



PRESS WATCH - Time for bluffing is over : we must be prepared for talks to collapse

The EU will try to force a bad deal on us, but we can avoid this by planning for a no-deal scenario, writes Juliet Samuel in The Daily Telegraph.

We can be sure of one thing: Brexit negotiations are going to get a lot worse before they get

better. Over the weekend, leaders of all 27 EU countries agreed unanimously to their own set of negotiating guidelines. The document they published wasn't particularly controversial – it shares common ground with Britain on the need for a deal, and although it makes slightly provocative references to Gibraltar and Northern Ireland, it actually does nothing more than state legal facts.

Despite the EU's moderation on paper, however, prospects for a smooth Brexit are far from rosy. The weekend's headlines were flavoured with a classic Brussels tincture – a poisonous media briefing and a Jean-Claude Juncker soundbite. None of this would have been unleashed without Berlin's blessing, and suggests that German attitudes are hardening. Chancellor Angela Merkel appears to have bought into the idea that the EU must make an example of Britain in order to protect itself. The wrong side is winning the argument.

This may be because most EU governments don't yet believe they have much to lose. They cannot conceive that Britain would ever walk away from a deal, however unpalatable its terms. On this, they have misjudged. A key task of Theresa May's Government will be to make clear that if Brussels were to insist on some of its

more outlandish ideas, such as EU courts retaining jurisdiction over EU citizens' rights in Britain, Brexit talks will simply collapse.

Preparations for this must be stepped up, as visibly as possible. It is obvious that any party to a negotiation that is desperate for a deal at any cost will be forced to accept awful terms. Even Peter Mandelson, the arch-Europhile, accepts this principle. But Britain ought to make preparations for the talks' failure not just as a negotiating strategy, but also because it's entirely possible we will crash out of the EU with no deal.

Unlike some Eurosceptics, I don't relish this prospect. Severing 40 years' worth of legal, economic and security linkages in a disorderly fashion would be dangerous. The most stomach-churning risks are that intelligence co-operation and commercial activity stop because officials, businesses and individuals simply don't know how and whether their arrangements or contracts are enforceable, or even under what law they operate.

A fear-driven move in markets could make it impossible to fund the UK's massive current account deficit – the flows of cash that keep our government and economy going – which would

trigger a bigger and much scarier fall in sterling than anything seen so far. All of which means chaotic queues at borders, a sharp spike in inflation and a sharp drop in GDP. Unappealing as this is, it can't be ruled out. But it's important to think clearly about it, because otherwise, fear of the unknown will overwhelm us.

If Britain's position is governed by fear, the EU's back-up strategy for getting its way is obvious: it can drive Brexit talks to the brink of collapse, then railroad us into signing up to a deal that, although it avoids short-term turmoil, locks us into a terrible long-term arrangement.

What would that look like? Large, ongoing budget contributions and high immigration, high costs for accessing EU markets and continued subjection to the stifling EU regulatory and legal straightjacket that stops Britain creating rules to suit its culture and economy. This would be a Brexit with all of the economic costs and none of the democratic benefits.

One of Mrs May's most important duties will be to make sure Britain never faces this choice between meltdown and an awful deal.

Some of the preparations required are obvious. The Home Office must build a more functional immigration system to enforce whatever policies

the Government adopts. HMRC must add the infrastructure needed for efficient customs checks and tariff payments on a much larger volume of trade. City regulators must interrogate banks and other firms on their legal arrangements with clients in the case of an abrupt Brexit.

Legislation may also be required, which is why it was so important for Mrs May to call an election. If talks break down, she might need to pass laws quickly to ensure that legal certainties don't disappear overnight. For this, the Government needs to develop back-up unilateral policy positions on a host of issues, from EU citizens' rights to work in Britain to financial markets' licences to operate. There will be no time for bargaining over petty and irrelevant demands from opposition MPs.

The Government has already started preparing the ground in the World Trade Organization (WTO), which will govern Britain's trading relationships if talks fail. This is certainly achievable within two years. Britain's next move will be to copy all of the EU's tariffs to avoid WTO legal challenges from our trading partners. These can then be adjusted later on at leisure.

Lastly, Britain must prepare for the briefing war. Brussels wants to make the UK look incompetent, irrational and unrealistic, because it shores up public support in Europe for a hard line and protects the EU's reputation if Brexit talks collapse. Downing Street must up its game and brief back, ensuring that foreign media and our non-EU allies understand the UK's point of view.

Throughout the eurozone crisis, Germany has managed to bully governments into doing its bidding. But politics in Britain make this unrealistic. EU businesses, citizens, markets and governments might stand to lose less than the UK from a chaotic Brexit, but they will still suffer grave consequences, and Brussels cannot react as nimbly as Britain can.

Ultimately, our politicians can't control all the fallout from a disorderly Brexit. Thorough preparation can minimise it, though. Britain needs to be ready for a no-deal scenario not just because it might be forced upon us, but also because bluffing won't work. Mrs May needs to believe that she can walk away from the talks without unleashing a calamity at home. Without that self-belief, she will not be able to win compromises from the EU and deliver the Brexit she has promised.

*Follow Juliet Samuel on Twitter [@CitySamuel](#);
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First published in The DAILY TELEGRAPH, May
1, 2017

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