

STATEMENT FROM HM GOVERNMENT

Chequers | 6 July 2018

The United Kingdom will leave the European Union on 29 March 2019, and begin to chart a new course in the world. After a time-limited implementation period that will conclude at the end of 2020, the UK and the EU will enter into a new relationship – one that must work for both sides, underpinning shared prosperity and security. Today, the Cabinet met at Chequers to discuss and collectively agree the UK’s vision for this relationship. The conclusions we reached covered:

- I. a substantial evolution in our proposals for the UK’s future relationship with the EU;
- II. agreement on the benefits of the model that should result from this position; and
- III. the need to step up preparedness for the full range of scenarios that might result from the negotiations.

I. POSITION ON THE FUTURE RELATIONSHIP

2. We reflected on the position on the future relationship that the Government had put forward in the spring. We concluded that the Government’s vision for a future relationship built around an economic partnership and a security partnership remained fundamentally sound, but that the position needed to evolve in order to provide a precise, responsible and credible basis for progressing negotiations, achieving the best outcome in the UK national interest and for our future prosperity and security, and which works for both the UK and the EU.

3. We therefore agreed to a more developed and comprehensive proposal for the economic partnership. At the core of this proposal is the establishment by the UK and the EU of a **free trade area for goods**. This would avoid friction at the border, protect jobs and livelihoods, and ensure both sides meet their commitments to Northern Ireland and Ireland through the overall future relationship.

4. The Government will publish a White Paper setting out this proposal in detail next week, but in summary we agreed its four main elements.

- a. The UK and the EU would maintain a **common rulebook for all goods including agri-food**, with the UK making an upfront choice to commit by treaty to ongoing harmonisation with EU rules on goods, covering only those necessary to provide for frictionless trade at the border. These rules are relatively stable, and supported by a large share of our manufacturing businesses. The UK would of course continue to play a strong role in shaping the international standards that underpin them, and Parliament would have oversight of the incorporation of these rules into the UK’s legal order – with the ability to choose not to do so, recognising that this would have consequences. We would strike different arrangements for services, where it is in our interests to have regulatory flexibility, recognising the UK and the EU will not have current levels of access to each other’s markets.
- b. The UK and the EU would ensure a fair trading environment by incorporating strong **reciprocal commitments related to open and fair trade** into the legal agreements that define the future relationship. The UK would commit to apply a common rulebook on state aid, and establish cooperative arrangements between regulators on competition. In keeping with our commitments to uphold international standards, the UK and the EU would also agree to

maintain high regulatory standards for the environment, climate change, social and employment, and consumer protection – meaning we would not let standards fall below their current levels.

- c. The UK and the EU would establish a joint institutional framework to provide for the **consistent interpretation and application of UK-EU agreements** by both parties. This would be done in the UK by UK courts, and in the EU by EU courts – with due regard paid to EU case law in areas where the UK continued to apply a common rulebook. This framework would also include robust and appropriate means for the resolution of disputes, including through a Joint Committee and in many areas through binding independent arbitration – accommodating through a joint reference procedure the role of the Court of Justice of the European Union (CJEU) as the interpreter of EU rules, but founded on the principle that the court of one party cannot resolve disputes between the two.
- d. The UK and the EU would work together on the phased introduction of a new **Facilitated Customs Arrangement** that would remove the need for customs checks and controls between the UK and the EU as if a combined customs territory. The UK would apply the UK's tariffs and trade policy for goods intended for the UK, and the EU's tariffs and trade policy for goods intended for the EU - becoming operational in stages as both sides complete the necessary preparations. This would enable the UK to control its own tariffs for trade with the rest of the world and ensure businesses paid the right or no tariff - in the vast majority of cases upfront, and otherwise through a repayment mechanism.

5. We agreed that this proposal strikes a new and fair balance – both of rights and obligations, and of continuity and change. Taken together, we noted that such a relationship would see the UK and the EU meet their commitments to Northern Ireland and Ireland through the overall future relationship: preserving the constitutional and economic integrity of the UK; honouring the letter and the spirit of the Belfast Agreement; and ensuring that the operational legal text the UK will nonetheless agree on the 'backstop' solution as part of the Withdrawal Agreement would not need to be brought into effect. In this context, we also noted that this proposal should allow both parties to resolve the remaining Withdrawal Agreement issues, including the 'backstop'.

II. BENEFITS OF THE MODEL

6. We concluded that the position described above, coupled with the UK's wider vision for the future relationship which will be set out in detail in the White Paper, was a precise and responsible approach to the final stage of the negotiations. We agreed that it would have distinct benefits for both the UK and the EU, and that it would enable both sides to have trust and confidence in each other's commitments – allowing for the creation of an ambitious relationship that nonetheless respected the UK's sovereignty and the EU's autonomy. In summary, the position we reached today would:

- a. ensure that the UK and the EU have frictionless access to each other's markets for goods, including agricultural, food and fisheries products, protecting the uniquely integrated supply chains and just-in-time processes that have developed across the UK and the EU over the last 40 years, and the jobs and livelihoods dependent on them;
- b. provide regulatory flexibility where it matters most for the UK's services-based economy, and where the potential trading opportunities outside of the EU are the largest, recognising that the UK and the EU will not have current levels of access to each other's markets – with

arrangements on financial services that preserve the mutual benefits of integrated markets and protect financial stability, noting that these could not replicate the EU's passporting regimes;

- c. enable the Government's commitments to Northern Ireland to be met through the future relationship, avoiding the need for a border between Northern Ireland and Ireland, or within the UK;
- d. mean that the UK will leave the Common Agricultural Policy and Common Fisheries Policy – taking back control of UK waters as an independent coastal state and designing a domestic agricultural policy that works in the best interests of the UK;
- e. deliver an independent trade policy – the UK would have its own seat at the WTO, be able to set tariffs for our trade with the rest of the world, and have the ability to secure trade deals with other countries – including potentially seeking accession to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership;
- f. ensure that in the future all laws in the UK would be legislated for by Parliament and the Devolved Administrations and subject to proper oversight and scrutiny, recognising that where the UK had chosen to apply a common rulebook Parliament would still have a lock on incorporating rules into the UK legal order, but choosing not to pass the relevant legislation would lead to consequences for market access, security cooperation or the frictionless border;
- g. restore the supremacy of UK courts, ending the jurisdiction of the CJEU in the UK, with no more preliminary references from UK courts, but committing that UK courts would pay due regard to the CJEU's jurisprudence where the UK had chosen to apply a common rulebook to ensure consistent interpretation;
- h. end free movement, giving the UK back control over how many people enter the country;
- i. include a mobility framework so that UK and EU citizens can continue to travel to each other's territories, and apply for study and work – similar to what the UK may offer other close trading partners in the future;
- j. end vast annual payments to the EU budget, with appropriate contributions for joint action in specific areas, such as science and innovation, releasing funds for domestic priorities – in particular our long-term plan for the NHS; and
- k. maintain operational capabilities on internal security, and ensure that the UK has an independent foreign policy, with suitable arrangements to work with the EU as required.

III. PREPAREDNESS

7. It remains our firm view that it is in the best interests of both sides to reach agreement on a good and sustainable future relationship. But we also concluded that it was responsible to continue preparations for a range of potential outcomes, including the possibility of 'no deal'. Given the short period remaining before the necessary conclusion of negotiations this autumn, we agreed preparations should be stepped up.

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