

Brexit Tracker

March 2018

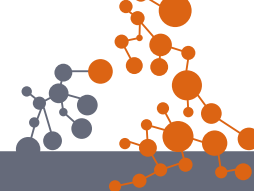
Brexit talks are progressing, although the overall trajectory of negotiations is a matter of deep concern. We now have a transition deal and while several key issues relating to exit terms have yet to be agreed, nothing is likely to change for business over the coming 11 quarters.







EU-UK talks will now begin on what the future relationship will look like. However, the sides are far apart. The UK wants to stay closely aligned with the EU in many areas. However, the EU has said repeatedly it will not facilitate a deal that involves the UK “cherry-picking” elements of the Single Market and not others.

In many areas there is limited scope for easy compromises. These differences reduce the potential scope of any deal and increase the likelihood of political discord between the EU and UK, and within the UK. The type of free trade agreement (FTA) that is currently most likely would amount to a significant deterioration of the current economic relationship. By October we should have a high-level approach agreed, but the details will take much more time.

The EU is insisting agreement is first reached on a legally enforceable ‘backstop’ that will guarantee Northern Ireland remains aligned with the EU in a range of areas to avoid a hard border. While the UK wants the problem resolved through the wider terms of a EU-UK deal, it has committed to agreeing the legal ‘backstop’. There are many issues that could derail talks, the border with Northern Ireland is top of the list.

Area	Issue	Update	
The financial settlement	The UK is expected to settle outstanding financial commitments it has made to the EU on departure.	Brexit bill settled: The terms of the UK financial settlement have now been agreed. The UK will also contribute to, and participate in, the EU's budgetary process until the end of the agreed transition period in December 2020. This coincides with the end of the current EU budgetary cycle.	●
Citizens' rights	The legal rights of EU citizens in the UK and UK citizens in the EU post-Brexit need to be agreed.	Rights protected, even during transition: An agreement has been reached that ensures EU citizens in the UK, and UK citizens living in the EU, will retain their rights to live, work and study after Brexit, along with associated benefits. The rights of EU citizens to live, work and settle indefinitely in the UK will also continue during the agreed transition period. UK citizens moving to an EU member state during transition will enjoy similar rights.	●
Common Travel Area	Irish citizens enjoy more rights in the UK than other EU workers. Will these current rights be protected post-Brexit?	Major plus for business and workers: The EU and UK have agreed that the Irish-UK Common Travel Area will continue post-Brexit. Irish citizens will continue to enjoy all the rights and benefits they currently enjoy in the UK into the future, and vice versa. In contrast, the rights of other EU citizens in the UK are likely to be curtailed post-Brexit, unless they arrive before the UK departure. It will make it easy for Irish companies to transfer Irish staff to UK operations and for Irish and UK workers to move back and forth as they wish. The agreement does not impact the free movement of EU workers into Ireland.	●



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Transition period	Business will need a transition period to prepare and adjust to a new EU-UK relationship.	Breathing room for business: A transition period up to December 2020 has been agreed at a political level. This will guarantee businesses at least 11 more quarters of full EU-UK alignment. It reduces the risk of a 'no deal' outcome and provides negotiators with more time to reach a final deal that keeps future divergence to an absolute minimum. The UK was desperate to get this element across the line, and eventually agreed that free movement and the right of settlement would continue throughout the period. The deal is very welcome, but business planning is tricky if not impossible without clarity on a final deal. Ultimately, more transition flexibility and longer timelines may be required. We'll also have to wait until probably October before the transition period is finalised in a legally binding document. <i>(See also Citizens' rights section).</i>	
The Irish border and the all island economy	All accept that managing the relationship between Ireland and Northern Ireland warrants unique solutions to avoid the need for a physical border. But what are they?	No clarity, but we have a backstop: The UK has made a range of commitments to avoid a hard border on the island of Ireland and to protect the all island economy. If the matter can't be sorted in the context of a new EU-UK trade deal, the UK has committed to identifying specific additional solutions. If these can't be agreed, the UK will maintain "regulatory alignment" with the EU Single Market and Customs Union in those areas needed to avoid a hard border. This 'backstop option' will be put into a binding legal commitment in the formal withdrawal agreement, likely October 2018, although the EU is demanding progress by June. The exact nature of the backstop is a matter for negotiation. We'll have to wait until trade negotiations begin to see if there is any scope for solving the border issue through the terms of the wider EU-UK deal.	
Regulatory divergence	Regulatory divergence could become a significant barrier to EU-UK trade post-Brexit.	Big decisions for the UK: The UK will put EU regulations into domestic law when the UK leaves, so any divergence is likely to be incremental. But big political choices will need to be made. The UK Government has proposed maintaining close alignment across a wide range of policy areas post-Brexit. However, the EU will not allow the UK to simply pick off the elements of the Single Market that suit and ignore other parts. The UK is likely to have to opt for a wide ranging, comprehensive alignment, with the attached obligations, or a much more limited deal. Economic logic points towards close future regulatory alignment, but politics could easily get in the way.	
Transit	To reach EU markets and beyond, many Irish goods go through the UK. Any new barriers would increase costs and add time.	Problem identified: The EU and UK have agreed to continue the distinct strand of the talks relating to Ireland into phase two. Within this strand, transit of goods to and from Ireland via the UK, will be given specific attention. This will need workable solutions in order to minimise disruption.	
Energy	UK withdrawal from the EU's Internal Energy Market (IEM) would leave Ireland physically disconnected from the wider IEM and undermine the functioning of Ireland's Single Electricity Market (SEM).	Grounds for optimism: Negotiations have not yet begun. However, the UK has expressed the importance of the continued facilitation of the SEM and the need to prioritise discussions on North-South cooperation including energy. UK commitments to protecting the all island economy hopefully point to limited future disruption.	
Tariffs and customs	Will Brexit lead to new tariff and customs barriers?	No one wants tariffs: Talks have yet to begin, but both sides have indicated that they want a deal that involves no tariff barriers. The UK plan to leave the EU Customs Union and strike new trade deals, however, means that, even without tariffs, checks at borders will be necessary to monitor where goods have been produced (ie. rules of origin) and to monitor regulatory compliance (eg. food and safety standards of produce).	

● No progress ● Limited progress ● Good progress

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