

# THE **FUTURE** OF EUROPE



## *An interview with **Herman van Rompuy**, former President of the European Council*

Elected as the first full-time President of the European Council in November 2009, Herman Van Rompuy took office when the Lisbon Treaty came into force on 1 December 2009. In 2012, he was re-elected for a second (and last) term starting the 1 June 2012 and running until 30 November 2014.

At the time of his first election, Herman Van Rompuy was Prime Minister of Belgium. Prior to that, he had served in Belgium as Speaker of the House of Representatives (2007-2008) and in several government positions, including Vice-Prime Minister and Minister of Budget (1993-1999).

Awards: Nobel Peace Prize 2012, reception on behalf of the EU.

On the 3 May 2018, Deloitte's annual Horizon conference took place under the theme of "The Horizon—reimagined". During the conference, we were lucky to welcome Herman Van Rompuy, former President of the European Council as one of our speakers and were able to ask him a few questions about how he sees the future of Europe after Brexit. [➤](#)

**Deloitte: Currently the EU and UK are negotiating the future model after Brexit. What model are we heading towards in your view?**

**Herman van Rompuy:** Once the United Kingdom is no longer part of the customs union and the single market, they would like to negotiate a free-trade agreement. The free-trade agreement will represent a very big change and will need to be negotiated sector by sector, thus the negotiation may be complicated. A unilateral withdrawal is still possible although there is no majority in the Parliament for supporting that decision.

One of the most difficult issues in the upcoming weeks will be how to avoid a hard border between Ireland and the northern (UK) part of the island. It is not only an economic matter, but peace is at stake, bearing in mind the tragic past and the 3500 people killed. In the absence of an innovative proposal for how to avoid a hard border between the two parts of the island, the UK is confronted with a dilemma.



**D: Commentators often highlight the negative sides of Brexit. Do you also see positive sides/ opportunities of Brexit (e.g. for member states, financial services firms)?**

**HvR:** In my view, there are no advantages of Brexit for Europe and the United Kingdom. Brexit is the most serious setback in the history of the Union, a political amputation and the biggest British mistake of the last hundred years—but nothing in life is irreversible, not even Brexit.

Brexit is not in the interest of the UK, they will be worse off. 45 percent of British exports of goods and services have the continent as their destination; for the EU, only 8 percent are exported to the UK. For specific companies there may however be some advantages. In some areas, a void may be left by the exit of Britain from the European Union, which they may fill. While these opportunities may exist at an individual level, from a macro-perspective I see only disadvantages.

**D: There are currently discussions ongoing to propose a transition period up to the first of January 2021. Do you think that this transition period will be approved? What are the risks for financial services companies, who rely on the approval of this transition period?**

**HvR:** The United Kingdom has asked for a transition period and an agreement was reached. I hope we will find a negotiated divorce and a stable future framework for trade, research, and security during this period. In any case, a long transition period is unavoidable between Brexit (29 March 2019) and the ratification of a Free Trade Agreement. During this transition, few things will change because Britain will remain a member of the single market and of the customs union.

In my view, it will last longer than the agreed 21 months, because we will not be ready with the Free Trade Agreement negotiations by the end of 2020.

Financial services will feature prominently in these negotiations, as the industry is strategically important for the UK and the EU27. The use of the European passport will not be possible after Britain leaves the EU, possibly with the benefit of a transitional period. The London based financial institutions have to comply with the existing EU rules.

The concept of “equivalence” was raised as a solution. The EU allows some financial services to be provided by businesses in jurisdictions based outside the EU if their regulatory regimes are deemed equivalent to those of the EU. The equivalence arrangements cover only a fraction of financial services, but are at the discretion of the Commission and can be withdrawn at virtually no notice. For financial services firms, this means that there is a prolonged period of uncertainty.

**D: In the current negotiation, the remaining EU Member States appear highly aligned, what could derail this unity?**

**HvR:** So far, the EU27 have indeed shown a remarkable sense of unity in the negotiations with the UK, for example concerning the Irish position that there should be no hard border. However, problems may come up when the negotiations for a free-trade agreement come up. As this free-trade agreement will be negotiated sector by sector, each country’s individual interests will come to the forefront and trade-offs will need to be made. This may create tensions, but the European Union has negotiated many such agreements in the past.

**D: We see a rise of separatist movements across the globe and in the EU. In this respect what are your views on the risk of another Brexit for another member state?**

**HvR:** Britain and Brexit are not a template for other countries. On the contrary, the support for EU membership increased dramatically in the other countries after Brexit. People do not want to add instability to an already unstable world. The paradox is that the Union is more united after Brexit and the United Kingdom less so.

The French elections among others marked a big change. One of the last big debates between President Macron and Mrs. Le Pen centered around the EU. When President Macron defeated Marine Le Pen, it became visible that France and the French people do not want an exit from the European Union, so I do not think this will be an issue. By now we also see that other populist parties outside France (e.g. Italy and Austria) have changed their stance on exiting the EU and the Eurozone as a response to public feeling—remember populists want to be popular!

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