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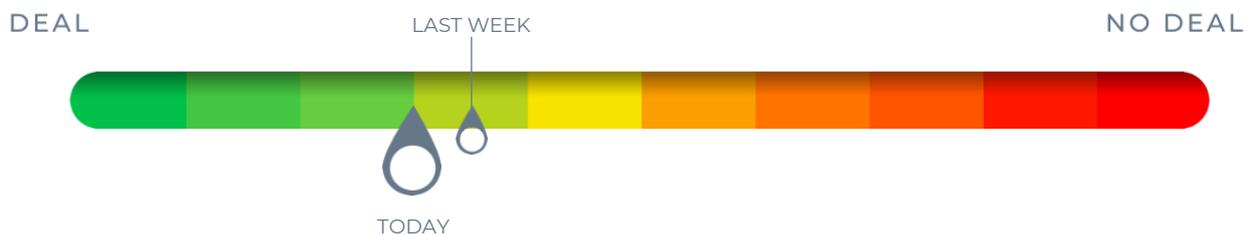
## UK-EU DEAL UPDATE

9 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.

A steady trickle of progress, backed by a distinct absence of “groundwork laying” with the public in the event of failure, means that we maintain our position that a deal remains likely, and indeed somewhat more likely than seven days ago.

However, while a deal is a deal, we contend that it is only likely to be wafer thin, allowing it to get over the line at this late stage.



### WEEKLY RECAP

- o Talks last weekend between UK prime minister Boris Johnson and European Commission president Ursula von der Leyen resulted in a brief statement where both sides “agreed the importance” of finding a deal, whilst noting that “significant gaps” still remained.
- o Former president of the European Commission, José Manuel Barroso, [said in an interview with Times Radio](#) that he thought a deal would be struck.
- o MSPs at Holyrood withheld consent for the UK government’s Internal Market Bill, voting against it by 90 to 28. The Scottish government claims the Bill will “fundamentally undermine” the Scottish parliament, whereas the Scottish Conservatives argued it is essential to protect jobs and delivers new powers. This withholding of consent will not affect the passage of the Bill through the UK parliament.
- o Informal talks were ongoing all week – with fisheries and government subsidies remaining as sticking points between the sides. Michael Gove said the talks gave him



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“steady cause for optimism”, although chief negotiator David Frost told a Lords committee that the UK would still be “content” to walk away and trade with the EU under WTO rules.

- o Irish foreign minister Simon Coveney has said he believes a “thin” deal will be struck in the near future, but towards the end of this month or the beginning of November, rather than on Boris Johnson’s timetable. Coveney regards fisheries as the hardest issue to resolve.

## OUR TAKE

This is the last weekly update before Boris Johnson’s self-imposed deadline of 15 October to agree a deal. In our last note, we pointed out that the mood music between events is always more important than the grandstanding milestones – noting that progress was still being made, even as the UK government pressed on with its Internal Market Bill and the EU threatened legal action.

As we near the endgame, the mood music has not changed. Officials on both sides continue with cautiously optimistic language, in the full knowledge that embarrassing climbdowns will be required if they end up being wildly off the mark. Whatever may be said or thought of political leaders, most are too smart to end up as hostages to fortune in this way.

José Manuel Barroso, a predecessor of Ursula von der Leyen, also went public with his predictions of a deal, and again is unlikely to have done so unless he had some inside information on the present leadership’s thinking. There is a counter of course, in that neither side wants to be blamed for the talks breaking down and so will maintain a public position of optimism, even if evidence points to the contrary.

It is remarkable, however, the extent to which these talks have faded into the background in recent weeks, as Covid-19 cases surge in multiple countries. Johnson barely mentioned Brexit and its aftermath in his annual party conference speech, knowing full well that most of his MPs are presently occupied with managing the backlash against further Covid-19 restrictions.

The opposition Labour party has cottoned on and has largely left scrutiny of these talks to the media. This is partly ultra-caution on Keir Starmer’s part, as he still bears the scars from being branded as a wealthy metropolitan Remainer, determined to thwart the “will of the people”, during the last election. But it is also because Labour can sense a deal is near and see no political opportunity in expending energy exploring a no-deal scenario. There will in any case be plenty of opportunities for opposition parties to make hay if no deal does emerge.

All of this has certainly made UK chief negotiator David Frost’s job easier, as he has been able to manoeuvre largely unimpeded. We will soon find out if he has used that time wisely.