



The EU - UK Trade and Co-operation Agreement: A summary of key aspects

Key points:

The EU and UK have agreed a Trade and Co-operation Agreement which will govern the economic relationship between the EU and UK in the future.

The UK has left the EU Single Market and Customs Union and no longer participates in the Common Commercial Policy, Common Agricultural Policy, Common Fisheries Policy and the Foreign and Security Policy.

There will be no tariffs or quotas applied on most goods traded between the EU and the UK, however there will be additional non-tariff barriers such as conformity assessments on goods and sanitary and phytosanitary checks on agri-food goods.

These checks will cause difficulties, complexity and costs to trade and will likely result in border delays in the beginning of the new trading regime and perhaps trade diversion in the longer term. This trade diversion could see Irish companies increase direct shipments to and from the continent, and decrease usage of Britain as a trade partner and as a 'land bridge' route to the continent

There will no longer be free movement of people, goods, services & capital between EU and UK, however there will be free movement of people between Ireland and UK due to the Common Travel Area.

The EU budget will no longer receive a contribution from the UK and in turn will no longer have the cost of funding EU programmes in the UK.

Introduction

The European Union and the United Kingdom have reached a **Trade and Co-operation Agreement (TCA)** on the 24 of December 2020.¹ This will cover the bilateral trade between EU and UK after the end of the transition period on 31 December 2020 (which follows from the 2019 UK Withdrawal Agreement). Both the European Commission and Council have agreed to provisionally apply the agreement for a limited period of time before the European Parliament examines and votes on the agreement in 2021.

This PBO summary of the Agreement will focus on the **economic dimensions and the sectors that will be significantly impacted by the Agreement**. It will also briefly discuss some of the governance issues.

This note will not look at the level of preparedness of state agencies and/or companies in the implementation the Agreement. As the Agreement was only finalised on 24th December 2020 and comes into effect on 1 January 2021, there have been a number of issues with new customs and regulatory procedures, resulting in delays at ports. There has been limited time for businesses to fully prepare for all the exact changes in the trading relationship between the EU and UK as a result of this Agreement.

¹ The European Commission has published the [Treaty and explanatory documents](#), and the UK Government has also published the [Treaty and a summary](#).

Trade and Co-operation Agreement (TCA)

The Agreement is a **zero-tariff and zero-quota** trade deal for the billions of euro worth of goods between the EU and UK. The agreement covers economic, social, and environmental matters and includes critical sectors such as aviation, road haulage, and energy as well as the governance of the relationship between the EU and UK.

The Agreement has seven parts:

- Common and institutional provisions;
- Trade, Transport, fisheries and other arrangements;
- Law enforcement and judicial co-operation;
- Thematic co-operation;
- Participation in EU Programmes;
- Dispute settlement and horizontal co-operation; and
- Final provisions.

The Agreement has several annexes and three protocols:

- administrative co-operation;
- mutual administrative assistance in customs; and
- social security co-ordination.

The trade section of the Agreement is divided into: goods, services and investment, digital trade, capital movements, intellectual property, public procurement, energy and level playing field.

The Agreement will be reviewed every five years and can be ended by either party with 12 months' notice. The Agreement does not apply to goods trade between the Republic of Ireland (and the rest of EU) and Northern Ireland, as the Northern Ireland protocol of the UK Withdrawal Agreement is applied.

The EU-UK Trade and Co-operation Agreement also outlines a co-operation and security partnership, based on the context of the joint Political Declaration, concluded alongside the Withdrawal Agreement on 17 October 2019. In addition to the Trade and Co-operation Agreement, there is a Nuclear Co-operation Agreement and Security of Classified Information Agreement between the EU and UK.²

² House of Commons (2020) Research Briefing "[The UK-EU Trade and Cooperation Agreement: summary and implementation](#)"

Timeline of EU- UK relations - UK Withdraw referendum to EU-UK Trade and Co-operation Agreement³

23 June 2016 -	In a referendum, the UK votes to leave the EU.
29 March 2017 -	The UK government notifies the European Council of its intention to invoke Article 50 of the Treaty on European Union and start the UK withdrawal process.
19 June 2017 -	Start of negotiations of UK's withdrawal of EU.
17 October 2019 -	EU and UK agree to UK Withdrawal Agreement.
31 January 2020 -	UK leave the EU and commences the transition period.
2 March 2020 -	Start of negotiation on the EU-UK Trade and Co-operation Agreement.
24 December 2020 -	EU and UK negotiators agree to a Trade and Co-operation Agreement.
31 December 2020 -	UK's transition period ends.
1 January 2021 -	EU-UK Trade and Co-operation Agreement is provisionally applied.

Governance

The Agreement is overseen by an **EU-UK Partnership Council** at political level. The Partnership Council will be co-chaired by a European Commissioner and British Government Minister and will meet at least once a year. The decisions will be by mutual consent and related to the implementation of the Agreement. In addition, there are over 30 EU-UK sub-committees to oversee the technical application of the Agreement.

If one or both sides think that there is a break in the implementation of the Agreement, they can request the formation of an arbitration panel consisting of 3 independent arbitrators.⁴ The panel has 160 days to make a ruling and the ruling is binding. If there is non-compliance of the ruling by one side, the other side can commence cross-retaliation trade measures including the imposition of tariffs.

There is no direct role for the EU Court of Justice (ECJ) in the dispute settlement process, however ECJ will have jurisdiction over the application of EU rules under the Northern Ireland Protocol of the UK Withdrawal Agreement and over EU research programmes which the UK participate in.

³ European Commission, "[EU-UK relations: From the UK referendum to a new trade and co-operation agreement](#)"

⁴ The dispute settlement procedures do not cover aspects of the level playing field as well as disputes in fisheries, return of cultural property, SMEs, competition, subsidy controls, regulatory co-operation, police co-operation law enforcement co-operation, judicial co-operation and security co-ordination, as outlined in the Agreement.

Level playing field

The Agreement includes a structure to ensure that trade between the EU and UK is operated on a **level playing field**, in terms of regulatory standards and state aid. This will help to ensure trade between their two economies is, in general, fairly developed. Each party will adhere to competition law and to have an independent competition authority.⁵

The Agreement outlines level playing field rules for competition, subsidies, state owned enterprises, taxation, trade, labour and environment standards. Both sides can develop their own standards in areas such as labour and environment, however there is the potential to respond to unfair competitive advantages in trade and investment if they arise. The process of responding to any unfair moves by either partner will be overseen by an **independent panel of arbitration**. This panel will analyse if either side has an unfair advantage and can authorise the other side to impose tariffs in the goods sector in response. Such retaliatory tariffs cannot be imposed on the services sector, including the financial sector as they are not covered by the Agreement. The process of independent arbitration does not directly involve the European Court of Justice.⁶

State aid

The Agreement outlines the common principles in relation to state aid, i.e. government support to private and state-owned business. The Agreement allows **businesses and companies in either economy to challenge state aid decisions in their respective courts**, if companies believe the decisions break these common principles. In addition, both the EU and UK have the right to unilaterally impose tariffs without the need for first independent arbitration, in response to trade distorting subsidies. However, either side could request acceleration arbitration to resolve these trade subsidy disputes. The UK has committed to establish an independent state-aid authority to oversee subsidies and support to business. However, subsidies can be initiated before the state-aid authority approves their usage.

The rules on subsidies are not applied to Northern Ireland which comes under the state aid provisions of the Northern Ireland Protocol of the UK Withdrawal Agreement. EU state aid rules apply to Northern Ireland's goods and electricity trade with the EU.

5 Institute of Government (2021) "[UK-EU future relationship: the deal](#)"

6 Financial Times (25/12/2020) "[Brexit trade deal explained: the key parts of the landmark agreement](#)"

Trade Agreement

Goods in general

For the agricultural and manufacturing sector, **there will be zero tariffs and quotas on goods between the EU and UK that comply with the rules of origin.** This is a positive development in comparison to a no-deal scenario, where goods would have been subject to different and in many cases significant tariffs (particularly agri-food). In terms of regulatory standards, there is no mutual recognition of conformity assessments. Goods would need to be certified by EU and UK authorities to have access to both economies.

The UK has exited the EU VAT regime from 1 January 2021, meaning exports and imports are now subject to EU or UK import VAT. **British Goods imports to the EU are subjected to the EU Member State VAT requirements.** If the goods are valued at more than €22 including shipping, delivery, insurance and handling charges, then EU Member States' VAT will be payable. If goods are valued at more than €150, VAT and customs duty will be payable. However, after 1 July 2021 all purchases from non-EU sellers will be subject to VAT regardless of value.⁷

EU Goods exported to the Britain (not including Northern Ireland) are subjected to the British VAT requirements.⁸ There is no change in the VAT Treatment of the movement of goods between Northern Ireland and the EU. In general, EU goods to Britain are valued at more than £135, British VAT will apply at the point of importation, and below £135, British VAT will apply at the point of sale.⁹

The **rule of origin** is causing some issues in the early period of implementation of the Agreement.¹⁰ The rule of origin aims to prevent third country goods routed through either economy to take advantage of the zero tariffs.¹¹ One issue that has arisen is that some final EU goods imported into Britain and then re-exported to an EU country attract tariffs as they are not considered to originate in Britain. This does not apply to goods just transiting Britain but goods that may be distributed from Britain with no additional manufacturing. Some companies may have to examine and adjust their produce on offer and/or their supply chains operations to avoid such tariffs.

These changes, including no mutual certification and testing will add complexity and costs to trade. There is also no mutual recognition of professional qualifications. There will still be new difficulties in trading between the EU and UK and this will likely result in border delays in the beginning of the new trading regime. Companies could seek to qualify for a trusted trader scheme or authorised economic operator status which can enable accelerated passage through customs procedures.

The customs have commenced on goods from Britain to EU and Northern Ireland from 1 January 2021 whereas the UK will phase in their customs procedures for EU (& Irish) goods over a six-month period.¹²

7 RTE (2021) "[Consumers face VAT and customs duty from 1 January if buying goods from UK](#)"

8 KPMG (2021) "[Tax Alert: The EU-UK Trade and Cooperation Agreement](#)"

9 HMRC (2021) "[Guidance: Check when you can account for import VAT on your VAT Return](#)"

10 Irish Times (06/01/2021) "[Brexit problems hit Irish deliveries from food distribution hubs in Britain](#)"

11 Certain goods are exempt from rule of origin where companies can count EU and UK parts in the content threshold of a good.

12 Institute of Government (2021) "[UK-EU future relationship: the deal](#)"

Agri-food

There will be zero-tariff and zero-quota for agri-food goods, which will be of benefit for the Irish agri-food sector that would have been particularly hard hit by a no-deal scenario. However, the UK is leaving the custom union and single market, resulting in new customs checks on agri-food products between the EU and UK with no transition period. **There is no mutual recognition of the sanitary and phytosanitary standards, resulting in more checks and controls on goods of animal and plant origin.** The EU checks commenced on 1 January 2021 but the UK will phase in their checks. As part of the Northern Ireland Protocol from the UK Withdrawal Agreement, there will be checks on goods moving from Britain to Northern Ireland.¹³

Fisheries

In terms of fishing access, the UK will leave the Common Fisheries Policy (CFP), the policy for organising fishing quotas for EU member states for each type of fish. **For the UK, the CFP will be replaced by a five and a half-year transition period which allows EU access to UK waters.** However, the British fishing quota will be increased by one quarter and the EU fishing rights in UK waters be reduced by one quarter. The Agreement outlines the changes in share of catch over five years for 87 stocks of fish.¹⁴

This change will have an adverse impact on EU fishing, including Irish fishing, however a no-deal agreement would have resulted in no EU fishing rights in the UK's waters. **After the end of the transition period, EU access to UK fishing will be subject to annual negotiations.** The EU access to UK waters is linked to no tariffs on UK fishing exports, highlighting how in this sector there is a degree of mutual dependency on both sides.

Pharmaceuticals

For the pharmaceutical sector, a key sector of the Irish economy, **there is a zero-tariff for goods in the agreement and a mutual recognition clause for inspection of pharmaceutical manufacturing sites between the UK and EU.** However, there is not a mutual recognition of safety and quality tests and the UK could develop its own system of safety and quality testing. This could open up the potential for safety tests in Ireland or the rest of the EU not being recognised in the UK and could have an adverse impact on Irish pharmaceutical exporters to the UK, in terms of duplication and costs. In addition, the pharmaceutical sector could be significantly exposed if there are substantial cross-border supply chains. For the wider chemical sector, the UK will no longer participate in the EU's Reach safety regime¹⁵ and the product safety databases. This could cause difficulties and issues between the movement of substances between the Ireland and the British market.

Motor Industry

Vehicles and car manufacturers in Britain will face zero-tariff exporting to Ireland and the rest of the EU, under this Agreement. A potential issue for British motor exports to Ireland is that vehicles manufactured with large amounts of non-EU or UK components will not be in line for zero-tariff access to the EU, and could increase the costs of some vehicles for Irish customers. British batteries and electric vehicles will be eligible for preferential tariff rates.

¹³ Institute of Government (2021) "[UK-EU future relationship: the deal](#)"

¹⁴ House of Commons (2020) Research Briefing "[The UK-EU Trade and Cooperation Agreement: summary and implementation](#)"

¹⁵ Health and Safety Authority "[What is Reach?](#)"

Services sector

Unlike goods trade, services are generally not covered by tariffs, instead regulations such as licensing, quotas, professional qualifications, etc., impact on the trade in services. These non-tariff barriers are complex and can be resolved by alignment of regulations.

The **EU and UK have agreed certain commitments on market access for services**, prohibiting discrimination on treatment of either parties' citizens and prohibiting any requirements that companies have to have a local subsidiary to operate in each others' economy. There is also a most-favoured nation clause, which ensures that if other favourable terms are given to another country in future, these conditions will immediately apply to the EU or UK. However there is a long list of exceptions in the Agreement which vary by country.¹⁶

Trade in services can be generated online or in person, for example when a professional services provider goes to the client.¹⁷ The Agreement allows for British short term visits to enter the EU for 90 days in any 180 day period.¹⁸ They are allowed work in certain activities such as meetings, trade conferences, exhibitions, consultations and research. Other activities will require a work visa from the EU Member State.

On this issue, **the agreement does not include a mutual recognition of professional qualifications**, in professions such as doctors, engineers, architects, etc. There could be, in the future, bilateral deals between the UK and member states of the EU for mutual recognition of professional qualifications, but there is no pan-EU mutual recognition. There is provision for short-terms business visits and temporary secondments of highly skilled employees.

In addition, the Agreement contains provisions to protect intellectual property rights and geographical indicators. The Agreement allows for access to public procurement to be based on the WTO Agreement on Government Procurement (GPA).

Financial Services

The EU and the UK have agreed in a non-binding declaration to establish a framework for regulatory co-operation for the financial services market. **The Agreement does not cover access of financial services as the EU will decide later if it will grant equivalence to the British financial sector.** The UK has unilaterally granted access to financial services companies regulated in the EU.

British financial services have lost their passporting rights in the EU. Financial companies based in Britain may need to move some operations to an EU member state and/or seek permission from each EU member states for some services. Some banks and financial services companies have moved operations and staff to other cities from London, including Dublin. However, this has not happened on the scale expected before the referendum. Over time, and if the EU does not grant equivalence, there could be more movements of UK financial companies to EU countries. In addition, financial services are excluded from any tariff retaliation measures if rules on goods traded are not adhered to by the EU and the UK.

¹⁶ Institute of Government (2021) "[UK-EU future relationship: the deal](#)"

¹⁷ In addition, the Free of movement for workers between the EU and UK will end. This will not include Ireland, due to its membership of the Common Travel Area.

¹⁸ The rules will vary between EU member states as there are various opt-outs for a number of EU Member States.

Data Regulation

The Agreement covers data regulation in only a few areas such as police co-operation and law enforcement. **There will be a separate data adequacy decision in early 2021 to govern the flow of personal data between the EU and UK**, and before this decision, there is a six month period (January 2021 - June 2021) of no legal change in data regulation for businesses in both economies. This transition period can be extended through agreement between both parties. The data adequacy decision is a unilateral EU decision to recognise, or not, that UK data protection is equivalent to the EU data protection laws. If UK data protection is recognised as equivalent, this would allow the flow of personal information between the EU and UK.

Travel & Transport

In terms of UK travellers' rights, there will be a difference between Ireland, which has a Common Travel Area with the UK, and the rest of the EU. UK travellers will still have the right to unlimited visits to Ireland whereas in other EU member states, the visits will be limited to 90 days in a 180-day period (otherwise travellers will require a visa) and there will be additional passport checks. This issue underlines Ireland as an outlier as the only Eurozone country that is not in the Schengen Area. Ireland's membership of the Common Travel Area and not the Schengen Area could become a long-term issue, particularly if all other EU member states become members of Schengen.¹⁹ However, Schengen could generate some difficulties for Ireland.

The Agreement covers transport, specifically aviation and road, and enables a 'level playing field' in terms of competition and market access.

For **aviation**, UK airlines are allowed fly from the UK to and from EU destinations but not between two EU sites, unless it is an EU subsidiary. To qualify for this, the airline must be majority owned and controlled by UK and/or EU/EEA/EFTA citizens. In terms of aviation safety, the EU and UK will recognise each other's certificates and licenses for the purposes of operating air services, though not necessarily wider recognition in areas like airworthiness and pilot training. There will also be co-operation between EU and UK in customer protection, security and air traffic management.

For **road transport**, EU and UK hauliers and passenger transport operators will be able to operate between and through EU and UK. There are labour and safety standards, including driver hours, professional qualifications, tachographs (speed and distance meters) and vehicle specifications. However, there are weaker cabotage rights in each other territories, i.e. EU hauliers in the UK and UK hauliers in the EU will be able to pick up and drop off only in two sites in each other party's territory. Previously three such pick-ups were allowed.²⁰ The Agreement recognises each party's vehicle licences and crucially for Ireland, permits transit rights.

¹⁹ Currently 4 EU countries are not members of Schengen: Bulgaria, Croatia, Cyprus and Romania.

²⁰ Institute of Government (2021) "[UK-EU future relationship: the deal](#)"



University & Research

The **UK will continue to participate in key European Research programmes:** Horizon Europe programme;²¹ Euratom Research and Training; International Thermonuclear Experimental Reactor (ITER); Copernicus (satellite system); and the EU's Satellite Surveillance & Tracking (SST) services.²² The UK's financial contribution to the EU programmes is based on existing frameworks for third parties including a participation fee (4% of the annual operational contribution) and a contribution fee based on UK wealth in comparison to EU wealth (based on GDP). For the Horizon Europe programme, there will be an additional adjustment mechanism to balance UK contributions and the benefits for its applicants to the Horizon Europe programme.²³

The **UK will not participate in the Erasmus Plus Programme**, a Student and Work Exchange programme. Ireland will cover the cost of Erasmus Plus for students in Northern Ireland which is estimated at €2 million per year.

Energy

The Agreement outlines that a new arrangement for energy co-operation and trading between the EU and UK should be in place by April 2022. This relates to electricity and gas trade, security of supply, and the integration of renewables into the energy markets. The Agreement guarantees access to energy transport infrastructure, covers usage of electricity and gas interconnectors, and regulates subsidies to the energy sector to ensure that competition is not distorted. The energy sector in Northern Ireland is covered in the Northern Ireland Protocol of the UK Withdrawal Agreement.

21 Horizon is the EU's €95.5 billion research and development programme for the years 2021-2027.

22 Separate to the Agreement, the EU and UK will implement the PEACE+ programme and the EU cross-border programme for Northern Ireland and the border region of the Republic of Ireland.

23 The UK will not participate in the European Innovation Council Fund, meaning the UK's annual contribution to Horizon Europe will be adjusted accordingly.