

SCARRED BY HISTORY, FLEMISH RALLY TO AVOID A HARD BREXIT

BY LAURENS CERULUS
IN ARDOOIE, BELGIUM



After Ireland and the Netherlands, Flanders is the European region most reliant on its trade partnership with the U.K. EMMANUEL DUNAND/AFP VIA GETTY IMAGES

The Belgian north knows how much damage trade problems with Britain can cause

Outbreaks of bloodshed and pestilence over the past nine centuries have turned the Flemish into leading advocates of a soft Brexit.

If any region knows the havoc that can be wrought by a disturbance in trade flows with Britain, it's Flanders, in northern Belgium. Since the Middle Ages, dependence on England has made Flanders rich. But whenever trade ties have run into trouble over the years, the Flemish have faced problems ranging from rebellion to a devastating 19th-century outbreak of cholera and typhus.

Given that history, it's little wonder that leading Flemish politicians are now pushing for the EU to go easy on Britain and start negotiating a trade deal at once. Commercial relations with the U.K. remain important. Of Belgium's exports to Britain, 87 percent come from this Dutch-speaking region. In total, 9 percent of Flemish exports head to the U.K.

Flemish Minister-President Geert Bourgeois insisted there should be no question of trying to make an example out of the U.K. in Brexit negotiations. And he is far from powerless because Belgium, and therefore the EU, cannot ratify the terms of any free trade agreement with Britain without consent from the regions.

"A couple of countries are in a punishment project," Bourgeois said in an interview with POLITICO. "Some European countries export nothing or close to nothing to the United Kingdom, while Flanders will be hit hard by what I call a hard Brexit."

A NATION DIVIDED

The enthusiasm among Flemish politicians for a soft Brexit could, however, threaten to reopen bitter political faultlines over the way that both Belgium and the EU tackle negotiations with British Prime Minister Theresa May.

The ruling coalition in Flanders, Belgium's economic powerhouse, is already at odds with the federal government of Prime Minister Charles Michel, who is toeing the European Commission's line that future terms of trade between Britain and the EU can only be settled after agreeing on the core elements of the divorce settlement: citizens' rights and a multi-billion-euro departure bill.

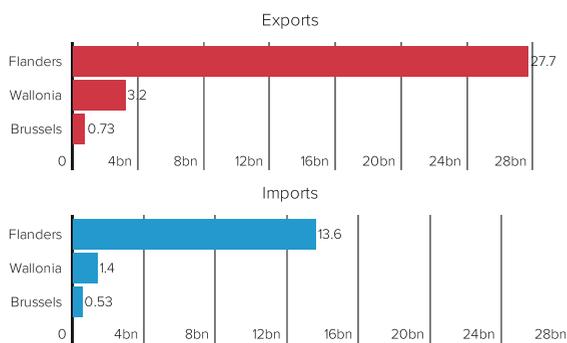
The Flemish argue there is no time to waste.

"We have to negotiate in parallel over the new agreement [on divorce and trade terms] so we don't get a situation where we have to fall back on World Trade Organization rules," Bourgeois said, referring to the default global tariff regime that would impose high duties between Britain and the EU.

He added that Europe would need a "trade deal-plus" that would privilege British industry over other countries outside of the EU.

FLANDERS' STAKE IN BREXIT

Trade with the U.K. per Belgian region in 2016, in billions of euros



SOURCE: Flanders Investment & Trade Agency/National Bank

Some of the deepest Flemish concerns lie close to home. They fear that their traditional sparring partners, the French-speaking Walloons from the relatively impoverished south of Belgium, could try to block any Brexit trade deal – just as they sought to torpedo the EU's landmark trade deal with Canada last year.

Bourgeois said he had recently pointed out to his Walloon counterpart Paul Magnette that a Canada-style assault on Brexit talks would hurt the southern region's economy too. "I think it's important we keep in mind that we have common interests," he said.

The Walloon government, however, agrees with the Commission that a divorce settlement should come before the trade talks. "A deal should respect the [EU's core] principles and we should avoid encouraging other member states to leave the EU," an aide in Magnette's office said.

So far, the two regions have managed to avoid a serious Brexit bust-up. About once a week, officials from both regions gather to discuss the Brexit fallout at the ministry of foreign affairs in Brussels and those

talks have, to date, progressed without major disagreements.

STARTING WITH SHEEP

Dependence on Britain all started with wool in the 12th century. England had the sheep, and the Flemish became the masters of the textiles trade. Centuries later, fabric-makers are still part of the region's economy. Companies like Beaulieu, a carpet maker founded by the controversial tycoon Roger De Clerck in 1959, and textile floor maker Balta are world leaders in their field.

But Brexit fears are palpable.

"For carpets, 1 meter in 3 is exported to the U.K.," said Fa Quix, director-general of Fedustria, a federation for Belgian textile and furniture producers. When asked about the prospect of trade barriers with the U.K., Quix said: "It keeps us up at night."

In West Flanders, a farming province with more pigs than people, the textile companies are big players and they have been tailoring their wares to the U.K. market since the 1960s.

Jean-Paul Depraetere, who inherited the textile manufacturer Escolys from his father, says between 30 and 50 percent of his output goes to Brit-

ain. Many products are made specifically with British tastes in mind.

Based in Ingooigem, a village of a couple of thousand inhabitants that boasts a British military cemetery as its main attraction, the company is a classic example of a manufacturing heavyweight in the region that grew from a small family enterprise by tapping into the U.K. market.

Depraetere described Brexit as a "big concern" and said its biggest consequence so far was that it had rocked confidence among English consumers.

HISTORIES INTERTWINED

Trade across the North Sea has dried up before – and it hurts.

In the 14th century, during the Hundred Years' War, the Flemish rose in a bloody rebellion against their rulers, the French, when the flow of English wool stopped and caused an economic crisis in cities such as Bruges, Ghent and Ypres.

In the 19th century, the British became more immediate trade competitors with cotton technology that priced Flemish linen makers out of the market. Forced to compete by cutting wages, cholera and typhus spread among Flemish workers in terrible conditions.

"It's a mutual dependency. If the regions see eye to eye, everything is A-OK. But when there is an issue, they get hit hard," said Erik Buyst, economic history professor at the University of Leuven.

After Ireland and the Netherlands, Flanders is the European region most heavily reliant on its trade partnership with the United Kingdom, the regional government says.

In relative terms, textile companies are most dependent on their British clients. But the region also counts a number of giants in industries including pharmaceuticals, chemical products and industrial machinery. Total exports from the region to the U.K. were worth €27.7 billion in 2016. The exports are especially critical to the automotive, food, chemical and machinery sectors. Avoiding damage to those sectors is high on the list of Flemish priorities.

Companies have already felt the pinch of a falling pound.

"The result is that the value of your exports to the U.K., due to the drop of the pound, takes a negative dive," said Jan Haspelagh, chief executive officer of the frozen food transport company Ardo, based in Ardooie in West Flanders. Haspelagh estimated the currency's drop alone is costing them about 5-to-6 percent of their exports to the U.K.

But the real horror scenario is a failure of the EU and U.K. camps to work out a free trade deal. Falling back on the relatively high tariffs of World Trade Organization rules is generally seen as "the worst case scenario," said Quix.

"A drop in purchasing power, we can survive that. That's not going to destroy the business. But if it becomes a bastion, a 'fortress U.K.,' that's a lose-lose – and we'll be the first victim of it."

Hans Maertens, chief of the Flemish network of employers VOKA, the region's chamber of commerce and strongest corporate political lobby, said the preservation of trade ties with the U.K. had become a "Flemish issue."

The trade group, backed by its wealthy business giants, is exerting its influence on the Flemish parties, not least the Flemish-nationalist N-VA – the president of which, Bart De Wever, once famously referred to VOKA as his "boss."

"It is a historical bond [with Britain] that this region finds difficult to let go," Maertens said.