

A Brexit Journey: reflections on Trump and the issues so far

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As President Trump claims that the withdrawal agreement with the EU could prevent a trade deal with the US, we look back over some of the key issues on the “Brexit Journey”. We will not devote too much time to these comments, as Trump in a fashion is simply restating the obvious, i.e., that any future economic agreement with the EU that commits the UK to a customs union will mean that it cannot sign trade agreements with other countries – the US of course has been touted particularly in this regard.

Similarly, for the duration of any transition period, and/or “temporary” customs union with the EU, the above will still apply. Finally, we may note that any continued membership of the European Economic Area, or indeed any substantive regulatory alignment with the EU e.g., phytosanitary standards, environmental standards, will go against a US trade deal. This is particularly so as these are areas particularly that the US Department of Commerce has highlighted that it would want the UK to give ground on.

The desirability (or otherwise) of a trade “deal” with the US notwithstanding, we should be mindful of the fact that EU membership has not prevented the UK from enjoying a robust trade relationship with the US. Indeed, it is one of the few countries that we enjoy a merchandise trade surplus in, we are the largest source of FDI into the US, and it is our number one export destination for manufactured goods. Given the fact that Trump appears committed to reducing US bilateral deficits, alongside the fact that the UK would be very much the junior partner in any “deal”, it is unclear that such a trade agreement would significantly improve on this current performance from a UK perspective.

In what follows, the remainder of this blog is an edited version of an article from [France 24 for their Latin American readership](#). It looks at key issues around the Brexit vote and the thrust of negotiations so far.

Can you explain to the audience in Latin America the reasons for holding the referendum in 2016?

The then UK Prime Minister, Mr David Cameron, as part of a promise in the 2015 Election, offered a referendum on EU membership to the populace, in order to appease the “Euro-sceptic” element of the Conservative Party (which had opposed EU membership, particularly with the advent of the Single Market and accompanying European Social Chapter in the 1992 Maastricht Treaty).

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For these individuals, the EU has acted as a regulatory “brake” on their desires to eschew such regulations (labour standards, environmental standards, consumer protection laws, combatting tax avoidance etc.) and thus fomented their desire to replace EU membership with a more limited UK-EU free-trade agreement.

However, what is notable is that these reasons were **not** (almost for the most part) put forward to the UK public in the lead-up to the referendum, instead being veiled in statements such as “taking back control” and “cutting EU red tape”. It is this push for deregulation that underpins the desire from many Brexiteers for a trade deal with the US, for example.

What reasons, do you think, motivated the majority of people to vote to leave the European Union?

Approximately 17 million people voted to leave the EU on the 23rd June 2016. This represents approximately 35% of the eligible voters (another 30% did not vote). So on a voter turnout, approximately 52% **of those who voted** wanted to leave the EU.

Reasons that have been put forward include concerns over the level of EU migration to the UK, a desire to restore UK “sovereignty” and for older voters in particular, to rebuild links with Commonwealth countries. However, I return to the above point that Brexit really should be seen as a desire by market fundamentalists to shift the UK away from the EU regulatory model to that of the US.

Has the UK always been a ‘euro-sceptic’ country?

This is a difficult question. Key elements of the population have these views clearly but I would not suggest they are necessarily a majority, given the voter turnout above. EU-scepticism can equally be found in France (who like the UK, had an empire, which it subsequently lost), Hungary or Poland for example.

However, there is some credence to a notion of British “exceptionalism”, and that for a considerable proportion of the British “elite”, ties with other English-speaking countries (principally the United States, but also Canada, Australia and New Zealand to a degree) have led to a somewhat detached attitude towards the rest of Europe, despite over 40 years of EU membership.

This of course has been reinforced by Second World War nostalgia and the fact that the UK was the only country in Europe (excluding the Soviet Union) to avoid complete military defeat (although as the historian Norman Davies noted, it only managed to do so by surrendering all economic, financial and military independence to the United States). Such perceptions still play strongly in contemporary attitudes.

How many laws may have to be modified in the United Kingdom, as it leaves the EU?

The UK Government drafted legislation (the “Great Repeal Bill”) to transcribe existing EU legislation into UK law after Brexit. Although this is one piece of legislation, it covers literally thousands of laws, as EU membership has touched upon practically every aspect of economic life in the UK. The UK of course by virtue of its membership is a signatory to the European Aviation Safety Agency, European Medicines Agency, European Chemicals Agency and other similar bodies. Cross-border broadcasting is subject to the EU Digital Market, and the road transport sector would face severe problems as the UK defaulted to pre-EU arrangements (necessitating urgent ratification by the UK to adhere to the 1968 Vienna Convention).

Furthermore, the UK will need to put into place open-skies arrangements with those of its global counterparts with which it enjoys such agreements by virtue of being an EU member (including the USA and Canada, although not Brazil with whom the UK has a bilateral open skies agreement) to keep aircraft flying and it will lose

access to all those free trade agreements it currently enjoys as an EU member (including with Turkey, Mexico, South Korea and many others).

In addition to not contributing to the EU budget, in what other areas will the effects of Brexit be felt?

All of the above would be affected by Brexit, if as seems likely, the UK leaves the European Economic Area. Manufacturing supply chains, which are heavily dependent on “just-in-time” inventory systems and “frictionless supply chains” will face severe disruption in the UK leaves the single market and customs union, which could result in firms reducing or ceasing production in the UK and relocating to other EU countries. Similarly, financial services firms are also reviewing their operations, and some activities are already being located to Dublin, Frankfurt or Amsterdam.

Whilst Brexit will also negatively affect the EU (especially Ireland, the Netherlands and Germany), given the production linkages described above, the sheer difference in size between the UK and the rest of the EU means that the impacts on the other EU 27 as a bloc, will be far less than on the UK.

The strong variation in vote between the different parts of the UK, with London, Scotland and Northern Ireland voting heavily to stay in the EU, will pose problems for the continued viability of the UK as a coherent political entity going forward. Post-referendum, there is an impasse (at the time of writing) over the status of the Northern Ireland border and Scottish (and Welsh) government dissatisfaction over perceived lack of consultation by the UK Government. This will in turn add further impetus to the arguments of those who demand reunification on the island of Ireland, or of Scottish independence.

The most likely scenario is that the UK – assuming that it can survive as a political entity – will be a rule-taker, rather than a rule-maker (or even co-creator). As such, it will either stay within the European regulatory orbit, or otherwise drift into the American one.