

Impressions of meeting with Michel Barnier in Brussels – John Mills

ON WEDNESDAY, 10TH JANUARY 2018

Michel Barnier is an impressive person, tough and charming, who is evidently well on top of his Brexit brief and thus a formidable person to have on the other side of the table as the Brexit negotiations take place. He wants to get a deal completed but not at any cost to the EU27.

His primary aim is to secure the integrity and security of the Single Market and the Customs Union rather than to search for a deal which is necessarily in the overall best interest of both the UK and the EU27. The notion that the EU27 may make substantial concessions to avoid economic pain is therefore very probably misplaced.

While the best outcome from both the UK's and the EU27's point of view has always seemed to be for the UK to be outside the Single Market and the Customs Union but with a free trade deal in place covering goods and as many services as possible, this now looks as though it may be difficult to achieve. This is despite the fact that this is substantially the relationship the EU27 has with other countries as varied as Israel, Peru, Mexico, South Korea, Canada and the Ukraine.

There are at least four major reasons why this is the case, these being:

1. The UK is starting from a radically different position from these other countries – essentially looking for a divorce rather than marriage, with all the baggage that this brings with it.

2. The UK is a much larger player in EU trade terms than any of these other countries, and thus potentially more disruptive if derogations are needed from the existing carefully balanced EU *acquis*.

3. The UK's negotiation position has been gravely weakened both by the sequencing insisted on by the EU27 – dealing with money, Ireland and citizenship before trade – and by the result of the recent general election which has left no majority in Parliament for the WTO option which – although not the optimal outcome – is the only realistic fall-back position for the UK to have, without which the EU27 is left with all the cards in its hands.

4. Time is running short, although some extension of time by suspending Article 50 to create the proposed transitional period may help.

In these circumstances, the most likely offer to the UK from the EU27 seems to be free movement of goods and some concessions on services with the UK formally outside the Single Market and probably the Customs Union too but with the UK having to continue to accept nearly all the legal and regulatory obligations currently in place. These will almost certainly include substantial annual net contributions to the EU budget, free movement of people, significant jurisdiction by the ECJ, constraints on the UK's capacity to negotiate trade deals on its own, and continuing membership of both the Common Agricultural Policy and the Common Fisheries Policy.

An offer to the UK along these lines would probably be supported by all the EU27, led by Germany and France, but may not be acceptable to Parliament, let alone the British electorate. In these circumstances, preparing for the UK to fall back on WTO terms appears to be essential both to safeguard the position if no acceptable deal is presented to the UK, and to stiffen the UK's negotiating position in the meantime.

There may well be calls in circumstances where no acceptable deal is offered to the UK, for a second referendum on the UK's EU membership, although probably only by a small minority of diehard Remainers. Even in the unlikely event of another referendum being held, current polls indicate that it would be unlikely to produce a different outcome from the one held in June 2016, thus confirming that Brexit in some form is likely to be inevitable.

If the EU27 wants a deal with the UK it is therefore essential that this takes account of the political realities exposed by the 2016 EU referendum and current polls, which is that – if push comes to shove – the UK electorate would very probably be willing to opt for a clean break with the EU rather than finishing up being in a worse position than we were before Brexit started – with all the obligations against which people voted still in place, but with the UK having no say in how the EU develops in future.

John Mills 11th January 2018