

The Tanks Are Lined Up On The Lawn – What Next?

The first four days of talks between the UK and the EU commenced earlier today.

Each side has now drawn up its battle lines.

Michael Gove - nominally the Chancellor of the Duchy of Lancaster but in reality the UK's Deputy Prime Minister – unveiled in Parliament last week the Government's intended negotiating position.

In summary, the UK has stated that it wants a free trade agreement giving it tariff-free access to the EU market based on "friendly cooperation between sovereign equals" with both sides respecting each other's legal autonomy. It will refuse to abide by EU rules, insisting that it will not negotiate any arrangement in which the UK does not have control of its own laws and will not accept any obligations to be aligned with EU laws or EU institutions, including the European Court of justice.

Gove went on to state that if negotiations with Brussels have failed to progress by June, the UK Government would end the talks and spend the next six months putting all its energies into no-deal preparations and a hard exit on World Trade Organization (WTO) terms.

In contrast, the EU Mandate from its 27 member countries states that any future relationship with the UK must be underpinned by robust commitments by the UK to ensure a level playing field for open and fair competition, given the geographic proximity and economic interdependence between the EU and the UK.

Barnier said last week that "*the UK cannot not have high access to the EU's single market without robust level playing field safeguards*". He also agrees with Johnson that the June round of talks will be the time for the EU to take stock of the progress, if any, in the negotiations and assess whether the EU should turn its energies on planning for a no deal.

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And therein lies heart of the battle. “*Take back Control*” was a firm pledge that Boris Johnson gave the UK public in December 2019 when elected Prime Minister. The EU insists that its offer is consistent with the joint EU-UK Political Declaration signed by both parties. It will interpret the UK Government’s latest statement as an abandonment of the level playing field commitments made in October. The UK, in contrast, will insist that the EU is showing bad faith in not adhering to the promise it made in that *same* Political Declaration of a free trade agreement.

The initial round of talks is currently scheduled to be followed by further rounds every couple of weeks, alternating in location between London and Brussels, with 10 rounds in total, each of four days, taking the total time set aside to about 40 days before the autumn.

Both sides have set what they must realise to be an impossibly tight June deadline. Whilst both sides insist that it is possible to agree a deal by June, the gap between each side’s negotiating positions currently seems too large to bridge by compromise even if these are their opening rather than final positions.

And neither Johnson nor Barnier is inclined to blink in negotiations. Whilst Johnson enjoys a strong and healthy majority in Parliament, the former strength of Barnier’s forces is undermined by political turmoil in Germany, France, Ireland and other member states, none of whose leaders will wish to be seen as complicit in a climb-down by the EU.

If, as we predict, there is no prospect of even a broad outline of a trade deal by June, this will lead to a dramatic crisis over the Summer.

So, what had until recently been considered to be a low risk of a “no deal”, has now become a substantial risk. And UK business is once again facing the prospect of border controls, tariffs and quotas next January.

The first skirmish in a long battle ahead is about to begin.....