Syllabus subtopic: Effect of Policies and Politics of Developed and Developing Countries on India’s interests

Prelims and Mains focus: about Brexit; the transition deal; conflicting issues between UK and EU regarding its implementation

News: Britain put the prospect of a chaotic Brexit back on the table as it set out its red lines for trade talks with the European Union.

Background

Britain left the EU on January 31, but both sides agreed to a standstill transition period lasting until December 31 to allow time to strike a new partnership.

About the issue

- In its mandate for the negotiations that start on March 2nd, Prime Minister Boris Johnson’s government rebuffed EU demands for common trading standards and continued fishing rights.

- And it warned it could walk away from the talks if a “broad outline” of a deal is not agreed by a meeting planned for June.

Likely consequences

This would see Britain’s currently seamless trading arrangements with the EU, forged over half a century, abruptly end after a post-Brexit transition period expires in December.

Demands of UK govt.

UK wants a free trade agreement similar to the EU’s deal with Canada, set alongside separate agreements on issues such as fishing, energy and aviation.
Concerns of EU regarding Britain’s demands

- Brussels says Britain’s geographical proximity and existing close ties make it a different case, fearing it could gain an uncompetitive advantage by relaxing costly environmental and labour laws.

- It says Britain must mirror EU standards if it wants to continue freely trading goods with the bloc’s huge single market. However, Mr. Johnson argues this would undermines the whole point of Brexit, even if that means increased barriers with what is currently Britain’s largest trading partner.

- Brussels also wants its state aid rules to apply in the U.K. — something London rejects.

Regarding Financial Services

- Another potential flashpoint is financial services, a key concern for Britain that it wants resolved by June to allow firms to keep working in the EU after December 31.

- The European Commission refused to commit the EU to completing so-called equivalence assessments by June.

Other conflicting issues

- One crucial issue for both sides in the upcoming negotiations is fishing rights.

- But it is also vital for many EU countries, notably France, where fish and seafood caught in U.K. waters account 30% of sales for fishermen.

- Brussels wants to maintain the right of its fleets to fish in U.K. waters, warning that failure to agree on this could scupper the wider trade talks. But Britain said it will take back control of its waters as an independent coastal State and it will not link access to its waters to access to EU markets.
London proposes instead that fishing opportunities be negotiated annually, based on stock levels.

The European Commission, which is negotiating on behalf of the EU’s 27 member states, said it was preparing for all scenarios.