

## **Post-Brexit Trade Agreement**

### **Why in news?**

Britain and the European Union have struck a provisional free-trade agreement as part of the Brexit deal.

### **What is the Brexit deal and why is it needed?**

- The UK formally exited the European Union on 31 January 2020.
- After this, it entered an 11-month transition period.
- The UK's post-Brexit transition period officially ends on 31 December 2020.
- The two sides thus attempted to strike a deal to define key aspects of their relationship ahead of this deadline.
- These included areas such as a viable trade agreement, defence, security and immigration.
- The deal is also likely to lay down rules of governance.
- This will dictate how any deal is enforced and the penalties if one party violates the terms of a mutually-approved agreement.
- Further, the two parties will have to finalise agreements on issues like airline safety and information sharing.

### **Why is the delay?**

- Talks stretched on as both sides were unable to agree on major points.
- These particularly included 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.
- This is to ensure that it does not have an unfair advantage over other EU businesses.

### **Why is fishing such a big deal?**

- Fishing is a relatively small part of the economy on both sides of the English Channel.
  - It was just 0.02% of the overall economy both in the UK and in the EU.
- However, the issue is extremely emotive and its political consequences far outweigh the economic impact on both sides.
- For the EU, access for its boats is an important precondition for a trade

agreement.

- On the other hand, Britain sees it as a symbol of sovereignty that needed to be regained.
- **Policy** - Even though Britain formally left the EU on January 31, 2020, it still has to adhere to the EU's rules until the year end, including the bloc's Common Fisheries Policy.
- So, till then, the fishing fleets of every country involved have full access to each other's waters.
- This goes well beyond the territorial water that covers the first 12 nautical miles (22km) from the coast.
- But the volume of fish, depending on the species, are to be claimed by each country as per a complex national quota regime.
  - This has been formulated using historical data going back to the 1970s.
- The UK government wants to significantly increase the British quota share in this.
- But EU negotiators have been pushing Britain to continue to allow their fishing crews to have access to its waters.
- The EU, meanwhile, wants to divide the amounts of fish that each country's boats are allowed to catch in a way that will not be renegotiated every year.
- With the present deal, there is now a five-and-a-half-year transition period that guarantees continued access for the affected EU states.
- Nevertheless, the reduced terms for the latter are expected to help British fisheries.

### **What is the significance of the present deal?**

- The agreement comes four and a half years after Britain decided to leave the EU in 2016.
- The agreement averts a catastrophic 'no deal' scenario.
  - Failure to strike a deal before the December 31 deadline would result in a 'no-deal Brexit'.
- This could have far-reaching ramifications both domestically and internationally.
- The country now faces a potential 4% loss of GDP over 15 years, compared to remaining in the EU.
- Leaving without any agreement would have led to a potential loss of an estimate 6% of GDP.
- Moreover, the U.K. relies on the EU for about 75% of food product imports.
- So, a zero duty trade is of great significance to consumers and the retail economy.
- By striking a zero-tariff and zero-quota deal, the UK and the EU will be able to safeguard the trade of goods between them, which amounts to around \$1

trillion annually.

- The tariff-free trade accord in goods should mitigate somewhat the consequences of Britain's decision to leave the EU.
- A no deal would have also strained the already-tense relations between the UK and EU for some time, which is now prevented.

**Source: The Hindu, The Indian Express**

