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UK-EU DEAL UPDATE

20 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.

We have not seen the progress we would like this week, and that was likely to remain the case even before yesterday's development in talks, which we explore in more detail below. With time on no one's side, we again calculate that the lack of forward direction now counts more negatively than in the past, and we therefore move our dial slightly back to the right.



WEEKLY RECAP

- o Both the prime minister, Boris Johnson, and UK chief negotiator, David Frost, warned that a deal might not happen, but they remain hopeful of an agreement. The UK government urged the EU to show more “realism” in the talks
- o Environment secretary George Eustice said “a lot of text has been drafted” for a possible deal and “it should be possible to reach that agreement”. He added that there would be a phasing-in period for checks on goods entering Northern Ireland at the end of the Brexit transition period
- o A study in the UK by business advisory firm BDO found that almost two in five medium-sized businesses either have no plan for Brexit, or have delayed their preparations as a result of the Covid-19 pandemic
- o The UK Treasury has begun inviting applications to help develop up to 10 new free ports across the country. Seven of the proposed free ports would be in England, with the idea being that they would allow companies to import goods tariff-free and only pay once they were sold into the domestic market



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- Simon Coveney, Ireland's foreign affairs minister, warned that more progress must be made on fishing if a deal is to be agreed, adding that on this issue "the negotiations are not in a good place"
- The chief executive of Calais port told the House of Lords' EU goods sub-committee that he believed hauliers would not make multiple attempts to transport goods between Calais and Dover, because the first time will be "so difficult"
- The UK and the US have agreed that commercial flights between the countries can continue after the Brexit transition period ends
- The House of Lords inflicted further defeat on the UK government's Internal Market Bill, backing a cross-party move to ensure that devolved administrations retained powers in the future operation of the UK internal market. The amendment passed by 367 votes to 209
- Metropolitan Police assistant commissioner Neil Basu, the UK's most senior counter-terrorism officer, said in an interview that a failure to ratify fresh terms would have security implications and make the country "less safe"
- After one of the EU negotiators tested positive for coronavirus on Thursday, the UK and EU teams suspended talks at the highest levels, although other work remains ongoing

OUR TAKE

The pandemic respects no boundary and even urgent government business is not immune. The **announcement last night** that talks – at the highest level at least – will be temporarily paused after a positive Covid-19 test for one of the EU negotiators was dramatic in the moment, but slightly more anodyne when analysed thereafter. In reality, work on these negotiations will continue.

We saw, for what feels like the umpteenth week in a row, an intensifying of the language, and the acknowledgement that "we might not get there", on both sides. Again, mindful of repeating ourselves, this is expected as we edge closer to the final date.

For the UK, it was a good week to demonstrate to the other side that life will continue outside EU membership (for better or worse). The US flights agreement was expected, and a trade deal with Canada is not the prize of its immediate neighbour to the south, but it is an important signal, and the UK government will be pleased at the timing.

The two sides are at least not any further away than last week, but then again neither do they appear to be significantly closer. With another week gone, and only a handful remaining, that



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does concern us, even though we know the EU's historic propensity to wait until one minute to midnight on deadline day.

To regurgitate our metaphor from the other week: all the players are still on the pitch, although now one player has been struck down and there might now be a bit of a delay, but no injury time will be added. Given how perilously close we are to the final whistle, we can understand why nerves are starting to jangle.