

Is Brussels starting to see the UK as a strategic competitor?

Blog post by Practice Lead Carmen Bell, 7 July 2017

Speaking before the European Economic and Social Committee this week, European Commission Brexit negotiator Michel Barnier painted a black picture of a post-Brexit world in which the UK failed to come to terms with the EU. A return to WTO rules for trade between the two markets; high customs duties, burdensome controls and higher transport costs. He insisted that even if a deal is reached, “frictionless trade” is unachievable.

This cautionary tale is familiar enough. But it has been interesting to watch the demeanour of Brussels officials evolve over the last six months. Through the initial shock of January, and the UK’s commitment to leaving the single market and the customs union, and the jurisdiction of the ECJ - a set of red lines that Barnier grimly repeats in most speeches. Gone is any suggestion that the City of London might enjoy a “special relationship” with the EU, which Barnier suggested to MEPs back in January. In its place is expectation management, warning businesses on both sides to prepare for the worst-case scenario. This week’s speech was a long description of the UK as just another a third-country in waiting.

My sense is that in the battle between the two lobes of the Brussels brain on the UK, the side currently in the ascendant is the side that is starting to see the UK as a strategic competitor, rather than a strategic partner, and a more serious one in economic terms than they have ever faced. Some are even relishing it. They are looking at the tools they have in the box - location policy, delegation policy, negotiating leverage, FTAs with third countries - with a new perspective of how they will work in a world where the UK is a competitor. Or at the very least, the benchmark for EU competitiveness.

Listen to the EU FS Director Olivier Guersant (and former Barnier Chief of Staff) these days, and you hear a man talking as much about how he plans to use Brexit to enhance EU competitiveness (which is his day job), as maintain the status quo for cross-border services. Maybe in this way, Brexit has made EU more like UK. In pleading for cross-border cooperation, the UK may be the one sounding more conventionally ‘European’.

Of course, this balance will probably evolve once the negotiation moves onto trade, and member state voices are raised more loudly and individually (assuming they are). It has always been easier to adopt rigid visions of the EU’s model and strategic priorities in Brussels (where the real-world impacts are not actually felt) than in the messy world of the member states and their businesses and trade. But there is no question that London has given Brussels an impetus to harden its view of no deal and its consequences. And some even see this as an opportunity, or at least the kind of crisis that can give the EU a dose of strategic clarity.