**Beat: News**

# CHRISTOPHER DEMBIK HEAD OF MACROECO AT SAXO BANK EXPLAINS BREXIT NEGOTIATIONS

### INTERVIEW BY RUMEUR PUBLIQUE AGENCY

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**USPA NEWS -** Following the EU's Brexit summit, which turned out to be inconclusive, the British Prime Minister must decide whether he wishes to continue negotiations for Britain's exit from the European Union. Christopher Dembik, Head of Macroeconomic Research at Saxo Bank addressed the main points of contention between the EU and the UK and said: "We believe that neither the October 15th deadline decided by the UK, nor that of October 31 decided by the European Commission, do not really matter, and we anticipate that the negotiations will continue until the last minute in order to try to overcome the differences. In the best case, an agreement must be found at the beginning of November in order to then be ratified by the end of the year. "Christopher Dembik also explained the points of disagreement and what awaits investors in the coming weeks in the form of questions and answers to the agency Rumeur Publique. We publish the entire interview.

INTERVIEW CHRISTOPHER DEMBIK CHIEF MACROECONOMIC RESEARCH AT SAXO BANK CONDUCTED BY RUMEUR PUBLIQUE------------------------------------------------------------------------------------------------------------------------
QUESTION RUMEUR PUBLIQUE. : What was the outcome of yesterday´s EU Summit on Brexit?------------------------------
ANSWER CHRISTOPHER DEMBIK The EU Summit was inconclusive, as expected. Backed by all EU counterparts, French president Macron was in full bad cop mode, ready to defend French fishermen. The EU agreed to extend trade talks beyond the U.K. prime minister´s October 15 deadline for a few weeks, and called for concessions on fisheries, state aid and regulations (especially socially and environmentally). We think neither the October 15 deadline nor the EU´s October 30 deadline constitute a hard stop and we expect negotiations to continue in coming weeks. At the end of the day, we still expect a thin agreement to be reached, ideally in early November in order to be subsequently ratified by the end of the year. Some hot topics might be left temporarily on the side in order to reach a deal and will certainly be discussed beyond 2020.
QUESTION RUMEUR PUBLIQUE. Why negotiations are taking such a long time?-------------------------------------------------
ANSWER CHRISTOPHER DEMBIK. The whole matter is obviously very complicated, but it is also obvious the United Kingdom´s strategy to negotiate with the EU is ill-adapted. First, the U.K. government was mistaken to believe a medium sized country of 67 million people could impose its views to a trading bloc of 400 million people. From an economic perspective, it is bright clear that the United Kingdom needs the EU more than the EU needs the United Kingdom. The trade relationship is very unbalanced: the United Kingdom buys over 600 products exclusively from the EU while the EU only buys one product exclusively from the United Kingdom (a species of wood). In case of hard Brexit, it is thus easy to know which one would be the most economically hit. The Europeans have fully understood that the United Kingdom has particularly low bargaining power in the current negotiations. Secondly, for most EU leaders, the big political and economic story is not Brexit, but the fact that Europe is locking down again to cope with the pandemic and will need further economic support to recover. Said differently, Brexit is at the bottom of the EU political agenda.

QUESTION RUMEUR PUBLIQUE.What are the next steps?--------------------------------------------------------------------------
ANSWER CHRISTOPHER DEMBIK This is the updated Brexit timeline:
“¢ This weekend: the EU chief negotiator Barnier is expected to come to London.
“¢ November 5: Bank of England monetary policy meeting.
“¢ At some point in November: Special EU Summit to sign-off deal?
“¢ December 10-11: Last EU Council of the year.
“¢ December 31: End of the transition period.
“¢ January 1, 2021: The EU implemented full border control, more gradual in the UK.
“¢ July 1, 2021: The UK implements full border control.
QUESTION RUMEUR PUBLIQUE. Should we be prepared for the political fragmentation of the United Kingdom after Brexit?--------------------------------------------------------------------------------------------------------------------------------------

ANSWER CHRISTOPHER DEMBIKUntil now, this scenario has not been priced in by investors. We think the risk is elevated that Brexit will open the door to a second referendum on Scottish independence. Since the Brexit referendum, the Scottish government has always highlighted that Scotland should be given a choice between Brexit and independence. History teaches us the hard way it is always tricky to know the outcome of a referendum but what is interesting is that the latest polls confirm the Scottish independence sentiment has gained traction as we are approaching Brexit. According to a poll by IPSOS MORI covering the period October 2 to October 9, 58% of respondents are in favor of independence, which constitutes an historical high point, while 42% of respondents want to remain part of the United Kingdom. From an economic viewpoint, an independent Scotland is not a panacea. In the far north of the European continent, an independent Scotland would be highly sensitive to oil revenue, would probably not have a currency of its own, and would need to deal with an hypertrophied financial sector with banking assets around twelve times greater than GDP. In addition, it would be confronted with a challenging twin deficit of about 10% of GDP. We don´t really see how the independence dream could end up well in these circumstances. Source: Rumeur Publique

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