Draft EU-UK Brexit deal

Why in news?

\n\n

The European Union and the United Kingdom have reached on a draft divorce agreement on Britain's exit from the EU.

\n\n

What is Brexit all about?

\n\n

\n
- In 2016, Brexit was announced in Britain after the referendum for exiting the European Union.
\n
- This decision was taken due to various reasons such as -
\n

\n\n

\n
1. Limited space for Britain to negotiate trade agreements with non-EU nations.
\n
2. The trade deals with EU are more than the terms that can be made by UK with other countries.
\n

\n\n

\n
- After the referendum, the UK and EU provisionally agreed to settle financial, strategic and political issues over a transition period of 21 months.
\n

\n\n

What does the latest draft contain?

\n\n

\n
- **Transition period** - Britain will formally exit the EU on March 29, 2019, at

which point it will cease to be involved at any level in EU decision-making.
\n
- However, the UK will stay inside the bloc's single market and remain subject to EU laws and regulations until the end of December 2020 while the two sides attempt to iron out a new trade relationship.
\n
- During this period, all existing EU "regulatory, budgetary, supervisory, judiciary and enforcement instruments and structures" will continue to apply within the UK, including rulings made in the Court of Justice of the EU.
\n
- In effect, the transition period provides the two parties with additional time in which to continue negotiations.
\n
- The transition period can be extended, by joint agreement before July 1, 2020, for an unspecified period of time if the negotiations need to be continued.
\n
- **Irish border** – Ireland is an island to the west of Britain and has two major regions (north and south) with distinct demographic features.
\n
- “Protestant majority Northern Ireland” (a U.K. territory) and “Catholic majority Irish Republic” (an independent country in the south), have had serious ethnic tensions within and between them.
\n
- Since Irish Republic is an EU member, a porous border with it would mean a porous border with EU, which is not wanted by the pro-leave group in U.K.
\n
- Thus it is agreed that there will be no hard border between Northern Ireland and the Irish Republic, at least in the short term.
\n
- **Customs union** - If the transition period extends beyond 2020, the draft deal commits both parties to a single customs territory between the EU and the United Kingdom.
\n
- The customs union would remove all tariffs, checks on rules of origin and quotas, and would cover all goods except fishery products.
\n
- While part of the customs union, the UK will be bound by all EU international trade agreements.
\n
- This would mean that countries outside the EU, such as the United States and China, would have access to the UK market under conditions set out in the EU's trade agreements.
\n

- This provision can only be removed through the agreement of both parties, essentially preventing the UK from exiting the customs union without the approval of the EU.
\n
- **Financial markets** - Under the draft agreement, entities established in the United Kingdom shall be treated as entities located outside the Union by the EU after the deal.
\n
- This will give London’s vast financial centre only a basic level of access to the bloc’s markets after Brexit.
\n
- Currently, inside the EU, banks and insurers in Britain enjoy unfettered access to customers across the bloc in all financial activities.
\n
- After Brexit, Britain would get only a similar level of access to the EU as major U.S. and Japanese firms, while tying it to many EU finance rules for years to come.
\n
- This can potentially jeopardize London's attractiveness to international financial companies.
\n
- **Freedom of movement** - The draft document provides protections for the more than 3 million EU citizens in the UK, and over one million UK nationals in EU countries to continue to live, work or study as they currently do.
\n
- Crucially, no exit visa, entry visa or equivalent formality shall be required of holders of a valid document issued for EU and UK nationals when crossing national boarders within the bloc.
\n
- **UK divorce bill** - The UK will honor all existing joint commitments to EU programs as outlined in the EU budget until 2020.
\n
- Under this, Britain agrees to cover contributions to staff pensions and commitments to EU programs the U.K. made while a member for the funding period that runs to 2020.
\n

\n\n

Where does India’s interests lie?

\n\n

\n
- The best-case scenario now is that Britain gets the draft bill through

Parliament and then struggle with the complex nitty-gritty of the deal.
\n
- Alternatively, Britain can crash out of the EU without a deal itself, which could affect everything from airline flights to food imports.
\n
- A second referendum on leaving the EU is out of the question but that is looking increasingly likely as the other options are unable to find a permanent solution.
\n
- For India, Brexit matters because London is the financial capital of the world and the bridgehead into Europe for many Indian companies.
\n
- Hence for India, a second referendum that keeps Britain in the EU would be the best option.
\n

\n\n

\n\n

Source: Business Line

\n\n

\n