

UK business welcomes May's Brexit plan clouded by resignations

LONDON: British business welcomed a UK plan to keep strong European Union economic ties post Brexit, even though Prime Minister Theresa May was already counting the political fallout at home.

May faced a crisis in her cabinet on Monday after Foreign Secretary Boris Johnson followed Brexit minister David Davis in resigning over proposals drawn up before the weekend.

British business, whose leaders have persistently called for a clear plan on Brexit, came together Monday to back May's proposals, which were heavily clouded by the cabinet departures.

Johnson's resignation caused the pound to slide.

"The departure of Mr Johnson from the cabinet is a major blow to Theresa May's leadership, and it could call her future into question," noted David Madden, analyst at CMC Markets UK.

Johnson has long had leadership ambitions and many believed May gave him the plum job of Britain's top diplomat to keep him from building up a domestic political power base.

Despite a divided cabinet, May on Friday won overall support for a new "free trade area" where Britain would accept EU rules for goods.

Business leaders meanwhile backed the plan.

"It is welcome that the cabinet set out an agreed position for the UK's future relationship with the European Union," said Catherine McGuinness, head of policy at the City of London

Corporation, a local government authority for the capital's financial district.

However in a note of caution she added that "a deal that excludes services... could have a negative impact on the UK's financial sector".

The head of Britain's main business lobby group the CBI, meanwhile called the resignation of Davis "a blow" to the plan.

But at the same time, Carolyn Fairbairn said the government was moving "in the right direction".

She added: "There will be a time when the benefits of free trade deals internationally could outweigh European trade, but it's not yet.

"Our argument is unless and until you have an alternative way of reaching frictionless trade, a customs union is the right answer so we think broadly this is going in the right direction," said Fairbairn.

And in a statement on Davis' replacement, eurosceptic junior minister for housing Dominic Raab, she said: "There's a tough job ahead and business is ready and willing to support him and his team... deliver a good Brexit at such a critical time for the country."

May's proposals are for "a common rule book for industrial goods and agricultural products".

They additionally call for "a new business-friendly customs model", which would maintain high standards but allow Britain "to strike new trade deals around the world" once it has left the European Union in March next year.

The government believes that plan would allow Britain to maintain frictionless trade with the EU in goods, avoid customs checks on the sensitive Irish border, and end both

free movement of people and jurisdiction of the European Court of Justice in Britain.

Miles Celic, chief executive of financial services lobby group TheCityUK, welcomed the government's plans awaiting more detailed information.