

The UK and the EU – still close partners beyond Brexit

Where we are

Stepping back from current EU politics, where are we?

It is 27 months since the UK voted narrowly to leave the EU. It is over two years since the EU set out the options for a negotiated departure. It is over 18 months since the UK sent the Article 50 letter that began the two year countdown to formal legal departure.

And it is about 10 weeks since the UK produced its White Paper which set out its negotiating position. It is one week since the UK government finally realised that the EU meant what it had been saying since summer 2016 about its negotiating red lines and the choices open to the UK.

There are reasons behind this apparently bizarre timetable, which are worth pausing on. First, the UK electorate, Parliament, government and political parties are to different extents profoundly divided about the way forward, and even the reality we are dealing with. There was a narrow majority for a leave vote in the referendum. There is no majority for what should follow it. And very few people are prepared to change their minds.

As a sometime student of modern French history I see this moment as Britain's Dreyfus affair, a drama which divided France for more than a generation. There is no easy way

through this, because it is a clash of identity and welfare politics – that is, a concern with economic growth, investment levels, jobs and public services. It is hard to produce evidence that Britain is going to be more prosperous, afford better public services, attract more investment or be more innovative outside the EU single market and customs union. But it is easy to claim that is the case.

It is also easier to produce an attractive political narrative around buccaneering Britain - open to the world, free from bureaucratic constraints and foreign interference - than it is to explain why in the global economy you really have to agree data protection standards, share VAT systems to aid company cashflow, or classify chemicals within an agreed legal framework to prevent border checks.

And the English concern, at least the English outside London and the main cities, that migration was too high, not sufficiently controlled and disrupting many communities was a powerful factor in aiding those committed to a new anti-European identity narrative.

But in government it is harder to avoid welfare politics, and harder to ignore evidence of the business and economic consequences of a disruptive and legally insecure Brexit. So there is a tension between the economic pressures to minimise the negative impact of Brexit and the political need to keep the various pro-Brexit forces together through a continued support of the Leave referendum rhetoric.

|The problem now of course is the ticking clock. The longterm relationship between the UK and EU is for discussion after we leave; the two year transition period in the Withdrawal Agreement is meant to provide time to at least begin the detailed work to resolve this; but getting the Withdrawal Agreement requires a commitment to a legally binding Irish fallback. And that in turns requires acceptance either that all the UK stays in the Customs Union and Single Market; or that there are some customs or regulatory checks across the Irish Sea. This is proving a political bridge too far; but there are no other options.

So we face a lively and chaotic few weeks ahead till the end of the year. I do not know how this will end; but there is no majority in Parliament for a disruptive legally insecure Brexit . So something has to give by the end of this year.

UK-EU political dynamic

Where does this leave the UK's continuing relationship with the EU? Well, we had a taste of it in Salzburg. The expectations on both sides are too different to make for easy relations, now or in the future. The UK will resent, however irrationally, that decisions made in Brussels will continue to impact the UK economy, security and foreign policy. So there will be a constant litany of complaint, exaggerated and occasionally invented by the more Euro – hostile parts of the

British media against a Brussels plot to do plucky Britain down.

Or rather plucky England. Because it is striking how far Scotland, Northern Ireland and to a lesser extent Wales have a significantly different political culture in relation to Europe. There is a settled pro-EU and single market majority in Scotland; Northern Ireland also voted decisively to remain in the EU; and there are signs of some rethinking in industrial areas in Wales as big overseas investors review their future plans.

A disruptive, economically damaging Brexit will undoubtedly fuel these separate cultures, potentially with an impact on the future shape of the UK just a century after the Irish Free State was created.

Meanwhile the rhetoric in Westminster will harden against a Brussels system which looks set to ignore the UK's attempts to shape outcomes; and a European Parliament where EU political trends will develop without any significant British connection.

Longer -term UK-EU and the UK's place in the world

We know that economic and therefore political and strategic influence is moving towards Asia.

The EU-US TTIP trade negotiation was a last serious attempt to ensure that more of the twenty first century rules were made by the West. It did not succeed. So Europe is on its own

commercially— the failure of the U.S. President to accept the last G7 communique crafted by the Canadians is the strongest sign that we are in a new low trust world where western solidarity and shared values mean less than they have since the 1930s.

Perhaps this will change; but it will never I think recover to the levels we have taken for granted in recent decades. This inevitably has consequences for security and defence cooperation over the longer term; if there is no shared US/European view on wider economic and political issues.

This is not the best background to be a medium size service driven economy – big enough to matter but far from the size to negotiate as equals with the EU, US or China, the major trading and investment powers now and in the coming decades.

So where now? We do not know. And that is the point I want to end by emphasising. There is no single UK world view any more. Perhaps there never was as much as we imagined; but at least there was a wide political consensus which made the UK on the whole a reliable ally and a force for openness and liberal democratic values.

We have tested this consensus on political and economic openness, support for transnational rules and European political solidarity to destruction over the last two years - through the odd method of a technical argument about Customs Unions, mutual recognition, single markets and free

trade areas. And lost most people's engagement in the process.

Are we in favour of a rules-based international order, even where we choose not to follow the rules? Do we welcome more global migration or less? More foreign investment or more controls over what parts of the economy others can buy? Should our regulatory structures be much more permissive following a US free market theoretical template; or are we happy with our labour law, environmental protection and rules against added hormones in beef as they are now? Do we want to continue giving 0.7% of our GDP in untied development aid or not?

Politicians give a range of answers to these questions. What we do in practice when faced with how best to respond to international political crises, trade wars, security alerts and migration pressures will vary over time. Each set of new responses - more or less insular, transactional or short-term - proves unsatisfactory to parts of our economic and business system. We will be less reliable economic and political partners because of the lack of underlying consensus on our values, and because of unrealistic expectations about how the world will respond to our views.

Ultimately I believe that the divisions we currently see in our society will resolve themselves through the strength of our democracy and a new generation of political leaders able to start in a different place. In the meantime our neighbours, partners, and still our closest friends in Europe will have to

be patient while we work through this very English crisis of who we are and what we really want.

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28 September 2018