

UK Continuity Agreements

Current situation

In addition to the UK's negotiations to establish a new trading relationship with the EU and negotiate new Free Trade Agreements (FTAs) with the USA, Australia and New Zealand, the UK is also seeking to preserve preferential trading terms with those countries and regional blocs that the EU had negotiated agreements with while the UK was an EU Member State. These agreements are referred to as 'continuity' or 'roll over' agreements.

The UK Government's stated aim is to "to ensure the continuity of the trading conditions UK companies currently benefit from as a result of existing EU trade agreements post-Brexit." To date, twenty-one of the thirty-nine continuity agreements have been concluded.

These EU agreements are important to the UK – they are estimated to cover £117bn of UK exports every year. They range from full comprehensive Free Trade Agreements (e.g. Canada or Japan) to agreements covering much more specific arrangements (e.g. the UK-Australia Wine Agreement, which covers labelling requirements and recognition of winemaking techniques) and Mutual Recognition Agreements (which cover conformity assessments conducted on products to ensure that they meet the necessary safety standards).

Once the transition period ends on 31 December 2020, those countries which have been treating the UK as though it were an EU Member State will cease to do so and unless there is a continuity agreement with that country agreed, then the terms of trade will revert to the World Trade Organization-level.

Several countries, like Turkey, due to their Customs Union with the European Union will only be able to agree an agreement with the UK if the UK and EU are able to conclude their own FTA talks before December 2020. This situation applies too for Andorra and San Marino.

Spotlight on key negotiations

Canada: Negotiations picked up over the summer. DIT assess that negotiations are currently heading into the endgame. Biggest issues where changes will come include:

- Tariff-rate quotas – split still being negotiated.
- Rules of Origin – similar situation to UK-Switzerland agreement, include a review period.
- Multilateral Investment Court – provision will be kept under review pending entry into force.

Turkey: Negotiations are ongoing based on the assumption of a UK-EU trade deal. The text of the agreement has been nearly finalised and an assumption of zero tariffs. The UK-Turkey agreement would integrate the separate EU agreements on coal, steel and agriculture into one agreement. Rules of Origin will have to be left until after as dependent on the EU agreement. The agreement will only cover goods trade, plan for UK and Turkey to launch further negotiations in 2021 on including services and investment.

Norway and Iceland (EEA): Looking to conclude a new FTA to replace the stop-gap FTA that was negotiated as part of UK's no deal preparations. We have passed the point where a new FTA can be ratified in time for 1 January 2021 so there will be a gap in coverage for services and investment trade. Currently exploring bridging mechanisms. Norway and Iceland have signified that they are willing to go beyond their current EFTA practice on services and investment. The UK has signalled that it used its EU offer as the starting point for its offer. Nevertheless, this will signify a drop in services and investment access when compared to the EEA single market access.

Mexico: The FTA will not be rolled over this year. DIT in ongoing discussions with Mexican counterparts to address no deal situations such as goods in transit. Starting to look to longer-term discussions regarding Mexico and CPTPP.

Developing countries

One area where there is a welcome degree of certainty is around tariffs for imports from developing countries. The UK government has committed to continuing the EU's preferential tariffs schemes for products coming in under the Generalised System of Preferences and the EU's 'Everything But Arms' Initiative. This was set out in the Cross-Border Trade Act 2018 which was the framework legislation which allowing the UK to set out a separate VAT and customs duty regime after Brexit. We expect additional secondary legislation to be tabled in due course to set out further details of the schemes.

Ratification of the new agreements

There are also a number of agreements that while they have been signed and passed the necessary ratification on the UK side, there are concerns that they will not be ratified in time for 1 January 2021 by the partner countries. This includes SACU and some MENA agreements. DIT is currently looking at the scope of provisional application and bridging mechanisms.

Immediate concerns for business

- Business should assess whether any of their international trading operations will be impacted if one or more of the agreements which have yet to be agreed should not be by 31 December 2020.
- Businesses should also look to see whether they rely on the preferential market access for trade in services as well as whether they benefit from protection from discrimination in public procurement opportunities as there are also key concerns which could be impacted as a result of these agreements lapsing.

UK Continuity Agreements with non-EU countries	Status
Andean (Colombia, Ecuador and Peru)	Signed
CARIFORUM (Antigua and Barbuda, Barbados, Belize, Bahamas, Dominica, Dominican Republic, Grenada, Guyana, Jamaica, St Christopher and Nevis, St Lucia, St Vincent and the Grenadines, and Trinidad and Tobago) ¹	Signed
Central America (Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, and Panama)	Signed
Chile	Signed
Cote d'Ivoire	Signed
Eastern and Southern Africa (Madagascar, Mauritius, Seychelles, Zimbabwe)	Signed
Faroe Islands	Signed
Georgia	Signed
Iceland and Norway ²	Signed
Israel	Signed
Japan	Signed
Jordan	Signed
Kenya (option for other EAC Members to join in the future)	Agreed in principle
Kosovo	Signed
Lebanon	Signed
Liechtenstein ²	Signed

Morocco	Signed
Pacific states (Fiji and Papua New Guinea)	Signed
Palestinian Authority	Signed
South Korea	Signed
Southern Africa Customs Union and Mozambique (Botswana, Eswatini, Lesotho, Namibia, South Africa and Mozambique)	Signed
Switzerland ²	Signed
Tunisia	Signed
Ukraine	Signed
Albania	Ongoing
Algeria	Ongoing
Bosnia and Herzegovina	Ongoing
Cameroon	Ongoing
Canada	Ongoing
East African Community (minus Kenya)	Ongoing
Egypt	Ongoing
Ghana	Ongoing
Mexico	Ongoing
Moldova	Ongoing
Montenegro	Ongoing
North Macedonia	Ongoing
Serbia	Ongoing
Singapore	Ongoing
Turkey ³	Ongoing
Vietnam	Ongoing

¹ Suriname has only agreed in principle.

² This was an agreement which was designed to come into force in the event of a no deal. If the UK achieves a deal with the EU, these agreements will have to be renegotiated.

³ An agreement with Turkey is only possible if the UK agrees an FTA with the EU.