

# Speech by Michel Barnier on German Employers' Day (Deutscher Arbeitgebertag) 2017

My thanks to Sven Afhüppe for his introduction.

Thank you Mr Chairman and Steffen Kampeter and your staff.

Ladies and Gentlemen,

For many of you, in your capacity as entrepreneurs, representatives and facilitators of social dialogue, Brexit is a challenge. It is for me too!

We all have an individual responsibility with respect to this challenge: to anticipate, to prepare ourselves and to find solutions.

But it also gives rise to a collective responsibility. We are and we must remain united in our response to Brexit. In order to chart a course, to stick to the principles we believe in and to negotiate an ambitious partnership with the United Kingdom.

Together, we have everything we need to rise to this challenge.

Together, we have built up a very solid sense of unity with governments, the European Parliament, national parliaments and our social partners. Thanks to this, our negotiating positions have been clearly defined ever since the negotiations began.

Together, we have a robust and highly integrated economy. For Germany, 6 % of trade in goods is with the United Kingdom, versus 56 % with the other EU countries. Almost ten times more!

Together, we have elaborated four main freedoms of movement, including the free movement of persons, enabling talent to move freely, which is so important for the dynamism of our economies.

Together, we have and we will keep a single market of 440 million consumers and 22 million undertakings that feel at home in each of our 27 countries as in each one they can find funding, solicit business and bid successfully for tenders.

It is this combination of the ease with which trade can be carried out and trust in the common rules and in our common legal order that makes our internal market our 'Heimatmarkt'.

And together, we can rely on this 'Heimatmarkt' to compete more successfully at international level.

- Thanks to the rules and standards that we adopt within the EU, and which

are frequently emulated around the world, which helps our undertakings in their exports.

- Thanks to the free trade agreements that we have already established with 60 countries.
- Thanks also to the size of our market, which makes us a leading partner for China, the United States or Brazil.

Ladies and Gentlemen,

It is our collective responsibility to succeed in these negotiations on the withdrawal, united as 27, then together to put into place an ambitious partnership with the United Kingdom. That is our wish.

In order to do so, the first key is to put things in the right order, as the Member States and the European Parliament have asked us to do, beginning with restoring certainty in those areas where Brexit has given rise to uncertainty:

- We must guarantee the rights of European citizens in the United Kingdom and of British citizens in the European Union. And to protect them in the long term, we must ensure a uniform interpretation of the withdrawal agreement on both sides of the Channel. This means a role for the Court of Justice of the European Union, which has the jurisdiction to interpret concepts deriving from Union law. These concepts will remain the basis for protecting citizens' rights.
- We must be fully accountable to taxpayers, a matter on which the European Commissioner for the Budget, Günther Oettinger, has been keeping a close eye.
- We must find a way to maintain stability and cooperation in Ireland, so any restoration of a physical border must be avoided. The UK has made the choice to withdraw from the single market and the customs union. It should assume the consequences of this choice and take the responsibility to present viable and specific solutions for Ireland.

Such an orderly withdrawal is a pre-condition for trust between the United Kingdom and the Union. And such trust is essential to negotiate our future relationship in the right conditions.

We are not there yet. We are continuing working this week on the three key topics in a constructive spirit to reach genuine sufficient progress.

Ladies and Gentlemen,

The second key to success is upholding the integrity of our single market, which means, in addition to the four indivisible freedoms, our common rules, our institutions and our governing instances.

The United Kingdom is perfectly aware of these rules, since it has played a role in defining them over the past 44 years. It knows only too well that you cannot be half in and half out of the single market.

- You cannot want to end the free movement of persons, while maintaining the free movement of goods or services.
- You cannot want to exit the single market and continue to set the rules for it.
- You cannot withdraw from the customs union and hope to benefit from frictionless trade with the European Union.

In its proposals on the future partnership, the United Kingdom suggests replicating the EU customs system at its own external borders so as to continue to benefit from the advantages of the customs union.

However, that would be tantamount to delegating the application and verification of our rules to a third country, whereas that country would not be subject to the same rules as us or to the same judicial controls.

The integrity of the internal market, our 'Heimatmarkt', is not negotiable, quite simply because the internal market is one of the main assets we hold in common.

Ladies and Gentlemen,

There is a third key to success: building our future partnership with the United Kingdom on common ground rules, a 'level playing field', to which I know the BDA, and each of the undertakings you represent, are very attached.

These ground rules are more difficult to establish since, for the first time, a negotiation with a third country will be less about encouraging regulatory convergence than about containing divergences.

The UK, which is leaving the European Union, will need to tell us whether it will still adhere to the European model.

This is an important decision, because behind the European regulatory framework there are key societal choices we hold dear: our social market economy, health protection, food safety, fair and effective financial regulation.

There will be no ambitious partnership deal without common ground on fair competition, State aid, guarantees against tax dumping and social and environmental standards.

Ladies and Gentlemen,

Alongside our collective responsibility, as 27, Brexit also gives rise to individual responsibility for each of us.

On 29 March 2019 at midnight, the United Kingdom will cease to be a Member State.

Whatever the outcome of the current negotiations, there will be no business as usual. Simply because, in addition to leaving the European Union, the UK government has decided to leave the customs union and the internal market.

Only the combination of the internal market and the customs union allows frictionless trade between us.

- The internal market without the customs union – in other words the arrangements within the European Economic Area, for example for Norway – still entails a system of procedures and customs controls, among other things in order to check the preferential rules of origin.
- Conversely, a customs union agreement without the internal market – as in the case of Turkey – does not allow the free movement of goods either, since it also implies a system of procedures and customs controls, including controls to check compliance with European standards.

I don't know if the whole truth has been explained to British businesses on the concrete consequences of Brexit. My responsibility before you and everywhere in Europe is to tell the truth to European businesses.

A trading relationship with a country that does not belong to the European Union obviously involves friction. For example, in the case of VAT returns. Or for imports of live animals and products of animal origin, which are subject to systematic checks at the border of the EU when they arrive from third countries.

In order to prepare for these automatic consequences of Brexit, the real transition period has already started. It is important for all businesses to analyse with clarity their exposure to the UK and to be ready if need be to adapt their logistical channels, supply chains and contractual clauses.

For example, many contracts give jurisdiction to the UK courts to settle trade disputes. Until now, these judgments have been automatically recognised throughout the EU. After Brexit, there is no guarantee that this will still be the case.

And it is equally important for each undertaking to prepare for a 'no deal' scenario, implying a return to customs tariffs under WTO rules, not to mention increased border control procedures.

In particular, this would result in a sharp increase in transport and storage costs, with a very negative impact on undertakings operating on a just-in-time basis.

For that reason, the 'no deal' scenario is not our scenario. But since it cannot be ruled out, we have to prepare for it.

Ladies and Gentlemen,

By exercising this individual and collective responsibility, we give ourselves every opportunity to strike an ambitious partnership deal with the United Kingdom, not only in terms of trade but also for our security and defence, cooperation between us on police and judicial matters, and in certain economic and social areas.

However, by strengthening our unity and reaffirming our values, we also reiterate our desire to be together, 'unsere Gemeinschaft', which allow us to continue to build our Europe, changing it where needed and focusing more on what really matters in order to go forward together.

The European Commission under Jean-Claude Juncker has proposed substantive improvements to move forward: .

- By building a fully-fledged capital markets union alongside the banking union that will allow more of our undertakings to access the finance they need, not only in their own country but throughout the Union.
- By continuing to build our 'Global Europe', which is preparing to offer our undertakings new opportunities to export to Australia and New Zealand.
- By also building a European defence, in keeping with the wishes of the European Commission, by proposing a European defence fund and through permanent structured cooperation that will now be moulded into shape.

These new developments, among so many others ongoing or still to come, clearly show, to echo the words of Angela Merkel, that the future of the Union is more important than Brexit. 'Die Zukunft der E.U. ist wichtiger als der Brexit'.