In a much anticipated speech on 17 January 2017, the Prime Minister, Mrs. May, announced the UK’s 12 priorities for Brexit negotiations. The resolution of the tension between maintaining access to the single market and controlling immigration had been a key unresolved political issue, as had the continuing membership of the Customs Union. The Prime Minister addressed both of these points while setting out her position on a number of other key issues.

Membership of the single market

Mrs. May said that, as a priority, the UK will pursue a bold and ambitious Free Trade Agreement with the European Union (EU). That agreement should “allow for the freest possible trade in goods and services between Britain and the EU’s Member States. It should give British companies the maximum freedom to trade with and operate within European markets - and let European businesses do the same in Britain.”

The Prime Minister made it clear that what she was proposing could not mean membership of the Single Market. She pointed out that European leaders have said many times that membership means accepting the “four freedoms” (of goods, capital, services and people) and would mean accepting a role for the European Court of Justice.
As the UK would no longer be a member of the Single Market, it would not be required to “contribute huge sums to the EU budget.” However, Mrs. May confirmed that there may be some specific European programs in which the UK might want to participate, making an "appropriate contribution." She did not cover whether this might include making an appropriate contribution to retain access to the Single Market.

Membership of the customs union

Mrs. May said that she wanted the UK to be able to negotiate its own trade agreements. But she also wants tariff-free trade with Europe and cross-border trade there to be as frictionless as possible.

Accordingly she does not want the UK to be part of the Common Commercial Policy and does not want it to be bound by the Common External Tariff. These are the elements of the Customs Union that prevent the UK from agreeing its own comprehensive trade agreements with other countries. The Prime Minister does however want the UK to have a customs agreement with the EU and this may mean a completely new customs agreement, becoming an associate member of the Customs Union in some way, or remaining a signatory to some elements of it.

Transitional arrangements

Mrs. May said she wants to secure the outline of a trade agreement within the time allocated for the Brexit separation process but also wants to avoid a “cliff-edge” situation where rules change overnight. While, therefore, she would not want an “unlimited” transitional period, she said there could be individual interim arrangements to minimize disruption to certain sectors of the economy. A phased process of implementation would she said give businesses enough time to plan and prepare for those new arrangements. The transition rules could cover issues such as immigration controls, customs systems or the future legal and regulatory framework for financial services. For each issue, the time needed to phase-in the new arrangements might differ. She accepted that these interim arrangements were likely to be a matter of negotiation.

Ongoing relationship with the EU

The Prime Minister stressed that while the UK wants to remain a good friend and neighbor to Europe, she was aware that there were some voices calling for a punitive deal that punishes the UK for leaving the EU and discourages other countries from taking the same path. Mrs. May said that the UK would not accept such an approach and that she was clear that “no deal for Britain is better than a bad deal for Britain.”

She explicitly pointed out that the UK would still be able to trade with Europe, be free to strike trade deals across the world and “would have the freedom to set the competitive tax rates and embrace the policies that would attract the world’s best companies and biggest investors to Britain.”

Echoing comments made by the Chancellor a few days ago she stressed that if the UK were excluded from accessing the Single Market, it would be free to change the basis of the UK’s economic model.

Involvement of Parliament

The Supreme Court is still to give its judgment on the process for triggering Article 50. However, Mrs. May confirmed that the Government will put the final deal agreed between the UK and the EU to a vote in both houses of Parliament before it comes into force.

Vision of a Global Britain

Mrs May stressed her belief that the referendum was the moment the people of the UK chose to build a truly Global Britain. She explained that she wants the UK to emerge stronger, fairer, more united and more outward-looking than ever before. The Prime Minister is advocating a Global Britain that is “the best friend and neighbor to our European partners” but also “a country that goes out into the world to build relationships with old friends and new allies alike.”

Openness to international talent must remain one of the UK’s most distinctive assets and a Global Britain must be a country that looks to the future. Mrs. May commented that this means being one of the best places in the world for science and innovation and that the UK will also welcome agreement to continue to collaborate on major science, research, and technology initiatives.
What next

Mrs. May confirmed that Article 50 will be triggered no later than the end of March. This means that the latest that the UK would leave the European Union would be March 2019.

She also confirmed that a Great Repeal Bill to remove the European Communities Act (the legislative instrument which enabled the United Kingdom to become part of the European Union) would be introduced in the next Parliamentary session.

Businesses will now have a clearer idea of the Government’s priorities but, as the Prime Minster made clear, there is still a lot of negotiation to take place and the final outcome of those talks will not be known for some time.

Following Mrs. May’s speech, businesses will therefore wish to start working through the potential issues and actions, factoring in the Government’s stated priorities, map out an implementation plan for those potential scenarios and carry out now the elements that would be beneficial to have done in advance of whatever the final outcome of the negotiations may be.

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