

The longer-term outlook will remain tricky for UK-EU relations

- Having reached a deal, both the UK and EU are now involved in a serious “spin” operation to sell it to their respective audiences; this matters little, as the deal is guaranteed to be ratified by both sides.
- The deal will make it easier for the UK and EU to work together on the world stage, on issues such as climate change, while also cementing Boris Johnson’s relationship with US President-elect, Joe Biden.
- However, we are sceptical it will provide a platform for closer economic ties; the Government will now be keen to advance its “divergence agenda”, and the direction of both Tory and Labour party politics suggest closer links with Europe will remain unlikely—even over the medium to longer term.

Boris Johnson went back to the basics of the 2016 EU referendum as he began the task of selling today’s EU trade deal to Eurosceptic Conservative MPs and the public. At a Downing Street press conference, he acknowledged the UK had made concessions, but claimed the five and a half year transition period for EU access to UK fishing was closer to the UK’s three-year opening bid and the EU’s 14 years (in fact, the EU asked for 10 years).

The UK will eventually keep two thirds of the fish in its waters. But Johnson had raised greater expectations among UK fishing communities and this could prove his hardest sell.

Both Houses of Parliament will be recalled from their two and a half week Christmas break on 30 October to approve the deal. Although many MPs and peers are appalled at the lack of scrutiny this will allow, the Commons and Lords will nod through the agreement because the only alternative is a damaging no deal scenario on 1 January. The main focus will be how many of the 80-strong European Research Group (ERG) of hardline Brexiteer Tories vote against the deal. About 20 might oppose it, but Johnson will work hard to limit the rebellion—to show Leave voters he is still the undisputed

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champion of Brexit and the wider public the Tories have finally put behind them the Europe issue which has deeply divided them since the Margaret Thatcher era.

Likewise, it's highly unlikely there will be any hiccups on the EU side; all member states will support the deal, as will the European Parliament when it considers the agreement retrospectively in January.

Johnson is portraying his deal as offering the UK the best of both worlds—the right to diverge from EU standards while keeping the elements of co-operation in the national interest such as on security.

Looking ahead, the deal will make it easier for the UK and EU to work together on the world stage, on issues such as climate change. It will help Johnson cement the close relationship he wants with US President-elect Joe Biden, who would not have looked favourably on a no deal outcome that divided natural western allies.

Some figures who campaigned for Remain in 2016, while disappointed at a “bare bones” deal much thinner than the frictionless trade Theresa May wanted, nonetheless hope the agreement will provide a platform on which to build closer economic co-operation. They think this could happen under a Tory government when it dawns on the party that the benefits of trade deals around the world will never compensate for diluting links with the UK's closest trading partner. Some Tory pro-Europeans even believe a future Tory leadership contest could be dominated by whether to re-build the relationship with the EU, perhaps by rejoining the Customs Union.

We think this is unlikely for many years. In the short term, his Eurosceptic MPs will put pressure on Johnson to opt for a symbolic act of divergence to illustrate the UK's new freedom. This could be an attractive route for Johnson and key ministers such as Michael Gove. So the “platform” hoped for by Remainers might get smaller rather than bigger.

The EU is bracing for this risk. As one senior French official warned, much will depend on the attitude of this and future UK Governments. “If there is to be a constant testing of divergence limits, on environmental and labour standards for instance, if the UK is determined to assert the value of Brexit by picking quarrels and asserting differences, there will be a tricky few years ahead.” The source continues: “This agreement will either provide a platform for a gradual rebuilding of deeper EU-UK relations in the years ahead...or just a minimum legal text which both sides can live with.”

While Johnson insisted the deal delivered on the wishes of the people expressed in the 2016 referendum, Europe is unlikely to die as a political issue in the UK. It will be harder for Johnson to “blame Brussels” when his government cannot carry out something it wishes to do, since he “owns” the deal prescribing the future relationship. The disputes mechanism in the agreement is bound to be needed; indeed, Johnson might see domestic political advantage in “taking on Brussels.” Disagreements over Northern Ireland at some point are likely, because of its continuing close links to the Single Market.

While Tory moderates will urge Johnson to “move on” from Brexit on the grounds that the next election in 2024 will not be fought on it, the PM might not be keen to surrender what will remain one of his strongest cards. The negotiation with the EU over fisheries will be due about 18 months after the expected date of the next election in 2024 and so a tough stance could be a Tory manifesto pledge.

Moreover, Johnson believes Keir Starmer is vulnerable on the Europe issue as the architect of Labour's 2019 election policy of backing a second EU referendum—particularly in the “red wall” seats in the North and Midlands which went Tory a year ago and will likely decide the next election. Johnson claims Starmer's policy is to take Britain back into the EU. That is not true, but shows Johnson's determination to preserve Brexit as a dividing line between the two main parties. In fact, Starmer wants his party to vote in favour of Johnson's deal, though he faces a split, with pro-Remain Labour figures, including some frontbenchers, wanting to abstain.

Under Starmer's leadership, Labour is unlikely to formally propose closer formal links with the EU, as this would carry the risk of playing into the Tories' hands. Labour has a huge mountain to climb at the next election and so Starmer will not want to hand the Tories any ammunition to brand him a Remainer. This is another reason why the UK-EU relationship is unlikely to get closer in the coming years.

In the long run, a non-Tory government might opt for a closer relationship with the EU on the grounds that the lucrative trade deals with the rest of the world had failed to compensate for friction with the UK's biggest market. Indeed, over the longer term, Macron's vision of a wider European architecture or partnership, reaching to Russia in the east and a post-Brexit UK in the west, is "entirely compatible" with this deal, say senior French sources.

Some ardent Remainers will continue to dream that the UK will one day return to the EU fold—initially, perhaps, in the outer tier of a two-speed Europe if that materialises as the French suggest. We think they will have a very long wait for their hopes to be realised.

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