

## REPORT & RECOMMENDATIONS (virtual) Meeting

22 March 2021

The Chairman, John Bruton, welcomed the members<sup>1</sup> to the eighth meeting and invited them to continue their brainstorming about the implementation of the strategic autonomy concept. The working method aims at an 'open innovation' approach between governments, business and academia, to inject innovative policy ideas into the EU system. It results from an initiative in the Competitiveness Council.<sup>2</sup>

This time the focus would be on the Investment Agreement with China and on the Trade and Cooperation Agreement (TCA) with Great Britain. The discussions were based on an oral and written introduction respectively.

### RECOMMENDATIONS

Following this brainstorming, the High Level Group (HLG) on Trade Policy Innovation proposes the following recommendations:

As said previously, ***the first step towards strategic autonomy is to let the world understand the strength of European Solidarity***. This is not just for political reasons; the economic value chains which stretch across the Single Market imply that member states have a self-interest to stand together if they are to protect their long-term competitiveness, intellectual property and innovation, alongside other common interests. This is of utmost importance with regard to China.

The HLG recommended before that **Europe's long-term interest, and the EU's fundamental principles** e.g., the integrity of the single market, fair competition, mitigation of climate change and protection of human rights should guide its trade policy.

- The HLG recommends therefore to **see the TCA targeted tool** which needs to be complemented by a **consistent policy on implementation, by use of anti-coercion instruments if necessary and a focus how to achieve fair competition**. Without these three elements, strategic autonomy may be undermined and the EU makes itself vulnerable for undermining its key environmental or consumer protection legislation. The danger will be acute if the UK trade deals would allow different standards to penetrate the UK market.

---

<sup>1</sup> Members participate in their personal capacity. All recommendations for action and all ideas for further consideration have not always been agreed on by all members, but advice is based on a very wide consensus. The final version is written under responsibility of the chairman and the secretary general

<sup>2</sup> Competitiveness Council, 5-6 December 2011, Presidency Note.

- The **United Kingdom** whose present government is visibly bent, partly for ideological, partly for electoral reasons, towards a **preference for confrontation and divergence with the EU**; in such a context, **it is questionable whether the TCA can deliver in the mutual interest and if and how its implementation can smooth trade** between the UK and the EU.
- The HLG advises to **design a specific communication policy in the UK to remedy distorted views about the EU and to contribute to confidence building**, in the hope that this will improve trust and understanding and facilitate TCA implementation; the communication policy should be aimed at citizens, sectors and regions.
- The HLG recommends the **Commission to avoid a deterioration of the Northern-Ireland Agreement**; it should be broken down it down in smaller issues which will be easier to solve (a tactic used well in its intricate dealings with Switzerland).
  - The HLG also recommends to **set up a special advisory group, consisting of experts who worked on the Good Friday Agreement** and others, in order to strike the right tones in all communications and to understand better how to align the various positions and interests.

## I. The Trade and Cooperation Agreement

Overall, it is questionable if the TCA is in the long-term interest of the 27 or the UK for several reasons, though it is probably the best deal possible in the circumstances; it is better to have this agreement than nothing, but this is a very fragile situation.

There is a low level of trust between the present UK government and a large part of the political establishment. This has been growing since a long time, deliberately stoked by the various anti-EU lobbies and facilitated by poor EU communication; it results now in the current hard-line approach, based on a 'no submission to the EU' position.

The British government and the Conservative party focus on sovereignty and on divergence, not on efficient trade flows and cooperation with the EU. A coherent, economic thinking is lacking in the British Government. If anything, they would like to move the UK closer to the US economic and social model. Although Johnson should not be considered as a de-regulator in the Thatcherite sense, there are members of government that would belong to that group. They will therefore be more open to seeking free trade with the US and willing to make concessions, such as on Sanitary and Phytosanitary measures (SPS), which in turn would undermine trade with the EU.

Consequently, there are asymmetric visions in the negotiations: the EU has an economic one, the UK a political one. This makes the TCA fragile in the face of deliberate UK unilateralism, which is widely popular in the country. Business and the pro-EU lobbies are significantly weakened and the Labour party tries to avoid the issue.

There is no real support for the Partnership Council in the UK Government. If there are too many cases ending up in disputes, then the TCA may very well collapse. Till now, business has shown a naïve belief in the TCA and its implementation.

The main victims will be small and medium sized enterprises, as is shown already, while the large corporations with European or global operations can work around the obstacles created. However, they enjoy little popularity due to the new sociological composition of the Conservative party (influx of former labour voters). Conversely, this new composition also offers a break on the drive to divergence, because a number of EU policies and regulations in the social or consumer protection area are popular among them and cannot be ditched easily.

One also has to take into account that the UK is showing systemic government failures, partly because of this ideological orientation. As a result, preparations for the transition were insufficient, leading to current border control and trade problems. However, the UK government manages to blame these on the EU, thus strengthening the anti-EU sentiments.

The UK government line on Northern-Ireland fits in the same pattern. The current dominant sections of the Conservative party never had much sympathy for the Good Friday Agreement and are easily influenced by the hard liners of Ulster Unionist party. There is no clear line and no viable alternative for the UK-EU agreement on Northern-Ireland, but the little understanding of its intricacies in the EU Commission or with other EU governments leaves the way open for different interpretations. This suits again the UK government in its anti-EU stance.

The communicative skills of Johnson's government have been on show in the Covid-19-crisis. Although the UK has one of highest percentages of deaths in the world, this has been cleverly pushed aside through the rapid roll-out of the vaccination program. The economic damage is coming on top of the one caused by Brexit, but they cannot be clearly distinguished by the public. However, the more efficient vaccination program allows the UK a faster re-start, although perhaps only temporarily.

The UK-US role should be well assessed. The US has already indicated that a trade deal with the UK is not a priority, and Congress is unlikely to approve one if it weakens the Good Friday Agreement. Moreover, the US may seek changes to the UK regulatory architecture in sensitive areas such as consumer protection or health, perhaps even as a stepping stone for its negotiations with the EU.

This would force a difficult equilibrium on the UK government, when in future the public would become more aware of the consequences on consumer spending power and jobs. Overall, the predictions about Brexit consequences in the 2016 Report of the Office of the Budget are becoming true one by one. If the government seeks a supply shock in the UK, then turmoil may be there for years, but it can be blamed on the EU.

Nevertheless, the EU should keep its insistence on a level playing field. It offers leverage for the EU in trade negotiations and in communications. It should be taken into account also that the single market is more important for the US than the British market.

The Covid-19-crisis allows the EU to play the multilateral card, focussing on the global common good and taking the moral high ground. This can be combined well with ensuring more production security and effective deliveries.

Overall, the EU has done very well during the negotiations, showing solidarity and a coherent negotiation strategy. It must now extend this and add a specific approach to Northern-Ireland and an effective communication policy to counter the identity, sovereignty and nationalist speak coming from London.

## II. The EU-China Comprehensive Agreement on Investment

The Chairman and members expressed dismay about the Chinese sanctions against MERICS –the competent and respected institute for Chinese Studies which had prepared the discussion paper– and against some MEPs and a number of organisations. It shows the need to strengthen rapidly and coherently Europe’s strategic autonomy and to take a clairvoyant view about global value chains.

The report had made the point that the agreement can be seen as a test for the long-term development of this economically important relationship. But one cannot ignore that there are different interpretations of the rules-based global order which the EU is seeking. One cannot overlook either that the wishful thinking in Europe (and America) about China’s integration in the world’s economic and political systems created by them would leave these systems intact. Most experts are of the opinion that China will continue on its present pathways, and this will make Europe even more vulnerable than it is already.

Further discussion was diverted to next meeting, due to lack of time and the understandable absence of the invited expert.

7 April 2021