



GRAYLING

The 7 emotional stages of the Brexit divorce

The latest views from Brussels & EU MS

Russell Patten, Chairman of European Public Affairs, Grayling & the Grayling Brexit Unit (GBU)

7 March 2017

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Today...tomorrow -- UK wants to have “its cake and eat it”



- But is the UK in the driving seat?
- Parallel lines – UK wants the “exit agreement” and new relationship discussed and agreed at the same time – is this feasible?

The Vital Asks -- *Hard Brexit* – *Soft Brexit* – *Clean Brexit*

12 objectives based on four principles:

- ✓ **certainty and clarity**
- ✓ **a stronger Britain**
- ✓ **a fairer Britain**
- ✓ **a global Britain**

1. As much certainty as possible
2. **Control over laws**
3. The Union
4. Common Travel Area
5. **Control over immigration**
6. Right to remain for UK nationals living abroad and EU nationals living in the UK
7. Protecting workers' rights
8. **A trade deal with the EU**
9. Trade deals with other countries
10. Continuing to lead on science and innovation
11. Continued cooperation on crime, terrorism and security
12. A phased implementation process



The Likely Fallout

- UK leaving the Single Market
- UK leaving the Customs Union
- UK controlling immigration
- Exit bill worth €60 billion (estimated)
- Lack of certainty over rights of EU citizens in UK and vice versa
- A new UK-EU trade agreement
- What happens to the border between Northern and Republic of Ireland?
- What happens to Scotland ? Another independence referendum?
- How quickly will the UK secure trade agreements with other countries?



The impact on key sectors

Financial Services & Banking

Leaving Single Market will mean banks lose passporting rights and may have to relocate

Manufacturing/ automotive

Additional red tape and trade tariffs could disrupt supply lines and route to market

Tech

EU may have to start to compete with UK for investment, which could lead to less stringent rules in the EU

Environment/ Consumer/ Health

UK can break away from stringent EU legislation but will have to obey it when trading with Single Market

The 7 emotional stages of the Brexit divorce

1. Disbelief and shock
2. Denial
3. Anger
4. Bargaining
5. Depression
6. Acceptance / hope
7. New beginnings

The “conscious uncoupling” (re: Gwyneth Paltrow and Chris Martin)?



NO – Rather a chaotic, traumatic experience

So how to navigate this Brexit journey?

Where we stand & what's to come

Autumn 2016

EU selects strong leaders to lead negotiations (Guy Verhofstadt, Didier Seeuws, Michel Barnier)

UK Government receives criticism from the public and Europe for "lack of a plan"

Q1/Q2 2017

May sets out wish to leave Single Market & Customs Union, and agree FTA with the EU

EU leaders say the UK cannot "pick and choose" how to be part of the EU

May expected to trigger Article 50 in March and launch 2-year negotiations. **EU Summit in April 2017 to give mandate to Commission to negotiate.**

Elections in Netherlands and France –Eurosceptic parties expected to do well

April-May 2019

Negotiations should be completed in time for EU elections.

Trade will only be discussed once the "exit bill" and citizens' rights have been agreed

Ratification expected to take around 6 months (which may mean negotiations conclude earlier)

2019 and beyond

Possible transition period

Potential breakup of the UK, with Scotland possibly holding a second independence referendum



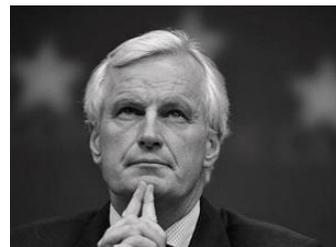
Didier Seeuws
Negotiator on
Brexit for the
European Council



David Davis
UK Secretary of State
for exiting the
European Union



Theresa May
UK Prime Minister



Michel Barnier
Negotiation leader for the
European Commission in the
Brexit negotiations



Guy Verhofstadt
Negotiation leader on
Brexit for the European
Parliament



Jean-Claude Juncker
European Commission
President



Angela Merkel
German Chancellor

How the EU/Brussels will deal with the UK



Process will be complex, cumbersome, opaque, and behind closed doors

What happens in Brussels when Article 50 is triggered...?

- Representatives from UK Government and Commission (in the lead), supported by Council and European Parliament, will meet regularly
- Series of high and low-level meetings will take place regularly from April 2017 to March 2019
- Negotiations expected to take 2 years, but could end early or be delayed/extended (as long as all EU countries agree)
- Agreement will need to be ratified by all national EU Parliaments and the European Parliament.
- Still possible that negotiations will need to be concluded by October 2018 to allow time for ratification before EU elections

The EU:

- ✓ Wants to negotiate the exit first
- ✓ Then, once this is done, begin discussing the future trade relationship

It's not a poker game, the EU is currently in no mood to compromise!

But...

"No deal is better than a bad deal" – Theresa May, 17th January 2017

Prior to the June referendum...

It will be close but
in the end the
British public will
see sense and
order (remain) will
prevail

The UK has simply
too much to lose
by exiting...it
cannot survive on
its own...

It's simply
impossible to
imagine but as we
get closer to the
referendum, its
looking to be a
close race

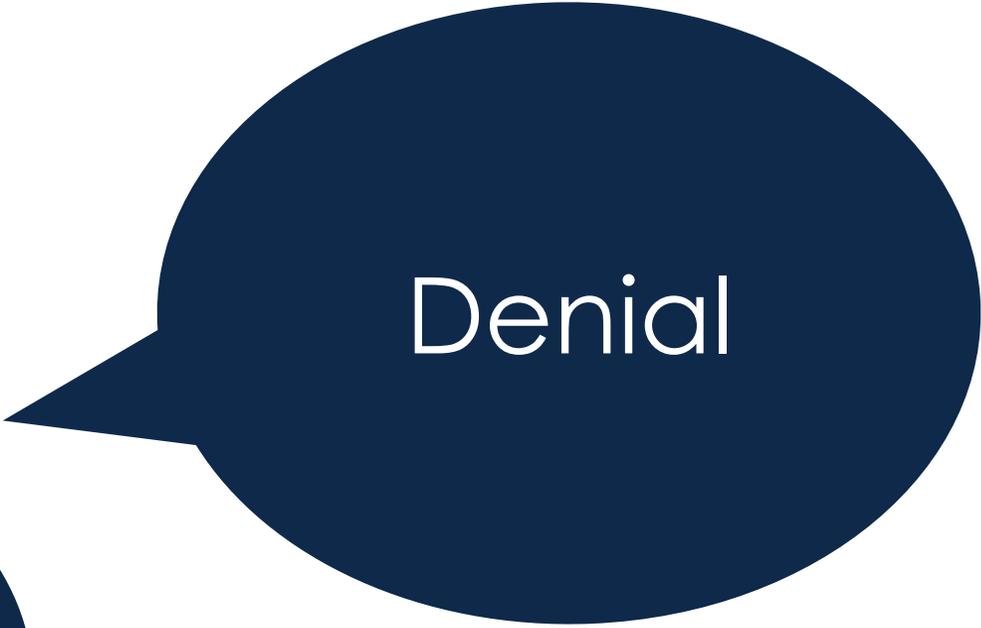
Referendum Result – Brexit as it is today



Disbelief



Anger



Denial

Stage 4/5: Bargaining & Depression

If they can agree a quick exit deal and the exit bill, then the EU will start looking into a possible free trade deal

BUT this is UNLIKELY given the current state of thinking...

Brussels thinks it's in the driving seat - there are 27 against 1!

- Brussels and some institutions want vengeance
- Others want to set an example, thereby dissuading other countries from electing Eurosceptic movements (France, Netherlands)
 - Others want "we win, you lose"
- A few think a 'WIN WIN Scenario' would be best (e.g. Ireland).

What will be the modalities of a quick or rather CLEAN exit?

Will the UK agree to the supposed €60 billion exit bill?

A quick Free Trade deal – lives on!

Slide 6/7: Acceptance/Hope & New Beginnings

- The clock will be ticking and both parties will want to arrive at a deal before the two years are up
- The European Parliament will be the toughest player and the most vociferous
- The Member States' National Parliaments (including the UK) will need to give their assent to the deal
- If no deal is agreed or ratified in time, the UK will revert to WTO rules
- So there is likely to be a transition period, with exemptions and sectoral deals (à la automotive and financial services/banks...)
- Then comes the trade deal - if benchmarked with others - will take at least 7 years to conclude.

For business – this means uncertainty for the next 10 years!

What should businesses be doing today?

- ✓ The outcome of Brexit must be a win-win for business on both sides of the channel
- ✓ Begin engaging in London, Brussels, and in key capitals
- ✓ Objective should be: *business as normal with as little disruption as possible...and a quick exit with a quick new trade deal*

A free trade area for goods, services, and capital

Maximum access to the single market

"We don't mind what happens as long as there are no changes to how our sector operates!"

A quick and smooth deal to ensure certainty for business

A sensible "people" managed movement to ensure the UK has the human capital it needs to continue attracting investment

Grayling Brexit Unit

Brings together the very best consultants from across the Grayling network who have direct experience of working alongside the leading political figures charged with negotiating Brexit in London and Brussels.

The GBU is here to support, guide and inform your business by identifying how Brexit will impact the political dynamics in both London and Brussels.

What the GBU can provide:

- ✓ Strategic planning
- ✓ Stakeholder engagement
- ✓ Political intelligence
- ✓ Coalition and trade association mobilisation
- ✓ Political impact assessment
- ✓ Scenario planning

Drop us a line on GBU@grayling.com

Russell Patten +32 (0)273 27040 Russell.patten@grayling.com