

## Brexit's unanswered questions

Concessions impossible without understanding future relationship

by Joergen Oerstroem Moeller in Singapore

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Behind Britain's exit from the European Union lurks an extraordinary battle for how the UK will look for at least the next half-century. The drive for Brexit has been undertaken by political forces favouring a free market economic model, limited public intervention in business, and as little regulation as possible. The opposite camp prefers a European-style model and views EU membership as a way to protect the welfare state, painstakingly constructed since the publication of the Beveridge report in 1942.

The outcome of the negotiations will reverberate throughout the UK and heavily influence future governments' economic policies. The scope for manoeuvre will be small, as both the EU and other trading partners will resist policies which break away from established rules designed over decades to create an equitable marketplace.

According to Britain's latest policy paper, the target of negotiations is to achieve 'the freest and most frictionless trade possible in goods and services' with the EU. This is a commendable objective – so vaguely drafted that no one can be against it – but leaves several questions unanswered. The EU stands firm on the four freedoms that define the single market, namely freedom of movement of goods, services, capital and people. A UK 'wish list' that selects some of these while jettisoning others will be met with disapproval by Brussels.

Two major obstacles surface. For the EU, the free movement of citizens is a core issue. Given the emotive role this issue played in the June 2016 referendum, it is doubtful that Britain could accept it unconditionally. 'Take back control of our laws and bring an end to the jurisdiction of the European Court of Justice' was the official stance of the British government until a few days ago. Prime Minister Theresa May then moderated the position, saying EU laws will continue to influence the UK after Brexit. Britain accepts, too, that the ECJ will continue to play a role, though the government insists on ending the court's 'direct jurisdiction'. However, the closer Britain is to applying rules related or similar to EU law, the harder it becomes to avoid the ECJ as a final arbiter.

The UK negotiators lack a clear definition of what they want Britain's future overall relations with the EU to resemble. Without a strategic decision, it will be difficult to settle terms for leaving and subsequent rules governing trade links. Concessions must be made by both sides, but it is nearly impossible to do so meaningfully without understanding the nature of the future partnership. The idea of a transitional period is sensible – an abrupt break is in no-one's interest – but can only be seriously considered when the parties know better what will come after.

It looks increasingly probable that negotiations cannot be concluded before end-2018, the practical deadline if new terms are to apply from 29 March 2019. The focus of negotiations will soon shift to whether it is worthwhile to extend the deadline. This requires unanimity among the other 27 EU states. Britain, for its part, must avoid antagonising or overlooking even the smallest countries; they all count. If rumours are true that the UK expects some members to influence the EU position in its favour or actively try to divide member states, unanimity may not be forthcoming. The result could be a stone-hard Brexit.

The plain fact, not yet visible, is acknowledgement of the status of what in diplomatic jargon is called 'demandeur', the calling for a different kind of tactic to win friends and create goodwill. Though tedious, time consuming, and hard work, it is the only way to succeed.

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This is the first article in a two-part series on Britain's negotiating stance on EU withdrawal. [The second part will appear on 28 August](#).