



CHARLOTTE STREET
PARTNERS

UK-EU DEAL UPDATE

31 December 2020

On the final day of a year that most cannot wait to see the back of, the UK-EU Trade and Co-operation Agreement is done and will come into effect at 11pm this evening.

It is fair to say that there were moments of doubt, but the consistent theme of this series of notes was our cautious assurance that some form of deal would be done. In our first note back in September we maintained that a deal was “the most likely outcome” and, even when countless deadlines were missed, “generally optimistic” or “cautiously optimistic” remained our buzzwords. Our weekly deal-o-meter never entered the red, no-deal, side of the bar.

Negotiating positions on both sides were at times indistinguishable from genuine insurmountable obstacles, but the sheer disaster of not achieving even a limited framework agreement for both sides meant everyone involved was keen for compromise.

To round off this series, we have looked at the key developments over the past week, when the finishing line was finally crossed, and offered our own take on what this means and what might happen next.

More important than any of this, we wish you all a happier, healthier and more prosperous New Year than the one we are leaving behind.

WEEKLY RECAP

- At 3pm on 24 December 2020, a post-Brexit trade agreement between the UK and the EU was finally agreed. European Commission president Ursula von der Leyen described the deal as “fair and balanced”, whereas UK prime minister Boris Johnson said it would “protect jobs across this country”. The full agreement was published on 26 December
- The official opposition at Westminster, the UK Labour party, described the deal as “thin” but said they would back the deal in parliament. Welsh first minister Mark Drakeford said the deal was not what had been originally promised, and Scotland’s first minister Nicola Sturgeon said (not for the first time) that it was time for the country to “chart our own future as an independent, European nation”



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- Business and industry leaders welcomed the tariff-free element of the deal, but said there were still concerns about the many areas still to be worked out. Key fishing industry representatives, such as the National Federation of Fishermen's Organisations, criticised the five and a half year transition period on fisheries, and said the deal would leave fishermen "worse off", a claim rejected by the UK government. Cabinet Office minister Michael Gove promised a major funding package for the fishing sector in the "near future"
- EU chief negotiator Michel Barnier briefed ambassadors from the 27 EU states on Christmas Day, and they approved provisional application of the agreement on 28 December. The agreement is currently being ratified by parliaments across the EU
- On 30 December, Ursula von der Leyen and European Council president Charles Michel signed the deal, before sending it across the Channel for Boris Johnson to add his name
- The House of Commons backed the European Union (Future Relationship) Bill by 521 votes to 73, with the SNP, Liberal Democrats and every Northern Irish MP in attendance opposing. Later in the day, the Bill cleared the House of Lords and received Royal Assent in the evening.
- The Scottish parliament backed a Scottish government motion expressly denying consent to the Bill, by 92 votes to 30. Only the Scottish Conservatives voted against the motion. The Northern Ireland Assembly also refused to endorse the Bill, whereas the Senedd in Wales confirmed its support – therefore reflecting the outcome of the 2016 referendum, where Scotland and Northern Ireland voted to remain, with Wales opting to leave

OUR TAKE

Despite vocal parliamentary dissent, particularly at Holyrood, the deal first announced by Boris Johnson and Ursula von der Leyen on Christmas Eve now has domestic legislative approval.

Critics say it is thin; proponents say it is a solid basis to start the new phase of UK-EU relations. As ever, the truth is somewhere in between, and given that neither side left the arena humiliated or on the defensive, perhaps history will look at it as one of the more successful examples of complex international negotiation.

We believe that the EU was more successful at keeping the UK under pressure for the duration of talks. Some of the more fanciful UK asks went nowhere fast and at one point we had a sense that the UK was being backed into a corner. However, the UK could credibly claim to have finished stronger and landed the final blow, because the EU seemed in some disarray by the end – initially blindsided by Emmanuel Macron's late intervention and then further confused by the clear efforts of some EU27 27 leaders to sideline chief negotiator Michel Barnier.

Yet at this end, both sides could also say with some degree of truth that they are happy. Neither side succeeded with its more ambitious asks, for example (and as pointed out by the excellent Institute for Government podcast), the UK did not get its "forward most favoured



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nation clause” for services, which the EU had agreed in other deals with Canada and Japan. Likewise, the tougher EU asks on the level playing field were stripped out by the end. The level of sensible thinking in continuing to align where most needed, such as maintaining security capabilities, is also to be applauded.

On fisheries, we have an uneasy compromise while on financial services, competition policy, and data protection, agreement on important details has been kicked into future talks. We are not yet done.

Covid-19 will dominate 2021 like it dominated this year, but we would still like to see more progress in these key areas and others. The Joint Partnership Council, and the multiple committees sitting under it, will be active from 1 January 2021 and will certainly have its work cut out. There is much more to be done and we’ll be here with our analysis as it all unfolds.