

# Brexit Talks Intensify As Pressure Grows For Clarity

Progress on maintaining a 'Level Playing Field' between the UK and European Union would be a significant step forward in Brexit negotiations, writes Bank of Ireland's **Lee Evans**

**A**s Irish businesses adapt to the easing of Covid-19 restrictions, clarity over the path of Brexit could further help reboot the Irish economy. Currency markets have been focused on two key questions around Brexit: are we seeing progress in negotiations, and will the UK formally request an extension to the transition period?

We now know the answer to the second question, as the formal deadline for an extension to the transition period has passed. But is there any progress being made in negotiations on the key issues?

The fault lines that have existed since the Brexit negotiations started are still evident — the Level Playing Field, Fisheries, and access to Financial Services, to name a few. Despite limited progress at the latest round of talks, there have been some positive signs in recent weeks. UK prime minister Boris Johnson's declaration that "new momentum was required" means intensified talks will take place throughout the summer months.

## Conciliatory Steps

As with all negotiations, there will likely need to be compromise from both sides. The EU has already taken small conciliatory steps in recent weeks, with chief negotiator Michel Barnier indicating that the EU has "listened carefully" to the UK on their red lines. These include no role for the European Court of Justice in the UK, no obligation for the UK to continue to be bound by EU law, and an agreement on Fisheries that shows Brexit makes a real difference. Meanwhile, the UK Conservative



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Party needs a deal with the EU in order to fulfil its pledge that 80% of UK trade would be covered by free trade deals within three years of Brexit.

While there are still a number of key issues to be resolved, a big focus remains on the 'Level Playing Field'. The EU maintains its position that regulatory protection is needed for EU firms to prevent UK firms from gaining a competitive advantage, particularly given how close the UK is to the EU market and the high levels of trade.

For their part, the UK argues that it should not have to agree to these rules since it is only seeking a limited trade agreement similar to the one the EU signed with Canada, which did not include such strict

commitments. A resolution to this deadlock could see both sides agree that the regulatory alignment for the UK must not regress — and rules remain as they are at present — with opportunities for both sides to negotiate more trade deals in the future.

The chances of resolving all the outstanding issues related to Brexit before the end of the year seem unlikely, but progress on the 'Level Playing Field' would be a significant step forward in negotiations. From an EU perspective, the steadfast rhetoric of "nothing is agreed until everything is agreed" may

need to change to allow further progress in the weeks and months ahead. For the UK, no agreement on a Brexit deal would likely put further pressure on the UK economy as businesses try to bounce back from the Covid-19 pandemic.

## New Momentum

There is also motivation for both sides to iron out a deal in the coming weeks, not least to allow time for businesses to adapt, and this is one area that does have broad agreement from both sides. The UK and the EU acknowledge that to get a deal agreed before the end of October, to allow the necessary legislation to be passed, means that progress is required in the coming weeks. This "new momentum", as described by the UK prime minister, along with the intensified schedule means the path for Brexit could be clear by the end of the summer.

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*Lee Evans is Head of FX Trading & Strategy at Bank of Ireland Markets & Treasury*