Brexit: News Update

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On 6 July 2018 the Government published a statement following on from Theresa May's Cabinet meeting and Brexit debate at Chequers, the Prime Minister's country residence. The statement outlined the Cabinet's collective stance and the next steps to be taken in respect of the Brexit negotiations. However, many critics have already called the Chequers statement a "compromise" position and argued that the statement seems to be advocating a "soft Brexit." Both Remainers and Leavers alike have been disdaining of a "soft Brexit," with Remainers advocating staying in the EU if we are not definitively leaving, and Leavers taking the view that if we are to leave then we may as well leave completely.

The publication of the Chequers statement was swiftly followed by the resignation of David Davis as Secretary of State for Exiting the European Union and the appointment of former Leave campaigner Dominic Raab as his replacement. Davis' resignation was quickly succeeded by Boris Johnson's resignation as Foreign Secretary, and Jeremy Hunt has since been appointed to Johnson's old position. Johnson spearheaded the Leave campaign in 2016 and his departure is yet another indication of the lack of confidence that the Conservative Party have in the current Brexit negotiations.

On his resignation, Davis stated that Theresa May has "given away too much too easily" in her negotiations with the EU. Davis cited one of his concerns was that the Government appeared to be moving away from its manifesto commitments to leaving the Customs Union and the Single Market, as staying in the Single Market for Goods could make it more difficult to put in place trade deals with non-EU countries (particularly the US) post-Brexit. Davis' view was that weakened Brexit negotiations would lead to further demands for concessions from the EU.

The European Union (Withdrawal) Act 2018 gained Royal Assent on 26 June 2018. May, who has previously held the position that "Brexit means Brexit", and her government set out their Brexit proposals to date in the Chequers statement. The main points to take away from this statement are as follows:

- The UK will leave the EU on 29 March 2019, with an implementation period until the end of 2020.
- Free movement of people will end and the UK will control its own borders.
- Brexit will provide regulatory flexibility in respect of financial services, with the aim of preserving the mutual benefits of integrated markets and protecting financial stability (with the understanding that the UK and EU will not have the existing levels of access to each other's markets and that this is not the same as the EU's passporting rights).
- There will be a UK-EU free trade area with a common rulebook for industrial goods and agricultural products.
- All future laws in the UK will be legislated for by Parliament and the jurisdiction of the European Court of Justice will end in the UK. Where the UK has chosen to apply a common rulebook (see above), then the UK will pay due regard to the European Court of Justice's jurisprudence.

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- There will be no hard border between Northern Ireland and Ireland, or between Northern Ireland and Great Britain.

The Government is due to publish a White Paper on 12 July 2018 detailing the proposals further. Whilst the reference to flexibility regarding the regulation of financial services in the Chequers statement is reassuring to those operating within this sector, many have called for the Government to provide a clearer plan of what the intention is here. Political uncertainty to date has led to instability in the outlook for the markets and many service providers (in particular, banks) have plans in place to relocate some operations and staff to EU countries post-Brexit.

A report by Ernst & Young ('Attractiveness Survey: UK', published in June 2018) gave the strongest indication yet of the impact of Brexit, noting that investment in financial services projects from abroad fell by as much as 26 percent in 2017, whereas countries like Germany and France are seeing a significant increase. UK headquartered finance firms and some major US banks have made it clear to EU regulators that they intend to establish full scale standalone operations inside the trading block. That said, there are other examples of major international investment banks that have pledged their continued and strong commitment to the UK.

At present, the Conservative Party only hold a slim majority in Parliament, and any dissent amongst the Party could mean that May's plan would not survive a vote in the House of Commons. A potential concern was that pro-Brexit Conservative Party members may look to oust May following her soft Brexit proposals, but the appointment of "Brexiteer" Raab may have placated those who have been calling for tougher Brexit negotiations. The apprehension remains that more Cabinet members may resign amid the Cabinet reshuffle, signalling political turmoil and a lack of stability to those looking to invest in the UK.

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