

- Jun 29 2016 at 9:12 AM
- Updated Jun 29 2016 at 11:49 AM

Pascal Lamy warns Britain to expect tough Brexit talks



Former WTO boss Pascal Lamy: Boris Johnson has an Oedipal reaction. **Michele Mossop**
by **Geoff Winestock**

Britain will face "bumpy, aggressive and sometimes nasty" talks on exiting the European Union and Brussels could demand that British banks get hit with higher taxes if they want access to the EU market, according to former EU mandarin and World Trade Organisation boss Pascal Lamy.

Mr Lamy, a Frenchman who was also the EU's trade negotiator for five years and now heads the Notre Europe think tank, says Brexit talks will be tough because, just like Britain, Europe faces domestic pressure from business interests to get the best deal.

"The talks will be aggressive, bumpy and sometimes nasty, like all negotiations that are based only on interests," Mr Lamy said in a phone interview from Paris.

On the crucial issue of [whether British banks in the City of London will retain the passports](#) that allow them to sell in the 27 countries of the EU, Mr Lamy said Britain faced an uphill battle because the EU would like to bring the business back onshore.

Protesters gather against the EU referendum result in Trafalgar Square on June 28. **Jeff J Mitchell**
"Out is out. You don't keep your European passport if you are outside. That is why British banking stocks have gone down and why the real estate market in Paris has boomed since (the Brexit vote on) Friday. People are saying we will leave London and move to Paris or Frankfurt."

Mr Lamy said that if Britain wanted to keep EU passports for its banks there would be conditions. "What will be the price for keeping that? I don't know. But I have some ideas."

He said European governments might demand that Britain harmonise tax rates for banking with the continent to remove what many in France and Germany have long considered as unfair competition in

tax rates. Britain's 20-percent corporate tax rate is about 10 percentage points lower than France or Germany.

"For instance the EU may say that we need a guarantee that the way you tax banking activities will be the same as it is on the continent. We are not going to give you a passport if you have an unfair comparative advantage like lower taxation than on the continent," Mr Lamy said.

Mr Lamy's comments echo [German chancellor Angela Merkel who on Tuesday](#) said there would be no cherry picking of EU rules and Britain could not expect to keep privileges without gaining other obligations.

He said the Leave campaign's pledge to restrict the movement of migrants from EU countries to Britain was completely inconsistent with access to the single market.

"There will be no derogations," he said, using a term from Brussels jargon for exceptions to EU rules.

He said Brexit talks would take much longer than the two years often mentioned as a deadline since they would cover not just trade but everything from air landing rights to EU spending on infrastructure in Britain to environmental legislation.

He played down suggestions that the EU's motive in pushing Britain hard was to punish it for leaving the EU or to scare Europe's euro-skeptical parties such as Marine Le Pen's Front National who want to follow Britain's example. "There will be an element of that but it is only superficial."

'Oedipal reaction in Boris's stance'

Mr Lamy, who was chief of staff to Jacques Delors, the European Commission president in the 1980s when the single market was formed, has had a long personal association with Boris Johnson, the leader of the Leave campaign who was a euro-sceptic Brussels correspondent for the Murdoch press at the time.

Mr Lamy says he believes Johnson is partly motivated by an Oedipus complex, a desire to rebel against his father Stanley who was a senior EC official with soft-left greenish tendencies who worked closely with Mr Lamy.

"My impression is that there is an Oedipal reaction in Boris's stance. He wanted to be the nasty part of the family and he succeeded."

He said Mr Johnson was "very clever, very funny but extremely cynical".

"A day before he decided to back 'Leave' he didn't know what he was doing. He was only doing it because of his domestic political purposes."

Mr Lamy said Mr Johnson was like many in the Leave camp who had not considered the complexity of exiting the EU or outlined a position on even basic issues and this made it hard to predict how the Brexit talks would proceed.

He said some Leave campaigners were in favour of low tariffs but others were protectionist. Leave won huge support from people in the rust belts of northern England.

"Some Leave campaigners want a zero tariff," Mr Lamy said. "Others say they need a tougher trade regime and they don't want their steel industry to be dumped on by the terrible Chinese. They say the Europeans have been far too soft on the Chinese."

"Good luck finding a trade regime. I'm not sure it will be more liberal than the EU's."

He said if Britain did unilaterally cut import tariffs it might be a good thing, but it would have the side-effect of weakening Britain's position in talks with the EU because it would have nothing to offer Europe in return for market access.

"Maybe the UK will choose a trade regime which is more open than the EU," Mr Lamy said. "If they do that then the EU will have access to their markets for free and then we won't have to make concessions."