

## Parliament must decide what Brexit means in the interests of the whole Kingdom



AMBROSE EVANS-PRITCHARD

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A soft-Brexit would be accepted by most of Parliament CREDIT: AFP

Post-Referendum events are moving with lighting speed. The battle ground has already shifted to the neuralgic question of what Brexit actually means, and here the old lines of political cleavage are breaking down.

Remainers and "liberal Leavers" - to use a loose term - are suddenly on the same side. They both seek a safe settlement that protects Northern Ireland and Scotland, and the economy.

Boris Johnson, Dan Hannan, and others in the sovereignty camp are signalling that they could live with a Brexit compromise that accepts EU migrant flows, but going back to pre-Maastricht rules that guaranteed only the right to work, before the concept of EU citizenship. This would be a modified variant of the Norwegian Model, or European Economic Area (EEA).

A "soft-Brexit" would be accepted by the vast majority of Parliament, which has a duty in these unique circumstances to act on behalf of citizens who voted for Remain and as well as for Leave. This is not an event where the winner takes all.

It would have the backing of the trade unions, industry, and the City of London. Internal documents from the pro-Remain group TheCityUK show that they could live with an EEA option - or hybrid variant - that would preserve the City's viability by safeguarding EU passporting rights for financial services.

TheCityUK has mapped out a post-Brexit order in which it could still thrive - rather than being reduced to the level of "Bolivia" as it said in the campaign - by switching efforts to global bodies that increasingly set rules above the EU level, such as the Financial Stability Board, the Basel Committee, or the World Trade Organisation.

An EEA-style compromise may be the only safe way to reconcile a divided country and ensure a safe withdrawal from the EU in managed stages.

EU legislation is incorporated into the devolution settlements of Scotland and Northern Ireland. In effect, they have a "reserve" that can greatly complicate Brexit, giving them legal leverage as well as a moral claim for special care. By the same token, Scottish and Northern Irish demands give Leavers the political "cover" they need to accept a compromise.

Whether a "safe Brexit" along these lines would be enough to prevent a fresh referendum in Scotland remains to be seen, but a failure to address these concerns almost guarantees the break-up of the United Kingdom.

It is not certain that the rest of the EU would grant Britain a hybrid EEA-style arrangement, but the signals from Europe are positive. Francois Villeroy de Galhau, France's member of the European Central Bank, said Britain could "keep access to the single market" and its passporting rights if it opts for the Norwegian model.

The all-powerful German industry lobby (BDI) said it would be "very, very foolish" to impose tariff barriers or protectionist measures between the EU and Britain.

The cacophony of voices from EU capitals is hard to filter. A joint paper by the French and German foreign ministers is calling for a great leap forward to "political union", but neither have the support of their own leaders - let alone the Dutch, Nordics, Poles, Czechs, and others. The proposal seems surreal at a time of rising eurosceptic revolt everywhere.

Jean-Claude Juncker, the Commission's president, is clearly bitter. "Brexit is not a friendly divorce, but then it was never a roaring love affair," he said.

"Whatever Juncker and a few federalist diehards in Brussels may think, most EU governments have woken up to the reality that the more Europe the push, the more euroscepticism they get," said Charles Grant from the Centre for European Reform.

"The knee-jerk reaction of the Commission is always to try to seize on any crisis to try to push for more Europe and closer integration, but they can dream on this time," he said.

German Chancellor Angela Merkel matters most and she has held out an olive branch to London, calling for patience - within limits - and talks conducted in a civil manner. "There is no need to be nasty," she said.



Angela Merkel said there was 'no need to be nasty' CREDIT: EPA

In essence, EU policy will be forged by an emerging "directorate" of Mrs Merkel, French leader Francois Hollande, and Italy's Matteo Renzi. But they are at odds with each other. The French and Italians want a radical shift in economic policy in response to Brexit, calling for a reflation blitz to break out of the low-growth trap. Germany will hear none of it.

What is clear is that two cardinal objectives of post-Brexit policy are hard to reconcile: the EU cannot impose a harsh settlement on the UK, to prevent a "domino effect", while at the same time nursing the eurozone economy back to health.

Failure to mend fences with London risks an economic crisis that would expose the long-festering pathologies of monetary union. "There is a cocktail of factors that could lead to disintegration," said Pier Carlo Padoa, Italy's finance minister. "We face a double reaction from Brexit: financial and political."

The 12.5pc collapse of Milan's FTSE MIB index on Friday was a warning shot. Unicredit was down 24pc, below depths reached in the Lehman crisis. Italy's banking system has been so destabilized by the EU's new "bail-in" rules that it cannot withstand any serious errors made over Brexit.

While the EU could block an EEA-plus compromise, it would be courting fate to do so. The much greater difficulty is explaining to large numbers of Leave voters in Britain that Brexit may not slam the door on immigrants after all.

The Leave campaign misled the nation about the full risks of Brexit and what can be achieved without collateral damage to the economy and the unity of these Isles. While it is true that UKIP has only one seat in Parliament, and does not own the vote, its powerful voice cannot be ignored without setting off a dangerous popular revolt.

We will need our own Solon now to heal this Kingdom.

