

How to prevent Brexit from damaging the EU

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*What should the EU's priorities be in negotiations with the UK over Brexit? **Paul De Grauwe** writes that the EU should offer the UK two options: either following a Norwegian style model or leaving entirely and negotiating a free trade agreement in the same manner as other nations such as the United States and Canada. He argues that offering any concessions outside of these two options would risk fatally weakening the EU and should be avoided at all costs.*



The mandate of Theresa May's government, as she stated when taking over as the UK's Prime Minister, is to "make a success of Brexit". Although the detail of what success here means is unclear, there can be no doubt about what it means in general. It should be interpreted as keeping access to the EU single market while gaining concessions from the EU about the rights of the United Kingdom to control immigration. In other words: trying to square the circle. Something the Brexit campaigners have led millions of British citizens to believe can be done easily.

What negotiation strategy should the European Union take? Here is the choice that must be presented to the UK. Either the UK government takes over the Norwegian model or it stands alone and negotiates new trade agreements with the EU and about fifty other countries (or group of countries) in the framework of the rules of the World Trade Organization (WTO). The EU must make it clear that there is nothing between these two choices. There can be no "special deal" with the United Kingdom.

If the UK accepts the Norwegian model, it retains full access to the single market. In that case there are no obstacles for British goods and services in the EU and for EU goods and services in the UK. But the price the UK pays in this model is the free movement of EU citizens in and out of the UK. Without the free movement of people there can be no free movement of services. This is the core of the single market. Moreover, the Brits will have to accept two other things in the Norwegian model. First, they will have to abide by the rules on standards, health and safety that are decided in Brussels without being involved in the decision making process. Secondly, they will have to contribute to the European budget.

It is very unlikely that the UK government will accept this model. The Brexit camp considers free migration and Brussels legislation as diabolic and will revolt if the UK government accepts these conditions. True there is an important faction in the new government that is attached to maintaining full access to the single market and sees few problems in accepting free movement of people and Brussels regulation. But this faction is probably too weak to counter the demands of Brexit supporters.

I assume, therefore, that the British government will reject the Norwegian model and will try to obtain concessions from the EU that reduce migration flows, while ensuring access to the single market. Here, the EU must make it clear that a special deal with the UK is excluded. The EU must insist that the only other option for the UK is to stand on its own feet, and to start negotiating new trade deals with the EU and other countries after Brexit is completed. In other words, the UK must be treated like the US, China, Brazil, etc., i.e. as sovereign nations that insist on maintaining full sovereignty over their trade agreements. The trade negotiations between the UK and the rest will take years, if not decades. Their outcome is uncertain. It is not clear, for example whether the UK will be able to maintain free movement of services with the EU as this freedom is intimately linked to the free movement of people. But that is a problem for the Brits who have chosen to embrace full sovereignty.

Here are the reasons why the EU should not accept to be dragged down in negotiating a special deal with the UK. Some EU-countries are tempted today to also organize referenda. I have no problem in principle against such referenda. If citizens of a country dislike being the member of a club, they should be able to leave. This will be better

for all. There is no point in living together with people who intensely dislike each other. However, it is in the interest of both parties that the terms of the divorce should be made clear in advance.

That is why the EU should make it clear what potential exiters should expect. It will be either the Norwegian model or a “standalone-model” in which the newly sovereign nations will face the difficult task of establishing new trade agreements on their own. Clarity is essential for those who consider leaving the EU. This clarity can only be achieved by excluding a privileged trade agreement with the United Kingdom.

When the UK joined the EU in 1973 its main strategy was to prevent the union from becoming too strong. The UK political elite decided that this could best be achieved from inside the Union. Now that the UK is departing, the century old British strategy remains the same, i.e. to weaken the forces that can make Europe stronger. The UK can achieve this by insisting on a special deal between the UK and the EU whereby the UK maintains the benefits of the Union while not sharing in the costs. Such a deal, if it comes about, will signal to other member countries that by exiting they can continue to enjoy the benefits of the Union without the costs. Such a prospect would fatally weaken the European Union.

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Note: This article originally appeared at Paul De Grauwe’s [personal blog](#). It gives the views of the author, not the position of EUROPP – European Politics and Policy, nor of the London School of Economics.

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