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May's Brexit plan is a 'ruse' - to stop Brexit happening

Jan 20, 2017

Former WTO chief says Prime Minister is operating a 'costly' double bluff to stop UK



Carl Court/Getty

May's Brexit plan is a 'ruse' - to stop Brexit happening

A former EU [trade](#) commissioner and director-general of the World Trade Organisation claimed that Theresa May's hard Brexit plan could all be a "ruse", says [The Guardian](#).

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Speaking at a fringe gathering at the World [Economic](#) Forum in Davos, Switzerland, the Prime Minister's real intention could be to prevent the UK from leaving the bloc.

He said: "It is like World War Two, where the allies intoxicated the Germans into thinking landings were going to take place in Northern France when in fact they were going to Western France.

"That's what's happening here. You have a fake foreign minister, then you have a mess means Brexit', then you choose the most costly option so that at some stage people realise costs are not worth it."

That "costly option" is the UK leaving the European single market, the largest trading which May confirmed this week.

Lamy added that EU divorce proceedings and subsequent trade deal negotiations would be obscure, bumpy and probably nasty".

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The warnings were repeated by WTO head Roberto Azevedo, who said it "will not be a surprise" for the UK to fall back on his organisation's rules as the ability to "copy and paste" depended on the specifics of Brexit.

May addressed the Davos conference herself yesterday, saying the UK wanted to remain in the EU while also becoming a "world leader" in free trade.

Commenting on her speech at a dinner yesterday evening, veteran investor George Soros said "unlikely" the PM would remain in office.

"She has a very divided Cabinet, a very small majority in parliament and I think she will not be able to get her way," he said.

He also told guests that people in the UK were in denial about Brexit, but would react to rising inflation started to eat away at their incomes this year, says **The Times**.

Big banks confirm their own Brexit from London

19 January

Global banks are firming up their plans to shift thousands of jobs and billions of pounds of revenue out of London.

Speaking to the **BBC** and **Bloomberg** at the World Economic Forum in Davos, Switzerland, executives admitted they will move operations out of the City as a result of Brexit.

Their stark news follow Theresa May's declaration this week that the UK will cease to be part of the European single market when it leaves the EU.

This could compromise "passporting" rights that allow banks based in London to trade in the world's largest single market, a key reason the City is the main hub for clearing transactions denominated in euros.

Following through on a warning made in the wake of the EU referendum, Stuart Gull, executive of HSBC, confirmed his bank was planning to move 1,000 jobs to its Paris site.

He added they will take about 20 per cent of its trading revenue, an amount "in the billions".

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More job movement than we hoped for — last June, the Wall Street giant said it could move 4,000 of its 16,000 jobs out of London.

Meanwhile, a source at Lloyds revealed it is planning to establish a formal base in France. Goldman Sachs is also considering transferring thousands of jobs to the German hub.

The moves will have a big impact on UK tax revenues and the wider economy. Banks contribute up to £65bn a year in tax revenue, says Bloomberg, while their highly paid staff pay hefty sums in income tax.

It is generally held that the process of job losses could be delayed if May agrees a transition deal that would avoid a sudden loss of single market rights.

Beyond that, there is still hope that a bespoke deal ensuring regulatory equivalence with the rest of the EU's financial services could mitigate the loss of passporting rights.

Five reasons the pound rallied after May's 'clean Brexit' pledge

18 January

The pound enjoyed its best single-day jump in value for nine years yesterday, erasing its early part of this week.

Trading still remains around 17 per cent down against the dollar since the EU referendum, which was above \$1.23, but that it recovered so strongly after the Prime Minister confirmed a "clean Brexit" is remarkable.

So what is going on?

1. Much needed clarity

Firstly, a lot of the slump in the pound of late has reflected uncertainty about what Brexit will mean for trade and the economy. Markets hate uncertainty.

"It shows just how desperate the currency was for clarity that May's speech... could instigate a reaction," Connor Campbell, financial analyst at spread-betting firm Spreadex, told [The Week](#)

2. Transitional deal hint

Theresa May promised to implement the Brexit changes in a "phased" manner, giving that she has heeded calls from businesses – and especially the financial services sector

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"could limit some of the excesses of some of the Brexiteers", said Kathleen Brooks of CMC Markets.

It is highly probable the final vote will only be whether to accept the deal or leave the EU. But it could still force a more conciliatory negotiation.

4. Customs union

While May confirmed the UK would leave the single market, she left open the possibility of an "associate member" of the customs union which facilitates tariff-free trading across the EU.

It may prove impossible to reach an arrangement on which everyone agrees, but that would be one at all is music to the ears of export businesses in particular.

5. The Trump effect

It's not all about Brexit, you know. [The Guardian](#) says "sterling's gains were also flattened by the dollar after Donald Trump said the US currency was overvalued".

Pound recovers after Brexit 'bloodbath'

17 January

Sterling rallied slightly this morning after a "bloodbath" yesterday saw it slip close to its lowest level against the dollar in 32 years.

Investors are nervous after reports over the weekend that Prime Minister Theresa May will announce that the UK will leave the single market and end free movement of people as part of Brexit.

Traders fear the government does not have a clear plan for the way ahead and that a硬Brexit with Europe could cause significant economic damage. Kathleen Brooks, an analyst at CMC Markets, said the reports had been "like kryptonite" to investors, says [Sky News](#).

Vicky Pryce, chief economics adviser to the Centre for Business and Economics Research, said on the Today programme it was "obvious" the markets believed a hard Brexit was "bad news".

Following the reports, the pound fell as low as \$1.1988 - a "sterling bloodbath", said [Financial Times](#) columnist Connor Campbell. It rallied a little this morning to trade at \$1.2119, although Neil Wilkins, a currency analyst at CMC Markets, said this was more related to activity in the US than the UK.

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16 January

Sterling fell to its lowest level for three months in Asian trading overnight as fears grow May will this week outline plans for a hard Brexit.

Its drop to below \$1.20 to the US dollar puts the currency back in the "territory" of its "flash crash in October", when it slumped below \$1.19, says the [BBC](#).

The Prime Minister is due to give a speech tomorrow in which she's expected to say the UK will leave the EU's single market and its tariff-free customs union for goods and services as the government prioritises taking full control of immigration.

While Downing Street dismissed the reports as "speculation", that hasn't stopped traders taking flight.

The reports are "like kryptonite" to brokers who back the pound, said Kathleen Brooks, an analyst at City Index.

Economists generally agree leaving the world's largest single market will be bad for the economy - and especially the financial services sector, which relies on free trading across Europe.

May has consistently insisted a bespoke deal with Europe will allow enough access to EU markets to protect the economy, despite the refusal to accept free movement.

She has also repeatedly asserted deals with countries elsewhere in the world will prove economy - a claim seemingly backed up today by incoming US president Donald Trump. [The Times](#) Britain and the States would strike a trade deal with the UK "very quickly" after

The pound recovered slightly in early London trading, to \$1.2045.

However, Brooks warned there could be further pain this week. "There's a lot for the market to digest over the next five days, so I suspect the pound may well be a casualty of that," she said.

That's bad news for currency speculators, but good news for the FTSE 100, which relies heavily on foreign earnings.

It rose to another record high of 7,354 at the start of trading this morning and was set day of gains, says [the Financial Times](#).

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