

The Business View of the Prime Minister's Mansion House Speech

Today, the Prime Minister took the next step in providing the views of the UK Government on the future economic relationship between the UK and the EU. With the welcome softening of some red lines, and further detail, the speech set the bar high for the economy and jobs but failed to deliver a customs arrangement that would work for business. The CBI is clear that decisions and delivery are what is now needed, and welcomed the Prime Minister's call to "get on with it".

On key issues, there is some willingness to compromise

In her opening offer to the EU on the future economic relationship, the Prime Minister struck a serious and confident tone, while acknowledging that there will be compromises. Significantly, that included an acceptance that the ECJ will inevitably have a role to play in determining some future regulation for UK firms. And for the EU, it will be significant that the Prime Minister reiterated her commitment that the UK will not undertake a bonfire of regulation.

Businesses have been calling for the Government to acknowledge that there will be trade-offs between market access and control and begin to embrace what is most difficult about negotiations. The important thing will be how the UK negotiating team acts when those moments occur: will it put ideology or prosperity first?

Many of the sectors with serious concerns were highlighted

The Prime Minister set an ambitious vision for a "broad and deep" future agreement between the EU and UK, with greater detail than ever before. Importantly, the reality for business across some of the sectors most exposed to Brexit was acknowledged throughout. For example, the Prime Minister recognised businesses' concerns about tariffs, quotas and multiple sets of regulatory checks, for example in the automotive industry.

For the first time, the Prime Minister spoke at length on the future for services sectors. The speech reflected many of the priorities that the UK financial services industry has been pushing for, reiterating the enormous importance of the wider sector to the UK and global economy. The speech also recognised the importance of the UK's world-leading broadcasting sector, and the need to secure arrangements that will allow UK-based companies to continue broadcasting their channels into Europe.

For the highly regulated aerospace, chemicals and medicines sectors, there was reassurance that the UK will try to negotiate continued participation within the EU regulatory agencies EASA, ECHA and EMA as associate members. The continued participation with UK and EU regulatory agencies of ECHA, EASA and EMA is good news for business as they are of significant relevance to trade not only for the sectors that they directly regulate, but for the rest of the interlinked supply chains that interact with them as well. As highlighted by CBI's report [The Room Where It Happens](#), departure from the regulatory frameworks these agencies create would lead to barriers to trade and leaving would significantly affect the competitiveness for UK firms.

However, there are a number of sectors which will not be much clearer on the Government's intentions after the Prime Minister's speech. For example, many key bodies were not mentioned as priorities – including the Agency for the Cooperation of Energy Regulators and the European Food Safety Agency. And some firms

will be concerned about proposals for divergence on digital economy issues, but will welcome the chance for the UK to respond nimbly to new opportunities and challenges.

The CBI will continue to consult with members and provide evidence to Government on the importance of frictionless trade. That will include analysis on where regulatory alignment is important and where it is not.

Firms' views on data and mobility of people have been heard

It was very welcome that the Prime Minister made data a priority. Companies in every sector will support the ambition to strengthen the UK's £240billion data economy through a bespoke data deal with the EU.

Similarly, on mobility and qualifications the Prime Minister has the right intentions. By stating that the UK will seek to "agree an appropriate labour mobility framework that enables UK businesses and self-employed professionals to travel to the EU to provide services to clients in person" and that "it would make sense to continue to recognise each other's qualifications in the future", the Government has made clear it is right on track.

Barriers still inevitable unless we change course on customs

The UK Government has the right intentions on ensuring "as frictionless a border as possible" between the UK and the EU, and between Northern Ireland and the Republic of Ireland.

However, businesses hoping for more detail on how this will be achieved were disappointed. The Prime Minister reiterated that the UK will remain outside a customs union with the EU, and re-stated the Government's previously published two potential options on customs. There was no more detail available on how either option would function but the Prime Minister described first a "new customs partnership". This proposal would involve firms undertaking a huge burden to enforce different tariffs on those goods that end up in the EU as opposed to the UK. While May noted that both options merit consideration, the broad view of [business](#) is that this option is not feasible, for financial, practical and technical reasons.

Businesses operating across Ireland may be encouraged that in reference to the EU's draft withdrawal agreement, the Prime Minister stated that it is vital to maintain the UK internal market, with no checks inhibiting trade between Britain and Northern Ireland. Those firms will also be pleased that the Prime Minister restated the UK Government's support for the Single Electricity Market. However, industry remains keen for greater clarity on which policy measures the government will implement to maintain it.

The CBI will continue to encourage Government to provide more detail on how it intends to fulfil its aims on customs, if not in the customs union. It is obvious that many challenges remain. However, business will be heartened by the commitment from the UK Government to work in closer cooperation with the Irish Government to find a solution to the Irish border question.

All eyes on EU Council for transitional arrangements

In a welcome step, the Prime Minister re-stated her commitment to secure a transition period. In line with the views of businesses on both sides of the Channel, she called an implementation phase "vital" to "give governments, businesses and citizens on both sides the time they need to prepare for our new relationship". Businesses can take reassurance when they hear that the terms of such an arrangement are "close to agreement".

While the Prime Minister reiterated that the implementation period would be "time limited" and "cannot become permanent", she did not set a specific length of time nor offer further detail regarding the form of the implementation period. It is paramount that these good intentions on transitional arrangements are urgently turned into a legal, jointly agreed text by March to remove the risk of a cliff edge for firms.

For more information:

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