

# In search of level playing fields – Japan Times 15.01.20

BY DAVID HOWELL

LONDON – As the Brexit gateway opens and Britain ceases at last to be part of the European Union, there is much talk about the need for a “level playing field.” This is a peculiar British phrase from the world of sports, where it means that the rules should be exactly the same for both sides so that the game is fair.

Translated into the world of governance and international negotiation it means that in working out precise arrangements for the United Kingdom’s full and final departure at 11 p.m. on the night of Dec. 31 – at the end of the so-called implementation period – there should be minimum divergence by the British from the rules and regulations under which the European Union operates.

The new president of the European Commission, Ursula von der Leyen, has been quite explicit about this. In friendly but firm terms, she has stated that the less alignment there is with EU rules, regulations and directives, whether now or in the future, the more distant the partnership between the EU and the breakaway U.K. has to be, and the longer it could take to finalize a new trade deal.

The threat appears clear. Seen from Von der Leyen’s perspective, located as she is in the central inner Brussels bastion of the EU citadel, those who want to break away but still enjoy zero tariffs, zero quotas and zero dumping must bow strictly to the EU’s laws and customs. Flout these, goes the warning, and the barriers will go up. Free access will be progressively denied.

Von der Leyen’s stance is entirely logical. If deserters from the EU are to keep the privileges but allowed free rein on policy, then the glue that keeps the EU together could become unstuck. Other countries could start on the departure route, seeking to keep the advantages of Europe’s single market but without the penalties and restrictions.

But there is one major snag to this whole attitude and the way of thinking behind it. As technology races ahead, patterns of trade and business activity are advancing in completely new and unknown ways, and at breakneck speed. The rules of the old EU, woven together over the years by painstaking consensus, could easily become dated, a barrier, rather than a benefit, for countries that want to move ahead to entirely new business and industrial models.

Suppose, for example, that worker rights and benefits need not to be lowered but shifted to a new and much higher level to fit in with the revolutionary demands of the digital age that have emerged.

Many of these EU rules and regulations were built up in a past corporatist age when large-scale goods manufacturing dominated trade. Yet today, advanced economies are overwhelmingly dominated by services (in the U.K. case more than 80 percent), are far more entrepreneurial and fluid, and demand new forms of security for all working people. Business are now run on different lines and according to different principles. Employee relations have evolved with new sensitivity. Views that all workers should have a far greater share in new wealth creation have strengthened. Truly modern economies, it is insisted, should “work for everyone.”

And may not the same evolution apply to regulations about consumer protection in the online age, where all retail markets have been heavily disrupted, or to financial regulation, or to data handling, or to methods of taxation, or to environmental standards, when it comes to energy and climate issues? After all, the EU's integrated energy market policy has so far merely produced a big increase in reliance on Russian gas, plus burning more coal, plus a miserable record on reducing carbon emissions (in sharp contrast to the much better U.K. performance).

Are these the benchmarks with which other nations, whether inside or outside the EU today, want to stay aligned and compliant? Are these the standards which other major economies like Japan or the United States, or the U.K. outside the EU, can reasonably be asked to adhere to, or which should shape world trade policy? The governor of the Bank of England clearly thinks not, saying it is not worth aligning Britain's financial rules with the EU's for the sake of better trade terms.

Far from countries outside the EU undercutting EU standards by divergence, it may be that it is the central EU authorities who are now the drag on progress and competition. If so, it could be that Von der Leyen and her commission colleagues in Brussels are laboring under a fundamental misconception about the way the world economy is going.

Splendid though the achievements of the EU may have been in past decades in the pre-digital age, it could be that the challenge now to EU regulations and standards comes not so much from Brexit as from far larger global forces, driven by wave after wave of revolutionary new technology. Old assumptions about the conditions that expand trade and secure supply chains are being turned on their head.

Just as today's political classes and governing institutions are accused of living in bubbles and being out of touch with the people and the real world, so it could be that there is a Brussels bubble as well. Inside the bubble, the governing instinct remains to protect and consolidate a great single market of manufactures and steel and wheat, guided by the major social partners — truly now the economic pattern of the past.

Outside the bubble, the aspiration of member states may be quite different: to cooperate but to trade as freely as possible under a much looser kind of EU regime.

Figuring out what a level playing field really means in a world turned upside down has become far harder than it once seemed.

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