

# BREXIT BRIEF

Brexit Brief Issue 92A  
29 July 2020



## Introduction

The Brief seeks to provide up-to-date information on the progress and content of the UK-EU negotiations, and bring together relevant statements and policy positions from key players in Ireland, the UK and the EU.

The Brief is part of a wider communications programme covering the work of the IIEA's UK Project Group – including commentaries, speeches, texts and event reports – which are highlighted on the Institute's website. ([www.iiea.com](http://www.iiea.com))

## Section One: State of Play

### Round 6 of EU-UK Negotiations

Round 6 of the EU-UK negotiations on the future relationship took place in London from 20-23 July 2020. Upon the conclusion of the talks on Thursday, 23 July, it was clear that, while there had been progress in some areas, there had been little or no advance on the key issues: level playing field and fisheries.

The EU Chief Negotiator, Michel Barnier, told reporters that the UK's "refusal to commit to conditions of open and fair competition and to a balanced agreement on fisheries" made a trade agreement "at this point, unlikely." His opposite number, David Frost, insisted that "until the EU has internalised and accepted

that the UK is an independent state, a trade deal will be difficult."

The London talks have seen progress in respect of the UK's concerns about the role of the Court of Justice of the European Union in the governance of any future agreement and the UK's demand for a complex range of separate agreements. The UK accepted that the EU team had listened to the UK position on the Court and conceded that the EU had real concerns about any complex 'Switzerland-style' set of agreements and that simpler structures could be considered.

The UK side stated that no compromise could be reached in July on the principles underlying any agreement, but argued that, "despite all the difficulties, on the basis of the work we

have done in July, agreement can still be reached in September and that we should continue to negotiate with this aim in mind.”

On the EU side it was made clear that talks had not broken down and that informal discussions will continue as agreed at the June High Level Meeting. Michel Barnier praised the “very professional” approach of the UK team but said that the two sides were still far away from a deal with the time for answers quickly running out.

Discussions between Michel Barnier and David Frost, with their close advisors, are scheduled for the week of 27 July 2020 in London and a further set of formal negotiations will take place in Brussels in the week of 17 August, with the prospect of a September deal in mind.

## Michel Barnier Statement

On Thursday, 23 July upon the conclusion of the week’s discussions, the EU Chief Negotiator, Michel Barnier, made an extensive Statement to a press briefing at Europe House, the EU Delegation’s London Headquarters. He noted that:

*At the High-Level Meeting with Presidents Ursula von der Leyen, David Sassoli and Charles Michel in June, Prime Minister Boris Johnson told us that he wanted to reach a political agreement quickly. The Prime Minister also stated three red lines:*

- *no role for the European Court of Justice in the UK;*
- *the right to determine future UK laws without constraints and;*
- *an agreement on fisheries that shows that Brexit makes a real difference compared to the existing situation.*

*What Boris Johnson says and writes matters to the EU.*

Michel Barnier said that the negotiation round had taken place in a positive atmosphere, which had facilitated some progress. There had been useful discussions to narrow divergences in the areas of social security coordination and Union programmes. There was also progress towards the objective of a comprehensive and single institutional framework, which would include robust enforcement mechanisms - an important point for the EU.

There were also positive discussions on police and judicial cooperation although some divergences remain.

On two important subjects, transport and energy, there were “intense and useful discussions” although Mr Barnier said that the UK side continued to request ‘Single Market-like benefits’.

Mr Barnier outlined the critical areas in which there had no progress: robust guarantees for a level playing field, including on State aid and standards, and a “balanced, sustainable and long-term solution for fisheries.” He highlighted that these points are explicitly referred to in the Political Declaration on the Future Relationship, signed by the UK. “We are simply asking to translate this political engagement into a legal text,” he remarked, “nothing more.”

On the EU side, Michel Barnier pointed out, the Member States authorities are getting ready. The Commission has published a Communication to help EU citizens, businesses and public administrations prepare for the end of the transition period. EU leaders have agreed to launch a 5 billion euro special instrument – the “Brexit Adjustment Reserve” – to counter

unforeseen and adverse consequences in Member States and sectors that are worst affected by Brexit. There have been more than 70 sector specific notices, explaining in detail what actions must be taken in each sector to be ready for the end of the transition period. It included detail on the EU perspective on the implementation of the Protocol on Ireland/Northern Ireland and the role for the EU in the Northern Ireland peace process:

*Together with Vice-President Maroš Šefčovič, we continue to follow closely the implementation by the UK of its commitments under the Protocol on Ireland and Northern Ireland. In this context, EU leaders have also agreed on Monday to allocate 120 million euro to the PEACE PLUS programme in support of peace and reconciliation and of the continuation of North-South cross border cooperation. The recent Specialised Committee on the Protocol was a useful occasion to take stock of progress. I would like to thank Michael Gove and his team for their engagement. But we remain concerned that the necessary measures will not be in place on 1 January. Let me remind you that there is no grace period for the proper implementation of this Protocol.*

Michel Barnier concluded by reaffirming the EU's willingness to reach an ambitious partnership agreement in all areas including, later on, in external security and defence. He expressed the belief that Prime Minister Boris Johnson and the UK Government want to find an agreement with the European Union. He concluded by noting that the following week he and his team would be back for a series of informal discussions and noting that a new round is foreseen in mid-August 2020.

## David Frost Statement

The UK Chief Negotiator, David Frost, issued a concise Statement. He asserted that it is "unfortunately clear" that the aims of the June High Level meeting - namely that early understanding on the principles underlying an agreement would be reached - are unlikely to be met. He reiterated the UK position that any agreement must respect the UK "as an economically and politically independent country" and that as the EU proposals thus far do not achieve this, significant divergences remain.

David Frost did note some areas of progress. In particular, he said that the EU had listened to the UK on some of the most important issues, notably to the UK position on the role of the Court of Justice of the European Union, and welcomed this "more pragmatic approach". Similarly, he said that the UK team had heard the EU's concerns about the potential for a complex 'Switzerland-style' set of agreements and expressed a willingness to consider simpler structures, provided satisfactory terms can be found for dispute settlement and governance.

However, he continued, considerable gaps remain in the most difficult areas: the so-called level playing field and fisheries. The UK had always been clear that its principles in these areas are not simple negotiating positions but expressions of the reality that the UK will be a fully independent country at the end of the transition period. This is why, he said, the UK

*[...] continue to look for a deal with, at its core, a free trade agreement similar to the one the EU already has with Canada – that is, an agreement based on existing precedents. We remain unclear why this is so difficult for the EU, but we will continue to negotiate with this in mind.*

*Despite all the difficulties, on the basis of the work we have done in July, my assessment is that agreement can still be reached in September, and that we should continue to negotiate with this aim in mind. Accordingly we look forward to welcoming the EU team back to London next week as planned for informal discussions and to the next negotiating Round beginning on 17 August.*

## European Council Conclusions

A marathon European Council meeting – extending over five days from 17 to 21 July 2020 – reached agreement on a COVID-19 recovery package and the 2021-2027 budget. The comprehensive package amounts to a total of €1,824.3 billion, combining the Multiannual Financial Framework (MFF) and an extraordinary recovery effort under the Next Generation EU (NGEU) instrument amounting to €750 billion. The package will help the EU to rebuild after the pandemic and will support investment in the green and digital transitions.

The package contains a specific fund designed to mitigate the negative effects of Brexit in some EU Member States. The Council Conclusions outline:

*the maximum total amount of the Special Instruments for 2021-2027 outside of the ceilings will be €20,106 million, to be able to address new priorities and unforeseen events in light of the rapidly changing situation following COVID-19, of which €5,000 million will be available for a new special Brexit Adjustment Reserve to be established to counter adverse consequences in Member States and sectors that are worst affected. The Commission is invited to present a proposal by November 2020.*

The President of the European Council, Charles Michel, told a Press Briefing: “[...] These were, of course, difficult negotiations in very difficult times for all Europeans. A marathon which ended in success for all 27 member states, but especially for the people. This is a good deal. This is a strong deal. And most importantly, this is the right deal for Europe, right now.”

Reporting to Dáil Éireann on 22 July 2020, the Taoiseach, Micheál Martin, commented on the specific post-Brexit dimension:

*I also very much welcome the inclusion of a Brexit adjustment reserve of €5 billion to address the impacts on sectors and regions most impacted by Brexit. It is clear that for some Member States the economic damage of COVID-19 will be compounded by the impact of Brexit, the real effects of which will be strongly felt from the start of next year. Now that the special allocation has been agreed, the Government will work hard to ensure that a significant portion will be available to support Ireland and Irish enterprises.*

*We have already had to make significant investment in infrastructure, including customs infrastructure, as result of Brexit. The increase to 25% in the amount of collection costs for customs duties that a member state can retain is therefore especially welcome and appropriate. We will also receive funding under the recovery fund over the next two years, with further funding to be made available in 2023 for those most impacted economically by the crisis. Again, we will be working to maximise Ireland’s drawdown.*

Writing in the Irish Times, Brigid Laffan argued that: "The €60-€75 billion hole that Brexit left in the EU budget simply did not matter. The small northern EU countries that traditionally want to contain the EU budget, usually by hiding behind the UK shield, were forced to argue in the open and expend a lot of political capital. The frugals were never prepared to veto a deal but they did extract concessions. The UK would most likely have used a veto, making this the first EU mega deal that benefited from the departure of the UK."

Brigid Laffan further commented that the Brexit fund: "[...] is a reminder that the Brexit negotiations are not on track and there is no sign of real progress. Now that Europe's leaders have sorted out this big budgetary negotiation, attention will turn to the future relationship with the UK in September."

Michel Barnier and the European Council President, Charles Michel, met in Brussels a day after the end of the London negotiation round. Following their conversation, President Michel tweeted that the EU was well-prepared for the possibility of a no-deal outcome. A senior official commented that the Brexit Adjustment Reserve, agreed by the European Council as part of its overall financial package, had ensured that the EU was preparing for every scenario. Part of the Reserve "could very well be used to compensate our fishermen." The EU would definitely prefer a deal and is ready to conclude a deal – "It's better for both of us" – but is preparing for every scenario."

## Section Two: The Evolving Debate

### German Presidency of the Council

As Germany takes over the rotating Presidency of the EU Council the German Government has expressed the hope that the UK will demonstrate more realism in the ongoing talks. A spokesman indicated that the EU was ready to move negotiations quickly forward but insisted on the need for a positive approach from London.

At the same time Germany's major business organisation, BDI, in a strongly worded statement, warned of the implications of failure in the negotiations which it described as the most likely scenario. It called for the EU, and national governments, to focus attention on "necessary emergency measures" stating that "too many political and technical issues are still outstanding for them to be resolved in time." The BDI Director General, Joachim Lang, said that "German industry does not expect the UK to complete the public infrastructure for cross-border trade in time. The latest British plans are incomplete. This threatens companies with new customs duties, additional bureaucracy and economic disaster."

### Business Concerns

A study by the *Institute for Government* think tank reveals that many UK companies are less prepared for a no-deal Brexit than they were a year ago as a result of the coronavirus crisis. The study quotes official data which suggests that more than 60% of businesses have made no preparations for the end of the transition period on 31 December. The report finds that the COVID-19 crisis has held up progress on Brexit preparations and, in some areas, set

business back. Businesses that used up their 'rainy day' cash reserves in the last months to stay afloat are ill-prepared for putting in place the necessary contingency planning for no deal at the end of the transition period.

The *Institute of Directors* has warned that only one in four companies are prepared for Britain's full departure from the European Union. Manufacturing firms in particular are unlikely to be ready for the end of the transition period. Almost half of 1,000 company directors say they were unable to prepare now for the changes needed and almost one in three say they could only make adjustments once the details were clear. Almost 70% of directors said that securing a trade deal, rather than crashing out of the EU on WTO terms, was important for their own company. Among directors who saw positives in eventual divergence from EU rules, seven in ten said a deal would be important to the economy.

The car maker *Honda* and other UK manufacturers have called on the Government to urgently introduce a new UK quality assurance scheme to replace the European Union CE product labelling system. The Government has not yet published details of its own planned mark – the UK Conformity Assessed (UKCA). The CE mark is essential for legally placing products in EU markets covering most industrial products and is seen as critical in the car making sector. *Honda* argues that "the remaining time in 2020 is simply too short to design, test and guarantee compliance with whatever the new UK requirements will be before the end of the year."

Manufacturers have warned the Government that the 'red wall' areas in which the Conservatives made significant gains in the general election are at most risk of damage

from a no-deal Brexit with barriers to trade and tariffs. A report from *Make UK* and *BDO* argues that if the UK fails to reach "[...] a comprehensive trade agreement with the EU then those regions with a high concentration of manufacturing and a dependence on Europe as a major market will suffer a triple hit given the impact of COVID-19." The report noted that for some firms, this may prove fatal.

A report by the Westminster *Northern Ireland Affairs Committee* has recommended that businesses should be reimbursed for any new costs incurred in respect of the checks and controls on goods coming from the rest of the UK from January 2021. Business leaders have told the Committee that some firms face collapse under the weight of such costs which will not apply to firms in England, Scotland and Wales. "We are clear that UK businesses trading across the Irish Sea must not face new upfront or ongoing costs as these would not be compatible with the Government's commitment to unfettered access and to maintaining Northern Ireland's integral place in the UK internal market."

## Tackling 'Fake News'

The UK Department of International Trade plans to tackle what it considers to be 'fake news' about the UK's post-Brexit trade policy with the appointment of a rapid rebuttal expert.

The Department has advertised a new position of 'Chief Media Officer, trade policy and rebuttal' who will be asked to "advise ministers on reactive media handling and rebuttal, as well as managing rapid rebuttal processes and combating fake news on social media" as well as to "brief and handle lobby journalists on high-profile reactive and proactive stories, and develop a programme of media briefings to shape stories."

## Section Three: Background Material and Further Reading

### Background Material

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## Further Reading

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The IIEA acknowledges the support of the Europe for Citizens Programme of the European Union



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