

# What does it mean to be outside the EU?

## Key facts

- 1 The UK left the EU on 31 January 2020
- 2 The transition period started on 1 February 2020, and nothing will change for businesses for the duration of the transition
- 3 A Free Trade Agreement between the UK and the EU is being negotiated, and is intended to replace the current arrangements

## The UK becomes a “third country”

After the transition period ends, the UK will fully leave the EU’s structures to become a “third country”, a term for a country outside the EU. The EU trades with third countries on the basis of World Trade Organization rules (WTO), except in areas where there is a Free Trade Agreement with the EU. The aim is to have a deal with the best possible access for UK and EU businesses to each other’s markets, one that goes beyond the WTO rules.

The UK’s transition from EU member to third country with a Free Trade Agreement is happening in three phases:

**Phase 1:** The Withdrawal Agreement, which lists the terms of leaving (e.g. monies due, citizens’ rights, Northern Irish border), has entered into force and is being implemented

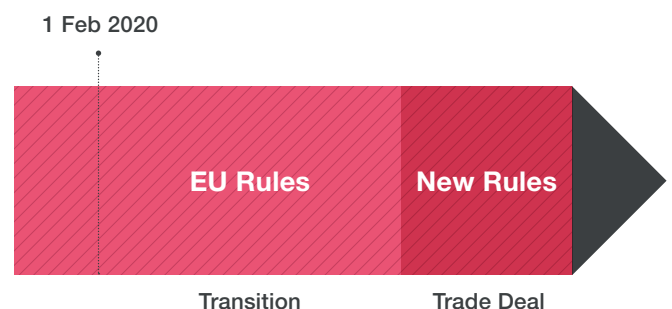
**Phase 2:** During the transition period, the UK and the EU are negotiating future access to each other’s markets while businesses continue to trade under the rules of the EU internal market (the “Single Market”)

**Phase 3:** An UK-EU Free Trade Agreement is expected to define the new terms of access to the EU market

## What will the trade deal mean?

A Free Trade Agreement aims at creating market access conditions that go beyond the baseline WTO rules. In that context, the UK and the EU are discussing a broad range of topics, varying from competition issues, transport issues, regulation, fishing rights, manufacturing, energy, intellectual property, retail and goods, to selling (digital) services.

Whatever the outcome, the new rules will always mean customs procedures for goods crossing the border, and that businesses have to show compliance with Rules Of Origin (ROOs) or pay tariffs. Also, you may need EU equivalents of UK licences, authorisations and qualifications to continue doing business in EU countries. Finally, there will be changes to travel and to setting up shop in EU countries.



## To do

- Understand what the new rules will mean for your business activity by using the [Government checker tool](#) and the [EU Readiness Notices](#)
- Trace your supply chain to the ultimate source and show partners and clients that your business is resilient to the changes by taking the basic steps needed to maintain trade
- Talk to investors/funders and insurers to ensure financial support and cover is sufficient and remains valid

## What's next?

First, the parties have to find new arrangements for fisheries, financial regulation and data protection before the entire agreement can be finalised. The EU-UK trade deal will take effect after the negotiations have completed and all 27 EU countries have ratified it.

In the event a trade deal is not finalised, the transition period could theoretically be extended. There is also a possibility that base-line WTO trading terms will govern EU-UK trade. The Government and EU information in these fact sheets take the WTO rules into account and you should be covered if you follow their guidance.

For more information visit [London Growth Hub](#), [check out other fact sheets](#) or email [growthhub@london.gov.uk](mailto:growthhub@london.gov.uk)

### Disclaimer

At the time of writing, the transition period ends on 31 December 2020, and the changes outlined in this fact sheet will occur from 1 January 2021. If that date slips, the changes will still happen, but at a later date. For latest updates go to [www.gov.uk/transition](http://www.gov.uk/transition)

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