

Europe likes to huff and puff, but it will agree a sensible Brexit deal in the end

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17 MARCH 2017 • 8:55AM



German Chancellor Angela Merkel speaks with Prime Minister Theresa May CREDIT:RENE ROSSIGNAUD /APTOPIX

The triggering of Article 50 is almost upon us and we are hurtling haplessly towards a “hard Brexit”, at least according to many Remainers who still believe that the EU is about to give the UK a two year punishment beating.

As we lay battered and bruised on the ground, the EU will then - so the narrative of the sweaty palmed cynics goes - refuse to safeguard our trade links and instead grasp us in a death grip and irrationally leap off a cliff, because this would apparently show the world the benefits of EU membership.

The SNP call it a “hard Tory Brexit” for good measure, pushing the lie that the evil Westminster bogeyman is actively seeking a “hard Brexit”, even though the Government’s clearly stated objective is to negotiate a comprehensive trade agreement. They calculate that the negotiations will fail or be abandoned; leading us towards an economic crash that will ensure the Scots finally cut the cord for the supposed safety of separatism and being a one party state.

Meanwhile, a hardcore contingent in the Brexiteer camp believes that we should either refuse to negotiate at all or flounce away as soon as we dislike a demand. I've argued before on these pages that this would be a needless [act of self-harm](#), automatically putting us behind a bleak wall of tariffs and non-tariff barriers that would cause very real disruption and economic turmoil. The truth is this isn't really a viable option.

David Davis has come under fire for revealing that no new analysis has been done to measure the impact of a "no deal" scenario, which is actually further evidence that the Government is entirely bluffing about walking away from the table. The impact of having no agreements whatsoever in place and adopting "most favoured nation status" under WTO rules has been analysed by the Treasury and numerous third party researchers. The majority agree that it would be highly undesirable and has the potential to cause huge damage to the British economy.



Adams' cartoon on David Davis 17/3/2017 CREDIT: ADAMS

It's no wonder that those who are already resigned to the EU pushing the UK into an economic crash are despairing! For them, we are about to leap off a cliff. I would argue that they are badly misreading the political indicators.

The truth is that both sides desperately need to minimise disruption and clear the way towards a reasonable, amicable and mutually beneficial "divorce". By the end of Article 50 negotiations there will be an agreement upon a transitional arrangement to allow trade continuity and we will have a blueprint of our future relationship. Then, talks will continue until we have concluded a full trade and cooperation agreement which will leave the UK outside the EU but with strong ties and close cooperation.

This is, of course, the very definition of something being easier said than done. There will be ups and downs and frustrations and protestations, but in the end a mutually beneficial deal will be concluded. Nobody will get everything they want and everyone will boast to their domestic audience about the concessions they won. After all is said and done and all the threats have been issued, this is the necessary political and economic outcome.

Hang on, why, the Remainers will ask - as they have asked for the last 18 months – will the EU agree to such a thing? ‘Why is it in the EU’s interests to give the UK a good deal?’ The answer is obvious. The principle of Mutually Assured Destruction applies. The UK cannot afford to carry out its bluff about walking away from negotiations; but the EU cannot afford it either.

The meme has spread that the [EU can easily afford to take the hit of a no-deal hard Brexit](#) because the UK only accounts for 16 per cent of its exports. This is severely misguided and blinkered thinking. The EU is not a single economic entity that is able to simply absorb such a hit collectively, sharing the damage and minimising the impact. It will hit our main trading partners very hard indeed, and such an economic hit would cause the contagion of recession to spread across the Continent.

Those who believe the EU can easily absorb the hard Brexit blow as one should wonder why the Spanish are keen to cement relations with the UK with a state visit from the King and Queen. It might be because Spain’s exports to the UK amount to nearly £17 billion, accounting for 7.5 per cent of overall exports. Little wonder then, that a leaked Spanish government paper implies – according to the Spanish newspaper El País – that “[Madrid wants a soft Brexit and not a punitive approach that makes London suffer](#)”. It’s because serious trade disruption would ensure Madrid suffers badly too.

What about the Netherlands? Dutch exports to the United Kingdom amount to over £41 Billion, 9.5 per cent of its exports. The UK is the Netherlands' third most important market with the global hub port of Rotterdam receiving a huge amount of business from the UK. Can they afford for this to be disrupted? Clearly not.

The Irish have been clear that they sit on the other side of the table and that’s where their loyalties lie. Fine, but it’s not credible to believe that they won’t be striving to protect access to their second most important market that accounts for 12.7 per cent of its overall exports and is worth over £13 Billion.

The UK has been building an alliance with Poland before negotiations begin, but because we represent 6.6 per cent of their overall exports as their second most important market worth over £10 Billion; the motivation for a good deal already exists.

Our old rivals the French may talk the talk about showing us what for, but the UK accounts for 7.1 per cent of their exports to the tune of around £28 Billion; can their sluggish economy take that? Equally Germany is resolute in the face of Brexit, but its exports amount to nearly £80 Billion and that isn’t peanuts for the EU’s leading economy.

The more you look at it, the clearer reality becomes. A country as economically fragile as Italy needs to lose easy access to its fourth most important market like it

needs a hole in the head. The UK is also the fourth most important export market for Portugal, the Czech Republic, Belgium and Sweden.

Underpinning all of this is the City of London; Europe's investment banker that keeps the eurozone ticking over. The EU needs easy access to it, as confirmed by Michel Barnier himself, and access is what they shall have; in return for an agreement that meets our needs.

Both sides will huff and puff; but no one will blowing the house down. The choice is quite simply between mutually assured destruction or a future of cooperation, prosperity and stability. For the EU and the UK, there is only one option.

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