

# Deal or no Deal?

Britain faces some challenging Brexit negotiations. However viewed through the lens of best practice identified in a commercial negotiating manual, there is evidence that Britain will secure a deal with the EU.

Pre-election rhetoric suggests that the tone of the negotiation might be '**competitive**' (i.e. hostile). Much of it will actually be about **co-operation** on matters of common interest like trade, travel, security, etc.

**Power** is more balanced than some would say. We might buy more from the EU than vice-versa, but proportionately have more to lose on trade. However needlessly damaging a major customer will harm supply chains, EU exporters, EU nationals working in the UK and sending money home...

Over 50% of UK shares are now owned by international investors. EU holdings in the UK are worth £496bn. At the G20 meeting in September, Japanese business and government demanded Single Market-type access be maintained by both sides.

**Policy** on both sides is for free trade. This is obviously not absolute – the EU won't suddenly complete the single market or open up sensitive defence procurement. But it is committed to various international agreements that commit towards trade liberalisation, stability and not raising barriers.

The EU is a keen supporter of the World Trade Organization (WTO) whose rules allow regional unions (such as the EU) as a means of easing trade between members, but **not to raise barriers to trade**. In fact, they must avoid creating adverse effects upon other WTO members

There is plenty of **incentive** for both sides to reach an agreement – if just because they will have to live together as

neighbours. The UK could be a major ally in defence and security, so long as its economy is not crashed. It could also be a substantial makeweight in future joint trade deals?

The global economy is so interlinked that failure to reach a viable deal will affect wider economic confidence and stock markets. In the EU, exposed economies like the Irish Republic and Spain would take a hit, with likely local backlash against EU interests – just before the 2019 European Parliament elections.

A botched deal could see the Euro and Sterling hit, with safe haven currencies like the Yen suddenly soaring, hitting wider currency and export stability.

Another factor is the view of the EU's '**social partners**'.

ETUC represents EU-wide trade unions. Employers' bodies include Business Europe ('a CBI'), UEAPME (representing SMEs) and CEEP (representing public service providers). Seen as **influential stakeholders**, they wish to avoid austerity and damage to Europe's workers and companies.

Although the EU and UK will start negotiations with some **diverging and conflicting positions**, remember that this is quite normal for negotiations. Demands tend to be padded so that **compromises** are seen to be made. Spain has already gone back on the EU 'demand' over Gibraltar. In practice, there will be a lot of **common ground** (e.g. on expat rights). Expect positions to **converge**.

Despite pre-election **rhetoric** to appear 'tough', it has long been seen that May will play safe and trim to a position that can be pushed through Parliament under tight timescales. This indicates arrangements very similar to being in the Single Market (EEA) as a **fallback** while the **ideal** of moving to a bespoke Comprehensive Free Trade Agreement (CFTA) is worked on as arrangements stabilise.

In March, Michel Barnier, the EU's chief negotiator, appeared to be leading the UK in the direction of EEA membership as the Brexit option with the least disruption.

Threatening to walk-away was part of that rhetoric. Neither side wants '**Mutually Assured Destruction**' that '**no deal**' would give. You can bet there *will* be a deal, even if it's part agreement, part provisionally keeping respective ships afloat while talks continue.

Negotiations are often about **saving face**, getting a deal that can be **sold** to key audiences. The UK might, for example, get better trade terms in exchange for saving the EU a budget shortfall before 2021. Except it won't be billed as a cave-in, at least in the UK. It might be portrayed as a goodwill gesture to have a joint 'Brexit adjustment fund'?

Other areas of '**compromise**' short term might be over accepting EU standards and judgments (which the UK might do anyway in 'nationalising' EU laws), or free movement of people. Theresa May has refused to guarantee less EU immigration, consistent with keeping EU citizens' 'acquired rights'.

Attitudes to paying the EU vary from 'they're getting nothing' (apart from for joining in specific programmes) to '£60bn is nothing to pay for winning back our priceless democracy'. The EU is already preparing for economies after 2021 in its budget, which might reveal the real **expectation**. However with Germany's election coming, Angela Merkel and the EU will not want to be seen as saddling Germany with extra contributions. We can expect a harder line short-term.

As an alternative to direct payments, the UK might **gesture** on recycling saved payments into projects of common interest like defence or tackling irregular migration?

A successful negotiation is one where **both sides** can claim some **success** at the end, even if some concessions leave bruises! Experienced negotiators will recognise that the

other party will need to **maintain its image** too, and they will not seek to humiliate.

Earlier perceptions that the EU might want to 'punish' the UK to deter it or others from leaving have been overplayed. Its luminaries might have been exorcising tensions immediately after the referendum shock, and the line taken since has typically been more conciliatory as heads cool. In practice, there is little evidence that any other member state currently wants to follow the UK out of the EU.

European Council President Donald Tusk has quipped that Brexit is 'punishment enough' as the UK copes with some upheaval.

There are already outline solutions to some identified problems. The EU can give legal exceptions (derogations) on border measures which might ease the Irish situation. The WTO 'waiver' might allow provisional preferential trade agreements to run for a couple of years should there be difficulties (e.g. time-wise) in finalising what is necessarily a complex deal.

The Lisbon Treaty focuses the EU towards the vision of 'an area of prosperity' marked by cooperation with neighbouring countries.

Lord (Paddy) Ashdown sees the UK getting a tailored Norway-like deal with a work permit system. He's not just a Lib Dem peer; he's President of the European Movement federalists in the UK.

**<http://www.newalliance.org.uk/ref617.htm> has references used for this article.**