France's Macron says Brexit cannot divide EU

By Michel Rose and Richard Lough, Reuters

President Emmanuel Macron on Monday said preserving European Union unity was more important than forging a close relationship with post-Brexit Britain, and hit out at what he called U.S. President Donald Trump's "aggressive" isolationism.

As pressure mounts on Prime Minister Theresa May to agree terms for Britain's divorce from the EU and the shape of their future trade relationship, Macron showed no sign of breaking ranks with other EU capitals.

"France wants to maintain a strong, special relationship with London but not if the cost is the European Union's unravelling," he told a gathering of French ambassadors. Brexit, Macron said, "is a sovereign choice, which we must respect, but it can't come at the expense of the European Union's integrity".

Macron did not announce any major shifts in foreign policy in the annual address to his ambassadors, but spoke forcefully about what he labelled the "crisis of multilateralism" and the need to make Europe more "sovereign".

He urged Europe to exert itself as "a trade and economic power", which defends its strategic interests and financial independence and is able to fend off the extraterritorial reach of U.S. sanctions.

Macron also pressed the need for EU member states to show more solidarity.

"Italy is against the Europe which shows no solidarity on migration, but it is for the Europe of structural funds, or so it seems when I hear some ministers speak," Macron said.

"What is happening in Italy is not political doing, an absence of solidarity. Does that excuse xenophobic rhetoric? I don't think so," he added.

TESTS

In his first year, Macron backed on nurturing relationships with leaders such as Trump and Russian President Vladimir Putin, appearing engaged on the world stage but often remaining non-committal and trying to mediate without unsettling anyone.

That approach has been tested after Trump shunned Macron and other allies, pulling out of a global climate pact, imposing extraterritorial sanctions on Iran, and imposing tariffs on EU steel and aluminium.

"Multilateralism is going through a major crisis which collides with all our diplomatic activity, above all because of U.S. policy," he said.

"The partner with whom Europe built the new post-World War order appears to be turning its back on this shared history," he said.

"Europe can no longer rely entirely on the United States for its security." Macron also touched on conflicts in the Middle East.

He described the situation in Syria as "alarming" and reaching a "moment of truth".

BREAKINGVIEWS-Britain can limit no-deal Brexit currency crisis

By George Hay, Reuters

Britain is trying on its Brexit crash helmet. The UK government will on Aug. 23 reveal the first batch of contingency plans covering what happens if the country exits the European Union next March without a deal.

The papers are unlikely to assuage many people's concerns. What the government won't say, however, is that it has a trump card.

With a real-time read-across in Turkey, the obvious fear for UK investors is a currency crisis. In a worst-case scenario where the EU declined to deem UK regulation on goods and services as equivalent to its standards, business could face huge disruption and the trade deficit might soar. Britain's 616 billion pounds of exports in 2017 were already short of its 641 billion pounds of imports.

Sterling would fall, and foreign investors may worry about the UK's solvency, forcing the Bank of England to hike rates dramatically. This probably won't happen. Read more
UK's Conservatives split again by Hammond's Brexit warning

By Andy Bruce, Reuters

The split in Britain's ruling party over how to leave the European Union was exposed again on Friday as pro-Brexit lawmakers turned on the finance minister for his latest warning that a so-called hard Brexit would hurt the economy.

The row underscored the size of the challenge facing Prime Minister Theresa May as she enters a crucial few months that will determine Britain's future relationship with the EU.

Finance minister Philip Hammond, seen as one of May's most pro-EU ministers, has long been a target for the many pro-Brexit lawmakers in the Conservative Party who say he is too pessimistic about Britain's future outside the EU.

On Thursday, Hammond distracted media attention away from the government's announcement of how companies and individuals should prepare for the possibility of a no-deal Brexit when he highlighted what it could mean for the economy.

Hammond pointed to Treasury forecasts made in January that predicted a no-deal scenario would push up borrowing by about 80 billion pounds a year in 15 years' time.

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UK May says no-deal Brexit not "the end of the world"-Sky

British Prime Minister Theresa May has said that failing to secure a deal with the European Union before Britain leaves the bloc next year "wouldn't be the end of the world", Sky News reported on Tuesday. May's comment came after finance minister Philip Hammond said last week that a no-deal departure from the EU would damage public finances.

Britons living in EU could lose access to UK bank services in no-deal Brexit

Britons living in the European Union could lose access to their UK bank account services and businesses on the continent could be cut off from investment banks in London if there is a no-deal Brexit, the British government said on Thursday.

UK says Brexit could hit banks' stock of "risk free" EU debt

Britain could force European Union banks operating in London to start holding capital against inventory of riskier EU government bonds in the case of a 'no-deal' Brexit.

Britons face higher card costs if no Brexit deal – UK

Britons will have to pay more to make card payments in the European Union and businesses on the continent could be cut off from investment banks in London if there is a no-deal Brexit, the British government said on Thursday.

UK food exports to EU may be stalled by "no deal" Brexit – NFU

Britain could be barred from exporting some food to the European Union for months if it leaves the bloc without a deal, the National Farmers Union said on Thursday after the government published reports on that scenario.

REUTERS GRAPHICS

Tracking the Brexit effect

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May says UK will use aid budget to boost trade in Africa

By Wendell Roelf, Reuters

Britain will use its international aid budget to boost its own interests while also seeking to deepen trade ties with Africa, Prime Minister Theresa May said on Tuesday, countering critics who say aid funds would be better spent at home.

May, battling to unite her divided Conservative Party over her plan to take Britain out of the European Union, is visiting South Africa, Nigeria and Kenya on her first official trip to the continent.

In a speech in Cape Town, May said she wanted Britain to become the biggest investor in Africa out of the Group of Seven nations, overtaking the United States, by using the aid budget to help British companies invest on the continent.

The government has held out the prospect of increased trade with non-European Union countries as one of the major selling points of Brexit as it prepares to leave the bloc, currently its biggest trading partner, in March next year.

In April, Britain hosted a meeting of Commonwealth countries, including South Africa, Kenya and Nigeria, seeking to reinvigorate the network of mostly former colonies and drum up new trade amongst its members. May recommitted to maintaining the overall British aid budget at 0.7 percent of economic output but said she would use it in a way that helped Britain.

"I am unashamed about the need to ensure that our aid programme works for the UK," May said.

"Today I am committing that our development spending will not only combat extreme poverty, but at the same time tackle global challenges and support our own national interest." Britain’s overseas aid last year was 13.9 billion pounds. The budget has come under fire from many of May’s own lawmakers, who say it is too high and should be spent elsewhere or in Britain itself.

May, who was accompanied by a delegation of British business executives, also said Britain would work with African states to tackle insecurity and migration by creating jobs.

SEEKING TRADE

"It is in the world’s interest to see that those jobs are created, to tackle the causes and symptoms of extremism and instability, to deal with migration flows and to encourage clean growth," May said.

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investors are ditching British real estate as Brexit uncertainty, rising interest rates and inflation erode house prices and office values in a market hurtling towards a potentially messy exit from the European Union. Shorting real estate investment trust (REIT) stocks is gaining in popularity, as the government publishes plans to cope with any disruption if Britain and the EU can't agree on the terms of its departure. The list of the UK’s top 50 most shorted stocks is peppered with real estate names. They range from REITs Intu and NewRiver to housebuilders Crest Nicholson and McCarthy & Stone to the number one short, Travis Perkins, which sells building materials, Markit data shows. Short interest data from FIS Astec Analytics shows REITs that concentrate on residential and office space have higher share-borrowing activity and costs - a measure of demand to borrow the shares in order to short them. Read more

BREAKING VIEWS

Brexit plan B is an exercise in UK humility

The famous stiff upper lip for which Britons used to be known is evident in their country's contingency plans for leaving the European Union without an exit deal. Government papers issued on Thursday distil the economic risks of red tape, border delays, and financial disruption in dry and sometimes technical language. That cannot mask the extent to which the UK is reliant on Brussels' good will.

The Brexit minister, Dominic Raab, spelt out a range of problems that could crop up and how different sectors of the economy could prepare. For example, drugmakers were urged to build an additional six weeks of medicine stockpiles to cope with potential supply disruptions. Finance, which contributed 119 billion pounds to the UK economy last year, or 6.5 percent of the total economic output, faces particular challenges. For example, in the absence of EU action, European clients would no longer be able to use the services of UK-based investment banks and those banks might not be able to service existing cross-border contracts, the government said. Britain is pragmatically offering a grace period of up to three years, which it dubbed a ‘temporary permissions regime’, to EU banks and clearing houses in the UK. But unilateral action will not be enough to eliminate the risks and EU cooperation will be necessary to ensure the validity of billions of dollars of insurance contracts, interest rate swaps and other derivatives. A similar need for EU action crops up again and again in the documents. Read more

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