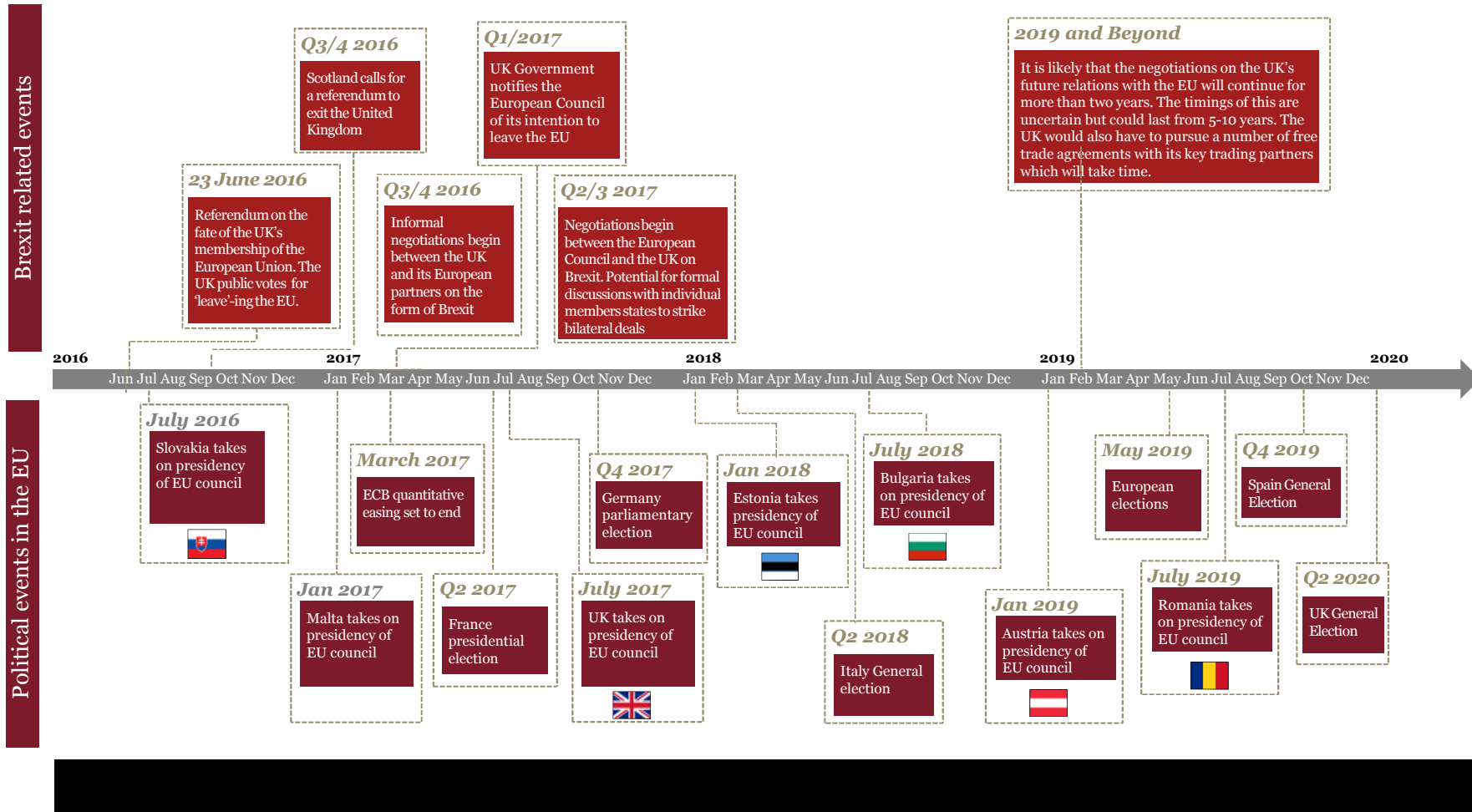




Timetable and four scenarios for the UK leaving the European Union

24 June 2016

Leaving the European Union will be a process not an act. Our analysis suggests a long period of adjustment.



We have identified four possible scenarios following the vote to Leave the EU Referendum

Multiple scenarios could unfold depending on how the UK parliament and the EU react to the result of the Referendum and subsequent negotiations. We have identified four base-case scenarios that capture the different degrees of integration that the UK may have with the EU in the future. The scenarios could take different specific forms, but those considered in most of the existing evidence have broadly coalesced around one of the following scenarios.

		<i>“Leave” scenarios</i>			
		<i>Free trade agreement (FTA)</i>	<i>EEA member (Norwegian option)</i>	<i>Bilateral agreement (Swiss option)</i>	<i>No access agreement (WTO/MFN)</i>
Potential implications	Situation	UK negotiates a Free Trade Agreement (FTA) with the EU	The UK remains part of the EEA and keeps the four freedoms of labour, capital, goods and services	The UK enters into a bilateral integration treaty with the EU	The UK does not establish any new trade agreements with the EU
	Potential implications	Tariff-free trade between the UK and the EU in goods (but not services). UK grandfathers all existing FTAs between the EU and third-party countries	UK will need to make a substantial contribution to the EU budget and comply with EU social, employment and product regulation	UK would have access to some areas of the Single Market, at the cost of adopting the relevant EU regulations	Only WTO terms are still applied – UK goods and services would be treated in the same way as American ones in the EU

Exiting the EU could lead to greater autonomy in external trade policy, but also a loss of influence over shaping future EU regulations

	<i>UK-EU Free trade agreement (FTA)</i>	<i>EEA member (Norwegian option)</i>	<i>Bilateral agreement (Swiss option)</i>	<i>No access agreement (WTO / MFN)</i>
Degree of disruption to economy	Medium	Low	Medium	High
Access to single market	Medium - UK would retain free trade in goods with the EU, but non-tariff barriers such as divergence in standards and regulations could emerge	High – EEA countries have access to the Single Market	Medium – the Swiss agreements cover trade in goods but not in services.	Low
Influence over EU regulations	No	Some – no voting rights but limited formal engagement. Some autonomy in other areas.	No	No
Application of EU regulations and directives	The UK would have to comply with EU regulations around the goods covered by the FTA	Yes, including social and labour law (Working Time Directive)	Technically no, but required in practice if domiciling in other territories (e.g. Swiss banks operating out of UK)	Technically no, but limited discretion in reality if third country equivalence is required
Contribution to EU budget	No	Yes, but smaller	Yes, but smaller	No
Independent immigration policy	Yes	No – all four freedoms retained	Some autonomy, but Switzerland cannot restrict EU immigration	Yes
Independent trade policy	Yes – UK may negotiate free trade agreements (FTA) with other countries	Yes – UK may negotiate free trade agreements (FTA) with other countries	Yes – UK may negotiate FTAs with other countries	Yes – UK may negotiate FTAs with other countries in FS and other services

Key

Impact



Negative



Neutral



Positive



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