

News from Brussels

BREXIT - AN ACCIDENT CONTINUING TO HAPPEN

© European Union 2017 - European Parliament



MEPs agree on key conditions for approving UK withdrawal agreement.

One year after the British voted to leave the EU, it is still unclear what the Brexit may look like. Businesses are calling for an EU-UK agreement which will moderate the economic consequences - but time is pressing on.

By Holger Kunze and Simon Fleischmann

Karl Haeusgen had no intention of cheering up his colleague from the other side of the English Channel. Asked about the possible impact of Brexit on the European and British industry during a panel discussion in Brussels on June 22, VDMA's Vice President turned to his neighbor Glenn Vaughan, head of the British Chamber of Commerce in Belgium, who was sitting to his right. "There will be no winners. But in fact, the Brexit will be a lose-loooooose

situation," Haeusgen said, looking at Glenn Vaughan who was smiling bravely. "And the loooooose - that's you."

What will the Brexit look like?

It is now more than a year ago since the British people voted to leave the EU - a decision most business representatives consider moronic, at least from an economic standpoint. Since then, the UK formally declared its withdrawal from the Union on March 29, British Prime Minister Theresa May lost her absolute majority in the general election on May 7, and EU and UK representatives met for two rounds of negotiations on June 19 and July 17.

However, the most urgent question for the EU, businesses and many Britons remains unanswered: what will the Brexit look like in the end?

During the discussions in Brussels, Glenn Vaughan from the British Chamber of Commerce raised three scenarios: a hard Brexit, with no trade agreements in place between the EU and UK other than the WTO rules; a soft exit, in which the UK would remain linked to the Single European Market; or an exit from the exit, in other words remaining part of the EU. Vaughan conceded that "the last of these does not appear very likely, but it's still an option."

This range of possibilities shows one thing: there are no certainties. The Brexit negotiations need to be completed by March 2019. Until then, anything can happen.

British companies are part of European value-added chains

For the European mechanical engineering industry in particular, the Brexit and its uncertainties represent a big obstacle. Firstly, due to the possible loss of export opportunities. The UK currently accounts for more than 17 percent of the EU's GDP, and almost 13 percent of its population. For German mechanical engineering companies, Great Britain is the fourth biggest export market worldwide.

Apart from sales, there is a deeper-seated problem for the economy. British companies are today an integral part of European value-added chains. The UK and the EU27 supply each other with services and upstream products. European foreign direct investments in Great Britain amount to 1.6 trillion euros (2015), and British investors have pumped 612 billion euros into the continental economy. 3.3 million EU citizens live in the UK,

and 1.1 million Britons live in other EU states.

Restrictions on the flow of capital, goods, services and people between the EU and the UK, as seems unavoidable, will therefore have structural consequences on European production chains.

VDMA: “The interests of industry must not be neglected”

Unfortunately, an agreement on the future economic relations between the UK and the EU is not the priority in the Brexit negotiations. The EU Commission has made it clear that such an agreement will not be discussed before key elements of the British withdrawal are agreed. Therefore, human rights, financial liabilities and the Good Friday Agreement in Northern Ireland are the subjects of the first round of negotiations.

However, VDMA has made it clear that the interests of industry must not be neglected, not only during several meetings with representatives from the Commission, Parliament and member states, but also by organizing the podium discussion on June 22, titled “Brexit - can a bitter divorce end up in a good trade partnership?” (our media partner Euractiv has reported on the event with a [video summary](#) and a [news article](#)).

More concretely, VDMA has published the mechanical engineering industries’ key demands in a recent position paper, addressing problems such as trade in goods and services, value chains and the free movement of persons. “From the perspective of the mechanical engineering industry, a horizontal exit agreement is the only viable approach for avoiding some, although not all, of the potential trade and commercial barriers”, the paper points out.

Time is not the only factor

But still, such an agreement might be difficult to conclude. Time is not the only crucial factor in the negotiations - so too are the political considerations. Especially on the British side, Brexit supporters made a lot of promises to voters, including full control over immigration or no further payments to the EU. It now turns out that some of these pledges might prevent the UK from staying close to (let alone in) the Single Market and the Customs Union.

On the other side, the EU has no political incentive to give Britain the special treatment it demands, and can thereby set a precedent for any further exits from the Union. Negotiators have stressed on all occasions that there will be no way for the UK to profit from EU achievements, like the Single Market, as a free rider. VDMA has also repeatedly underlined that, as desirable as an agreement with Great Britain might be, Brexit must not threaten the future of the EU.

Both sides need to save face

During the VDMA event in Brussels, the Belgian Member of the European Parliament, Philippe Lamberts, called on both sides not to burden the negotiations by playing power games. In the two years to come, the EU and Great Britain will need to focus on the issues, since a Brexit without any agreement would be the worst case for both parties. “It must not be Europe’s goal to punish the UK,” said Lamberts. “A good deal is only possible if both sides can save face.”

Lorem ipsum dolor sit amet, consetetur sadipscing elitr, sed diam nonumy eirmod tempor invidunt ut labore et dolore magna aliquyam erat, sed diam voluptua. At vero eos et accusam et justo duo dolores et ea rebum. Stet clita kasd gubergren, no sea takimata sanctus est Lorem ipsum dolor sit amet. Lorem ipsum dolor sit amet, consetetur sadipscing elitr, sed diam nonumy eirmod tempor invidunt ut labore et dolore magna aliquyam erat, sed diam voluptua. At vero eos et accusam et justo duo dolores et ea rebum. Stet clita kasd gubergren, no sea takimata sanctus est Lorem ipsum dolor sit amet. ■

Further Information

[VDMAimpulse](#) | [VDMA European Office](#) | [VDMA position paper \(PDF\)](#) | [VDMAimpulse 04-2017: “The days after Brexit - a scenario”](#) | [VDMAimpulse 04-2017: “Do we need more European integration or less?”](#) | [VDMAimpulse 02-2017: “The future of Europe: Five options, no alternative”](#) | [EURACTIV.com: “Brexit - can a bitter divorce end up in a good trade partnership?” \(video\)](#) | [EURACTIV.com: “German industry warns ‘both sides underestimating’ Brexit talks”](#)

Contact

Holger Kunze, Director VDMA European Office, E-Mail: holger.kunze@vdma.org

Simon Fleischmann, VDMA European Office, E-Mail: simon.fleischmann@vdma.org

About VDMAimpulse

Read the magazine online: www.vdmaimpulse.org

VDMAimpulse is an international online magazine addressing the mechanical engineering and machine manufacturing industry. VDMAimpulse will be published every other month on or around the last Wednesday in January, March, May, July, September and November. If you want to receive an e-mail every time the new issue of the magazine is published, please contact the editorial office:

VDMAimpulse@vdma.org