

Provisional free-trade agreement as part of Brexit deal

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In news

Recently, Britain and the European Union struck a provisional free-trade agreement as part of the Brexit deal, four and a half years after Britain decided to leave the bloc.

Key updates

- After negotiations between the United Kingdom & the European Union, the two sides attempted to strike a deal to define the terms of their future relationship ahead of a December-31 deadline, when the UK's post-Brexit transition period officially ends.
- By striking a zero-tariff and zero-quota deal, they will be able to safeguard the trade of goods between the UK and the EU, which amounts to around \$1 trillion annually.

Post- Brexit deal and key provisions

- Britain formally exited the European Union on January 31 2020, after this the United Kingdom entered a 11-month transition period during which it continued to follow EU rules.
- Meanwhile, the country began negotiating a deal with the bloc to determine key aspects of their relationship including a viable trade agreement, defence, security and immigration once the transition phase ended.
- But, the talks stretched on as both sides **were unable to agree on major points, fishing rights, governance, and guaranteeing a 'level playing field'** on government

subsidies and regulations.

- A level playing field essentially means that in order to trade with the EU's single market, the UK will have to follow the same rules and regulations to ensure that it does not have an unfair advantage over other EU businesses.
- But with or without a Brexit deal, the UK will be exiting the EU's single market and customs union by the end of the year.
- Brexit will lay down rules of governance, which will dictate how any deal is enforced as well as the penalties that will be imposed if one party violates the terms of a mutually-approved agreement.
- After the deal, the UK will also have to agree on how it will cooperate with the bloc on issues pertaining to security and law enforcement once it officially withdraws from the European Arrest Warrant on January 1, next year.
- Further, the two parties will have to finalize agreements on issues like airline safety and information sharing.

Significance of fishing in the deal

- **Political consequences:** Though the fishing is a relatively small part of the economy on both sides of the English Channel (fishing was just 0.02 per cent of the overall economy both in the UK and in the EU), the issue is extremely emotive and its political consequences far outweigh the economic impact on both sides
- **Trade and Sovereignty:** For the EU, access for its boats is an important precondition for a trade agreement, while in Britain, the Brexit cheerleaders peddled it as a symbol of sovereignty that needed to be regained.
- Even after formally leaving the EU, Britain has to adhere to the EU's rules until the end of the year,

including the bloc's Common Fisheries Policy.

- The UK's fishing industry has maintained that it got a raw deal in this quota distribution.
- That's why the UK government wants to increase the British quota share significantly, even as EU negotiators have been pushing Britain to continue to allow their fishing crews to have access to its waters
- The fight over fishing grounds also played significant role in general elections of UK and France as well

What is the current status of the bill?

- Both sides EU and UK are expecting to announce the final deal before the end of 2020
- According to reports, the two sides have agreed to a largely tariff and quota-free trade arrangement, but this does not necessarily ensure frictionless trade as businesses had hoped.
- If a deal is reached and it gets support from all 27 EU leaders in the European Council, it will still have to be ratified before the transition ends. In the UK, MPs are on standby as they may be recalled to parliament once the deal is ready to be approved.
- According to BCC reports, the agreement will then have to be ratified on the EU side, where it otherwise takes several months and sometimes even years to clear a trade deal.
- To work around this, leaders may decide to apply a deal provisionally before the European Parliament holds a formal ratification vote next year. Depending on its contents, it may even have to be approved by national EU parliaments

What is the concern?

- If both sides failed to strike a deal before the December 31 deadline it would result in a no-deal Brexit, which could have far-reaching ramifications both

domestically and internationally.

- No deal is also likely to sever the already-tense relations between the UK and EU for some time.