



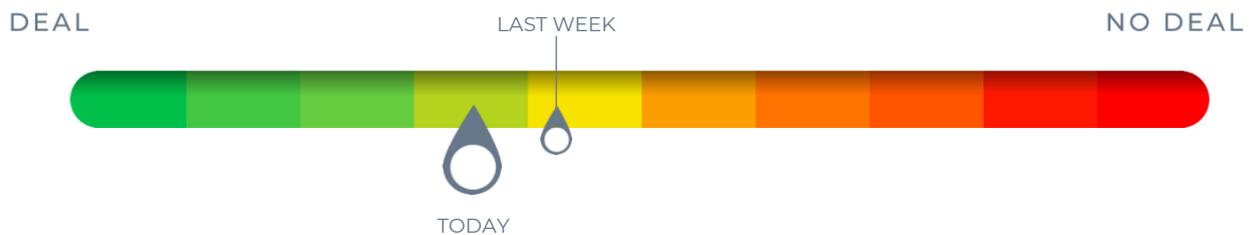
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UK-EU DEAL UPDATE

2 October 2020

Charlotte Street Partners is issuing a weekly update of the key developments and analysis about the prospects for a deal on the future relationship between the United Kingdom and the European Union, as the UK exits the single market and customs union on terms (or no terms) as yet to be determined.

Both sides have attempted shows of force this week, which may give the impression that progress is stalling. However, we still believe that machinations behind the formal talks make a deal more likely than not. Read on for more of our thinking.



WEEKLY RECAP

- The UK Internal Market Bill comfortably passed its third reading in the House of Commons, by 340 votes to 256. It now goes to the House of Lords, where it is expected to be amended.
- The final round of formal talks between the UK and EU began on Monday and concludes today (Friday, 2 October).
- The European Commission announced that it had begun legal proceedings – known as an infringement procedure – against the UK government, because of the content of the UK Internal Market Bill.
- UK cabinet minister Michael Gove appeared before the Scottish parliament's Finance and Constitution Committee, and denounced “bogus arguments” against the Bill. He confirmed that, in this instance, the UK government would not adhere to the Sewel convention, meaning it will proceed with legislation touching on devolved areas, without the consent of the relevant devolved administrations.



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- o It was confirmed today that prime minister Boris Johnson and president of the European Commission Ursula von der Leyen will speak over the weekend, for the first time since June, to “take stock of negotiations and discuss next steps”.

OUR TAKE

Legal action. Final round of talks. We can expect to see the phrase “last-ditch” feature ad nauseam across our media landscape over the next 13 days.

Yet is it so dramatic? We have opined before that some existing elements of the UK Internal Market Bill are there to make a point to the EU. The UK government means business. So does the EU. We would contend that the announcement this week of legal action – an infringement procedure – against the UK government by the European Commission follows this pattern. The action has been publicly supported by the Irish foreign minister and, to attempt to signal that it is already moving on, the EU announced that it would only provide a “brief update” at a member summit on how the talks were progressing.

More than one commentator has pointed out that in 2019 alone there were approximately 800 infringement cases involving the member states of the European Union. It is the 94th action opened up against the UK by the EU since 1972, and many of those remain unresolved. So, not something we should dismiss lightly, but not a gamechanger either.

We have known for some time that most issues have been ironed out and it is really only the politics that remains. That does not secure a deal, however, because as we well know, the politics is usually the trickiest component of any agreement. The public seems aware of this too, with an Ipsos-MORI poll this week showing that nearly 60% of people do not expect Boris Johnson to get a good deal.

Last week, we posed the question: “if neither the UK nor the EU wants a deal, why are they both working furiously to make one happen?” We can apply that logic to today’s confirmation that Johnson and Ursula von der Leyen will speak over the weekend.

You could, if you were cynical enough, make a case that neither of them wants to be the person accused of not doing everything to seal a deal. But they are both, in case you hadn’t noticed, quite preoccupied right now, and neither has much time to waste on gesture politics. We are not across the line yet, but some form of finish line is in sight.