



Summary of the State of Play

On Friday, 6 July, the British Cabinet met in Chequers, the Prime Minister's country retreat, to agree amongst itself a position to propose to the EU27 on its intended future relationship with the European Union (EU) after Brexit.

Key points involved agreeing to maintain a "common rulebook" for all goods and agricultural products and the establishment of a "combined customs territory", under which the UK would apply its own, possibly lower, tariffs and policies for goods for the domestic market, and EU tariffs and policies for goods entering the EU. These, the Cabinet considered, would go some way to enable the UK to maintain a frictionless, or close to frictionless, border in Ireland and mainland Europe, whilst giving it an independent trade policy, particularly in relation to services. On jurisdiction, the UK would pay "due regard" to EU case law in respect of the common rulebook, but would not technically be bound by its decisions, nor would the The Court of Justice of the European Union resolve disputes between the UK and the EU. Free movement would end and be replaced with a "mobility framework" (whatever that means).

A Government White Paper is now expected to be published either late this week or next, with considerably more detail than the three-pager that was published at the start of the weekend. In its current form, the proposal may not fly in Brussels. It looks like the fabled "cherry picking" of the UK requesting the benefits of EU membership without fully signing up to the "four freedoms" (free movement of goods, capital, services, and labour), and the fear in Brussels is that it would give the UK a competitive advantage that other members states do not have. But it is at least the first document emerging from the UK government that explicitly accepts that trade-offs will need to be made.

Brexit Conservative MPs were not impressed, taking the view that the government's position, which is likely to be watered down further by the EU in negotiations, leaves the UK in a position where it remains subject, in effect, to EU rules, whilst not being able to influence them, and unable to enter into bold new trade deals (e.g. a free trade agreement with the US would likely be hard to conclude if the UK were bound by European standards on goods and agricultural produce). David Davies, the Brexit Secretary, having reflected over the weekend, decided he could no longer remain in his post, particularly given the Prime Minister Theresa May had told her Cabinet Minister that she would no longer tolerate any public dissent on the government's agreed position. He has been replaced in the post by Dominic Raab, an ambitious Brexiteer who has not previously been in the Cabinet. It is not clear whether any powers will be repatriated back to the Department the Exiting the European Union (DExEU) and to what extent the replacement of Davies, a "big picture" man by the more studious Raab, will impact on either the government position or its engagement with the EU27.

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Later in the day, it was the turn of Foreign Secretary Boris Johnson to resign. His letter to the Prime Minister stated, "We are now in the ludicrous position of asserting that we must accept huge amounts of precisely such EU law, without changing an iota, because it is essential for our economic health – and when we no longer have any ability to influence these laws as they are made. In that respect, we are truly headed for the status of colony – and many will struggle to see the economic or political advantages of that particular arrangement".

This position represents a view from a section of the Conservative Party that the likely end state for the UK is one that leaves it worse off, at least from the perspective of sovereignty, than had it remained in the EU. That would indeed appear to be the logical outcome of the Prime Minister's brand of Brexit, even if the EU27 were prepared to concede on all points in the Chequers Agreement, which they will not. On the other hand, there is still an absence of a detailed picture from the Brexiteers regarding an alternative, let alone a step plan showing how to achieve it.

Meanwhile, the clock keeps ticking and the currently immovable deadline of 29 March 2019 draws ever nearer, at which point, in the absence of an agreement, the UK will leave without one.



The Three Customs Options and What They Would Mean for Retailers

Option	Tariff Issues		Wider Regulatory Issues
	Imports From the EU	Imports From Outside the EU	
Customs Union Replicating Current Position	<ul style="list-style-type: none"> No tariffs on consumer goods imports Identical position on Rules of Origin as now No Customs declarations 	<ul style="list-style-type: none"> Existing EU common external tariff would continue to apply in the UK Existing customs formalities would continue UK unable to negotiate new trade deals 	<ul style="list-style-type: none"> Customs Union only deals with customs issues; eliminating non-tariff barriers and VAT would require separate agreement
Customs Partnership	<ul style="list-style-type: none"> No tariffs on imports on consumer goods, subject to final agreement with the EU Position on Rules of Origin unclear Intention is to not have any customs formalities at the EU/UK border 	<ul style="list-style-type: none"> UK would, in principle, be free to negotiate new trade deals with lower tariffs UK would apply higher EU tariff rates where these are higher than negotiated by the UK HMRC would reimburse importers the difference if the goods remain in the UK UK would no longer be covered by the EU's free trade agreements with other countries; therefore, trade with these countries would revert to standard WTO terms unless UK strikes new deals with them 	<ul style="list-style-type: none"> Customs Partnership only deals with customs issues; eliminating non-tariff barriers and VAT would require separate agreement
Maximum Facilitation	<ul style="list-style-type: none"> No tariffs on imports, subject to final agreement with the EU Customs formalities would apply Retailers/importers would face customs red tape, but burden of these would be eased through a combination of technological/administrative efficiencies and better use of trusted trader programmes In the case of Northern Ireland, technological/administrative arrangements would be so well developed as to remove the need for any enforcement at the border but burden of these would be eased through a combination of technological/administrative efficiencies and better use of trusted trader programmes 	<ul style="list-style-type: none"> UK would, in principle, be free to negotiate new trade deals with lower tariffs UK would no longer be covered by the EU's free trade agreements with other countries; therefore, trade with these countries would revert to standard WTO terms unless UK strikes new deals with them 	<ul style="list-style-type: none"> UK would be required to apply the same regulatory controls to imports from the EU as it does to imports from other countries, unless the UK and the EU reach an agreement for the UK to stay within the EU's regulatory system