



Post-Brexit Trade Deal

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Why in News

Recently, the **UK and the European Union** (EU) have published the full text of the **post-Brexit trade agreement** aimed at governing their relationship when the **UK definitively leaves the bloc's single market on 31st December 2020**.

Key Points

- The document lays out **detail on trade, law enforcement, and dispute settlement among other arrangements**. Despite the complexity of the document, which includes explanatory notes and side **agreements on nuclear cooperation and the exchange of classified information**, both sides have indicated they will rush through the adoption.
- The deal ensures the two sides can **continue to trade in goods without tariffs or quotas** but despite the breakthrough, **key aspects of the future relationship** between the 27-nation bloc and its former member remain uncertain.
- The two sides held extensive **negotiations** on **three key issues**:
 - **Level Playing Field:** It 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.
 - **Rules of Governance:** These 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.
 - **Fishing Rights:** The agreement gives **free access to EU fleets to fish in UK waters**, including up to six miles off the shoreline **for a five-year transition period**. At the end of the transition, everything will return to normal arrangements and the UK will have full control over its waters.

However, the **UK's fishing industry has expressed disappointment** on the agreement on fishing rights.

- Despite the deal, there are still **unanswered questions about huge areas**, including **security cooperation** and **access to the EU market for Britain's huge financial services sector**.
- The **European Commission (EC)** has proposed the **agreement be applied on a provisional basis until 28th February 2021**.
EC is the **executive branch of the EU**, which brings together the executives of all 27 member states.
- The **European Parliament** will be asked for its **consent to the deal in 2021** and **for the process to be concluded, the EC must adopt the decision**.

Opportunities for India

- India should **aggressively pursue free trade agreements** (FTAs) separately with both the EU and the UK.
- Although it is **premature to assess the gains for India** from the agreement, India can **explore opportunities in service sectors like IT, architecture, research and development and engineering** in both the markets as the EU-UK pact does not cover the services sector.
Indian competitors like **Vietnam have greater duty advantage** in sectors like apparel and marine goods.
- India had a lot of **contentious issues while negotiating FTA with the EU**. However, after Brexit, the **UK could have a different stand on those issues** and so India should continue pursuing FTA talks.
- The **Apparel Export Promotion Council (AEPC)** held that India-UK FTA would help in removing the customs duty disadvantages faced by domestic players in Britain.
However, **Federation of Indian Export Organisations (FIEO)** highlighted that there are no specific customs duty benefits for domestic goods from this agreement.
- The **bilateral trade** between India and the UK **dipped to USD 15.5 billion in 2019-20** from USD 16.9 billion in 2018-19.

Source: FE