



The Franco-British Roundtable:

Redefining bilateral relations for the post-Brexit era

Ditchley Park

28 and 29 September 2017

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Executive summary

- France and the UK are important partners but bilateral cooperation is not, at present, a top priority for either side. Brexit dominates the UK political debate, while President Macron's focus is on strengthening the eurozone and securing the EU's external borders.
- Both countries want Brexit negotiations to be about more than 'damage control'. Securing an ambitious bilateral UK–EU arrangement will require greater clarity from the UK government on the type of relationship it wants with the EU27 and a relative flexibility from the EU27 to begin discussions on the future agreement and a transitional arrangement.
- Brexit should not prevent France and the UK from reinvigorating their relationship in areas of mutual concern. This includes promoting a more competitive economic model, bolstering defence, security and law enforcement cooperation, strengthening intelligence-sharing and tackling radicalization.
- Beyond Europe, France and Britain can still work together to protect and promote the liberal international order. This will require a two-pronged approach: first, they must bridge internal societal divisions and deliver meaningful change at home; second, they must work with their allies to promote a rules-based order on the global stage.

Background

This is a summary of the inaugural Franco–British Roundtable, held at Ditchley Park in September 2017. The roundtable is a new joint initiative established by Chatham House and Institut Montaigne, which aims to foster dialogue between leading figures in politics, business and the media from both countries.

This year's discussion focused on the changing political landscape, the threat of terrorism, the future of UK–EU cooperation and the challenges facing the global economy. This summary takes account of the key points raised in the discussions, which were held under the Chatham House Rule.

Meeting summary

1) France and the UK are important partners but bilateral cooperation is not, at present, a top priority for either side. Brexit dominates the UK political debate, while President Macron's focus is on strengthening the eurozone and securing the EU's external borders.

Over the years, the EU has helped to align the UK and France's common interests, although their priorities for the EU project have diverged in the past. Today, there is a risk that their differences in outlook may damage Franco-British cooperation, or relegate it further down their list of priorities.

Emmanuel Macron has spelled out an ambitious agenda for change and he sees reform of the eurozone as tantamount to domestic economic success. But this will be difficult. He will need to convince his own parliament and the new coalition government in Germany, which is likely to appoint a new finance minister this year, as a concession to new partners in government following the recent election result.

Meanwhile, the tone adopted by some Brexit advocates in the UK has caused concern in France as many see it as further proof that the UK is leaving Europe, as well as the EU. The UK government may need to do more to convince them that the UK remains firmly committed to Europe and present a clearer vision for the continued political, diplomatic and security role it can play on the continent when outside of the EU's institutions.

At the same time, the UK must recognize that Brexit is not a collective priority for the EU and show more willingness to engage on those issues that are dominating the EU agenda. These include bolstering defence and security, fostering innovation and ensuring Europe remains competitive on the global stage. On all of these issues, the Franco-British dialogue will continue to be vital. A more constructive approach on behalf of the UK could also improve the dynamics and possibly sequencing of the Brexit negotiations.

2) Both countries want Brexit negotiations to be about more than 'damage control'. Securing an ambitious bilateral EU-UK arrangement, however, will require greater clarity from the UK government on the type of relationship it wants with the EU27 and a relative flexibility from the EU27 to begin discussions on the future agreement and a transitional arrangement.

Negotiations between the UK and the EU appear to be stalling, partly because of disagreements within the UK over the kind of deal it would like with the EU27, but also from the position of the EU27 to delay discussions on a future relationship.

The EU27 has made clear that further progress must be made on the so-called 'first phase' issues – namely agreement on the final financial settlement, the rights of resident citizens and the border situation with the Republic of Ireland – before discussions on a future agreement can begin. Yet, greater flexibility in sequencing, in particular discussions on a future deal, could help resolve some of these issues and move negotiations forward.

A likely point of contention between the UK and France will be whether the City of London can retain passporting rights (regarded as unlikely under current assumptions) and the ability to clear euros in London post-Brexit. Some argue that outside of the single market, the UK's regulatory framework could diverge from the EU's, creating fears in France and elsewhere in Europe that British deregulation could lead to unfair competition. The EU27 have suggested that retaining passporting rights would require the UK to be part of the single market and accept ECJ jurisdiction.

However, others in the City argue that regulatory divergence is unlikely as most financial regulations originate at the international level, through the G20 Financial Stability Board and the Basel Process, rather than from the EU. Once the UK leaves the EU, they could agree to an equivalence regime that would recognize British and EU financial legislation as equivalent. The risk of no deal and sudden change would incur huge costs for business and consumers.

3) Brexit should not prevent France and the UK from reinvigorating their relationship in areas of mutual concern. This includes promoting a more competitive economic model for Europe, bolstering defence, security and law enforcement cooperation, strengthening intelligence-sharing and tackling radicalization.

To chart a way forward, France and the UK will need to identify areas for joint action and be more vocal about the need for collaboration. Ongoing cuts to the UK defence budget, the recent devaluation of the pound and the unpredictability of the new US administration could alter the UK's priorities and force it to rethink bilateral defence cooperation with France.

While Franco-British cooperation on defence and security will remain a priority, the devil will be in the detail. Their disagreement over the management of settlements in Calais (where an estimated 5,000 people have resided over the past year alone) has hampered effective collaboration.

Intelligence-sharing is one area where Franco-British cooperation is unlikely to be affected by Brexit. Both countries share intelligence on a daily basis and the EU has a very limited role in intelligence gathering.

Criminal and law enforcement cooperation will also remain important to France and to both sides in the future, although in the UK the implications of Brexit could be more pronounced, particularly if the UK leaves Europol. Therefore, the UK should seek to remain a member of Europol and become a member of its PRIME database post-Brexit. This would allow the UK and the EU27 to apply for extradition warrants, and reform the European Arrest Warrant. At the bilateral level, the UK and France should maintain active law enforcement cooperation by setting up joint seminars, secondments and training. They could also explore the option of setting up joint investigation teams.

Areas where bilateral cooperation could be strengthened would be on tackling extremism and financing of terrorism. The UK and France have experienced a number of terrorist attacks in recent years and face comparable challenges of preventing radicalization. While attacks on European soil have been crude and inexpensive to perpetrate, plots may become more sophisticated in the future. Understanding how terrorism is financed may require governments to work more closely with business and civil society.

More needs to be done to understand and tackle the factors that are fuelling radicalization among young people, including whether they feel marginalized in society, are unemployed, or face unequal access to the labour market. At the same time, France and the UK should work together to tackle growing Islamophobia and bridge inter-communal divides. Both countries need to develop a more positive narrative around integration, and could benefit from continuing to share lessons and challenge taboos. For example, France has sought to replicate the UK's 'Prevent' counterterrorism strategy and its approach to promoting a counter-narrative, by empowering actors from different communities and faith.

4) Beyond Europe, France and Britain can still work together to protect and promote the liberal international order. This will require a two-pronged approach: first, they must bridge internal societal divisions and deliver meaningful change at home; second, they must work with their allies to promote a rules-based order on the global stage.

France and Britain are facing moments of profound political change that are threatening their security, prosperity and social cohesion. Political party membership in the West is largely in decline. Public support for the approaches of traditional left and right-wing parties is eroding in favour of new populist movements and alternative political platforms, some of which are distinguished by their anti-elite and anti-establishment messages on immigration, Islamic terrorism, economic inequalities and the loss of traditional industry.

While both countries are experiencing these shifts differently, these movements are redefining the national political debate and driving radically different outlooks for the future.

In France, the centre has been re-energized by the election of Emmanuel Macron. But his support base is still shaky. Despite his La République en marche! Party performing well in the June 2017 legislative elections, President Macron's agenda for reform is already facing vehement opposition within parliament and from supporters of the Front National on the extreme-right and La France insoumise protest movement on the extreme-left. Given that his reform agenda is premised on a long-term outlook, is Macron's success the start of a trend, or merely trendy?

Meanwhile in Britain, the centre is demoralized. While the Conservatives and Labour secured over 83 per cent of votes in the June 2017 election, each party is experiencing its own form of political 'revolution'. The current minority government is weak, although the prospect of Labour under Jeremy Corbyn winning the next general election is helping to hold the Conservative Party together.

A key challenge for the French and British governments will be to bridge emerging divides within society and deliver meaningful change for those who feel left behind. A failure to do so could result in greater voter volatility and higher levels of scepticism towards existing democratic structures.

Further afield, the UK and France will need to work with their allies to protect the international economic order, which is in a period of re-adjustment. Financial imbalances are shifting and it is unclear which set of currencies will underpin the international monetary structure in the future, or how this will reshape the rules regulating the system.

Protecting the international economic order will require a twin-track approach. Firstly, a clear approach for long-term structural adjustments. For the first time in many years, the French government is actively promoting a liberal economic agenda premised on more openness and integration in the eurozone. And despite the divisions within the UK parliament, neither of the main parties appears to seriously support a return to protectionism. Yet, France and the UK's ability to readjust their economic models will depend on the quality of their policies and whether these address simultaneous challenges of Brexit, climate change, automation and an ageing population.

Secondly, there is a need to rethink approaches to economic activity and competition, including taxation, foreign direct investment and financial regulation. Current tax systems must reflect new understandings of value creation, while better regulation should strike a balance between protecting the rights of citizens and allowing businesses to thrive. Any regulatory reform should not undermine younger generations.