phytosanitary controls at Member States' border inspection posts. This will cost UK businesses time and money.
- **The free movement of services will end:** UK service providers will no longer benefit from the country-of-origin principle. They will have to comply with the – varying – rules of each Member State, or relocate to the EU if they want to continue operating as they do today. There will be no more mutual recognition of professional qualifications. UK financial services firms will lose their financial services passports.

The new EU-UK Trade and Cooperation Agreement: What has been agreed?

On 23 December 2020, EU and UK negotiators reached an “**agreement in principle**” on the text of a new “**Trade and Cooperation Agreement**” to govern their relations now that the UK has left the EU. Both parties must now advance with the signature and ratification of this draft agreement in line with their respective rules and procedures, with a view to its application as from 1 January 2021.

While **the new EU-UK Trade and Cooperation Agreement will by no means match the level of cooperation that existed while the UK was an EU member**, it goes well **beyond traditional free trade agreements** and provides a solid basis for preserving our longstanding friendship and cooperation going forward.

It consists of:

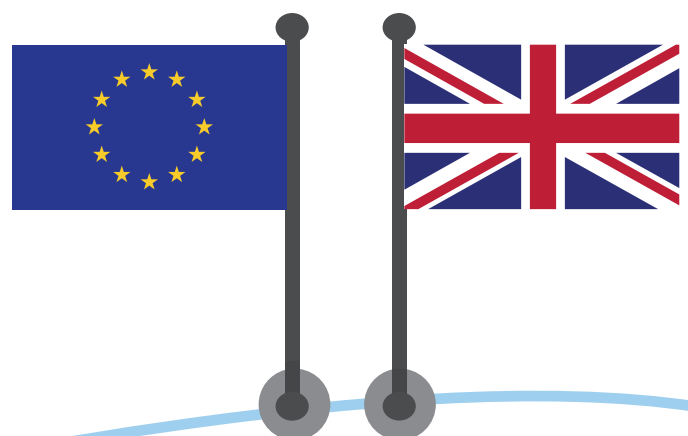
1. an unprecedented **free trade agreement**,
2. ambitious **cooperation on economic, social, environmental and fisheries issues**,
3. a close partnership for **citizens' security**,
4. an overarching **governance** framework.

The Agreement reflects the fact that the UK is leaving the EU's ecosystem of common rules, supervision and enforcement mechanisms, and can thus no longer enjoy the benefits of membership or the Single Market.

It confers **rights and obligations** on each party, while fully respecting their **regulatory and decision-making autonomy**.

At the UK's request, the Agreement does not cover cooperation on **foreign policy, external security and defence**, even though this was initially foreseen in the Political Declaration.

In addition, the Agreement does not cover any decisions relating to equivalences for financial services. Nor does it cover possible decisions pertaining to the adequacy of the UK's data protection regime, or the assessment of its sanitary and phytosanitary regime for the purpose of listing it as a third country allowed to export food products to the EU. These are and will remain **unilateral decisions of the EU** and are not subject to negotiation.



One deal, 4 major pillars of cooperation

New EU-UK Trade and Cooperation Agreement

Trade, economic, social, environmental & fisheries

Free, fair & sustainable trade

- ▶ Trade in goods, incl. customs & regulatory cooperation
- ▶ Services & investment
- ▶ Digital trade, intellectual property & public procurement
- ▶ Rules for fair competition and sustainability

Connectivity, sustainability & shared opportunities

- ▶ Transport
- ▶ Energy
- ▶ Fisheries & natural resources
- ▶ Social security coordination
- ▶ Union programmes
- ▶ Thematic cooperation

Citizens' security

- ▶ Law enforcement & judicial cooperation in criminal matters
- ▶ Protection of fundamental rights & personal data
- ▶ Data exchange
- ▶ Anti-money laundering

Potential EU unilateral measures

- Not subject to negotiation:
- ▶ Adequacy decision on data protection
 - ▶ UK third-country SPS listing
 - ▶ Equivalences in financial services

New EU-UK governance framework for a lasting cooperation

- ▶ Shared values & essential elements
 - ▶ Partnership Council
- ▶ Dispute settlement, enforcement & sanctions mechanisms
 - ▶ Periodic reviews



Free, fair and sustainable trade

The UK has chosen to leave the Single Market and Customs Union. Trade with the EU can therefore no longer be seamless. The EU-UK Agreement nevertheless

creates a free trade area of unprecedented ambition, which will provide significant benefits to both sides compared to trading under World Trade Organization terms.



The Agreement is at the cutting edge of modern and sustainable trade policy. It commits both parties to upholding **common high standards** ensuring the protection of labour and social standards, environmental protection, the fight against climate change, including carbon pricing, and tax transparency. It also contains detailed principles on **State aid** to prevent either side from granting unfair, trade-distorting subsidies.



These standards and principles are associated with **domestic enforcement and dispute settlement mechanisms** to ensure businesses from the EU and the UK compete on a **level playing field**. The parties have the right to take unilateral measures to safeguard their economies against unfair competition from the other party.



The EU-UK Agreement goes beyond recent EU free trade agreements with other third countries such as Canada or Japan, by providing for **zero tariffs and zero quotas** on all goods. This is especially important for sensitive goods such as agricultural and fishery products. For instance, without the agreement, exports of certain meat or dairy products would face tariffs above 40% under WTO rates, or 25% for canned fish – either way. Exports of cars, vans and trucks would also be hit by a tariff of 10% either way.



To benefit from these exceptional trade preferences, businesses must prove that their products fulfil all necessary **'rules of origin'** requirements. This ensures that the trade preferences granted under the Agreement benefit EU and UK operators rather than 3rd countries, preventing circumvention. To facilitate compliance and cut red tape, the Agreement allows traders to self-certify the origin of goods and provides for 'full cumulation' (meaning traders can account not only for the originating materials used, but also if processing took place in the UK or EU).



Customs procedures will be simplified under the Agreement, as both Parties have agreed, e.g. to recognise each other's programmes for trusted traders ("Authorised Economic Operators"). Nonetheless, as the UK has decided to leave the Customs Union, checks will apply to all goods traded. The Parties also agreed to cooperate on the recovery of customs duties, and in the fight against VAT and other indirect taxes fraud.



The Agreement will prevent unnecessary **technical barriers to trade**, e.g. by providing for self-declaration of regulatory compliance for low-risk products and facilitations for other specific products of mutual interest, such as automotive, wine, organics, pharmaceuticals and chemicals. However, all UK goods entering the EU will still have to meet the EU's high regulatory standards, including on food safety (e.g. sanitary and phytosanitary standards) and product safety.



On **trade in services**, the EU and the UK have agreed to a level of openness going beyond the provisions of the WTO General Agreement on Trade in Services (GATS), but reflecting the fact that the UK will no longer benefit from the freedom to supply services across the EU.



Arrangements have been made to facilitate **short-term business trips and temporary secondments of highly-skilled employees**. EU service suppliers wanting to offer services in the UK will not be treated any less favourably than UK operators in areas covered by the Agreement, so long as they comply with UK rules.



Similarly, UK service suppliers in the EU will have to comply with host-country rules in each Member State, and will no longer benefit from the country-of-origin principle, **mutual recognition** (e.g. of professional qualifications), or **passporting** rights for financial services. UK service suppliers and investors can also establish themselves in the EU in order to offer services across the Single Market.



As is standard practice, some sectors are excluded from the agreement on services: public services, services of general interest, some transport services, and **audiovisual** services to preserve cultural diversity.

Connectivity, fisheries, sustainability and shared opportunities

The EU-UK Agreement also provides for broad economic, social and environmental cooperation in areas of mutual interest. This cooperation in no way replicates the benefits

of EU membership, but serves to rebuild links that would otherwise be severed by the UK's departure due to a lack of alternative international fall-back solutions.



Transport is an essential driver of economic benefits in EU-UK relations. Some 210 million passengers and 230 million tonnes of cargo are carried between the EU and the UK each year. The EU-UK Agreement will ensure continued air, road and maritime connectivity, supporting these flows. Importantly, the Agreement includes provisions to ensure that competition between EU and UK operators takes place on a **level playing field**, ensuring high levels of transport safety, workers' and passenger rights, and environmental protection.



On **aviation**, UK airlines will no longer be considered as EU carriers and will lose existing traffic rights in the EU. EU and UK carriers will be able to perform unlimited carriage of passengers and cargo between points in the EU and points in the UK ('3rd & 4th freedoms'). Onward carriage ('5th freedom') will be possible for the carriage of cargo to/from a third country (e.g. Paris-London-New York), if Member States agree this bilaterally and reciprocally with the UK. The Agreement also ensures cooperation on safety, security and air traffic management.



On **road transport**, EU and UK hauliers will be able to carry cargo to and from any point of the other party's territory, provided they meet agreed high standards on safety and working conditions. They will also be able to perform two extra operations within the other party's territory (of which maximum 1 cabotage operation for UK hauliers), thus limiting the risk of having to travel back without a load. The Agreement also provides for full transit rights (e.g. the right for Irish hauliers to cross the UK to reach the rest of the EU).



Over the years, EU and UK **energy** markets have become deeply interlinked thanks to interconnectors (electricity cables and gas pipelines) built between them. Although the UK will no longer benefit from Single Market rights, the EU-UK Agreement will facilitate continued flows of energy – essential to the functioning of both economies – by putting in place new trading arrangements over interconnectors. It also establishes an ambitious framework for cooperation on renewable energy and tackling **climate change** (including a provision that would trigger the suspension of the agreement if either side breaches its commitment to the Paris Agreement on climate). A separate agreement also provides for wide-ranging cooperation on the safe and peaceful uses of **nuclear** energy.



The Agreement sets out new arrangements for the joint management of more than 100 shared **fish** stocks in EU and UK waters. Under the Agreement, EU fishing vessels will continue to have the current level of access to UK waters for a transition period of 5.5 years, with a gradual and balanced reduction of EU quotas in UK waters over time. From then on, the EU and the UK will hold annual consultations to agree on fishing opportunities with a view to sustainable management of fisheries and marine resources, while preserving the activities and livelihoods of fishing communities reliant on those waters and resources.



The Agreement provides for the UK's continued participation in **EU funding programmes** aimed at generating mutual benefits in the areas of research and innovation and space. The programmes are: Horizon Europe, the Euratom Research and Training programme, the fusion test facility ITER, Copernicus, as well as access to the EU's Satellite Surveillance & Tracking (SST) services.



The Agreement contains a number of **social security coordination** measures aimed at protecting the entitlements of EU citizens temporarily staying in, working in or moving to the UK and of UK nationals temporarily staying in, working in or moving to the EU after 1 January 2021. A wide range of benefits are covered, including old-age and survivors' pensions, healthcare (e.g. European Health Insurance Card) pre-retirement benefits, maternity/paternity benefits related to the birth of a child, or accidents at work.

A new framework for our citizens' security

Ensuring the safety and security of EU and UK citizens against common and evolving threats such as cross-border crime and terrorism remains a shared priority, even if the UK has chosen to leave the EU and be a third country outside of the Schengen cooperation zone, which effectively excludes it from the EU's area of freedom, security and justice.

Against this background, the EU and the UK have therefore agreed to establish a **new framework for law enforcement and judicial cooperation in criminal matters**, allowing for strong cooperation between national police and judicial authorities and the swift exchange of vital data.



Close and comprehensive police and judicial cooperation with any third country must be accompanied by solid and lasting guarantees for the **protection of human rights and fundamental freedoms of individuals**. The Agreement therefore commits the EU, its Member States and the UK to continue to protect and give domestic effect to fundamental rights, such as those set out in the European Convention on Human Rights (ECHR). In case of non-adherence by the UK, the EU will be able to suspend cooperation on law enforcement and judicial matters. The Agreement also includes a commitment by the EU and UK to uphold high levels of data protection standards. This will be ascertained by adequacy decisions taken unilaterally by each side.



Effective and swift **data sharing** and analysis are increasingly central to modern law enforcement in the fight against serious international crime, terrorism and cybercrime. However, the UK will no longer have direct, real-time access to sensitive EU databases that support the EU's area of freedom, security and justice – as this is provided only to Member States and very closely associated countries that accept all accompanying obligations. Nonetheless, the EU-UK Agreement includes ambitious arrangements for timely, effective, efficient and reciprocal exchanges of air passenger data (known as Passenger Name Records or PNR), criminal record information, as well as DNA, fingerprint and vehicle registration data ('Prüm data').



The EU-UK Agreement will enable effective cooperation between the United Kingdom and **Europol and Eurojust**, in line with the rules for third countries established in EU legislation. This will help ensure robust capabilities in tackling serious cross-border crime.



The EU-UK Agreement will enable strong cooperation of police and judicial authorities between the EU and the UK, for example supporting the swift **surrender of criminals**, avoiding lengthy extradition procedures thanks to streamlined processes, strict deadlines, robust safeguards, procedural rights and judicial control. This level of cooperation is unprecedented for a non-Schengen third country. Under the agreement, the UK or EU Member States can nevertheless refuse surrender or ask for additional safeguards in a number of specific cases, namely in respect of own nationals.



Finally, the EU-UK Agreement provides for cooperation on **combating money laundering and the financing of terrorism**.

A new EU-UK governance framework for a lasting cooperation

Underpinning the new EU-UK economic and internal security partnerships, the EU-UK Agreement contains a chapter on governance that provides clarity on how

the Agreement will be operated and enforced. It was conceived to be flexible and adaptable to specific needs that may arise in different areas.



In view of the scope and complexity of the EU-UK Trade and Cooperation Agreement, the EU insisted on a **single governance framework for the overall Agreement**. This is the only way to give legal certainty to businesses, consumers and citizens, while avoiding the additional bureaucracy of multiple parallel structures.



A **Partnership Council** will oversee the implementation of the Agreement. Comprised of representatives of the EU and the UK, the Partnership Council will meet in different configurations depending on the matter at hand. It will be the forum in which the parties will discuss any issues that might arise, with the power to take binding decisions by mutual consent. It will be assisted in its work by Specialised Committees and Working Groups.



If a solution to a disagreement cannot be found between the EU and the UK, an independent arbitration tribunal can be established to settle the matter through a binding ruling. This horizontal **dispute settlement mechanism** covers most areas of the Agreement, including level playing field and fisheries.



It is accompanied by credible and robust **enforcement and safeguard mechanisms**, including the possibility to suspend market access commitments, e.g. by reintroducing tariffs and/or quotas in the affected sector. Both parties will furthermore be able to cross-retaliate if the other does not comply with a ruling of an independent arbitration tribunal. For instance, a breach by one party that concerns a specific economic sector will allow the other party to retaliate with measures in other economic sectors. Finally, any substantial breach of obligations enshrined as “essential elements” of the Agreement (the fight against climate change, respect for democratic values and fundamental rights, or non-proliferation) can trigger the suspension or termination of all or part of the entire EU-UK Agreement.

Background

On **23 June 2016**, the United Kingdom held a **referendum** in which a majority voted to leave the European Union (51.9% to leave and 48.1% to remain). After three years of negotiations, the EU and the UK agreed on a **Withdrawal Agreement** setting out the terms for the UK's orderly departure from the Union and providing legal certainty in important areas, including: the protection of citizens' rights, the avoidance of a hard border on the island of Ireland and a financial settlement.

The Withdrawal Agreement entered into force on **1 February 2020** and **the United Kingdom ceased to be a member of the EU**. Nevertheless, the Withdrawal Agreement provided for a **transition period** lasting until 31 December 2020, during which Union law continues to apply to and in the UK. The EU and the UK used this period of *status quo* to negotiate a partnership for the future.



On the EU side, the negotiations were led by the European Commission's **Chief Negotiator Michel Barnier** and the Task Force for Relations with the United Kingdom (UKTF), based on a **negotiating mandate** set by the Council, with the support of the European Parliament.

Throughout the negotiations, the European Commission ensured a highly **transparent and inclusive process**, holding regular meetings with the 27 EU **Member States**, with the **European and national parliaments**, as well as with EU consultative bodies, **stakeholders** and civil society, and publishing all documents relevant to the negotiations on its website.