

Brexit Insight Issue 9:

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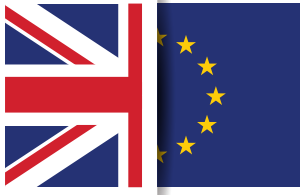
A Fortnightly Analysis for Senior Executives

Issue No.9 | 22 May 2017



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By Brendan Halligan



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Previous issues of the Brexit Insight have identified the danger of a breakdown in the Brexit negotiations even before the talks begin. Far from disappearing, the danger has been increased by a combination of developments in the EU and separately in the UK. We may be facing into a perfect storm as the following analysis explains.

Introduction

Things have definitely taken a turn for the worst. The chances of a breakdown in the Brexit talks have increased from 30% to over 50%. And this is before the talks have even begun. They are now expected to start by mid June after the new British government has been put in place. Monday the 19th has been pencilled in.

Three developments have shortened the odds on a breakdown; adoption of the EU negotiating mandate, the publication of the Conservative Party election manifesto and the elaboration of the UK's negotiating position.

EU Negotiating Mandate

Taking them in turn, the EU negotiating mandate now has the force of law having been adopted by the General Affairs Council on Monday, 22 May. A draft had been in circulation for weeks and had worked its way through the Union's

“Three developments have shortened the odds on a breakdown.”

decision-making process but the key point remains the same: the EU has instructed its negotiator, Michel Barnier, to follow a prescribed agenda in which the UK's Brexit Bill is to be settled before negotiations can open on the new trade deal with the UK.

Conservative Manifesto

The second development was the publication of the Conservative Party's manifesto six days earlier, which focussed the election on Brexit. The tone of the manifesto is even more adamant than previous statements from the Prime Minister and her government that the UK wants out of the EU and is determined to “regain control” over immigration, law making and expenditure. It repeats the belief that no deal is better than a bad deal for Britain. A bad deal is not defined but the third development has gone some way towards spelling it out.



David Davis

On Sunday, 21 May, the chief British negotiator, David Davis, made it clear that the UK would walk away from the negotiations if “the other 27 Member States did not moderate their demands” on the Brexit Bill and the sequencing of the negotiations. He emphasised that Britain would reject the blueprint for the talks adopted by the General Affairs Council.

Shortened Odds

These developments have shortened the odds on failure and advanced the date of a potential breakdown by six months (i.e. instead of Christmas it could now happen in mid June). The intervention by David Davis was more than just jockeying for position; it was a straightforward presentation of the current government’s position. Presuming that Mrs May is re-elected then the Conservative Party manifesto becomes the programme of the incoming government. Having been endorsed by the electorate it will enjoy a special status within Britain’s unwritten constitution and will be immune from attack by the House of Lords. From a British perspective, the political legitimacy of its negotiating stance will equal to that of the EU’s negotiating mandate. The fact that it is diametrically opposed to the Union’s position is what shortens the odds and compresses the timescale.

Brexit Brief

The IIEA’s “Brexit Brief”, edited by Anthony Brown and Andrew Gilmore will appear fortnightly in view of the gathering pace of the negotiations. The most recent issue can be [read here](#).

Deal-Breaker

This chasm between the EU and UK positions had been identified in previous editions of the Brexit Insight as a potential deal-breaker. Business strategists would be advised to amend their scenarios for the future EU/UK relationship by upping the risk of what has been called a “the cliff-edge” to 50% and shortening the time-line to weeks rather than months. It can only be hoped that common sense will dictate some row-back from what is shaping up to be a Mexican stand-off. But there is no guarantee that it will.

Game Changer

The other game changer this past fortnight has been the election of President Macron in France and the victory of Mrs Merkel’s party in the North Rhine Westphalia regional election. Both have to win forthcoming parliamentary elections but the future stability of the Franco-German alliance is assured and its joint leadership of the EU will take on a renewed vigour. That will have a knock-on effect in the Brexit negotiations as both the Chancellor and the President are on the record as favouring a similarly tough line approach to Mrs May.

Dilemma

No-one has ever worked out what happens when an irresistible force meets an immovable object. We may be about to find out.

Brexit Insight

Brexit Insight also appears fortnightly, alternating with the Brexit Brief. That means we’ll be issuing updates and analysis on a weekly basis. The previous issue can be [read here](#).

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.

As an independent forum, the Institute does not express any opinions of its own. The views expressed in the article are the sole responsibility of the author.



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