

Any post-Frost return to ‘diplomacy’ will still leave UK business to fend for themselves in Brussels

Blog post by Tom White, 21 December 2021

This week’s anniversary of the Trade and Cooperation Agreement provides a moment for firms to review operational adaptation to Brexit, planned and revised at speed as ‘no deal’ was (partially) avoided last Christmas Eve. However, Lord Frost’s dramatic resignation - and signs that power over EU relations could trickle back from Downing Street to the Foreign Office - is also prompting reassessment of the political landscape. For UK-based companies engaged in the nitty-gritty of regulatory negotiations in Brussels, which changed dramatically in March 2020 when the UK became a ‘third country’, is there any prospect of rebuilding the old channels of influence?

At the point of Brexit, the UK’s Permanent Representation in Brussels switched overnight from a source of privileged information, power and influence on EU negotiations (albeit diminished after the Brexit referendum) to a lobbying organisation, and one with a lot of baggage. This left an important gap. Throughout my time in government, it was one of the best resourced and most capable missions, both politically and technically. Instinctively open to discussions with businesses, including non-UK businesses, and enjoying significant leeway from London to explore compromises with counterparts.

In attempting to replace what was often a ‘one-stop-shop’, British and international companies have tried a range of strategies. Some have sought out new allies among the member states, often as part of conversations about relocating economic activity. This has delivered some political support where countries were already disposed towards more pro-business positions: the Netherlands, Germany, Ireland, the Baltic states or Luxembourg, and on some issues the Czech Republic and Poland. Others have found pressure working in the other direction, being expected to support the positions of their new home governments in their own advocacy efforts.

A further tactic has been to remain heavily invested in EU-level trade bodies that remained open to UK or international members, in sectors such as food and drink, asset management or automotive manufacturing. Some firms have highlighted their own ‘European’ identities through their employment and investment footprints, although over-stating that (or being revealed not to pay a proportionate amount of tax) can risk compounding the reputational challenges of a UK domicile. The most successful have found ways to align themselves with - if not wholeheartedly embrace - new EU economic doctrines of ‘open strategic autonomy’, the ‘digital transition’ and the Green Deal, especially with the European Commission and the European Parliament.

By far the most successful - if rare - cases, however, have been those prepared to re-examine and invest in their evidence and arguments for an audience that is both new and changing constantly, as well as experimenting with different alliances. Network industries such as telecoms or energy

have also been able to highlight alignment with traditional (and powerful) EU-headquartered industries. This is where openness to networks and ideas, and flexibility in dialogue, is at a premium. The UK may eventually seek a more collaborative relationship than the London-centric engagement prioritised under Frost's tenure, but the shift in the market for ideas and influence looks to be permanent. To quote one senior official who presented at a GC roundtable in the summer - firms trying to engage in what is a very active policy agenda need to "buckle up" for a bumpy ride.