



South East Region Digital CPD Event  
26 October 2020  
11.00am-12.30pm

## International Events – the impact for the UK's financial relationships with our key partners

Presentations by  
John Kelly, Investment Director, CCLA  
Paul McDermott, Partner, Trowers and Hamlins LLP



# US ELECTION UPDATE

John Kelly

**CCLA**

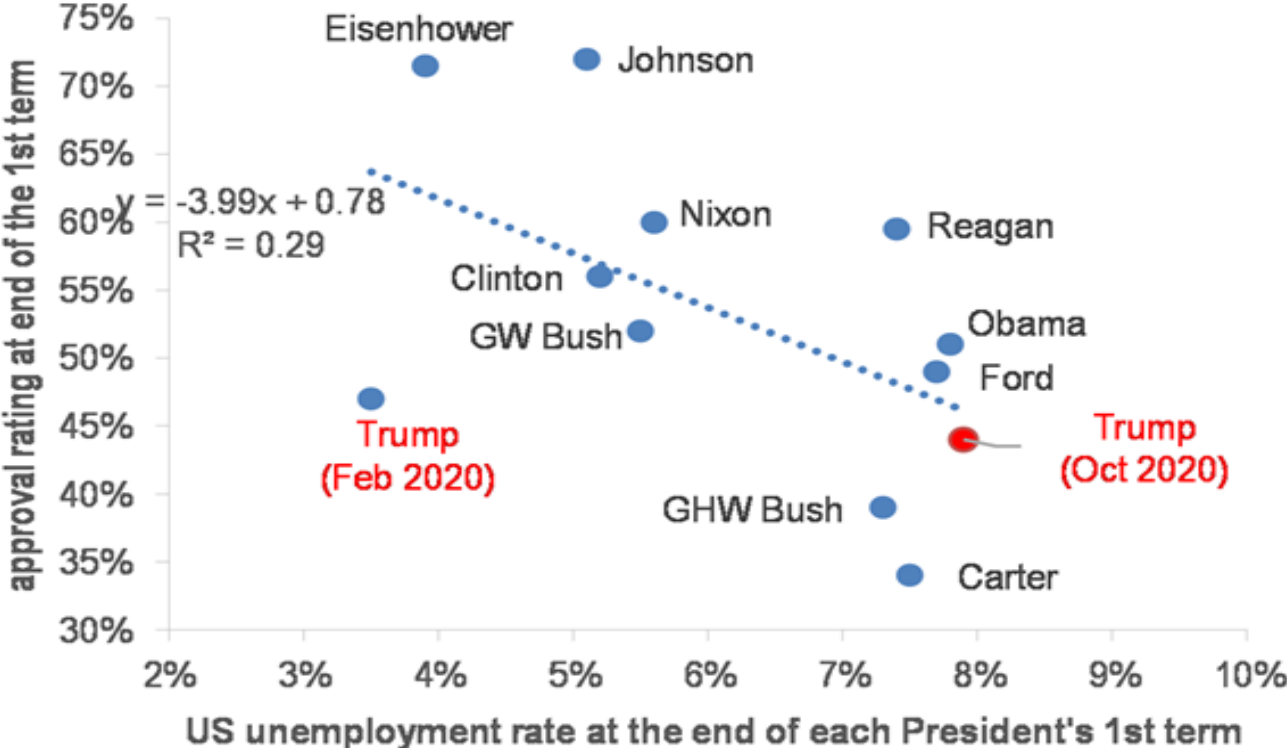
- How the system works
- Current expectations
- What it could mean for investors

- Presidential election votes are cast by Electoral Colleges organised on a state by state basis
- The local popular vote should determine how the Electoral Colleges cast their votes, most are 'winner takes all'
- The number of votes each state has broadly reflects their populations; there are 538 votes in total, the first candidate to 270 wins!
  - California has 55 votes, Texas 38, Wyoming and Washington DC have 3
- Polling is on the first Tuesday in November, inauguration is 20 January

- All 435 seats in the House of Representatives are being contested
- As are a third of Senate seats
- At present the Democrats control the House with 232 seats
- The Republicans hold the Senate with 53 seats
- Expectations are for Democrat gains to consolidate the House – but can they win the Senate?

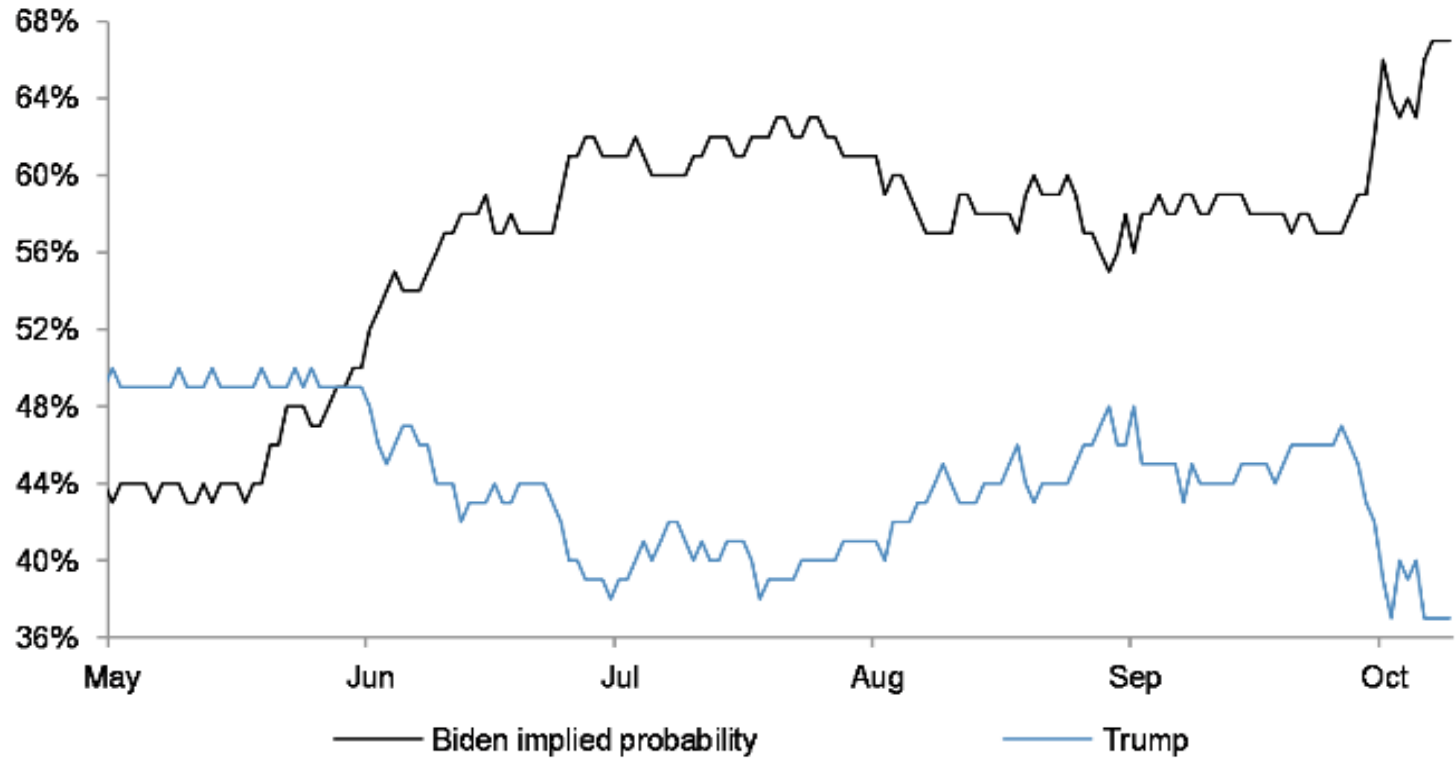
- Mr Trumps popularity rating has been consistent - but poor
- Mr Biden leads in the polls and in the betting odds
- But Mr Trump lagged behind Mrs Clinton
- And there is plenty of detail for the devil to hide in

Mr Trump's approval rating has changed little and is below the level which has been required for re election in the past



Source: JP Morgan

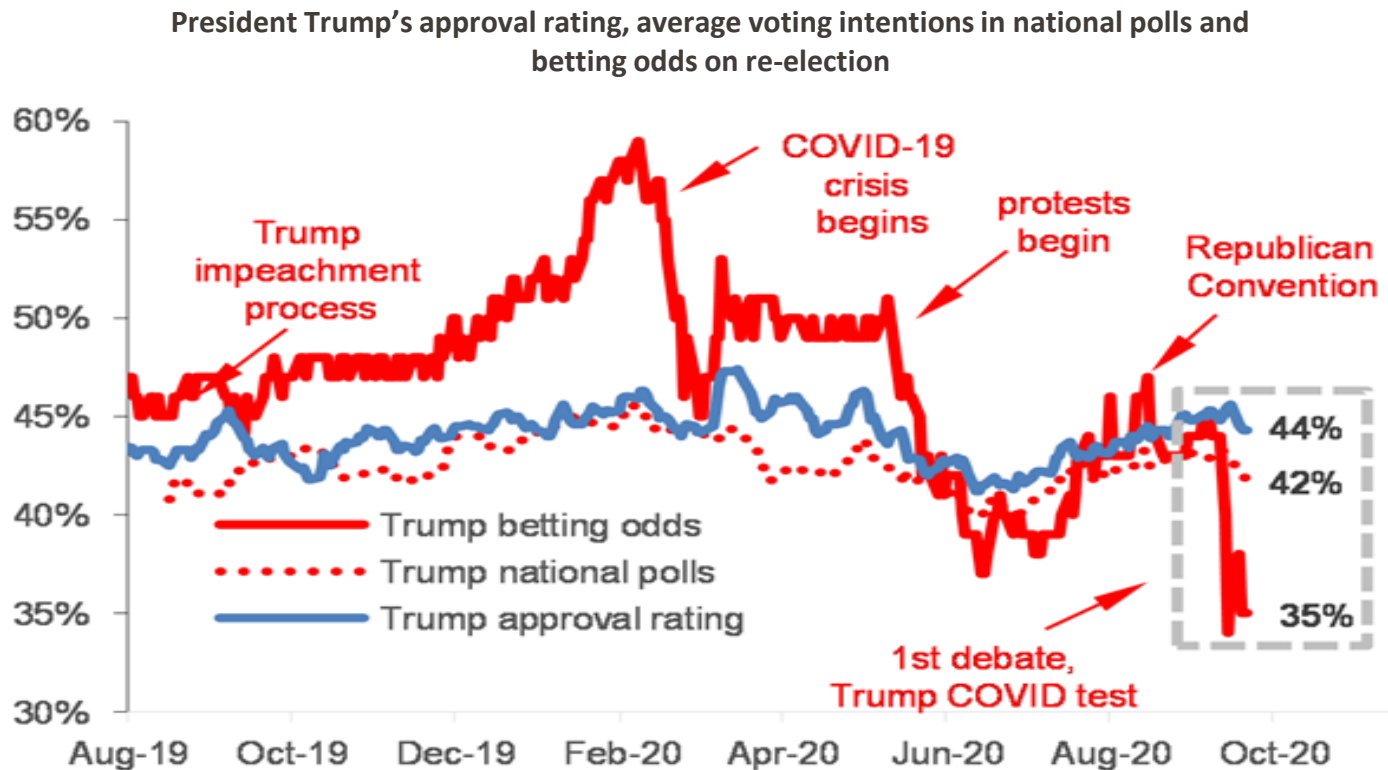
# TRUMP VS BIDEN BETTING ODDS: THE CANDIDATE DEBATE AND HIS ILLNESS HAVE BEEN DAMAGING FOR MR TRUMP



Source: Predictit.org

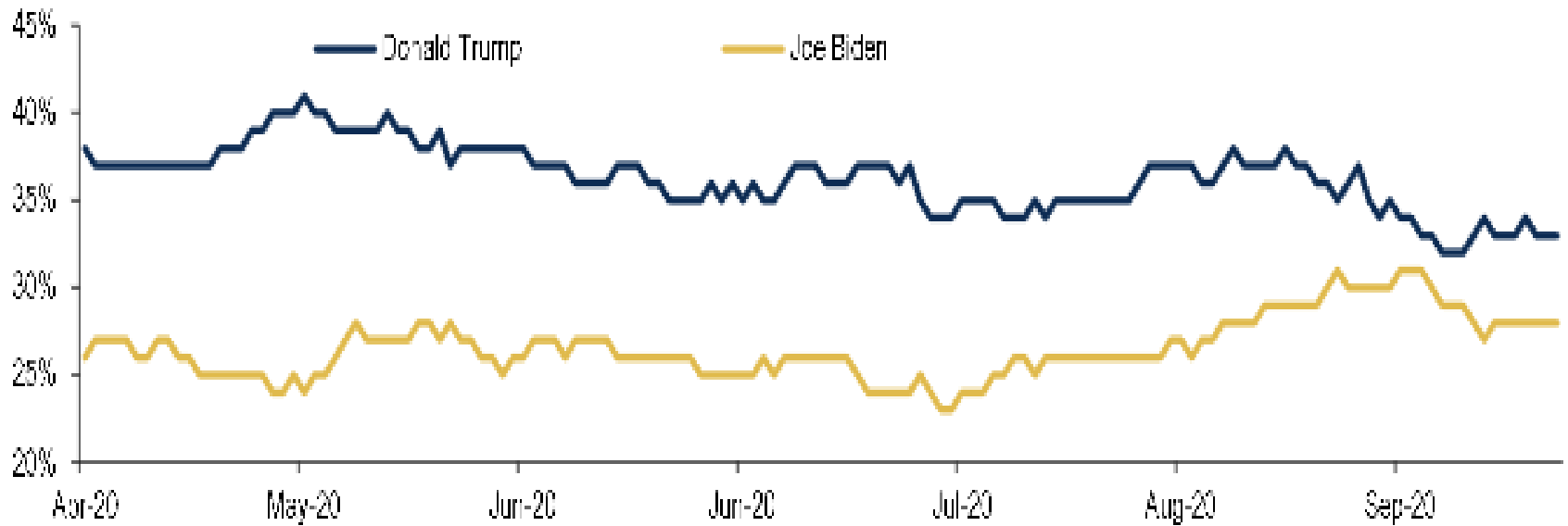


Polls and approval rating have not reacted strongly to the President's illness or the debate with Mr Biden



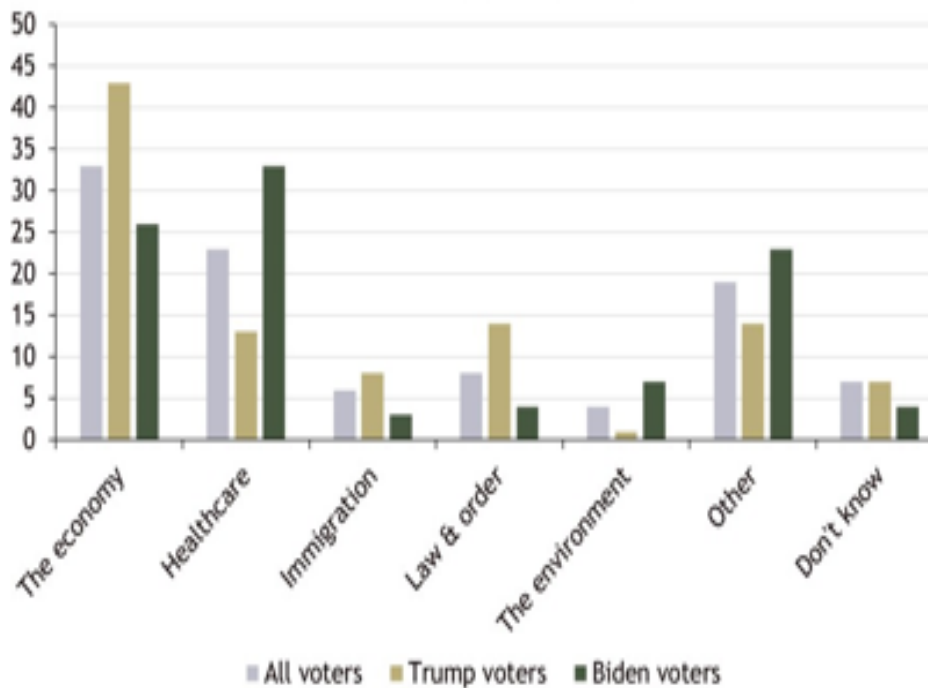
Source: JP Morgan, RealClearPolitics, Predictit

Under which candidate, would you feel the most positive about the US economy: (14-day average)

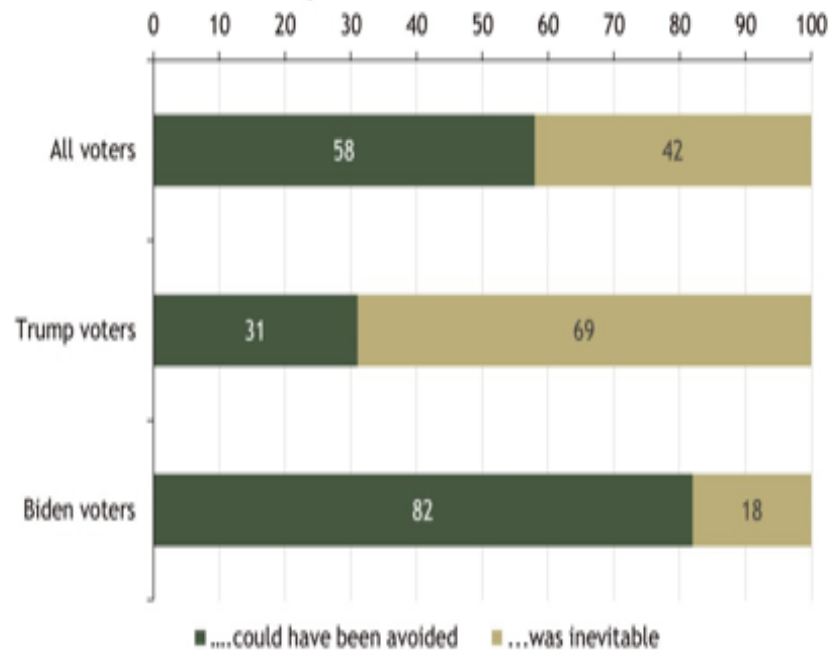


Source: BofA Global Research, Average Sample size: 1553

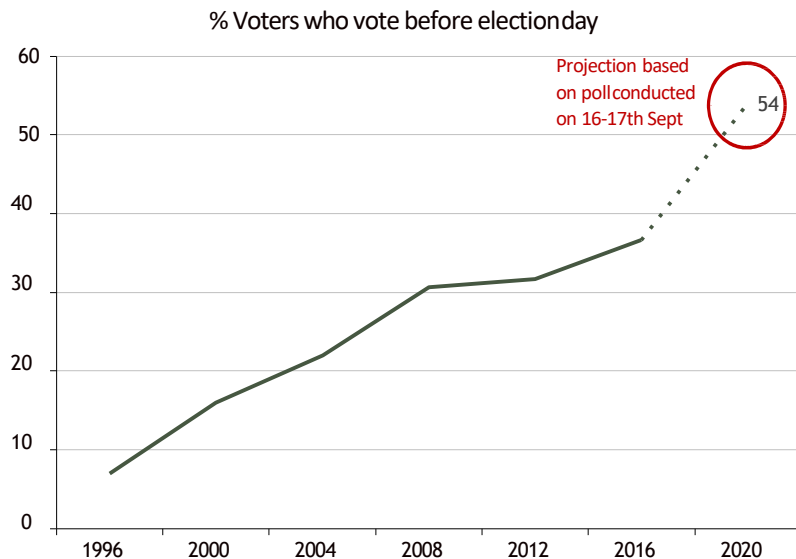
Which policy areas is most likely to determine how you will vote in the Presidential Election?



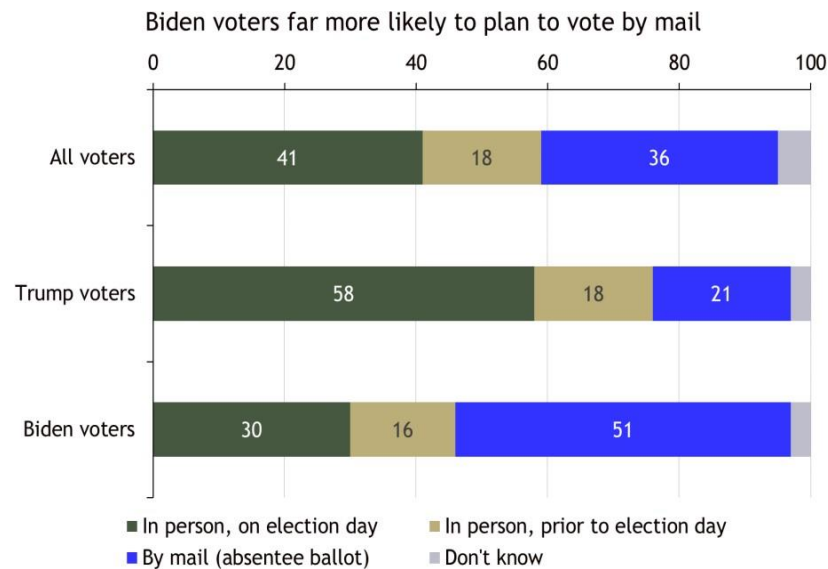
The extent to which the coronavirus pandemic has so far spread within the US...



Source: Redfield and Wilton Strategies (Fieldwork conducted 16-17th September 2020)



Source: Wikipedia / Redfield and Wilton Strategies



Source: Redfield and Wilton Strategies

- Mr Biden has an opinion poll lead of less than 1% in:
  - Florida, 29 Electoral College votes
  - North Carolina, 15 Electoral College votes
  - Iowa, 6 Electoral College votes
- His lead in Ohio, 18 votes, and Arizona, 11 votes, is about 3%

- Historically Republican administrations have been considered more supportive to investment markets
  - but they have viewed Mr Biden's poll leads without concern – why?
- In a slow growth economy more government spending and support for low income consumers could be helpful
- And tax increases are unlikely to come soon

- The investment markets are expecting change – a Biden win and a working government
- No change or insufficient change might disappoint – if the Republicans retain the Senate then the ability to frustrate the new regime would be considerable
- Too much change – a Biden landslide – is a risk; the hope is for ‘Practical Joe’, not ‘Progressive Joe’
- From a global perspective, the recovery needs a bigger engine: stronger US growth and a reduced threat of renewed trade friction would be a material positive.

This document is issued for information purposes only. It does not constitute the provision of financial, investment or other professional advice. The review, analysis, and any projections contained in this document are the opinion of the author only and should not be relied upon to form the basis of any investment decisions. We strongly recommend you seek independent professional advice prior to investing. Past performance is not an indicator of future performance. The value of investments and the income derived from them may fall as well as rise. Investors may not get back the amount originally invested and may lose money. Any forward looking statements are based upon our current opinions, expectations and projections. We undertake no obligations to update or revise these. Actual results could differ materially from those anticipated. For information about how we obtain and use your personal data please see our Privacy Notice at <https://www.ccla.co.uk/our-policies/data-protection-privacy-notice>. CCLA Investment Management Limited (Registered in England No. 2183088) and CCLA Fund Managers Limited (Registered in England No. 8735639), whose registered address is: Senator House, 85 Queen Victoria Street, London EC4V 4ET, are authorised and regulated by the Financial Conduct Authority.



**CCLA**

[www.ccla.co.uk](http://www.ccla.co.uk)

CCLA Investment Management Limited (registered in England No. 2183088) and CCLA Fund Managers Limited (registered in England No. 8735639) at registered office, Senator House, 85 Queen Victoria Street, London EC4V 4ET, is authorised and regulated by the Financial Conduct Authority.



Presentation Monday 26 October 2020

# Brexit and beyond

## Paul McDermott, Partner

Pioneering — Bahrain — Construction — Public sector — Energy — Real estate — London — Tax — IT — Dubai — Manchester — Connecting — Knowledge — Pragmatic — Malaysia — Exeter — Thought leadership — Housing — Agile — Creative — Connecting — Private equity — Local government — Manchester — Environment — Focused — Islamic finance — Projects — Abu Dhabi — Corporate finance — Passionate — Team v — Employment — Regulation — Procurement — Expertise — Specialist — Planning — Investment — Committed — Delivery — IT — Governance — IP — Corporate — Infrastructure — Value — Development — Private wealth — Oman — Governance — Birmingham — Corporate finance — Dynamic — Pensions — Dispute resolution — Insight — Banking and finance — Arbitration — Diverse — Regeneration — Care — Communication

# Contents

- Impact and existing relationship
- Possible new relationship
- Deal or no deal?
- WTO terms & a Free Trade Agreement
- State aid / subsidies & procurement
- People – EU citizens
- Contracts and supply chains
- Data & employment

Pioneering — Bahrain — Construction — Public sector — Energy — Real estate — London — Tax — IT — Dubai — Manchester — Connecting — Knowledge — Pragmatic — Malaysia — Exeter — Thought leadership — Housing — Agile — Creative — Connecting — Private equity — Local government — Manchester — Environment — Focused — Islamic finance — Projects — Abu Dhabi — Corporate finance — Passionate — Team v — Employment — Regulation — Procurement — Expertise — Specialist — Planning — Investment — Committed — Delivery — IT — Governance — IP — Corporate — Infrastructure — Value — Development — Private wealth — Oman — Governance — Birmingham — Corporate finance — Dynamic — Pensions — Dispute resolution — Insight — Banking and finance — Arbitration — Diverse — Regeneration — Care — Communication

# 11pm 31<sup>st</sup> December 2020

- UK Withdrawal Transition Period ends
- UK is treated as a third country by the EU
- Significant economic change

# Impact on the UK

- Depends on if there is (and what is in) a UK / EU trade agreement
- State aid / public subsidy
- Gradual resetting of domestic law
- EU citizens in the UK

# Existing UK / EU relationship

- EU-UK Withdrawal Agreement (International treaty)
- UK left the EU on 31<sup>st</sup> January 2020
- UK in transition until 11 p.m. 31<sup>st</sup> December 2020
- Transition – UK complies with EU law / UK access to EU single market
- Domestic Law - European Union (Withdrawal) Act 2018
- Northern Irish Protocol

# Types of possible UK / EU relationship

- No deal – WTO terms – now dubbed an "Australian deal"
- EU / UK – Free Trade Agreement
- **No longer options**
  - UK remains in the single market
  - Free trade in services

## No deal – WTO terms

- UK is a WTO (World Trade Organisation) member
- UK will apply its own WTO tariff schedule
- Tariffs – a tax on imports
- Tariff Quotas – limit on imports and/or a trigger to increase a tariff
- Currently UK/EU have zero tariffs
- WTO principle – most favoured nation status
- Exception – Free Trade Agreements or Customs Unions



# Economic Impact of No Deal

- Likely to be significant for both the UK & EU
- UK would be vulnerable
- Each would be required to impose tariffs on the other's goods/food
- Quotas on some imports
- Significant disruption to pan-European manufacturing – think Airbus
- Have supply chains been re-engineered for this?
- Both the UK and EU seeking to avoid no deal.

# Free Trade Agreement or FTA

- Enable UK & EU to continue to levy zero tariffs/quotas
- Limited to goods & agriculture
- UK & EU in principle support this
- However there are some sticking points

# FTA outstanding issues

- Fishing quotas
- 'level playing field' - subsidies or state aid
- 'Level playing field' principles agreed for UK subsidies:
  - public policy or market failure;
  - be proportionate,
  - open and transparent;
  - aimed at bringing about a change in behaviour;
  - not have a negative effect on trade and investment.
- Detail, monitoring & enforcement more difficult:
  - UK Internal Market bill
  - UK 'limited and specific' law breaking.

# State aid - Public Subsidy

- Public Subsidy control –the new state aid?
- Draft regulations published to repeal existing state aid law
- Breaches of state aid law prior to 1/1/2021 still subject to old law
- Would leave UK subject to WTO rules much looser subsidy regime
- If adopted EU unlikely to agree FTA

# Possible UK subsidy system

- Based on the level playing field principles
- Focussed on business and exports
- Housing, care and domestic activities?
- EU wants an independent UK monitor (trust issues)
- EU wants an enforcement (against the UK) mechanism
- If agreed UK would want a similar right

# State aid planning for 1 January 2021

- Difficult due to uncertainty
- Likely current law revoked
- Possibility current law extended until new system ready
- Comply with existing law may be the safest option
- Keep alert to developments

# Public procurement

- Current rules substantially retained
- Existing procedures and regulations amended/retained
- Removal of EU references – out with OJEU, the Commission etc
- In with UK terms - 'Find a Tender' - system live from 1 January
- Existing (pre 1 January) EU procurement case law still applies
- Thereafter new EU case law may be relevant but does not bind UK courts
- WTO – Government Procurement Agreement – bidders may not be so different

# People - EU Citizens

- 30 June 2021 key date
- Must register as Settled (5 years + residency) or Pre-Settled (5< years) status
- Immigration status unlocks entitlement to services
- Irish citizens same rights as now – don't have to register
- Some (older) Maltese and Cypriot citizens may have residency through commonwealth ties
- Remind EU residents to register



# Contracts and supply chains

- Uncertainty about an FTA makes this difficult
- No deal may lead to tariffs on imports from the EU
- Could be custom delays
- Have you discussed this with key suppliers?
- Have you checked your contracts about what happens if disruption?

## Other key areas

- Data and information
  - Domestic UK requirements very similar
  - Data Protection Act 2018 and GDPR will apply
  - Exchanges of information from the EU may depend on adequacy decision
  - Discuss with your Data team
- Employment – existing EU based employment law incorporated into UK law

## Contact

Paul McDermott  
Partner

**d** +44 (0)20 7423 8043

**m** +44(0) 7795 962281

**e** [pmcdermott@trowers.com](mailto:pmcdermott@trowers.com)

 **@PaulWMcDermott**

Linkedin: **Paul McDermott Trowers**



© Trowers & Hamlins LLP 2020

Trowers & Hamlins LLP is a limited liability partnership registered in England and Wales with registered number OC 337852 whose registered office is at 3 Bunhill Row, London, EC1Y 8YZ. Trowers & Hamlins LLP is authorised and regulated by the Solicitors Regulation Authority. The word “partner” is used to refer to a member of Trowers & Hamlins LLP or an employee or consultant with equivalent standing and qualifications or an individual with equivalent status in one of Trowers & Hamlins LLP’s affiliated undertakings. A list of the members of Trowers & Hamlins LLP together with those non-members who are designated as partners is open to inspection at the registered office.

Trowers & Hamlins LLP has taken all reasonable precautions to ensure that information contained in this document is accurate, but stresses that the content is not intended to be legally comprehensive. Trowers & Hamlins LLP recommends that no action be taken on matters covered in this document without taking full legal advice.

(c) Copyright Trowers & Hamlins – October 2020 – All Rights Reserved. This document remains the property of Trowers & Hamlins LLP. No part of this document may be reproduced in any format without the express written consent of Trowers & Hamlins LLP.