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# Negotiating a Win-Win for Brexit



By Horacio Falcao , INSEAD Senior Affiliate Professor of Decision Sciences

**Now that the UK has exercised its democratic right to follow its own path, the future will depend on how both sides enter a challenging and tricky negotiation.**

Brexit has been described as a divorce and, like many a divorce, both sides will come to the table with feelings of frustration, resentment and a desire to make sure they don't lose out in the settlement. It is vital that the sides do not give in to such strong emotions and instead negotiate in ways that keep doors open for future reapproximation and a continuation or even strengthening of the European Union to create a zone of stable peace.

While the decision to move ahead with Brexit has left the United Kingdom a nation divided, it was ultimately its own democratic decision and it will manage to survive. Conversely, I am much more preoccupied with the EU, since it did not have much of a say on the Brexit vote, and yet is directly and negatively affected by it. The EU is the rejected partner here, the one that has to deal with the consequences of a situation beyond its control, which could jeopardise the future of the EU project as a whole. If Britain happens to succeed in the short term economically, which given the resilience of its economy is a possibility, it will become the poster child for each country that is discontented with the EU or for nationalistic politicians attempting to gain

votes or power.

Britain, it seems, gave in to the whims of its individual desire like a husband or wife who could not ride out a difficult patch in the relationship and went looking for greener pastures elsewhere. It seems that the U.K. found itself blaming Brussels for its economic or immigration problems. While the U.K.'s Brexit supporters may resent their country's position as net economic contributor to the EU, they forget that as one of its largest economies it was also a great beneficiary. The benefits however, unlike the costs, were not easy to spot, being much more diffused and including such intangibles as peace.

It is sad that the referendum to move ahead with the split was very much framed as an economic vote, with voters responding to a situation at home that was not great, and hadn't been for a while. The reality is that the EU has always been a political and peace project first, and an economic one second. The Brexit vote seems to have been made with little appreciation for the cost of preserving this peace and Britain, as one of the bigger economies in the European region, will find itself as one of the countries with the most to lose if said peace is disrupted.

### **Lessons in brinkmanship**

British Prime Minister David Cameron, who announced the referendum as part of an election promise, insisted that the referendum had to be called to resolve the festering debate over Britain and the EU, presumably thinking it would be an easy win for the "remain" forces. It could be argued that he later used the referendum as brinkmanship against the EU to gain more negotiation leverage, forgetting the important lesson, that when you play brinkmanship you need to make sure you're in control of the car. If you're not, and he wasn't, when you need to turn at the last minute there's a chance your car will not respond. By committing to a process they could never fully control, Cameron and his government became unintended victims of their own negotiation tactics.

Now both sides need to take a breath and tread carefully.

### **Respect and openness**

The U.K. has said it wants "the closest of ties" with the EU, but it's playing with words here. If this was what it wanted it would never have left. It is

obvious what it really means is that it wants all the benefits the EU brings without the cost. This is a selfish message and not one of a collaborative partner. Going into negotiations using these words will only frustrate EU negotiators who, I fear, will not respond well. The EU leaders have already sent the message that the U.K. will not be able to cherry-pick the good elements of the EU without costs, such as the thorny immigration issue.

The EU for its part needs to respect the U.K.'s decision to leave. The EU also should recognise that it created a situation which made an exit possible by creating a political and economic bloc that is distant from its members, that feels non-democratic to many of its citizens, and that has failed to deliver on a clear vision of what it stands for.

That said, the EU has been delivering successfully on its main promise and *raison d'être*, i.e. peace. One of the worst things that could happen to Europe, from a peace prospective, is total disintegration of the union. If the EU seeks to prevent other countries from following the U.K., it should use the Brexit negotiations as an opportunity for a genuine conversation about its costs and benefits, the member countries' expectations, further democratisation as well as the historical mindset that the parties need to have towards the proper integration model of the EU project. Switzerland needed around 500 years to become a unified and peaceful country. The U.S. had its Civil War. The EU cannot expect to find its proper identity and harmoniously bring together its many members in just a few decades. But the EU does need to clarify its vision and its process to avoid being blamed for every single problem that takes place in its member countries and risk seeing a Brexit domino take place.

As such, it would be a mistake to go into negotiations angry and with the intent of sending a message to other countries who may be considering this option. This would create an EU based on fear rather than one where members are united in their vision for a closer, peaceful and prosperous future. To this end, the EU should take advantage of the negotiations to remind its members that the project is a multi-generational exercise and that it will take time for the EU to fully gel and the European identity to become one. There will be economic volatility and some hardship. But, while today's pains are very specific and the gains long-term and less tangible, peace brings dividends if it's given time to grow. The alternative is a divided continent with countries with a long history of conflicts that could ultimately lead to war and a destruction of the lifestyle currently taken for granted in

Europe.

I think, like any divorce, now that the decision to split has been made, it should happen sooner rather than later. The longer and more protracted the talks are the more ill-feeling is likely to fester.

That said, the EU needs to remain firm. It should approach the U.K. fairly under its new status as an independent country outside the EU bloc, but let British politicians know they won't get any preferential treatment. This does not mean seeking emotional revenge or attempting to punish the U.K. for its decision, which would be a horrible way to redesign the relationship between them.

### **The win-win scenario**

It's important during the negotiation that the EU leave the door open for the U.K. to return. The EU project is stronger with the U.K. and the U.K. can also be stronger with a better defined EU project. Let the U.K. know it has the right to rejoin, although next time the EU will hopefully be under a different structure, one with closer ties, and greater dependency and commitment. The more the EU sets out to punish or humiliate Britain during the negotiation process, the less likely its return is to happen. As with all negotiations there should be transparency, any talk about trade deals or rejoining should be done out in the open.

With so much disappointment and expectation the negotiations will not be easy. But the parties can still commit to negotiate under a win-win strategy if both sides enter the talks with respect and a mature view on what is reasonable, possible, creative and legitimate, without falling into an emotional vindictive or clingy approach to their negotiation. It's important that negotiators don't give up on the future possibilities while dealing with the current situation. Any attempt to use power to push the other side one way or the other will only result in resentment and a negative impact on future generations possibly creating problems we can't yet foresee. Let's just hope that this is one of those instances where history takes one step backward to give many more forward later on by reminding us of the bigger picture and asking us to raise our own bar towards a better future. Good luck to both the EU and the U.K.!

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