



House of Commons  
Exiting the European Union  
Committee

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**The process for exiting  
the European Union  
and the Government's  
negotiating objectives:  
Government Response  
to the Committee's First  
Report**

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**First Special Report of Session  
2016–17**

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## Exiting the European Union Committee

The Exiting the European Union Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Department for Exiting the European Union and related matters falling within the responsibilities of associated public bodies.

### Current membership

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[Alistair Burt MP](#) (*Conservative, North East Bedfordshire*)

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### Powers

The Committee is one of the departmental select committees, the powers of which are set out in House of Commons Standing Orders, principally in SO No 152. These are available on the internet via [www.parliament.uk](http://www.parliament.uk).

### Publication

Committee reports are published on the Committee's website at [www.parliament.uk/execom](http://www.parliament.uk/execom) and in print by Order of the House.

Evidence relating to this report is published on the [inquiry publications page](#) of the Committee's website.

### **Committee staff**

The current staff of the Committee are James Rhys (Committee Clerk), Claire Cozens (Second Clerk), Shakera Ali (Inquiry Manager), Dr Ariella Huff (Senior Committee Specialist), Duma Langton (Committee Specialist), Judy Goodall (Committee Specialist), Hannah Finer (Senior Committee Assistant), Jamie Mordue (Senior Committee Assistant), Henry Ayi-Hyde (Committee Assistant), and Nick Davies (Media Officer).

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## First Special Report

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The Committee on Exiting the European Union published its First Report of Session 2016–17, *The process for exiting the European Union and the Government's negotiating objectives* (HC 815), on 14 January 2017. On 14 March 2017, the Committee received the Government response to the Report. It is appended below.

## Appendix: Government response

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1. This document sets out the Government's response to the first report of the Exiting the EU Select Committee. The Government welcomes the establishment of the new Select Committee and looks forward to a productive exchange of views during the lifespan of the Department for Exiting the EU. This will be a central element of parliamentary scrutiny of the process of EU exit, and will undoubtedly play a key role in ensuring that parliamentary opinion receives its due weight in the forthcoming negotiations governing the UK's withdrawal from the EU and the new relationship we seek to obtain.
2. Since the committee's inquiry and the publication of its report, significant progress has been made on preparations for the UK's withdrawal from the EU.
3. This substantial progress includes meeting many of the recommendations in the Committee's report. Most notably, the Government has published its negotiating plan, as the Committee recommended, in the form of a White Paper. The Government has also brought forward the EU (Notification of Withdrawal) Bill.
4. Of course, there are many other aspects of preparing for negotiations which cannot be set out in a public document, or that remain work in progress and where we are not yet able to provide an update publicly. The Government has, however, been progressing its internal analysis continually ahead of the commencement of negotiations. As such, the Government remains on track to meet its commitment to invoke Article 50 by the end of this month.
5. The Committee's report makes 24 recommendations. Set out below are the Committee's recommendations, grouped according to the chapters of the report, and the Government's response to each.

### What the Government Needs to do Before Triggering Article 50

#### *Capacity and Decision-making processes within government*

**Recommendation 1:** The work required to “deliver Brexit” will be the highest priority across the civil service for some years and it must be properly resourced and structured by Ministers.

**Recommendation 2:** We note that evidence has emerged of the strain that preparation for exiting the EU is placing on Government, not just on DExEU but on other departments with responsibilities in “delivering Brexit”. It is essential that all those involved are clear about the objectives. This will be a matter which we, and our counterpart committees, will continue to keep under close watch.

**Recommendation 3: It is not yet clear what the long term impact of Brexit will be on civil service headcount, but the additional burden of delivering Brexit and the new functions that the public service will need to take on may well require, at least in the short to medium term, an increase in numbers of civil servants. The Government should also identify where the gaps in the knowledge and experience of the civil service lie and consider bringing in people from a range of backgrounds to ensure that it is up to the task at hand.**

6. The Civil Service has shown on countless occasions that it is a resilient and adaptable organisation—from serving the first coalition government in 65 years, to delivering a step change in efficiency and new ways of working in the last five years.

7. The Government is united in its ambition to deliver a successful withdrawal from the EU and a new relationship with Europe, and departments across Whitehall will work together to deliver this. Departments are building up capacity in their own areas of responsibility, and developing their own EU exit plans, coordinated by DExEU at the centre. Different departments will need different mixes of skills and operational focus at different points during the exit negotiations. Departments will phase their growth to bring the right people with the right skills sets in at the right time, as they need them.

8. DExEU is working closely with every government department, drawing together expertise to ensure that the full range of opportunities is taken and risk mitigated across every area of government policy. The department has over 300 staff, and is supported by 120 staff at the United Kingdom Permanent Representation to the European Union (UKRep), based in Brussels, who report to ministers from DExEU and the Foreign and Commonwealth Office.

9. DExEU's objectives were set out in the Secretary of State's oral statement to the House of Commons on 5 September 2016 and are on the gov.uk website. DExEU will support the Prime Minister in leading the UK's negotiations to leave the EU and establish the future relationship between the EU and the UK, working closely with the UK's devolved administrations, Parliament, and a wide range of other interested parties on this approach. The department will also lead and coordinate cross-government work to seize the opportunities and ensure a smooth process of exit on the best possible terms, and will undertake the policy work to support negotiations.

10. The Government published its White Paper on the UK's exit from and new partnership with the EU on 2 February 2017 which outlines the Government's twelve key objectives for negotiations.

### ***Role of Parliament***

**Recommendation 4: We welcome the Prime Minister's assurance that Parliament will have the opportunity to scrutinise the Government's negotiating plan, but in order to do that the plan must be published in sufficient time before the triggering of Article 50. We therefore expect to see the plan by the middle of February 2017 at the very latest. It should be published in the form of a White Paper given its huge significance, and we will call the Secretary of State to give evidence on it. When the Government does produce its plan, it should declare its position in relation to membership of the Single Market and Customs Union.**

11. As mentioned earlier, the White Paper was published at the beginning of February 2017. Chapter eight of it expands on the Government's position on free trade with European markets: "the Government will prioritise securing the freest and most frictionless trade possible in goods and services between the UK and the EU. We will not be seeking membership of the Single Market, but will pursue instead a new strategic partnership with the EU, including an ambitious and comprehensive Free Trade Agreement and a new customs agreement".

12. In terms of the customs union, the same section of the White Paper describes government's approach. The UK is starting from a strong position as it looks to build a new customs relationship with the EU and the rest of the world, because we are a large trading nation with a world-class customs system, handling imports and exports from all over the world. There are a number of options for any new customs arrangement, including a completely new agreement, or for the UK to remain a signatory to some of the elements of the existing arrangements but, of course, the precise form of this new agreement will be the subject of negotiation.

**Recommendation 5: The Government has pledged to hold a series of debates in the run up to the triggering of article 50. However, it has given no advance indication of when future debates will take place. A great deal of work is going on in the committees of both Houses to identify opportunities and risks arising from Brexit which should be taken into account in preparing the Government's negotiating plan. The Government should now publish a timetable of the further debates that it will be scheduling. This will help the committees of both Houses to time their work to help to inform these debates.**

**Recommendation 6: Once the negotiations begin, Parliament will need to be kept fully informed about progress. We welcome the Government's stated commitment to ensuring that the UK Parliament is kept as well-informed throughout the negotiation process as the European Parliament will be. We ask the Secretary of State to set out exactly how the Government intends to meet this commitment.**

13. In line with the Government's position that Parliament will be kept informed throughout the process of exit, the Government has provided for four debates in government time. The first debate concerned workers' rights (7 November 2016), the second transport (23 November 2016), the third debate science and research (19 December 2016) and the most recent debate to date discussed security, law enforcement and criminal justice (18 January 2017).

14. Of course, these debates are in addition to the significant number of other debates on exit-related issues, including those that have taken place in the House of Lords, Opposition Day debates in the Commons and debates that have followed oral statements. Furthermore your report notes that "In addition debates have been scheduled in the Chamber and in Westminster Hall by the Backbench Business Committee and adjournment debates have been secured by individual Members". The Government's aspiration is for this series of debates to continue once the European Union (Notification of Withdrawal) Bill has concluded its passage through Parliament and in particular for the debates to cover some of the areas raised in the committee's report such as the customs union and freedom of movement. Scheduling is, of course, a matter for the Business Managers.



15. The Government is grateful for the attention paid to issues of withdrawal by select committees in both Houses. Ministers from DExEU have appeared 13 times in front of select committees, and committees have undertaken, or are currently undertaking, 36 inquiries on EU exit-related issues. Many reports have been debated already in the House of Lords, and the Government looks forward to receiving more reports, and to the debates held on these reports.

16. The Government is committed to keeping the UK Parliament at least as well informed as the European Parliament as negotiations progress. It is clear that negotiations will be fast moving and will often cover sensitive material, so we will need to find the right ways of sharing information with Parliament.

### *Involving the Devolved Governments*

**Recommendation 7: While it is clear that no part of the UK has a veto over the outcome of the negotiations, it is essential that all the devolved governments, and the different regions of England, are duly involved in the process and have their views taken into account.**

17. The Government agrees entirely with the importance that the committee attaches to working closely with the devolved administrations to ensure that we get the best possible deal for all parts of the UK.

18. There have been regular bilateral meetings between UK Government ministers and ministers in the devolved administrations, to discuss issues relating to EU exit. The Secretaries of State in the Territorial Offices have also been proactive in engaging with their locally devolved governments, businesses and voluntary and community organisations to understand the impacts and opportunities arising from EU exit. The Government is committed to continuing engagement with the devolved administrations.

19. At the Joint Ministerial Committee (JMC), chaired by the Prime Minister in October 2016, the UK Government and the devolved administrations agreed to establish a Joint Ministerial Committee on EU Negotiations (JMC(EN)), bringing together constituent parts of the UK to discuss each government's requirements for the future relationship with the EU.

20. The JMC(EN) has met four times with discussions covering key areas of work on EU exit, including discussions on market access, civil justice, security cooperation, immigration, trade and the Great Repeal Bill. There has been significant follow up engagement at a senior official level on market access, and justice and security matters.

21. Furthermore, the Government is already engaging extensively with stakeholders across the UK, and intends to continue this work throughout the exit process. DExEU ministers have visited every region of England as well as Scotland, Wales and Northern Ireland, to meet key stakeholders and listen to their views. Regular meetings have also been held in London, including meetings between the Secretary of State for Exiting the EU and the Mayor of London, and meetings with representatives and sectors.

22. In addition, the department for Business, Energy and Industrial Strategy is working closely with businesses nationally and across English regions to feed in business view. DExEU and the Department for Communities and Local Government also meet and

work with the Local Government Association, the Mayor of London and regional partners across the country to understand clearly issues related to exit and identify any regional differences.

23. The Government is also fully involving Gibraltar, the Crown Dependencies, and the other UK Overseas Territories, in accordance with their various constitutional relationships with the UK, to ensure that all of their interests are taken properly into account.

### **The article 50 negotiation: what will it cover?**

**Recommendation 8: The UK's future relationship with the EU should be negotiated in parallel with the article 50 negotiation so that there is clarity about both the divorce settlement and the new relationship at the moment we formally leave the EU. This would appear to be the intention of the wording of article 50 and it would be in the best interests of both the UK and the EU-27 were this to be the case. However, this will not be in the Government's gift to deliver; the sequencing of negotiations in this way will require the agreement of both sides in the negotiations.**

24. Article 50 states that the process for withdrawal will take account of the 'framework' of the leaving member state's future relationship with the EU. There is a clear connection between the terms of our withdrawal and the future relationship, and Government wants to have reached an agreement about the future partnership by the time the two year Article 50 process has concluded. The Government is confident that the UK and the EU can reach a positive deal on our future partnership, as this would be to the mutual benefit of both the UK and the EU. The Government will approach the negotiations in this spirit.

### ***Procedure for Approving an Agreement***

**Recommendation 9: As procedural considerations may well affect the outcome of the negotiations, we consider it important for the Government to provide early clarification of its expectations on whether or not the Article 50 agreement is likely to be mixed, the respective scope of an Article 50 agreement and a future arrangements agreement made under Article 218, and the room for flexibility in the choice between the two: If the expectation is that it is a mixed agreement, the Government should put plans in place at that time to engage with other regional and national bodies throughout the EU in order to ensure safe passage of the agreement.**

25. The Prime Minister has been clear that we are seeking a serious and ambitious vision of a new partnership with the EU and for a global Britain.

26. This will include a new, comprehensive, bold and ambitious Free Trade Agreement. The Government wants to have reached an agreement about a future partnership by the time the two-year Article 50 process has concluded. From that point onwards, a phased process of implementation, in which both Britain and the EU institutions and member states prepare for the new arrangements will be in Britain and the EU's mutual self-interest.

27. As negotiations have yet to begin it is too early to say whether or not an agreement on the UK's future relationship with the EU would be a "mixed agreement" as this depends on both the areas it would cover and the political decisions made by the Member States within the Council.

28. The Government continues to engage at all levels with EU member states through the EU itself and as part of our bilateral relationships. A specific programme of engagement has been carried out at official and ministerial level with member states to understand the concerns of partners and priorities in order to prepare for these negotiations and ensure that they succeed. Government's engagement with member states so far has been positive; and has laid the groundwork for a constructive dialogue and a smooth and orderly exit, which is in the interests of all parties.

### ***Great Repeal Bill***

**Recommendation 10: The Great Repeal Bill will introduce the legislation that ought to provide legal certainty in the UK on the day after Brexit day. EU legislation will be incorporated into UK law and can then be either retained or repealed. Given the significance of the repatriation of legislative competences to the UK for the constitutional makeup of the UK, the Bill will also have implications for the devolution settlement. The Secretary of State must publish this Bill in draft to enable the fullest scrutiny to take place. The Great Repeal Bill, and the procedure with which it is dealt, will need to be consistent with the existing devolution settlement.**

29. The Government will bring forward a White Paper that will set out our approach to the Great Repeal Bill and how the domestic legal system will work once the UK has left the EU to ensure the maximum possible legal certainty for day one. This White Paper will support Parliament's scrutiny of the approach to leaving the EU. Government will ensure it is published in time to allow Parliament sufficient time to consider its contents in advance of introduction of the Great Repeal Bill in the next session.

30. The Government will work with the devolved administrations to ensure that the Great Repeal Bill delivers maximum legal certainty across the UK. As powers are repatriated to the UK from the EU, there is an opportunity to determine the level best placed to make new laws and policies on these issues. Government has already committed that no decisions currently taken by the devolved administrations will be removed from them.

### ***What must be agreed before the UK leaves the EU?***

**Recommendation 11: It will be essential to provide clarity as soon as possible, and certainly by the time the UK leaves the EU, about the Government's preferred option for the UK's future participation in EU regulatory bodies. If it is decided, however, not to seek to maintain membership of these bodies then the Government must set out the new arrangements it proposes to put in place to ensure that these functions are carried out in future.**

31. The Government agrees on the need to provide clarity as soon as possible on future participation of these bodies and potential new arrangements. As part of exit negotiations the Government will discuss with the EU and member states the future status and arrangements with regard to EU agencies and regulatory bodies. The UK's relationship

with them will be evaluated in light of delivering the twelve objectives outlined by the Prime Minister to achieve a positive and constructive partnership between Britain and the EU. A crucial part of this work is to build a detailed understanding of how decisions on the EU's decentralised bodies will affect the UK's domestic policies, in order to seize the opportunities and ensure a smooth process of exit.

**Recommendation 12: It is clearly in everyone's interests to resolve the position of EU nationals currently in the UK and of UK nationals in other EU member states as quickly as possible so as to provide certainty and reassurance to the individuals, their families and the businesses and services that rely on them. We were struck by the fact that witnesses who were on either side of the referendum debate were unanimous, when asked, in expressing their opinion that EU nationals working in the UK should have their status assured. This must be an early priority for the negotiations.**

32. In terms of the position of EU nationals in the UK, the Prime Minister has been clear that she is determined to secure the status of EU nationals already living here, and the only circumstances in which that would not be possible is if British citizens' rights in EU member states were not secured in return.

33. Indeed this is the subject of a full chapter (chapter six) in the White Paper, which explains the position fully:

“The Government would have liked to resolve this issue ahead of the formal negotiations. And although many EU Member States favour such an agreement, this has not proven possible. The UK remains ready to give people the certainty they want and reach a reciprocal deal with our European partners at the earliest opportunity. It is the right and fair thing to do”.

34. The Government is engaging with a wide range of expatriate groups and individuals to understand the priorities of UK nationals living in EU countries, in preparation for withdrawal. For example, the Government recognises the priority placed on easy access to healthcare by UK nationals living in the EU. The Government is also engaging closely with EU member states, businesses and other organisations to ensure that it has a thorough understanding of issues concerning the status of EU nationals in the UK.

**Recommendation 13: It is essential that closer UK–Irish relations and stability in Northern Ireland and the Good Friday Agreement are not jeopardised by the UK's exit from the EU. The Executive and the Assembly in Northern Ireland should be duly involved at every stage in the process. In the light of current developments in Northern Ireland, a way will have to be found to make this happen.**

35. Ireland is the UK's closest neighbour, and the only country with which the UK shares a land border. The UK and Ireland are intertwined through a shared history, culture and geography, and through the shared commitment to the Belfast Agreement, which provides the cornerstone to political stability in Northern Ireland. The Government is determined to protect and build on the strong historic ties between the UK and Ireland as the UK prepares to leave the EU. This is one of the twelve objectives described in the White Paper.

36. This Government's policy is to see a secure, stable and prosperous Northern Ireland, within a strong UK and the Government is committed to the principle of consent enshrined in the Belfast Agreement, which makes clear that Northern Ireland's constitutional position is a matter for the people of Northern Ireland to determine. However, Government's clearly-stated preference is to retain Northern Ireland's current constitutional position: as part of the UK, but with strong links to Ireland. Maintaining political stability in Northern Ireland is a core part of that policy. This, in turn, is dependent on a number of elements, including:

- a growing economy, which relies among other things on practical cross-border linkages
- an effective security policy, on which cross-border cooperation is vital
- continued adherence to the constitutional framework, rights and institutions provided for in the Belfast Agreement

37. The Government recognises that Northern Ireland's particular circumstances present a range of unique challenges to be taken into account when preparing for the UK's exit from the EU. The Government is committed to making a success of exit for the whole of the UK, including Northern Ireland, and to working with the Northern Ireland Executive to ensure that Northern Ireland's particular circumstances are factored into wider preparations.

38. Maintaining a strong and stable Northern Ireland Executive will ensure that Northern Ireland's voice is heard, as well as through the strong voice that the Secretary of State for Northern Ireland will continue to give. The UK Government has a clear role in providing political stability in Northern Ireland and the Secretary of State for Northern Ireland is doing everything he can to secure the resumption of devolved government.

**Recommendation 14: It will be essential to maintain cooperation with the other 27 member states on defence, foreign policy, security, financial crime and the fight against terrorism after the UK has left the EU. It is clearly in the UK's and EU-27's mutual interests to do so and the negotiations should ensure that it happens.**

**Recommendation 15: It is essential that cooperation in defence, foreign policy, security and the fight against terrorism, which is of benefit to both the UK and the EU-27, is not lost when the UK exits the EU. If it is not possible to conclude an agreement on all areas of cooperation in Justice and Home Affairs and Common Foreign and Security Policy before the UK leaves the EU, transitional arrangements to ensure that mutually beneficial cooperation is not brought to an abrupt end by Brexit will be needed.**

39. The Government has been clear that the safety of the British public is a top priority, and that security is enhanced through cooperating with Europe. That is why one of the twelve objectives for the negotiations ahead, as described in the White Paper, is to seek a strong and close relationship with a focus on operational and practical cross-border cooperation to fight crime and terrorism.

40. With the threat constantly evolving, the Government's response must be to work more closely with its partners, including the EU and member states, sharing information

and supporting each other in combating the threats posed by those who wish us harm. It is in everyone's interests that the UK continues its deep cooperation with the EU, and its member states, to tackle these threats together.

41. The UK will also continue to be one of the most important global actors in international affairs. Along with France, we are the only EU Member State with an independent nuclear deterrent and a permanent seat on the UN Security Council. As set out in the White Paper, the UK also wants to use our tools and privileged position in international affairs to continue to work with the EU on foreign, security, and defence policy. The UK will retain a leading role as a global foreign and security policy actor, and we expect a close and cooperative relationship with the EU after Brexit.

42. The UK's pre-existing security relationship with the EU and its member states means that it is uniquely placed to develop and sustain a mutually beneficial model of cooperation in these areas. The UK starts from a position of strong relations, where it has been at the forefront of developing a number of EU tools which encourage joint working across the continent to protect citizens and our way of life.

43. The Government will seek a relationship that is capable of responding to the changing threats which the UK and the EU faces, together. Public safety in the UK and the rest of Europe will be at the heart of this aspect of our negotiation.

**Recommendation 16: No one can predict how negotiations will unfold once article 50 is triggered. However, as a bare minimum, by the time that the UK exits the EU, it is essential that clarity has been provided around:**

- **The institutional and financial consequences of leaving the EU including resolving all budget, pension and other liabilities and the status of EU agencies currently based in the UK;**
- **Border arrangements between Northern Ireland and the Republic of Ireland and a recognition of Northern Ireland's unique status with regard to the EU and confirmation of the institutional arrangements for north-south cooperation and east-west cooperation underpinning the Good Friday Agreement;**
- **the status of UK citizens living in the EU;**
- **the status of EU citizens living in the UK;**
- **the UK's ongoing relationship with EU regulatory bodies and agencies;**
- **the status of ongoing police and judicial cooperation; and**
- **the status of UK participation in ongoing Common Foreign and Security Policy missions;**
- **a clear framework for UK-EU trade; and**
- **clarity on location of former EU powers between UK and devolved governments.**

44. This will be a unique negotiation, but the Government's ambitions are clear. In fact, providing as much certainty and clarity at every stage of the negotiations is one of the Prime Minister's founding principles for our withdrawal from the UK. Her speech at Lancaster House on 17 January 2017, places a premium on clarity:

“We are about to enter a negotiation. That means there will be give and take. There will have to be compromises. It will require imagination on both sides. And not everybody will be able to know everything at every stage. But I recognise how important it is to provide business, the public sector, and everybody with as much certainty as possible as we move through the process. So where we can offer that certainty, we will do so.”

45. The subsequent White Paper provide a comprehensive articulation of government's objectives and the rationale for its approach to the forthcoming negotiations. This covers information regarding funding agreements already made by this Government, and EU agencies.

46. Many of the committee's recommendations on issues on which further clarity is required are covered elsewhere in this Government response. Border arrangements between Northern Ireland and the Republic of Ireland are covered at recommendation 13. The status of UK citizens living in the EU, and EU citizens living in the UK is covered in the response to recommendation 12. EU regulatory bodies are discussed in the response to recommendation 16, police and judicial cooperation at recommendation 15, foreign and security policy at recommendation 14, a framework for UK–EU trade at recommendation 4 and clarity on location of former EU powers between UK and devolved government at recommendation 10.

## Negotiating The UK's Future Trade Relationship With The EU

**Recommendation 17: The Government will undoubtedly be undertaking economic assessments of the different options for market access and trade looking both at risks and opportunities. In the interests of transparency, these should be published alongside the Government's plan in so far as it does not compromise the Government's negotiating hand. The UK Government's negotiating plan should outline its position in relation to membership of the Single Market and the Customs Union.**

47. The Government is in the process of carrying out a programme of rigorous and extensive analytical work that will inform its negotiating position with the EU, define the UK's future partnership with the EU, and inform the UK's understanding of how EU exit will affect the UK's domestic policies and frameworks. It is not usual practice to make public the internal analytical work that is currently being used by the Government in a negotiation because, in any negotiation, information on potential economic considerations is important to the negotiating capital and negotiating position of all parties. Publication of information regarding economic considerations and assessment of the impact of various outcomes could risk undermining the UK's negotiating position.

48. The Government's response to recommendation four addresses the publication of the White Paper and the outline it gives about the Government's position in relation to membership of the Single Market and the customs union.

## **Customs Union**

**49. Recommendation 18: A return to tariffs and other regulatory and bureaucratic impediments to trade would not be in the interests of UK businesses and therefore the Government should strive to ensure that this does not happen.**

50. The Government wants the UK to have the greatest possible tariff and barrier-free trade with our European neighbours, to ensure that UK companies have the maximum freedom to trade with and operate within European markets – and to let European businesses do the same here. As noted above and in chapter eight of the White Paper, the UK starts from a very different position to other countries looking to agree Free Trade Agreements with the EU and is confident that it is in everyone's interests to arrive at a mutually beneficial deal.

**51. Recommendation 19: It will also be important for the Government to set out clearly its policy on membership of the Customs Union as part of its plan for the negotiations.**

52. As discussed in the Government's response to recommendation four, after the UK has left the EU, the Government wants to ensure that the UK can take advantage of the opportunity to negotiate its own preferential trade agreements around the world. The Government will not be bound by the EU's Common External Tariff or participate in the Common Commercial Policy. On leaving the EU the UK will seek a new customs arrangement with the EU which enables the UK to make the most of the opportunities from trade with other countries and for trade between the UK and the EU to continue to be as frictionless as possible.

## **Financial Services**

**Recommendation 20: Given the importance of the financial services industry to the UK economy in terms of jobs and tax revenues, the Government should seek to ensure continued access to EU markets in financial services for UK providers whether by way of a continuation of passporting or mutual recognition of regulatory equivalence or some other means. What will be important is that the industry has confidence that any new arrangements will enable them to carry on doing business.**

53. The Government is keenly aware of the importance of the financial services sector to the UK economy. It also recognises that the City is a global centre of excellence in finance, corporate law and insurance, which EU companies will wish to continue to access. The Government will be aiming to maintain the City's leading position as one of the key centres of global finance.

54. The Government wants to provide certainty for all business. It has conducted extensive engagement with representatives across the UK's financial services sector, including roundtables with financial services and fintech firms, hosted by DExEU ministers.

55. As a priority, the Government will pursue a bold and ambitious Free Trade Agreement with the EU. As the Committee note in their recommendation both the UK and the remaining EU member states benefit from the world-class financial services sector in London, and it is in each other's mutual interest to come to an agreement that allows for as minimal disruption as possible.



### *Free Movement of Workers*

**Recommendation 21: In deciding on a new system for controlling EU migration, the Government will need to take full account of the importance of workers from the EU, including the highly skilled, and the ability to undertake intra-company transfers to a large number of sectors of the UK economy.**

56. The Government is working closely across government to identify and develop options to shape the future immigration system. The Government's ambition is to create an immigration system that allows the UK to control numbers and encourage the brightest and best to come to this country, as part of a stable and prosperous future with the EU and our European partners.

57. While we must do more to control the numbers of people who come to Britain, we must do so in such a way which is in the national economic interest. This is outlined in chapter five of the White Paper.

58. The Government recognises the important contribution that EU nationals make to the UK economy throughout many vital sectors. The Government will want to welcome the best of European talent here.

### *Transitional Arrangements*

**Recommendation 23: The risk of a cliff edge – ie the absence of transitional arrangements – might push some businesses to pre-empt the result of negotiations and minimise the risks to their business. For some, this could involve re-locating out of the UK or investing elsewhere in future. A period of transition, or adjustment, is a factor in most trade agreements. The Government must make clear from the outset that a period of adjustment to any change in trading arrangements or access to EU markets for UK service industries will be sought as part of the negotiations.**

59. If final agreement is not possible by the time that the UK leaves the EU, it would be in the interests of both sides of the negotiations for an outline framework, with appropriate transitional arrangements, for the UK's future relationship with the EU to be agreed in respect of access to the Single Market for goods and services and future trade policy.

60. The Government understands that it is in nobody's interests for there to be a cliff-edge for business or a threat to stability, as the UK moves from its existing relationship to a new partnership with the EU. Instead, the UK wants to have reached an agreement about the future partnership by the time the two year Article 50 process has concluded. From that point onwards, the Government believes that a phased process of implementation, in which the UK, the EU institutions and member states prepare for the new arrangements that will exist between us, will be in everyone's mutual interest. Chapter 12 of the White Paper deals with this issue.

61. This will give businesses enough time to plan and prepare for those new arrangements, which might concern our immigration controls, customs systems or the way in which we cooperate on criminal and civil justice matters. Or it might be about the future legal and regulatory framework for business. For each issue, the time needed to phase in the new arrangements may differ; some might be introduced very quickly, some might take longer.

62. The interim arrangements relied upon are likely to be a matter of negotiation. The UK will not, however, seek some form of unlimited transitional status. That would not be good for the UK and nor would it be good for the EU.

### ***The Role of Parliament in Approving the Final Deal***

**Recommendation 24: Although the Constitutional Reform and Governance Act 2010 provides the House of Commons with powers to withhold ratification of Treaties, this is not a satisfactory way of dealing with such an important Treaty. We therefore call on the Government to make it clear now that Parliament will have a vote on the Treaty and that the timetable for this vote will allow for proper consideration of any deal that is negotiated.**

63. The Government will bring forward a motion on the final agreement to be approved by both Houses of Parliament before it is concluded, and it intends that this will happen before the European Parliament debates and votes on the final agreement. The Government expects that this vote will cover both the withdrawal agreement and the future relationship with the EU.

64. This commitment goes above and beyond the constitutional requirements set out in the Constitutional Reform and Governance Act (CRAG), and, of course, any new treaty that the UK agrees with the EU will be subject to the provisions of the CRAG Act before ratification.