

Brexit: prioritise getting a good deal from the EU over getting a speedy one

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Almost five months on from the EU referendum, politicians are still coming to terms with the complexity of legally disentangling the UK from the European Union. The business community will always try to make the best of any situation, and find opportunities in post-Brexit Britain, but for the moment, we are living in a state of uncertainty.

The Government maintains that it will not be delayed in its Brexit plans by the recent defeat in the High Court, which ruled that Parliament had to be consulted before article 50 is triggered. They are appealing to the Supreme Court, but also preparing a short Bill to be put in front of MPs in case they are knocked back again. While it may have dominated the front pages, most business leaders have viewed the courtroom drama as merely another twist in the Brexit saga.

We don't know if, and for how long, constitutional wrangling may delay the Prime Minister's intention to trigger Article 50. While any delay prolongs the uncertainty, we know from surveys that IoD members prioritise getting a good deal from the EU over getting a speedy one, so this is just something that has to be accepted.

Even once the timeline has been set, negotiating with EU, which involves not just the members states – but also the Commission and the Parliament – will be far from straightforward. The secretary of state for Brexit, David Davis, has made clear that the Government will need to keep some details of the negotiations secret. Even with the best intentions, information will leak out of Brussels, and we can expect the media to swing back and forth as it tries to read the runes on which way negotiations are heading. For the majority of small and medium-sized businesses, scenario planning for the final outcome is too difficult at this stage.

Different businesses have different priorities, and sometimes sectors will be opposition to each other. The Government must consult widely, and aim for a deal which prioritises the broadest benefit. Business plays a crucial role in the economy and society. We will be feeding in the views of business to the Government on the pros and

cons of different trading relationships with the EU, and also advise Liam Fox, the Secretary of State for International Trade, on easing trade barriers with other partners.

Now that we will be forging our way in the world outside of the EU, it is more important than ever that we embrace free trade and open our economy to the world. Yes it will expose some firms to the chill wind of competition, but it will be the making of a healthy economy which incentivises innovation and entrepreneurialism.

Although for practical reasons the UK's first business priority will be to normalise relations with the European Union – there is no reason why the UK should not be one step ahead, looking to the future to strengthen economic ties with yourselves and others. In fact, this is where the opportunity for greater openness and free-trade for the UK lies.

Another defining aspect of the UK's future in a post-Brexit world, is the ability to attract the best talent from around the world. Businesses cannot function without the right skills, and yet this seems to be proving to be the biggest bone of contention between business and the Government. We all accept that government is complicated, and has to balance competing forces – but the final decision must be based on what is best for the UK as a whole.

Like many business leaders, I feel the Government should pay heed to the strong evidence for the benefits of immigration, but clearly I am not blind to the role the issue played in the Brexit debate. This is the moment to reset immigration policy. I suspect the Prime Minister knows that the 'tens of thousands' immigration target is both economically damaging and unachievable. Even worse, the failure to hit it has added to the public view that the Government has lost control of immigration. The Prime Minister must ditch the counter-productive net immigration target, and develop a migration policy which addresses public concerns while not stifling businesses.

Our members overwhelmingly employ migrants because they need their skill, not because they are cheaper. Only four per cent of IoD members say cost had anything to do with it. When the Government introduced more controls on non-EU migration over the last few years the result was not a fall in the overall immigration figures, but an increase in the level of workers coming from the EU. Employers simply could not substitute foreign workers for domestic ones. This was not a sign of weakness, but of strength. UK employment has risen to record levels, and the EU staff who have been drawn here because our economy was doing well have complemented British workers.

I think business has failed in the past to make a positive case for immigration, or to take account of people's grievances. Rectifying public anxiety toward immigration is not solely a responsibility for the Government. For that reason, if the Government is going to have to accept some preferential system for EU citizens, business should also support measures to balance out the local impacts of immigration. This could involve re-instating the migration impacts fund, which was abolished in 2010, to help communities adapt if there is a sudden rise in one particular area, or even a temporary local cap, in addition to more funding for immigration enforcement.

Business people are optimists by nature, and by necessity. As with any major change, opportunities will arise from Brexit, but it is not going to be an easy ride. The Government has a responsibility to reassure businesses that they will be taking the right steps to ensure the UK remains a competitive global country.

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Notes:

- *The post gives the views of the author, not the position of LSE Business Review or the London School of Economics.
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