



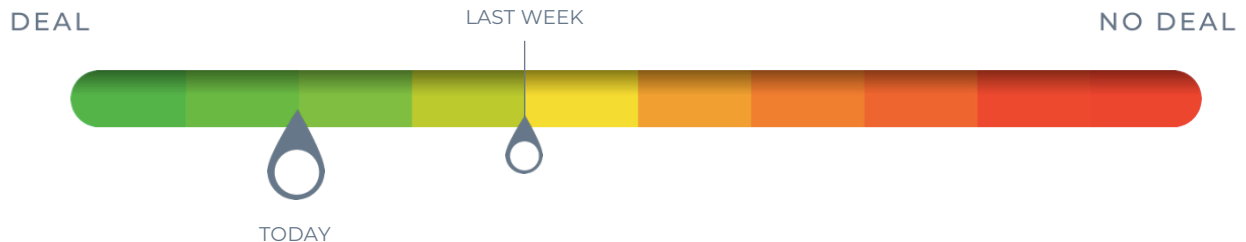
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## UK-EU DEAL UPDATE

27 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.

Having last week bemoaned a lack of apparent progress, this week we are pleased to say that our cautious optimism has been buoyed by developments in recent days. This does not mean that an agreement will be thorough, and it does seem that many issues will be kicked into the long grass, to deal with in the future. But the chances of a deal, possibly within the next week, are now significant and we have adjusted the dial accordingly.



### WEEKLY RECAP

- Negotiations between the UK and EU continued remotely after a member of the EU team tested positive for Covid-19. They resumed face-to-face today (Friday 27 November).
- As expected, the UK and Canada reached a deal to continue trading under the same terms as the current European Union agreement after the Brexit transition ends. The UK government said that the deal “paves the way” for negotiations to begin next year on a new comprehensive deal with Canada.
- Paul Johnson, director of the Institute for Fiscal Studies, said that any deal now would still count as “one of the hardest imaginable Brexits three or four years ago” and it will result in the economy growing less quickly than it would otherwise have done.



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- Chancellor Rishi Sunak said that progress was being made in the talks but reiterated that the UK would not be going for a deal “at any price”.
- Irish Taoiseach Micheál Martin told a briefing of EU prime ministers that he was hopeful the outline of a Brexit deal would be reached soon.
- Bank of England governor Andrew Bailey confirmed his view that leaving the EU on World Trade Organization (WTO) terms would cause longer-term harm to the UK economy than the current global pandemic.
- The House of Lords inflicted a further defeat on the UK government by backing moves to force it to seek the consent of devolved administrations before exercising powers on the controversial UK Internal Market Bill. Later in the week, the upper chamber voted to strip the bill of powers allowing UK ministers to take funding decisions across all nations post-Brexit.
- In the House of Commons, MPs backed the Private International Law (Implementation of Agreements) Bill, which enables the UK to continue to participate, post-Brexit, in international agreements which provide ways for determining jurisdiction and enforcement in international disputes covering child custody and maintenance. All amendments made by the House of Lords were accepted.
- As the UK government was announcing its Spending Review, the Office for Budget Responsibility said that a no-deal Brexit was estimated to reduce GDP by around a further two per cent in 2021, in addition to the expected four per cent drop that would accompany an agreement.
- Environment secretary George Eustice told MPs that the UK border potentially needs another 100 officials to deal with post-Brexit paperwork for food products.

## OUR TAKE

Both sides, whilst still paying lip service to the idea that they cannot compromise at any price, seem confident of a deal. We can see this not just in their public pronouncements, but in the briefings we know they are giving to journalists.

So some form of understanding is likely. This is good, but what will be key at this point will be to understand the depth of what they agree, and all indications are that it will be thin, leaving much to be arranged in the future. This is far from ideal, and we can only rue the lost years since 2016, when UK politics threatened to devour itself, which in turn convinced the EU that the whole thing could be called off. We'd be much further along if so much time hadn't been wasted.

This process has been all about trying to prevent the UK leaving on WTO terms. In that, it looks to have succeeded. Yet we will likely now spend years thrashing out other issues, both large and small. Thankfully, in the near future, a ticking clock will no longer be over our heads, but it's still not an entirely appealing prospect.



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So we are almost there, with “there” being the end of the beginning. There is still much to do if, as expected, we have a little bit of good news very soon.