

# Brexit Insight Issue 5:

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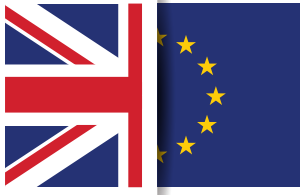
A Weekly Analysis for Senior Executives

Issue No.5 | 06 Mar 2017



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By Brendan Halligan



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*The UK government published a White Paper on 2 February setting out its priorities for the forthcoming Brexit negotiations. Styled as a 'Plan for Britain' it contained a number of pointers as to the sort of future relationship the UK wants with the EU but it added little to Mrs May's speech on the same topic in mid January. That was to be expected because, as she had indicated, she won't be disclosing her hand in any detail until the negotiations get under way. Nevertheless, it is possible to put together an outline of what it called a 'Strategic Partnership' with the EU. The following identifies the main elements of the partnership from a UK perspective. So far, there has been no official response from the EU side. This issue is rounded off with a resumé of key dates over the weeks ahead.*

## The Starting Point

The starting point for understanding the partnership is that Britain is leaving the European Union and will become a 'third country' as far as the EU is concerned. But according to Mrs May both sides will "continue to be reliable partners, willing allies and close friends". This happy state of affairs is to be achieved on the basis of a "new and equal partnership" within the context of Mrs May building "a trading global

Britain" which, in her words, will be one of the foremost advocates for free trade anywhere in the world.

***"For the new partnership to succeed it is critical that its EU membership is brought to a civilised conclusion."***

## The Foundation

Hence, from Mrs May's perspective, the foundation for the new UK-EU partnership is to be a free trade agreement giving British and European companies the maximum freedom to trade in each others' markets. She did not define what "maximum" meant and the scope of the agreement



was nowhere spelled out but, normally speaking, free trade deals exclude services and, of course, agricultural products.

Having said it should be “comprehensive” the White Paper also said it could take in elements of the current single market arrangements “*in certain areas*” and instanced the export of cars and lorries, as well as the freedom to provide financial services across national borders. The latter is clearly laying down a marker regarding the British government’s determination to protect the City of London.

## The Basic Problem

The basic problem with Mrs May’s vision is that she wants the UK to have full access to the Single Market, but without being obliged to follow the EU’s rules on the free movement of people, and without paying into the EU’s budget, as Norway and other European Economic Area countries do. She also wants to have a ‘frictionless’ trade environment with the EU, but without being part of the Customs Union or subject to the EU Common Commercial Policy.

To put it mildly, it will be difficult to square this circle.

*(But for Irish business it is essential that this particular conundrum be solved because Britain’s continuing involvement in the EU Customs Union is key to protecting our share of the British market, especially foodstuffs. So far, this problem has received little public comment. Because of its significance it will be addressed separately in the next issue of the Brexit Insight.)*

## A Political and Economic Partnership

The partnership will go beyond trade and include political cooperation on important matters like foreign affairs, fighting terrorism, combating crime and facing the dangers presented by hostile states. In addition, it will include practical arrangements on matters of law enforcement and the sharing of intelligence material.

All this adds up to a partnership that will be both political as well as economic. It stands to reason that the more the UK wants to collaborate politically with the EU the more the EU will respond positively to UK economic demands. On the political side the UK has a strong hand. As the White Paper reminds us, Britain is still a considerable military power, with a nuclear capability, and has formidable expertise in intelligence gathering and counterterrorism, which clearly are of great value to other European states. But on the economic side, its hand is much weaker. It’s the one seeking concessions. Presumably, Mrs May’s objective will be to balance one hand against the other, and to leverage her political assets so as to exact the maximum concessions on the economic front.

## A Civilised Divorce

For the new partnership to succeed it is critical that its EU membership is brought to a civilised conclusion. Mrs. May has insisted that the UK wants ‘a smooth exit’ for the UK from the EU. A laudable ambition. The problem is that the exit will come with a price tag and the indications from Brussels are that it will be a rather big one, perhaps as high



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as €60 billion and a far cry from the annual savings of €20 billion promised by the Brexiteers in the referendum. Already this €60 billion bill has led to angry exchanges between British and EU politicians, not a good sign for the future.

The timetable gets a bit more hectic from here on. The Taoiseach Enda Kenny was in Brussels last week for high level discussions. This week he will join fellow Prime Ministers at the European Council meeting on Thursday and Friday. Then they

get together later in Rome on the 25th March to commemorate the 60th anniversary of the signing of the Rome Treaty, where they will probably renew their baptismal vows. And the starter's pistol will be fired on 6 April when they meet as the European Council to consider Mrs. May's notification of the UK's intention to withdraw from the EU. Mrs May will not be present, of course.

From that point onwards it gets serious.

### EU Timetable

**9/10 March** European Council meeting in Brussels

(The agenda is mainly focused on economic issues)

**25 March** European Council Meeting in Rome

(60th Anniversary of the signing of the Rome Treaty)

**6 April** European Council Meeting in Brussels

(To consider the UK's notification to withdraw from the EU)

The Brexit Insight is produced by the IIEA Brexit Project Group chaired by Dáithí O’Ceallaigh, former Ambassador to the UK. This issue is written by Brendan Halligan, President of the Institute.

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**The Institute of International and European Affairs,**

8 North Great Georges Street, Dublin 1, Ireland

T: +353-1-8746756 F: +353-1-8786880

E: [reception@iiea.com](mailto:reception@iiea.com) W: [www.iiea.com](http://www.iiea.com)