Some of the main provisions of the draft EU-UK proposed Brexit deal

Our reporter
16 November 2018

The 585-page European Union-United Kingdom draft agreement contains these provisions:

The UK will pay the EU £39 billion to cover all its financial obligations in a “divorce” bill.

Following the exit date of March 29, 2019, there will be a 21-month transition period, for government and businesses, under which the UK will remain under the jurisdiction of EU rules and the European Court of Justice.

The agreement states that the EU and UK will seek to ensure that a long-term trade deal can be finalised by the end of 2020. However, this period may be extended, with the UK having to continue paying into the EU during the transition period required. As it stands this transition is indefinite with the agreement referring to possibly “extending the transition period up to [31 December 20XX].”

There is a legal guarantee to ensure the Irish border remains open after Brexit, with the UK remaining in a customs union with the EU until a broader EU-UK trade deal can be finalised. If no long-term trade deal can be agreed, with no extension of the transition period, a “backstop” would be triggered. This would keep the UK in a single customs territory to ensure that after Brexit there is no hard border re-established (with physical infrastructure and checks) between Northern Ireland, which is part of the UK and would not be an EU member, and the Republic of Ireland, which remains an EU member.

The backstop can only cease to apply if “the [European] Union and the United Kingdom decide jointly” that it is no longer necessary, meaning the UK will not have a unilateral right to bring the backstop to an end.

The temporary customs union allows the UK no competitive advantage, as it “includes the corresponding level playing field commitments and appropriate enforcement mechanisms to ensure fair competition between the EU27 and the UK.”

The powerful City of London finance sector loses the current access they have to the EU’s single market, and instead will use an “equivalence” system allowing only basic access, with an agreed review process to be set.

Rather than banks and insurers located in the UK having unfettered access to customers across the EU bloc in all financial activities, equivalence only covers a limited range of business. It excludes major activities such as commercial bank lending. Under current equivalence rules, access is not fixed and can be cut off by the EU within 30 days in some cases.

This is a blow to London’s huge financial sector, the location of the world’s largest number of banks. London manages around about six trillion euros (£5.2 trillion) or 37 percent of Europe’s financial assets—almost twice the amount of Paris. The draft agreement also threatens London’s domination of Europe’s investment banking industry.