RELATIONSHIP OPTIONS

The Norway Model

It is likely that alternative relationships with the EU will be discussed by Boris Johnson as part of any negotiated deal on Brexit.

Norway is not a member of the EU but is in the European Economic Area (EEA), which unites the EU member states with Iceland, Liechtenstein and Luxembourg in an Internal Market. To join the EEA, you have to join the European Free Trade Association, which consists of the three countries mentioned above plus Switzerland. Switzerland is not a member of the EEA, relying instead on a detailed set of agreements with the EU for its own relations with the bloc.

As an EEA member, Norway gains full access to the EU single market with very limited trade barriers. This means that it has to accept the four freedoms of the single market (free movement of goods, services, capital and people) and makes contributions to the EU budget. Significantly, it means that there are no caps on the immigration of citizens of other EU and EEA countries. In addition, Norway is bound by most EU rules and laws, but has no say in the making of those rules and laws because it is not represented in any of the European institutions or bodies. Norway is not part of the Common Agricultural Policy or Common Fisheries Policy, which means it can make its own policies in these areas, both of which are very significant for the country.

Despite being part of the single market through its EEA membership, Norway is not in the customs union. This means that its trade with the EU is a little more complicated than that between full EU member states, but it is free to make individual trade deals with other countries. A deal like Norway's would not however solve the issue of the open Irish border, hence the need for a new customs union, or something like it, often referred to as Norway plus (Common Market 2.0).

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A Norway deal would transgress a number of Theresa May's original red lines (leaving the single market for example) but Boris Johnson may not adhere to these. There are also practical and logistical issues, as well as the politically delicate question of whether EEA membership would be an option, particularly if it were seen as being simply a mechanism which would enable the UK to pause on its journey out of the EU.

Common Market 2.0

Often referred to as Norway plus, Common Market 2.0 was proposed by a cross-party group of MPs. It may not be an option for Boris Johnson as it is predicated on acceptance of the Theresa May's Withdrawal Agreement (which will not be presented to parliament again). It attempts to create some of the benefits of a customs union and the single market and includes a commitment to join the European Free Trade Association (EFTA).

As EFTA members, the four freedoms of the single market would have to be accepted, although some of those supporting Common Market 2.0 have suggested that EFTA rules could allow freedom of movement to be restricted in exceptional circumstances. This seems most unlikely, as it would set a potentially dangerous precedent for the EU, which has always been steadfast in its determination to remain committed to the integrity and indivisibility of the four freedoms of the single market.

Although the UK would be outside the European Parliament, Commission and Council, and outside the Common Agricultural Policy and Common Fisheries Policy, budgetary contributions would continue.

One of the biggest stumbling blocks to the proposal is the nature of the customs union. EFTA members are not members of the EU customs union, but in order to keep the Irish border open, proponents of this proposal recommend a customs arrangement, which effectively mirrors the EU's customs union, potentially conflicting with EFTA rules.

As to the vexed issue of the jurisdiction of the European Court of Justice, any decisions made in relation to the single market would still be relevant to the UK, but any matters of European law arising in the UK would be dealt with by the EFTA court, composed of a judge from each member country.

A Canada-style free trade deal

The EU, which has negotiated 35 trade agreements on behalf of its member states, says that its deal with Canada is: 'the most ambitious trade agreement that the EU has ever concluded.' The agreement, known as CETA (the Comprehensive Economic and Trade Agreement) provisionally came into force in September 2017, but still needs to be ratified by all EU countries.

The agreement gives Canada virtually tariff-free trade in goods with the EU: all tariffs will be gone within seven years. However, regulatory barriers remain as there is no requirement for Canada to follow single market rules. Movement of services is also much more limited.

Governance of the agreement is via a joint committee of Canadian and EU representatives, specialist sub-committees and a specialist body, which allows regulators to share information with disputes being dealt with as they arise by arbitrators.

Could something like the Canada deal work for the UK post-Brexit?

The most obvious difference in the relationship with the EU between the UK and Canada is the value of its trade. Trade between Canada and the EU is worth around £50 billion, approximately 10% of Canada's external trading. However, the EU is the UK's biggest trading partner, constituting about 43% of UK external trade with the total trade between the UK and EU amounting to over £300 billion. This gap between figures would be central to the detail of any arrangement based on a concept of this kind.