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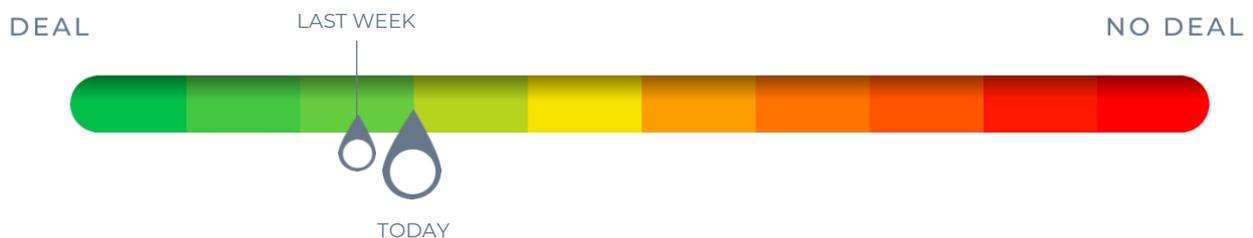
UK-EU DEAL UPDATE

13 November 2020

Charlotte Street Partners is issuing a weekly update 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.

It has been a week of slow progress, judging by the similar language used in an increasing number of on-the-record briefings from both sides, as well as government leaders in the Republic of Ireland. We are getting closer to deadlines, so we really need to start seeing a shift away from “differences remain” if we are to close the existing gaps in time.

Given that we are edging closer to these deadlines, we have revised our deal likelihood to go back slightly on where we were last week – although we remain generally optimistic that some kind of agreement, satisfactory or otherwise, will be struck.



WEEKLY RECAP

- Prime minister Boris Johnson and European Commission president Ursula von der Leyen spoke at the weekend and agreed to “redouble efforts” to solve “significant differences” in the negotiations. At the end of this week, Downing Street confirmed that “significant gaps” remain
- Environment secretary George Eustice indicated that a compromise on fisheries was possible, but he re-emphasised the need for the UK to have “control of [its] own waters again”
- Irish foreign minister Simon Coveney and taoiseach Micheál Martin said that this was the most important week in negotiations, with the former suggesting that the election of Joe Biden as US president would give the UK “pause for thought” as he was a “real friend of Ireland”



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- The EU's chief negotiator, Michel Barnier, said there were three "keys to unlock a deal" with the UK: the first was "respect of EU autonomy and UK sovereignty", with "effective governance and enforcement mechanisms between international partners"; the second was "robust guarantees" of free and fair trade and competition based on "shared high standards, evolving coherently over time"; and the third element was "stable and reciprocal access to markets and fishing opportunities in the interest of both parties"
- The Society of Motor Manufacturers and Traders announced that UK automotive firms had spent more than £735m on Brexit preparations
- The UK government announced that it would make concessions to allow for increased parliamentary scrutiny of free trade agreements to ensure consistency of standards on human health, animal welfare and the environment
- The House of Lords inflicted a major defeat on the UK government's Internal Market Bill, with several of the clauses being stripped out by a margin of more than 200 votes, and several high-profile Conservative rebels supporting the move
- The UK government indicated an intention to press on with the Bill, noting that it would not be brought back to the House of Commons until the end of November
- The UK government launched a new business task force to help firms prepare for the end of the Brexit transition period

OUR TAKE

As we get closer to the end, the lack of forward movement can be perceived as a backwards step. This is the third week in a row that events elsewhere have relegated the talks to the background (at least to those of us watching). First came new lockdowns and then the fallout from the US presidential election. And now there has been this week's infighting in Downing Street, which has seen two of the prime minister's most senior advisers head for the exit. Chief UK negotiator David Frost was rumoured to be considering his position too, given how closely he is allied to the aforementioned pair, an outcome that would surely be disastrous for the negotiations, or at least the UK's chances of getting the deal it wants.

It is notable, however, that we are seeing more talk on the record from the UK government about mitigating post-transition difficulties. Both Grant Shapps and Matt Hancock have been quick to reassure that the welcome developments with a vaccine will not be affected in the new year with potential Brexit border disruption. If that led to a delay in the vaccine's rollout, the UK government knows many would find that difficult to forgive.

We are running out of time, and **it's been suggested that 19 November**, when a summit of EU leaders takes place, is the last chance for there to be a deal on the table that can be worked



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through in time for 31 December. Now, we have seen these informal deadlines come and go before, and we know the EU can work to the last minute in negotiations, but if we enter the end of this month without any sign of a breakthrough, we are entitled to fear the worst. And – eternal optimists that we are – that would be the point at which our magic needle starts gravitating to the right, and fast.