

Brexit update

End of the transition period – UK – EU trade agreement reached

8 January 2021

End of the transition period

- After the formal Brexit on 31 January 2020 when the United Kingdom left the European Union, a transition period started, which aimed at regulating the future EU – UK relations. This transition period ended on 31 December 2020.
- The month of February to December were used by the EU and the UK government to negotiate an agreement on the future EU – UK relationship. A provisional agreement was reached on 24 December 2020, which still needs to be ratified by the European Parliament. This Brexit update provides a brief overview on the main elements of the agreement.

Main elements UK – EU trade and cooperation agreement

The draft Trade and Cooperation Agreement consists of three main pillars:

- **The Free Trade Agreement: a new economic and social partnership with the United Kingdom**

The agreement covers not just trade in goods and services, but also a broad range of other areas in the EU's interest, such as investment, competition, State aid, tax transparency, air and road transport, energy and sustainability, fisheries, data protection, and social security coordination.

It provides for zero tariffs and zero quotas on all goods that comply with the appropriate rules of origin.

Both parties have committed to ensuring a robust level playing field by maintaining high levels of protection in areas such as environmental protection, the fight against climate change and carbon pricing, social and labour rights, tax transparency and State aid, with effective, domestic enforcement, a binding dispute settlement mechanism and the possibility for both parties to take remedial measures.

Specific and comprehensive rules have been agreed in the area of fisheries, transport and energy. While the general EU right to free movement of workers will no longer apply with regard to the UK, specific rules on social security coordination have been established, aiming at ensuring a number of rights of EU citizens and UK nationals. This concerns EU citizens working in, travelling or moving to the UK and to UK nationals working in, travelling or moving to the EU after 1st January 2021.

Finally, the agreement enables the UK's continued participation in a number of flagship EU programmes for the period 2021-2027 (subject to a financial contribution by the UK to the EU budget), such as Horizon Europe.

- **A new partnership for our citizens' security**

The Trade and Cooperation Agreement establishes a new framework for law enforcement and judicial cooperation in criminal and civil law matters. It recognises the need for strong cooperation between national police and judicial authorities, in particular for fighting and prosecuting cross-border crime and terrorism. It builds new operational capabilities, taking account of the fact that the UK, as a non-EU member outside of the Schengen area, will not have the same facilities as before. The security cooperation can be suspended in case of violations by the UK of its commitment for continued adherence to the European Convention of Human Rights and its domestic enforcement.

- **A horizontal agreement on Governance: A framework that stands the test of time**

To give maximum legal certainty to businesses, consumers and citizens, a dedicated chapter on governance provides clarity on how the agreement will be operated and controlled. It also establishes a Joint Partnership Council, who will make sure the Agreement is properly applied and interpreted, and in which all arising issues will be discussed.

Binding enforcement and dispute settlement mechanisms will ensure that rights of businesses, consumers and individuals are respected. This means that businesses in the EU and the UK compete on a level playing field and will avoid either party using its regulatory autonomy to grant unfair subsidies or distort competition.

Both parties can engage in cross-sector retaliation in case of violations of the agreement. This cross-sector retaliation applies to all areas of the economic partnership.

Assessment

- The European Commission's Chief Negotiator, Michel Barnier, said on 24 December: "*We have now come to the end of a very intensive four-year period, particularly over the past nine months, during which we negotiated the UK's orderly withdrawal from the EU and a brand new partnership, which we have finally agreed today. The protection of our interests has been front and centre throughout these negotiations and I am pleased that we have managed to do so.*"
- Responding to the announcement that the UK and the EU have reached a Brexit deal, Neil Carberry, Chief Executive of the REC (WEC-Europe member), said: "It will be a huge relief to businesses across the country that a trade deal is now in place, and we look forward to its speedy ratification. But a deal on 24 December leaves businesses with little time to get their heads around the new rules. While we can celebrate this big step, we must turn quickly to keeping the wheels of trade turning, especially set against the background of the pandemic. It is crucial, therefore, that companies are supported through the next few months with help-to-comply prioritised over enforcement. Given the circumstances, businesses have the right to expect government support during the next few months. "Service industries, which account for 80% of the UK economy, must also be allowed to continue to trade effectively and not be forgotten - though the deal has less to say about them. We'll be checking the detail of new rules on data, professional qualifications and travel for business to ensure firms can continue to compete. Our recruitment industry alone contributes over £40bn to UK GVA. This deal is a start. But it now needs to be smoothly put into action - the deal has to work for people, not just politically."

- From a World Employment Confederation-Europe point of view, the fact of having reached a trade and cooperation agreement is an important achievement, as it provides legal clarity and certainty on the future UK – EU relationship and avoids the economic and political risks of a no-deal Brexit.

Useful information sources

- European Commission on the trade and cooperation agreement: [EU-UK Trade and Cooperation Agreement \(europa.eu\)](https://ec.europa.eu/eu-uk-trade-cooperation-agreement/)
- REC on the trade and cooperation agreement: [REC response to Brexit deal: Good news on deal must be accompanied by practical support for businesses :: The REC](#)
- UK government website: [Welcome to GOV.UK \(www.gov.uk\)](https://www.gov.uk/)
- [Brexit Briefings of the International Law Firm Osborne Clarke](#)