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BREXIT: is a Free Trade Agreement between the UK and the EU any more likely because of COVID-19?

With economic forecasters unanimously predicting huge reductions in GDP for both the UK and EU member states because of COVID-19, is there now a window of opportunity for the EU and the UK to agree a comprehensive FTA?

No one could have been surprised by Michael Gove's recent comments that there would be no extension to the transition period beyond 31 December and therefore negotiations over an FTA need to be completed by the end of the year. This was despite calls from leading politicians in the UK and political and economic commentators that COVID was a 'game changer' and provided the UK government with a perfect political excuse to change tack and seek an extension to the transition period either formally or by using some other political 'fudge'. Indeed, the cynics may say that COVID-19 has brought about the 'perfect storm' for the UK government by allowing them to blame any economic downturn resulting from the UK's departure from the EU on COVID-19; masking the impact on the extreme adverse economic downturn that COVID is forecast to bring on developing and developed countries alike.

A comprehensive FTA was never on the cards. The time available within the transition period, something less than 12 months, was always going to be too short to allow the parties to complete what are time consuming, complicated and detailed negotiations. Added to this, neither the EU nor the UK have the political will to make the types of concessions necessary for such an ambitious agreement. In my opinion, it was always going to be the case that a series of much smaller less ambitious agreements were going to be agreed upon by both sides with the ability of each negotiating team to claim some 'wins' depending upon one's interpretation and perspective.

COVID-19 has brought more stimulus to the negotiating teams and a greater incentive for both sides to show flexibility and pragmatism in their approach to these negotiations. To what degree this will have any significant impact on the size, extent and ambition of these trade agreements is however far from clear. Certainly, it is helpful that Boris Johnson's recent declaration to create greater "oomph" in the negotiations led EU

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leaders, including European Commission president, Ursula von der Leyen and Michel Barnier, the EU's principal negotiator, to agree to an extension to the negotiating timetable and an opportunity for both sides to face up to the realism that nothing was ever likely to be agreed before the Autumn. Both sides have now agreed that from the start of next week there will be a month of intense negotiations. This upbeat mood can only be a good thing. It is also helpful to see that in the most recent pronouncements from Michel Barnier on fisheries, the EU is acknowledging for the first time that the UK will have to be treated as an independent coastal state requiring annual negotiations over fishing quotas. This issue whilst of little economic significance to the UK is emblematic in the eyes of the UK government of the decision taken by the UK to vote in favour of leaving the EU. The stance taken up to now by the EU of seeking unlimited access to the UK's fishing waters was simply not a sustainable position to take. With changes such as this in tone and substance from the EU, it is not difficult to see the UK government also agreeing to modify its language over objections to agreeing clearer commitments to a level playing field and greater regulatory alignment. This softer language holds out the prospect of the UK government satisfying the EU that that the UK will not take undue advantage through state aid and a reduction in regulation to undermine the competitiveness of EU businesses. Boris Johnson is reportedly working on a compromise whereby the UK would reserve the right to diverge from EU standards on the understanding that it would be hit by EU tariffs in the event that the UK chose to move away from these standards at some point in the future.

Whilst a revised timetable of mid-August for an outline deal will be missed and we can expect to see further posturing from both sides, COVID-19 or not, an agreement(s) between the UK and the EU which provides the basis for trading with no barriers and no quotas and avoids WTO rules, is something both sides wish to achieve. The recent breakthrough in what until now had been something of a "political impasse", will allow negotiations to continue so that through a series of mini-trade agreements the foundations for a FTA can be laid down before the end of the transition period, with the prospect of both sides eventually agreeing to a comprehensive FTA in the coming years.