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Brexit's impact on the US and Europe

European Ideas Network
11 July 2018
Hotel Sofitel Lafayette, Washington

Let me start by expressing some doubts about the image of the UK as the famous bridge for the transatlantic relations. It has been largely overplayed. It is also clear that as of 30th of March 2019 UK will become for the European Union a third country, so not any more a partner in the framework of the EU - US transatlantic relationship. There has been, however, one important exception when it comes to the transatlantic role of UK as EU member state. It has definitely had impact on the perception of the EU among academic and political elites in the US. This image has been strongly tainted with the British European scepticism. On this account I do not think Brexit will come at a cost for the EU. Quite the opposite.

In any case we have already learnt from President Trump that a pedagogical effort on our side is needed to explain to him how the Union functions and what are European, as opposite to national ones, competences and the role of European institutions.

I would also like to disagree with the comment made in the introduction to our session that in the European Parliament British MEPs had to vigorously oppose the efforts of the European Parliament to go against the interests of US. On the sensitive issues that was never the dividing line.

Of course the departure of the UK is a departure of a big member state, with huge market just around the corner, with strong interlinkages developed over more than forty-five years of staying under a common roof. Of a relatively frequent veto user, sometimes for the wrong reason. Of a member state opposing the enhancement of the EU Security and defense system. Some people see also these aspects of the divorce.

It goes without saying, however, that we both will become smaller.

There is a limited time for the negotiations leading to orderly UK withdrawal from the European Union. The fact that there is a clear deadline for process, based on the Treaty, makes this process rather unique and politically more challenging. On the European side, at the end of the negotiations the Council and the European Parliament will have a say. In particular, lack of consent from the Parliament would lead to a no deal scenario. This scenario can also be triggered by the British side. On the EU side there is a clear intention to reach an orderly withdrawal. This would allow for a transition period. It is envisaged as a twenty one months period till the end of 2020 in a form of maintaining the status quo except for the institutional participation of the UK in decision making process.

Negotiation process concerning separation is well advanced. However, several crucial issues have not been yet agreed. I think not only about the backstop for the Irish border solution, governance of the withdrawal agreement, judicial and police cooperation on criminal matters, geographical indications but also about the framework for the future relationship. The latter is supposed to be annexed to the withdrawal agreement in a form of a political declaration. British position on the future relationship is supposed to be published in its full dimension tomorrow, 12th of July. It is actually amazing that so far the hard brexiteers have never presented their own plan for the future. There is no alternative known publicly, and I assume it does not exist, that would cover their promises from referendum campaign or more recent ones. And it does not bother them.

Both sides have their red lines in the process. For UK leaving the Union implies leaving the single market, the customs union and abandoning the ECJ jurisdiction. In terms of future relations these red lines leave a very limited scope for, what UK hopes for, a deep and close relationship. The red lines on the EU side come from the Treaty which makes it very clear that we have to protect autonomy of decision making including in particular, legislation, integrity of the single market, indivisibility of the four freedoms and differentiating between a member state and a third country.

Parallel to the negotiations the process of preparedness has been ongoing for a while. It involves not only the European institutions but also member states and businesses. There are many areas, in particular in the economy, affected by the Brexit, with big differences among sectors, where preparations are required at

national level or where national competences matter. In Europe more than ninety percent of firms are small and medium size companies. There are hundreds of thousands of them that have never had any experience with customs or borders, with checks and controls which do not exist within the single market. Many of them have business relations with the UK. Big companies have launched their contingency planning already a year or more ago. Many SMEs do not have capacity to do it on their own. They need guidance and maybe state support. They tell us today they would need longer transition period. In UK the border facilitating technologies require, according to the businesses, investment and time. Disruption of supply chains is another challenge for them.

Delay in deciding by the British government on the future relationship, lack of progress in negotiating the most difficult separation related issues, difficult political situation in London - all that has led to the need of stepping up the preparations for a no deal scenario. It is of course not at all easy to decide at what moment the no deal outcome will have to be recognized. While one can assume that the existing October deadline for the finalization of the separation negotiations could be maybe extended by one month, any further delay brings the risk of failure. But cannot be excluded. That is why preparedness is an important process. In any case preparedness is not only about the no deal scenario. For example we can see how many preparations on the UK side are needed to implement agreed solutions of the citizens' rights. One can say on the EU side it will be easier because most of the member states have the registration systems. Another example can be the situation in some member states whose law allows for extraditing their citizens to member states only. And UK becomes a third country.

Whatever the results of the negotiations, it is absolutely clear that their implementation will take some time.