

13:50	Munich	UA7053	Go to Gate
13:50	Stockholm	4U2461	Go to Gate
13:55	Stuttgart	MS778	Go to Gate
14:00	Cairo	EI715	Gate shown 13
14:05	Cork	UA7041	Go to Gate
14:05	Copenhagen	EI163	Go to Gate
14:20	Dublin	BRX5248	Go to Gate
14:20	Brexit	AC855	Gate shown 1
14:25	Vancouver	LX355	Gate shown 1
14:25	Geneva	UA959	to shown 1
14:25	Chicago		
14:35	Berlin		
14:35	Luxor		
14:45	Hano		

Boarding

DESTINATION

BREXIT

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By

VICTORIA DEAN

Victoria Dean is Partner and Head of Portland's Brexit Unit. Previously Head of the Foreign Office's European directorate, Dean spent the summer on the Government's Brexit preparations. Prior roles in government also include Spokesperson and Head of Communications for the UK's representation in Brussels.

Foreword

Last year Portland blazed a trail with our publication *Britain votes leave: what happens next?*

In the heat of the referendum, there was endless analysis of the effectiveness of the campaigns, who was up and who was down, and what it all meant for the leadership of the Conservative Party.

Scant attention was paid to what would actually happen if the UK woke up to a Leave vote on 24 June and how the Brexit process would unfold.

In this vacuum, Portland brought together a series of leading figures from all sides in the debate to put aside the campaign rhetoric and think about exactly that.

Eight months on, we bring you *Destination Brexit*. Since the vote, there has been a huge amount of speculation, varied interpretations of what the vote to leave means, and continued clashes between former Remain and Leave campaigners over the form that Brexit should take.

There have been very few real developments in the Brexit process itself. The UK is still a member of the EU. We are trading on exactly the same terms as before. Negotiations have not started. We don't yet know how the EU will react to the UK's demands.

All that changes in 2017 – the year Brexit gets real. Article 50 will soon be triggered. The clock will start ticking on the two year time limit for a deal.

The UK and EU will reveal their hands. Red lines, points of swift agreement and areas of particular tension will emerge.

This process can, and will, be disrupted by external developments – elections in France, Germany and the Netherlands; potential parliamentary interference in Theresa May's plans to trigger Article 50; and random events which are impossible to predict and have unknowable consequences for Brexit.



“The UK and EU will reveal their hands. Red lines, points of swift agreement and areas of particular tension will emerge.”

We do now have greater clarity on the UK’s negotiating position following Theresa May’s speech on 17 January. She has made clear the UK will no longer be a member of the single market, ending free movement and the jurisdiction of the European Court of Justice. She also indicated the UK is prepared to leave the customs union, enabling the new Department for International Trade to reach trade deals with the US, New Zealand, Australia and other non-EU countries. From that position, the Prime Minister will seek to agree the ‘best possible’ trading relationship with the EU.

Brexit will also bleed into the domestic agenda in the UK.

Number 10 have suggested they do not see Brexit as an end in itself, but a catalyst for fundamental and far-reaching change at home. They will need to fulfil their promise to build ‘a country that works for everyone’ and show it is not simply rhetoric.

The EU has shown in the past that it is prepared to put the survival of its political project ahead of purely economic considerations. So the extent to which the UK’s goals survive in reality, as the EU makes clear their price, remains to be seen.

Our distinguished array of contributors apply their formidable collective brainpower to these issues.

First, former Justice Secretary and Co-Convener of the Vote Leave campaign, Michael Gove, outlines how the Government should take Brexit negotiations forward. Control of borders, leaving the single market and customs union, and ending the jurisdiction of the European Court of Justice must all be delivered. In his vision, the UK should go for a clean, quick Brexit and embrace the opportunities that it brings.

Next, Radek Sikorski, Poland's former Foreign Minister and member of Portland's Advisory Council, believes the UK will have to think differently about the EU if negotiations are to be successful. So far, UK ministers have engaged in an internal debate about their preferred outcome – but they will soon need to understand and engage with the EU's multiple and conflicting interests. He suggests ministers may be shocked by the reaction they receive.

The international context for negotiating trade deals is outlined by Sir Andrew Cahn, former CEO of UK Trade and Investment. He argues that growing protectionism and anti-globalisation sentiment make it a bad time to seek trade deals, so negotiating a deal with the EU should be the UK's highest priority. He believes a transitional arrangement is inevitable, but also fears emotion will cloud the judgment of negotiators on both sides.

Former Cabinet Minister and member of Portland's Advisory Council, Michael Portillo, then sets out his belief that, although the UK was right to vote to leave, the British state was woefully unprepared to deal with the referendum outcome. He predicts that once Article 50 is triggered, two years of fruitless negotiations between UK and EU officials will proceed, only to be resolved through a political deal at the last minute.

Sir Stephen Wall, Portland's Chief Adviser on Europe and the UK's former Ambassador to the EU, makes the case that both the UK and EU have been diminished by Brexit. He argues that the UK has lost its voice at the table and influence over key policy areas, while the EU has lost its most passionate advocate for free and open markets. A series of elections next year in major EU economies could have major consequences for Brexit, he says.

Finally, Labour MP and former Chair of Vote Leave, Gisela Stuart, explains how her new organisation Change Britain has found that voters want the Government to get on with leaving the EU and the single market. Ending freedom of movement and introducing an immigration system that does not discriminate between EU and non-EU migrants are, she argues, post-Brexit priorities.

Suffice to say, there is much to play for in 2017.



An open, innovative and successful nation

By Rt. Hon.

MICHAEL GOVE MP



The Rt. Hon Michael Cove, MP for Surrey Heath since 2005, was a senior member of David Cameron's Cabinet from 2010 to 2016. He was also Co-Convenor of the winning Vote Leave campaign.





**It wasn't
as
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about it.**

Let alone vague.

It wasn't as though we were shy about it. Let alone vague.

During the referendum campaign, Vote Leave was very clear about what a vote to leave meant. We said, again and again, that we wanted to take back control of our borders, taxes, laws, trade and money.

We argued for an immigration policy based on skills, not geography.

We said that tax policy, including the ability to remove VAT from essentials like domestic fuel, should be in the hands of the UK Parliament. We wanted an end to the supremacy of European courts and EU law over domestic law. We insisted Britain would be better off negotiating its own trade deals rather than relying on the cumbersome and conflicted EU bureaucracy. And we wanted to decide how the money the EU spent on our behalf – all £350 million a week of it – was allocated.

That was the platform, those were the pledges we campaigned in front of, and that was what was on the bus.

And the policies required to give effect to those promises aren't hard to grasp or difficult to implement.

If we want to control our borders, and decide who comes to our country and on what terms, then we need to be outside the single market. Membership of the single market means being bound by EU rules on freedom of movement which give all 500 million EU citizens the right to come here, claim benefits and use the NHS if they wish. It means giving Bulgarian plumbers rights we won't extend to Bangladeshi doctors, granting privileges to Slovak citizens we won't extend to people from St Kitts. Membership of the single market means having an immigration policy which is both an open door to exploitation and ethnically discriminatory. So Vote Leave argued that we should, well, leave.

It's what was on our leaflets, it's what I said in my speeches, and it's what was argued for by Boris Johnson, Gisela Stuart and Andrea Leadsom in front of millions. And just in case anyone missed the point we were making, the Prime Minister,



“That was the platform, those were the pledges we campaigned in front of, that was what was on the bus.”


the Chancellor, Peter Mandelson and the official Remain campaign told everyone at every turn that voting to leave the EU meant voting to leave the single market.

That is why Theresa May is absolutely right to make clear that our destiny lies outside the single market. Only then can we control our borders and set taxes at the rate our industries need and our pensioners deserve.

Outside the single market, we can legislate and regulate in the national interest. If businesses want to adopt EU standards to sell to EU citizens, they can.

If they want to avoid ridiculous EU rules on everything from the management of our inland waterways to the type of creme brûlée torch you can use in a restaurant, they can ignore them. We trade with the world, but govern ourselves.

Indeed we can trade more with the world if we're outside not just the single market but the customs union, because then we can negotiate



“Catastrophically low levels of innovation, elite arrogance and popular anger all combine to make the EU a decaying Empire of broken dreams.”

our own trade deals. Trade agreements between individual countries are concluded much more quickly than negotiations involving blocs. Staying in the customs union ties our hands, prevents us securing new deals with old friends and holds our exporters back. It’s the opposite of taking back control.

And outside the single market and the customs union, not to mention the common agricultural and fisheries policies, we no longer need to give the EU our money to waste. If there’s an EU-administered scheme worth paying to be part of – on science say – we can join this just as countries like Israel do. If we want to, not because we have to. We will have taken back control.

And we don’t need to negotiate any of these things. Because the vote to leave wasn’t an attempt to secure a different sort of membership of the EU. It was a vote to leave. To become a sovereign country again. Just like America, Canada, Australia, New Zealand, Singapore, South Korea, Japan and all the other countries with higher growth rates or lower unemployment than the EU.

Of course we can, and should, offer the EU a generous deal as we depart.

We should guarantee the rights of all those EU citizens who want to stay here. Let as many of them remain for as long as they wish. Am I worried about the numbers? Well, if, as the EU’s leaders predict, we’re destined for disaster outside the EU then net migration figures will be low indeed. But somehow



I think that Britain will be an even more attractive place for people to live and work – whatever their country of origin.

And we should continue to offer the EU tariff-free access to our markets for their goods. This is a generous offer indeed, given that we have a trade deficit in goods with European countries. I'm happy to let them continue exploiting this advantage because the freest possible trade encourages competitiveness and should enhance productivity. If the EU doesn't want to maintain tariff-free access between us and them, that's a pity. But that would be their loss.

And instead of spending a vast amount of time seeking to persuade EU nations to pursue policies which are palpably in their own interests, we can get on with devising new policies which are emphatically in ours.

When Britain catapulted itself to a position of global economic leadership in the nineteenth century, it did so by making decisions in a sovereign Parliament – not negotiating sweetheart deals with neighbours and partners. By embracing free trade and fiscal responsibility we set an example which drove progress and growth.

Similarly, the economic revival of the eighties was fuelled, not by negotiating special terms for favoured products in nearby nations, but reforming the supply

side, freeing up our labour markets and modernising our capital markets.

The intellectual energies of our best people in politics and public service should be directed towards re-engineering Whitehall, reducing regulation, designing a migration policy which attracts the very best talent, shaping a science policy which is much more ambitious, reforming education to stretch the most talented further and eliminate illiteracy and innumeracy altogether, setting taxes at a level to maximise growth, reforming corporate governance and capital markets to enhance productivity, and building new institutions which foster and support innovation. All of these things are now within our power. Persuading French farmers of the virtues of free trade may not be.

The European Union is destined to face more years of increasing misery unless it chooses to reform. The Eurocrisis, the migrant crisis, the failure of Schengen, stubbornly high levels of youth unemployment, catastrophically low levels of innovation, elite arrogance and popular anger all combine to make the EU a decaying empire of broken dreams. The cleaner and quicker we can make our exit, the faster we can get on with fashioning an open, innovative and successful nation.

What are we waiting for?

What will Brussels wear?

Navigating the EU cliques

By

RADEK SIKORSKI



Radek Sikorski was Poland's Foreign Minister between 2007 and 2014. Also previously Defence Minister and Speaker of Parliament, Sikorski is currently a senior fellow at the Center of European Studies at Harvard University and a member of Portland's Advisory Council.



If Brexit is to be an orderly and friendly process, Britain needs to do what successive governments

didn't bother to do.

Relying on its veto power in EU councils, Britain was for years able to ignore the politics of both EU member states and of EU institutions.

It will soon come as a shock to British politicians to discover that those countries and those institutions have politics too, and that those politics are unlikely to be overcome by perceived superciliousness.

Britain's politicians have undergone a crash course in EU affairs over the last few months and many of them have now grasped the difference, for example, between the single market and a customs union. But they are still behind the curve in grasping the psychology of what European integration means for politicians in most member states, and they underrate the role that the European Parliament will play in the Brexit process.

If Brexit is to be an orderly and friendly process, Britain needs to do what successive governments didn't bother to do: understand the interests, psychology, and red lines of their negotiating partners. It's the only way to understand the limit of compromise they are likely to accept for the sake of an amicable relationship with a non-EU Britain.

Above all, it is time to pick apart the phrase 'what will



Brussels wear’, which may have precipitated the recent departure of Britain’s permanent representative to the EU, Sir Ivan Rogers.

‘Brussels won’t wear it’ he is supposed to have warned both David Cameron and Theresa May in response to their bright ideas on how to improve the UK’s EU deal.

To a sceptic minded British politician, the phrase implies something outrageous: that a democratically-elected politician goes to Brussels with a brilliant proposal, or a British diplomat tables a motion in writing, and then a faceless unelected bureaucrat in one of those ugly Brussels buildings says ‘no’ with a French accent.

What the likes of Sir Ivan mean when they say it is more like: in the light of existing treaties, taking into account the current agenda of the Commission, the balance of opinion among member states, and the views of the major factions in the European parliament, the proposal is unlikely to pass.

In fact, Britain’s new deal will be the outcome of the interplay between precisely those players. ‘Brussels’ is made up of several groups and cliques with different interests. For example: EU politicians, the European Parliament, and central and eastern Europe.

Firstly, EU politicians. Starting with Angela Merkel, EU politicians have become weary of treaty changes for the very good reasons that these have become almost impossible to pass. Precisely because member states – led by Britain – have become more jealous of their remaining areas of sovereignty. Any new treaty will be hostage to referenda, horse trading, and shenanigans on unrelated issues.

But without changing existing treaties, the most pertinent issue for Britain is non-negotiable: no freedom of movement of labour, no membership of the single market.

The Swiss had a referendum on this too, and have been told to stuff it. Perhaps this is why the UK has belatedly ruled out single market membership.

Secondly, the European Parliament. It sees itself not as the expensive talking shop it is regarded as in London, but as the embodiment of the European demos – the true guardian of European values and freedoms. So whereas Britain may get a hearing at the Commission with economic arguments, Parliament will take a constitutional view. And remember, the right to work in one another’s member state is what it means to be an EU citizen. And you can’t argue with that. It is right the UK isn’t wasting its negotiating energy on an issue that cannot be won.

“Britain’s politicians have undergone a crash course in EU affairs over the last few months and many of them have now grasped the difference, for example, between the single market and a customs union. But they are still behind the curve.”



Lastly Central and Eastern Europe. Britain retains much goodwill among these countries, whose accession to the EU Britain championed, and whose workers the UK admitted into the labour force without exercising a derogation. But their interests have now dramatically diverged.

Central Europe wants big EU budgets and for Britain to make its contributions as long as possible, preferably until 2023, when the last invoices of the British-championed multi-annual EU budget will be paid.

Central Europe also wants the rights of at least its existing residents protected, and is keen on EU’s defence union – both dubious propositions in London. Therefore, expect from Central Europe every sympathy short of support.

There are other groups too, and each one of them is looking for a deal. And the essential weakness of Britain’s negotiating position lies in the fact that continentals get what they need – access to the British market in manufactured goods – under almost every conceivable regime. Low tariffs are the norm, not the

exception, whether under World Trade Organisation (WTO) rules or outside them.

Given the number of constituencies in Europe, time, in the short term, works in Britain's favour. The EU 27 will be loathe to renegotiate the current multi-annual budget, which runs till 2020, meaning that Britain is likely to get an extension to the current deadline of March 2019, if Article 50 is indeed triggered soon.

But beyond that, a trade agreement will take many, many years of work.

As someone who was involved during the Polish presidency of the EU in the negotiations of a deep and comprehensive free trade area with Ukraine – pretty much the same kind of agreement that would suit a post-EU UK – I can promise that completing such an agreement is impossible to manage in two or three years.

If British politicians insist on withdrawing Britain from compliance with previous trade agreements without such an agreement, the Commission will impose automatic sanctions in the relevant areas, just as it would on any other non-



“Brussels is made up of several groups and cliques with different interests.”

“British Eurosceptics are unlikely to say: sorry, we misunderstood the nature, the rules and the politics of the European Union.”



member contravening treaties. Only then will the Commission become what British Eurosceptics have believed it has been all along: a heartless leviathan imposing rules on Britain against her will. Only then will Britain learn what it's like to be negotiating with Brussels as a non-member.

It is very possible that the consensus that emerges from the existing treaties, the position of the Commission, the will of the member states, and the politics of the European Parliament, will be one shockingly far from what Britain expects to get.

When it further emerges that no deal will be possible within years or maybe a decade, the negotiations and the relationship between the UK and the EU may head for a tumultuous collapse.

Britain's membership will simply lapse and the UK will have its privileged access to the EU market cut off as it ceases budget contributions and laws start to diverge.

As seen from the Continent, some recent pronouncements from London could be read not as manoeuvring for the sake of strengthening one's position, but as the first inklings of the enormity of what Britain has set out to achieve, and how unlikely she is to get it.

The rhetoric sounds not like a prelude to a tough fight which might end in success, but as the beginning of a blame game for failure. British Eurosceptics are unlikely to say: sorry, we misunderstood the nature, the rules and the politics of the European Union.



By

SIR ANDREW CAHN



The Brexit and trade conundrum

Sir Andrew Cahn was Chief Executive of UK Trade and Investment for five years and has held a wide range of other roles in government including Chief of Staff to Neil Kinnock whilst he was Vice-President of the European Commission, and Deputy Head of the Cabinet Office's European Secretariat.



The real blockage is
that potential partners
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This is not a good moment to do trade deals. Yet our future trading relationships with the EU 27 and countries around the world are at the heart of whether we have a successful Brexit.

The UK needs to complete three different trade negotiations in short order. We have to agree what new trading arrangements will apply between the EU 27 and ourselves after we leave the EU, likely in March 2019. We want to agree innovative bilateral trade deals with China, the USA, India and many others. And we must agree ‘schedules’ with the 163 other members of the World Trade Organisation (WTO) in order to revive our independent membership and be ready to trade using ‘WTO rules’ where we need to.

The Brexit trade conundrum is how to do this with an unhelpful international context, a weak negotiating hand, and under time pressure.

The last multilateral global trade deal was done more than twenty years ago. No one expects another one. Regional trade deals have replaced them. But both the mooted Trans Pacific Partnership and the US/EU Transatlantic Trade and Investment Partnership are in the deep freeze. Anti-globalisation sentiment, Trump and protectionism have killed them off for now.

So the UK has to go out into the world and ask others to do bilateral deals known as free trade agreements (FTAs).

We have great strengths in our attractive market, the world’s sixth largest, our free trade credentials and our willingness to be imaginative in creating new types of deal.

But the implacable truth of trade negotiations is that if you are asking for something, you have to pay for it, and the smaller you are the more you have to pay.

Initial contacts with India, for example, have already shown that they will be expecting a quid pro quo in terms of easier immigration to Britain for Indian citizens.

Legally, we cannot negotiate trade deals until we leave the EU. But the real blockage is that potential partners won't want to finalise any deal until they know what our trading relationship with the EU will be, and therefore what access they obtain to the EU market through a deal with us. They also want to know what our WTO commitments are, which will take some years to sort out, so they can measure the benefits they are getting with their free trade agreement. Moreover, until they know what our domestic policies are on things like agricultural subsidies, food standards, environmental regulations, and intellectual property, they won't know the non-tariff barriers they face.



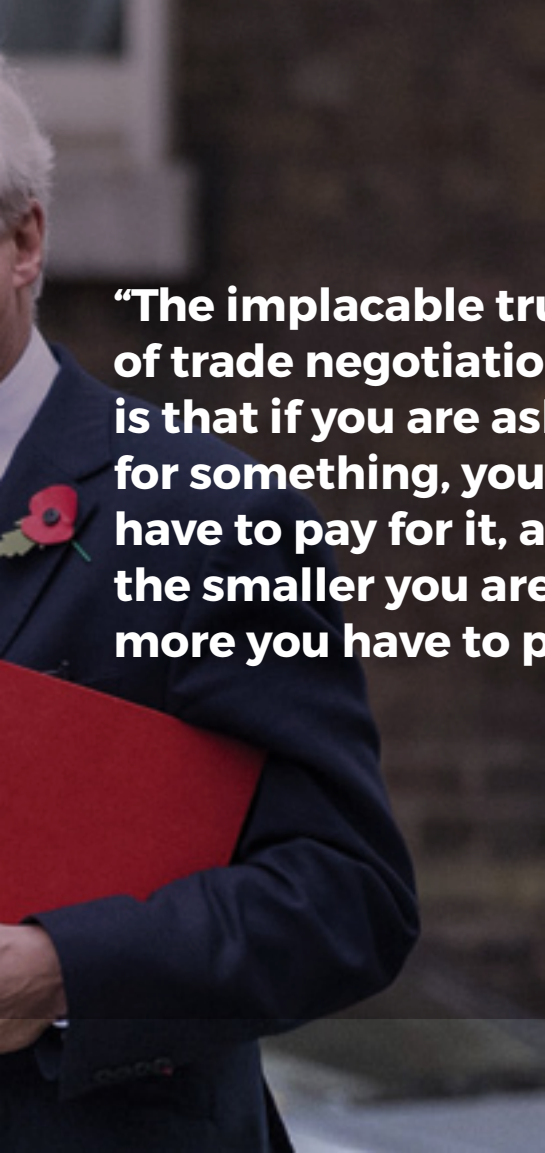
This does not mean that Liam Fox and his Department for International Trade have nothing to do. To the contrary, there is a huge task in feeding into the EU/UK negotiations and preparing for the WTO and bilateral negotiations - both technically, where we have neither the staff nor the expertise, and developing a strategy, which we don't seem to have yet.

But the key issue, on which everything else depends, is what trading relationship we have with the EU.

Don't believe anyone who says that WTO rules are fine. After all, why do we want to agree bilateral deals with everyone else of consequence if the WTO rules are good enough? They are not.

So the EU 27/UK trade relationship is where the game of chicken is going to be played out. The EU 27 are saying that there can be no trade negotiations until we leave the EU. The EU lawyers have ruled that this is what the treaties require. EU insiders tell me that there is simply no procedure which could be used for a negotiation before Brexit.

This may all be true, but it is still baloney. It would hurt the UK hugely if there is no trade relationship in place when we leave and it would hurt the EU 27 a very great deal but not as much.



“The implacable truth of trade negotiations is that if you are asking for something, you have to pay for it, and the smaller you are the more you have to pay.”

We need to agree a bespoke free trade agreement as the Prime Minister has clearly set out. This may well be the best solution, but it is impossible for a free trade agreement to be finalised and ratified in time for our exit. Not unlikely or difficult. Impossible.

Even if some partial or transitional deal is done, there is an enormous range of policy where continuity is essential – such as aviation rights, fishing quotas, medicines regulation and so on.

Take for example patents. Are we going to continue to use the European Patent Office, or set up our own? Only the former is

sensible in the short term, so yet again we want something from the EU. The Great Repeal Bill (which is gloriously misnamed, it is really The Great Continued Application of EU Law Bill) will say all EU law continues.

In the end, the only practical outcome is a transitional agreement to cover the period until a free trade agreement is ratified and all the other relationships, patents and the like are sorted out. I can see three versions of this.

First, a broad outline of what a free trade agreement might look like is agreed in principle. The transitional arrangements are designed to help move everyone



towards that. Second, we could have interim arrangements, some provisions to buy time while a free trade agreement is negotiated. Third, we could have a rollover of the status quo until something more definite is agreed.

This is where the game of chicken comes in.

Michel Barnier and his team see the UK position as weak. So they expect to dictate the terms of a transitional/interim/rollover agreement with some sweeteners to give us face saving cover.

The first element will be our agreeing to pay a very large exit bill. I expect them to decline to negotiate anything until we have signed a large cheque. If we refuse these terms, well they say, be our guests and walk over the cliff.

The EU has a pretty clear objective and negotiating strategy. The objective is to make as few concessions from EU principles as possible to the UK. Arrange things so the UK hurts nastily for a while to discourage others. Then agree a transitional deal with a sunset clause and get on with agreeing a free trade agreement which is weighted in their favour. The strategy is to pad out the negotiating process so the UK runs out of time and sues for peace in early 2019. This approach means they are likely to overplay their hand and get hung up on principles.

The Prime Minister has set out her objectives and strategy more diplomatically than her Foreign Secretary, but with the same content: ‘have cake and eat it’. She wants a free trade agreement with maximum access to the single market and customs union, but none of the constraints or costs. This is a good opening gambit for a weak hand. But to say as she did, ‘no deal for Britain is better than a bad deal’, exposes the weak hand she has to play. For if we have no deal then we will have new barriers to trade which as May herself said means ‘less trade, fewer jobs, lower growth.’ The EU 27 may well call her bluff.

All the same, Britain has been remarkably successful at getting its way in the EU over the decades (think the budget rebate, the single market, enlargement of the EU, opt outs from the euro and Schengen).

We have some useful negotiating cards to play, and we are certainly more agile as one country than 27. So there is no inherent reason why we cannot get a good deal if we eventually take a reasonable decision on what that deal should be, use some skilled negotiators and play our cards as well as we have in the past.

Except that emotion-driven politics is at work in the UK as well as the EU.



“EU insiders tell me that there is simply no procedure which could be used for a negotiation before Brexit.”

Our red lines and the EU 27's red lines are too far apart just now and both sides feel righteous and cross, indeed appalled, at the other side.

There are, of course, external factors which could derail the whole process, think a Eurozone collapse. But if you force me to predict the outcome, it is as follows.

We will get to March 2019 with much posturing, but no walking out and no agreement. Crisis, all night meetings, the clock is stopped, markets in turmoil. After several weeks of brinkmanship, in which it becomes clear that the UK's position is indeed weaker than the EU's, some form of interim deal for two years will be done, much of it the status quo. We will leave the EU and give up all influence. But EU law in practice still applies.

In those two years, we will sort out our WTO position and probably finalise the substance of a free trade agreement with the EU (though it won't be ratified) which will allow us to leave more substantially, although much EU law will in practice be the law of the land for decades whatever the outcome.



Michael Portillo was a minister for eleven years and held three positions in the Cabinet, including Secretary of State for Defence. Since leaving politics, he has devoted himself to writing and broadcasting.



Safe from the next EU crisis

By Rt. Hon.

MICHAEL PORTILLO



The decision to leave the European Union is the

bravest

act of the British people since World War Two, and it strikes a blow for our own freedom and that of fellow Europeans.

The decision to leave the European Union is the bravest act of the British people since World War Two, and it strikes a blow for our own freedom and that of fellow Europeans. It is fundamentally pro-European, because what Europeans need is freedom, not government by a transnational elite which is unelected and unaccountable.

It is a pity that our country has stumbled into this role after the plans of David Cameron and the British establishment were overturned in the referendum. It would have been much better had a Prime Minister proposed Brexit and won the people's backing. The British state was caught off guard, and has floundered without dignity in the months since. But that should not deflect us from celebrating what we have decided to do.

The European Union is an ideological project, dedicated to the creation of a European state. Its authors claim to be operating from the purest of motives: the avoidance of another war in our continent. Perhaps.

What is certain is that whilst the Union is composed of democracies, it is not a democracy itself.

The democratic deficit is acknowledged by all, but it has no solution, because there does not exist a European people, sharing specific political values, that can be governed in common, with the governors accountable to the people. The EU's authors shrug off this fundamental point.

The creation of the euro has amply illustrated the danger of ideology. It tramples all who get in its way.

The single currency was created because it is one of the signifiers of a single state. But most of the economies of Europe were not ready for an exchange rate largely determined by the strength of the German economy. It has been their ruin. Greece has been crushed and youth unemployment has reached appalling levels in Spain and Italy. How ironic that in the UK young people were disproportionately in favour of remaining.

The fact that Britain joined neither the euro nor the Schengen area (within which people circulate between countries without showing identification) illustrates that this country has never been comfortable with the EU. Politicians, both Conservative and Labour, held apart from the vital building blocks of the European state. As each new European treaty was drawn up we showed extreme reluctance to be drawn towards 'ever closer European union'. All that helps to explain why Britain voted to leave.

Even the politicians who argued for Remain were mostly sceptical of, or hostile to, the European project.

Even amongst business leaders, who clamoured a decade ago to join the euro, scarcely one was willing to make that call again.



The euro is unsustainable. It has impoverished the weaker nations, and lurches from crisis to crisis.

The continental establishment is too frightened to wind it up (or to let go any of its members), and German exporters benefit from using a currency that is weaker than the deutschmark would be. For all the time that the euro is kept alive, the euro area will underperform economically and human misery will be sustained. Richer EU countries will have to absorb unemployed people from the poorer ones. On the other hand, if the currency collapses, the crash may bring down the EU. Britain is better off keeping its distance from each of those catastrophes.

So Britain is doing the right thing. As Lord King of Lothbury (former governor of the Bank of England) put it, our exit is not going to be a bed of roses.

It may indeed be quite unpleasant. But we will avoid the worst of what may befall the EU and we will recover the right to govern ourselves.

A symbol of that will be the right to control our borders. Immigration is not an issue that bothers the well off very much. But those who seek accommodation, school places, doctors' appointments and jobs feel affected by it. As the population has swelled, British governments have not poured extra money into housing and public services. The mass unemployment created by the euro has led more EU citizens to move here, attracted by a minimum wage that has risen and is due to rise more.

Of course, France, Germany and other prosperous EU countries feel the strain of immigration as much as Britain. Southern European countries are under enormous pressure from migration across the Mediterranean Sea.

Although we are told that free movement of peoples is fundamental to the European project, will it survive the refugee, unemployment and euro crises?

Those thoughts suggest two others. First, that from the viewpoint of our EU partners, whilst the British decision to leave has shaken them to the core, the euro and migration pose existential threats to the union. Second, that the Article 50 negotiations will take place during dynamic developments on the

“The euro is unsustainable. It has impoverished the weaker nations, and lurches from crisis to crisis. The continental establishment is too frightened to wind it up.”



continent, as François Fillon and Angela Merkel adjust their positions, attempting to win their elections, and as new currency, banking and refugee crises emerge.

If Marine Le Pen becomes French president, the EU will be on the brink of collapse and Brexit will seem a trivial issue.

Still, for now it is the British state that appears to be in crisis. It is not the one that was confidently predicted by the Treasury and the Bank of England. The British economy is doing well, and the pound against the euro is back to exchange rates typical of the last few years. The crisis is one of

decision-making. It is partly because Theresa May is by nature slow to make up her mind, and partly because the whole government machine is ill-equipped to deal with Brexit. This was not planned for, and the civil servants now asked to devise a strategy are ideologically committed to continued EU membership. They are the very establishment rejected in the referendum, the elite that embedded Britain in the EU over the last fifty years.

Neither of those issues is easy to resolve. But it is worth noting that the government's single bold move – to force a parliamentary vote before Christmas on triggering Article 50 – resulted in a



“Financial institutions talk of moving jobs out of London. But the continental markets are very small on the world stage, and French labour laws are unattractive.”

massive majority, and should have emboldened it.

When it comes to the Article 50 legislation, in the House of Commons Theresa May can count on the votes of most Labour MPs, many of whom fear Ukip in their constituencies where a majority voted for Brexit.

The Lords are more complicated because they are more independent and do not face re-election. But both Conservative and Labour whips are likely to be hard at work. The House of Lords should not want to provoke a constitutional crisis that might result in the creation

of sufficient new Tory peers to prevail, and the Labour Party does not want an early general election.

Theresa May’s Lancaster House speech provided some clarity on the government’s preferred outcome. She would like to leave the single market, half-leave the customs union, and reach a new free trade agreement with the EU. All this to be agreed in two years, with the threat of defaulting to WTO rules if there is no good deal on the table.

Whether these goals are achievable depends on whether the EU partners want to erect

barriers which would harm them more than Britain, since we run a trade deficit with our partners, especially Germany.

There are perhaps two ‘parties’ at present within the EU. A Scandinavian group favours the most pleasant and soft Brexit achievable, to avoid rocking the boat. A French party wants to castigate Britain with the harshest terms. Germany is the floating voter. It has much to lose from barriers to trade, but must act in the ‘interests of Europe’, which according to the French – at least for now – means being mean to the UK.

Frankfurt and Paris may demand particular toughness against the City of London. Even before Brexit they aimed to shift financial business to the continent (outraged that that did not happen when Britain stayed outside the Euro). Some financial institutions talk of moving jobs out of London. But the continental markets are very small on the world stage, and French labour laws are unattractive. American banks demonstrate that you can do good business in continental Europe without the advantage of EU membership.

A farce lies ahead: two years of negotiation between British officials, who don't believe in Brexit, and European Commission officials, who are fanatics.

Of course, those talks will not produce a result. The EU officials report back to the Council of Ministers, and I would guess that in the final moments of the two-year process a political deal will be done. Its nature will depend on whether Merkel and Fillon are in office, and on whether the EU is at that moment convulsed with new crises.



The EU without the UK

By

SIR STEPHEN WALL



Sir Stephen Wall is Portland's Chief Adviser on Europe. A former UK Permanent Representative to the EU in Brussels and EU Adviser to Prime Minister Tony Blair, he has been at the centre of Britain's relations with the EU for 35 years.



Will it even

happen?

Leaving the EU automatically takes away Britain's seat at the table on every issue which the EU now determines collectively. Not just the rules of the single market, but EU collaboration, and its exercise of influence on energy policy, climate change, foreign policy, aid and trade.

The EU will, with our departure, lose the country which has been the principal champion of open and liberalised markets, of fair competition, of free trade and generous overseas aid.

President De Gaulle opposed Britain originally joining the EU because he feared that the UK would upset the protectionist European Economic Community (EEC) model which admirably suited the French agricultural economy.

Today's EU will not regress completely but it will become more protectionist.

Read the manifesto of M. Fillon, the probable next President of France: it is all about so-called fair trade, not free trade. The saddest part of Brexit is that only in Britain is the extent of our reforming and liberalising achievement within the EU not recognised.

Britain in the world will be diminished by our leaving the EU and the EU will also be diminished by our leaving. This is because Britain has been,



“The EU will, with our departure, lose the country which has been the principal champion of open and liberalised markets, of fair competition, of free trade and generous overseas aid.”

with France, the main advocate and implementer of a coherent, activist foreign policy and of serious military capability.

If M. Fillon is the next President of France he, along with President Trump, will be disposed to treat Russia’s President Putin as a potential ally instead of the menacing demagogue he really is.

Sanctions against Russia: bad for French agricultural exports, says Fillon. The willingness of British leaders to call Putin as he is, and to advocate and achieve a policy of containment, will remain.

But when we are no longer in the room while EU policies are made and statements drafted, we will have lost our decisive say.

Sensible people in Brussels hope to manage the Brexit negotiations in a way which preserves a sane, amicable, workable relationship with the UK. Within the European Commission and the European Parliament, however, such people will not necessarily be in the majority.

Achieving a good outcome in negotiations will depend on the willingness of the EU heads of government to give clear direction and ultimately complete the negotiation themselves.

And here, as we peer anxiously at who those leaders might be, the crystal ball risks shattering. A President Le Pen would try to

take France out of the euro. If she succeeded, that could spell the end of the EU.

The likelihood is that the far-right Geert Wilders will not be the next Prime Minister of the Netherlands, though he is well placed to emerge from next spring's election as the holder of the most Parliamentary seats.

In France, the odds are that M. Fillon, not Marine Le Pen, will be the next President of France.

But it is a damning symptom of French malaise that the French left is incapable of uniting round a single champion capable of keeping Le Pen from being the second candidate (along with Fillon) in the second round of the Presidential election. As with Chirac in 2002, Fillon's ability to carry through his advertised reforms both of France and the EU will be impaired by the fact that support for him from the left will have been given unwillingly and grudgingly.

“The big question is whether we see the conscious construction of a coherent multi-tiered Europe, or an incoherent, piecemeal fragmentation resulting from an inability by the EU's leaders to reconcile differing conditions.”





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In Germany, Mrs Merkel’s party is favourite to win the most seats in the General Election in the autumn of 2017, but she has been weakened and diminished by her handling of the refugee crisis. And if President Erdogan of Turkey were to decide, in the meantime, to turn on the refugee tap once again, Mrs Merkel would be plunged into crisis.

If, in a year’s time, Mark Rutte (or similar in the Netherlands), Fillon and Merkel are in power, and Marine Le Pen, Geert Wilders and Signor Grillo (in Italy) are not, then an undoubted attempt at serious EU reform will be made. M Fillon wants to put more power in the hands of governments. He would aim to start a process of economic, social and fiscal convergence covering company taxation, VAT rates and capital gains, leading in due course to a European Treasury.

A big question mark remains over whether the Eurozone will in practice do more than hold fractiously together without the massive political convergence (and the fiscal policy to go with it) which was always at the heart of the project and always, so far, incapable of achievement.

So, Fillon might not succeed. Some of what he wants would anyway probably require changes in the EU treaties, which in turn would require the consent



“None of the assumptions underlying the western political and economic order over the last decades can any longer be taken for granted.”

of all 27 EU governments. In the Netherlands and Ireland that consent could only be given if approved by referendum. As things stand, the Dutch and Irish governments could not agree to any more treaty changes since they would not dare risk a referendum. In none of this would Brexit Britain have any say, though the results, however achieved, would massively affect British interests and trading conditions.

Fillon’s proposed reforms of EU institutions are mostly about increasing the power of governments versus the European Commission (a French agenda item since the 1960s). I doubt whether the powers of the Commission could be negotiated away, since 27 governments would have to agree. So, if that reduction in the power of the Commission happens, it is more likely to be by the continued erosion of the Commission’s authority than by a coherent act of policy. Where competition and state aid policy are concerned, this would not be in the UK interest.

The big question is whether we see the conscious construction of a coherent multi-tiered Europe, or an incoherent, piecemeal fragmentation resulting from an inability by the EU’s leaders to reconcile differing conditions and objectives. None of the assumptions underlying the western political and economic order over the last decades can any longer be taken for granted.

The state of the EU is more perilous than at any time since De Gaulle took it to the brink in 1966. Brexit is a symptom, rather than a cause, but it aggravates the condition.

We British are probably leaving the EU. If we negotiate seriously and far-sightedly, and not as if we are playing school playground games, we can save a lot of the existing cooperation with our partners in fields such as intelligence sharing, combating crime, and foreign and security policy and we may yet establish a close economic partnership.

That will not happen until the French and German elections are over by later next year and, of course, what then happens depends critically on the outcome.

The principal big players in Europe remain Germany, France and the United Kingdom. We have to try to rebuild the trilateral relationship on a new basis which recognises a continuing European shared interest in a world where Trump will not automatically be accepted in Europe as the authoritative leader of the West, where Russia will conspire to undermine our democracies and to intimidate its neighbours and where the global power of China, political as well as economic, will be increasingly asserted.

Theresa May's reputation for careful, considered, evidence-based policy making will carry her a long way. But she will also need to be bold and brave – qualities as yet unproven.



What is the dream deal and exit process?





By Rt. Hon.

GISELA STUART MP

Rt Hon Gisela Stuart, MP has been a Member of Parliament for the Birmingham Edgbaston constituency since 1997, when she became the first-ever Labour MP to represent the seat. She recently served as Chair of the Vote Leave campaign.



Any deal the
Government
negotiates with
the EU must
start from the
premise of
delivering on the
wishes of the

British people.

On June 23 over 17 million people voted to leave the EU, giving the government the biggest electoral mandate in history. A mandate to take back control of borders, laws, money and trade. When breaking down the referendum result by constituency data from Professor Chris Hanretty shows that a 'Leave party' would have achieved a majority of 166 seats.

Change Britain, the cross party campaign I chair is committed to ensuring that we make a success of exiting the EU. A key part of Change Britain's work is going around the country conducting focus groups and listening to these communities to find out what they now want from their politicians and the Brexit process. We believe it is crucial that people feel that their voice is heard by politicians and decision makers. I want to start by sharing some of our findings with readers.

Leave or Remain, the public is following this process closely and won't accept any attempts to fudge the result. Recent polling conducted for Change Britain shows that 54% of people want the government to trigger

Article 50 and get on with the job of delivering the referendum result. This compares to a mere 20% of people who disagree with such a direction of travel.

When people realise that staying in the single market and customs union means continued free movement, the acceptance of EU laws and no ability to negotiate trade deals with countries like the US, Australia and India, a strong majority of both leave and remain voters reject the idea.


When it comes to the economy and trade, there is a palpable sense of confidence and excitement at the opportunities Brexit presents.

Those who say the referendum was Britain turning inwards and closing itself off are wrong, this is a unique opportunity to go global. Voters, both leave and remain, repeatedly say that this country should look to strike free trade deals. When confronted with the issue of increased competition, people are not dissuaded. The common response is that competition is a good thing and Britain can compete with the best. Leave voters are not isolationists, they have faith in our ability to compete as an independent sovereign nation on the world stage. Change Britain research has highlighted the potential benefits that leaving the customs union and striking our own trade deals could bring, creating as many as 400,000 new jobs.

What then is the dream deal and time-frame?

By staying in either the single market or the customs union we won't take back control. We will still be subject to EU laws and the rulings of European judges, we won't be able to negotiate our own trade deals and we will have to accept the EU's free movement of people. To seek continued membership of the single market or customs union would therefore fail to uphold the result. A 'clean' Brexit - by which the UK leaves the EU's single market and customs union - will allow the country to begin a national renewal. We will be able to build a robust yet flexible economy, communities can become more cohesive as we invest more in local services and control the impact of migration, and politicians will be more accountable to the British public as they - and not Brussels - are held responsible for their actions and decisions.

Therefore the best deal would likely be a free trade agreement covering goods and services. A deal where British business maintains the best possible access to the single market. We should be confident in our ability to secure such a deal. We have a growing trade deficit with the EU and a recent survey of EU businesses has found that their highest priority in the upcoming negotiations is access to the UK market. It is in the EU's interests to do a deal with their biggest



“Leave voters are not isolationists, they have faith in our ability to compete as an independent sovereign nation on the world stage.”

trade partner, despite the sabre rattling we have seen so far.

Of course ensuring the competitiveness of London as a financial powerhouse will be important. It is interesting to see that TheCityUK has appeared to drop its demand for passporting. Whilst the EU’s equivalence regime is useful, it is not a definitive solution. That is why it is worth highlighting that the EU’s chief negotiator has said that he wants a “special” relationship between the EU and the City of London.

This is a once in a generation opportunity to re-evaluate the regulatory needs of our financial services industry.

A new deal should look to build a framework which ensures ‘The City’ remains highly competitive in the long-term. The upcoming negotiations will undoubtedly involve tensions

and disagreements however we cannot fall into the trap of wishing ill on our European friends. Once the Article 50 process has begun and the negotiations are underway, Mrs May should make the future of EU migrants already resident in the UK her earliest priority. It is vital that the government provides certainty on this issue. Change Britain has been championing this with our Welcome to Stay campaign. It is important that Mrs May stresses that the UK will continue to be a good friend and neighbour with the EU, working together on a number of issues including defence, security and scientific research. We want to build a new strong partnership with our European partners, and not turn our back on them.

Some people have suggested that leaving the EU will undermine workers rights.



In fact under a new deal we should use our newfound control to not just protect but look to enhance the rights of workers. It will be the job of the Labour party to hold the government accountable for this.

It is worth saying that whilst concerns about immigration obviously played a key role in the UK's decision to leave, people don't simply want a reduction in numbers and are not outright opposed to immigration. As my former Vote Leave colleague Boris Johnson has said, the UK is not pulling up the drawbridge. We must remain an open country and continue to welcome talent which benefits our economy.

**This is an opportunity to renew our immigration system.
A commonly held view is that the EU's freedom of movement
is discriminatory.**

People question why someone - by virtue of being born in the EU - should be able to more easily come to the UK than someone born in Bangladesh. When we develop a new immigration system it should be underpinned by fairness and focused on the skills immigrants can bring to meet our economic needs. The government should also listen carefully to the requirements of various sectors, from the creative industries to financial services. But crucially - by taking back control of our borders - politicians accountable to the British people will be fully responsible for who comes into our country.

We should also ensure that we take back control of the large sums of money we pay to the EU and look to spend that money on our priorities - like the NHS. There may be projects which we want to cooperate on with the EU which will require some financial contributions. However, it should be for UK politicians to decide how taxpayers' money is spent.

As to a timeframe - people want the government to get on with it - there should be no delay in the triggering of Article 50. This means if there is a vote in Parliament, politicians should vote unconditionally to begin the Brexit process. The government then has two years to negotiate a deal. There has been much talk of a transitional deal in recent months. It is right that the Prime Minister is looking at all scenarios for the upcoming negotiations. However any transition arrangements must not be used to try to delay Brexit or keep the UK in the EU by the backdoor.

I hope this will be the year that everyone comes together to ensure that we get the best possible deal for Britain. For me, the 'dream deal' will enable the UK to build resilience in communities right across the country. The resilience to prosper in the 21st century. If we get the negotiations right, we will come to remember Brexit as the catalyst for building a fairer, more outward looking and more prosperous society.

About Portland





Portland is a fully integrated communications consultancy trusted by some of the highest profile organisations, governments and individuals in the world.

We understand integration is key to succeed and our cross-functional teams bring together public affairs, corporate communications, stakeholder engagement and digital specialists to create integrated communications programmes that deliver a real impact for clients.

Over the past 15 years, we've worked in over 70 countries devising and running international campaigns on behalf of some of the world's biggest brands, for governments around the world, and for three major UN initiatives.

What we do



In this uncertain environment, many organisations are facing difficult questions. How and when will the UK withdraw from the European Union? What impact will this have? Is there scope to influence the settlement? And how best to communicate with employees about what these issues mean for them?

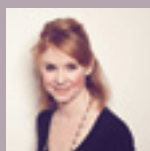
Portland's Brexit Unit was established to help clients answer these questions, and ensure that their organisation has the right strategy for approaching Britain's exit from the EU. We provide counsel on the implications of Brexit for both British businesses and international firms operating in the UK and around the world.

This varies from top-level insight and advice on the political, economic and regulatory implications of Brexit, through to developing a corporate position, and engaging employees, government and media around the settlement.

The Brexit Unit brings together a range of experts from senior levels of government and both sides of the campaign to provide high quality advice on how Brexit is likely to affect their business, how they can most effectively influence negotiations, and what action they should be taking to prepare for the final outcome as they engage with government, EU decision makers and policymakers.

Our Advisory Council including Alastair Campbell, Sir Stephen Wall and Radek Sikorski also offer clients their insight and expertise on messaging, strategy, Europe and building economic arguments.

If you would like further information about Portland's services and how we can help you, please contact:



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