

DAVID DAVIS RESIGNATION: JUMPING OFF A SINKING SHIP?

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David Davis' resignation as Secretary of State for Exiting the EU has stunned the country and left political observers wondering where the Brexit "negotiations" will go from here, and whether the Government is now in "crisis".

Looking at Davis' letter, he states that he was unhappy with the direction of travel and that the goal of leaving the Customs Union and Single Market appears less likely.

Davis' sentiments in this regard have been known for some time now, and allegedly he has previously threatened to resign.

In this thread, there have been criticisms from Brexiters as to Davis' perceived marginalisation by No. 10, with Chief DExEU civil servant, Olly Robbins, now being seen to be the key figure in the UK side of negotiations.

It now leaves Theresa May scratching around trying to find replacements, with some figures suggesting that Michael Gove could be in the frame to take on the role.

In terms of wider ramifications, it is distinctly possible that the PM could face a leadership challenge, in effect an internal Conservative Party vote of no-confidence, if at least 48 of her own backbenchers request one.

It is also possible a wider vote of no confidence in the Government could be effected by Parliament (cognisant of the Fixed-terms Act). Could this lead to the collapse of the Government and fresh elections?

In terms of negotiations with the EU, the Governments' latest proposals from the Chequers' meeting on Friday look pretty much like previous ones, with a commitment to "ending free movement and taking back control of our borders", coupled with:

"A UK-EU free trade area with a "Common Rule Book" for industrial goods and agricultural products, and

"A new "business-friendly" customs model with freedom to strike new trade deals around the world"

Looking at these proposals one would be forgiven for thinking that this is just cherry-picking again. The UK Government in effect is asking the EU to give it a special deal which would compromise on the "indivisible four freedoms" of the Single Market.

EU chief negotiator Michel Barnier restated on Friday that the EU will not compromise on the Single Market – if you want easy access for goods then you have to accept freedom of movement of people too.

It is now distinctly possible that regardless of who the Secretary of State for leaving the EU is, that the EU will reject this latest position and force the Government back to the drawing board – again. This now really increases the risk of “no deal”.

Considering the effect on the Midlands, JLR has reiterated that a “bad Brexit deal” would mean that it would have to “reconsider” £80bn of investment planned for the UK, which puts up to 40,000 jobs at risk.

The situation is now urgent – the EU is making preparations for a “no deal” Brexit next year. Although these will avoid “Armageddon” (their words), the situation will be uncomfortable (and grow increasingly uncomfortable) for British businesses seeking to deal with their European counterparts.

Is it possible that David Davis saw the intractability of the Government’s stance with EU negotiating principles and jumped before the inevitable sunk in?

There has also been speculation of course, as to whether Boris Johnson will also resign as Foreign Secretary.

Either way, in public at least, the EU maintains any withdrawal agreement needs to be agreed by October in order to provide time for ratification.

In private, EU leaders/officials acknowledge that an agreement by the end of December would give sufficient time for ratification.

However, debate over whether December gives sufficient time for ratification is almost an irrelevance at this point: the chances of meeting an October deadline are now rapidly diminishing towards zero and December appears optimistic.

The only way out of this situation at the moment appears to be requesting an extension to the Article 50 negotiating period.

Indications from EU leaders in private are that they would consider extending the Article 50 negotiating period (to allow loose ends to be tied up and ratification).

However, this requires the unanimous support of the European Council (and, obviously the UK Government). We should also note that any extension on this basis would be for months rather than years (an important point in the event that the UK wishes a hard Brexit).