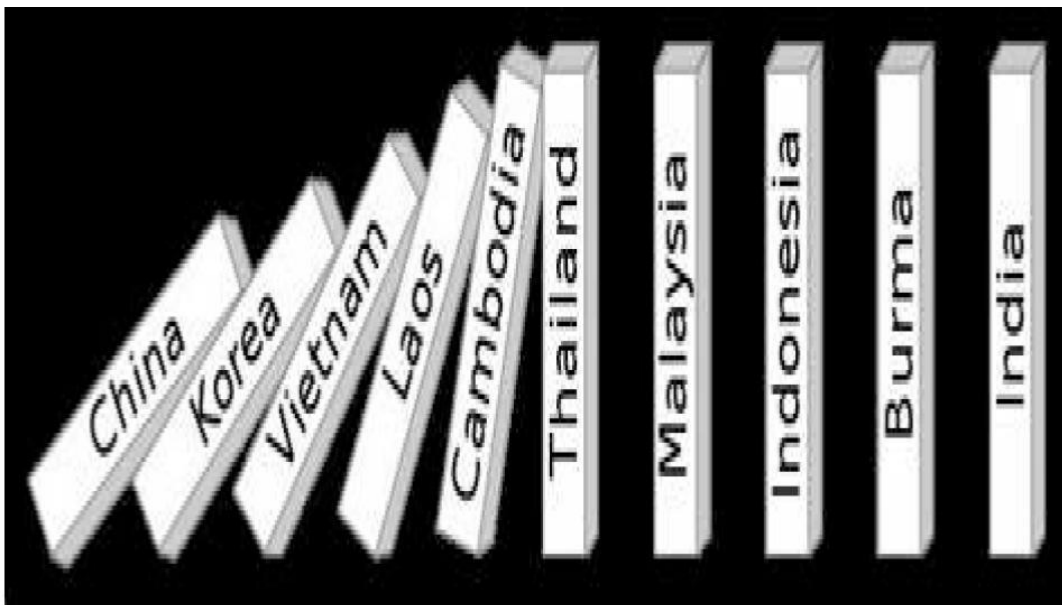


The revival of the Domino Theory under Brexit

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At the time of the Vietnam War in the 1960s, the justification for expanding the conflict into neighbouring Cambodia and Laos rested on the belief in and application of the Domino Theory. This was a geo-political theory that came to prominence in the United States and was subscribed to in many quarters until the 1980s. The Domino Theory was used by successive United States administrations during the Cold War to justify the need for American intervention around the world. The theory was summarised in a speech by former US President,, Dwight Eisenhower at a press conference in 1954 regarding the political situation concerning the spread of Communism in Indo-China:

Finally, you have broader considerations that might follow what you would call the “falling domino” principle. You have a row of dominoes set up, you knock over the first one, and what will happen to the last one is the certainty that it will go over very quickly. So you could have a beginning of a disintegration that would have the most profound influences.



Like any geo-political circumstance things don't move linearly as the context and conjuncture of history is more complex than simple theories. Domino Theory has had a couple of manifestations since its heyday. Firstly, in explaining the potential rise of theoretic states due to Islamic fundamentalism and secondly by QAnon conspiracy theorists describing why Donald Trump did not win the US Presidential Election of 2020.

Despite its unpromising ending can domino theory be revived to explain the cumulative impact of Brexit, particularly for sectors that were seen to be a key symbolic part in the genesis of Global Britain?

Brexit's Dominos

In a previous CBS [blog](#) the issue of increased transactions costs due to Brexit was investigated. Of course, many of these costs cannot be untangled from the effects of Covid-19 and a similar argument can be made for the domino effect of Brexit on different industrial sectors. But let us consider a few of the potential Brexit dominos.

Northern Ireland Protocol (NIP)



The NIP was the compromise agreement between the UK and the EU to avoid a land border between NI and the Republic of Ireland (ROI) and potentially undermine the conditions of the 1998 Good Friday Agreement. As part of the UK-EU Trade and Co-operation agreement, NI remains part of the UK customs union and effectively the EU Single Market that consequently places a border down the Irish Sea and impacts directly [on the Great Britain \(GB\) – Northern Ireland \(NI\) trade flows and transactions](#). The factors underlying wobbling of this domino include, inter alia:

- Imports from GB into ROI were up in February 2021, compared to January from £405m to £564m, but were still sharply down compared to almost £1.2bn in the same month last year;
- Increased exports from NI to ROI rose by £245.9m in February 2021 compared to £125.9m in the same month of the previous year. Exports to NI from the ROI rose from £146m to £201m;
- Estimated three-fold increase in GB-NI freight administrative costs from £50 to £150 per load;
- Diversion of freight traffic from Ireland to EU via GB to Dublin and Rosslare Europort onto French ports in Normandy and Brittany to avoid delays but increasing costs.

Fishing



The co-operation agreement between the UK and the EU agreed that 25% of EU boats' fishing rights in UK waters would be transferred back to the UK over the next five and a half years; the UK had originally demanded cuts of 60-80%. Fishing is only a tiny part of the total economy both in the UK and in the EU. In 2020 the UK's fishing and fish processing industries employed 24,000 people and contributed £1.4 billion to the economy. That is a tiny portion of the total UK economy that is worth around £2.2trillion. It also only involves around 0.1% of the UK's workforce. By contrast, the financial services industry was worth £126 billion and the automotive industry £49 billion. But within the discourse of Take Back Control and promoting Global Britain fishing has become symbolic.

In the context of rising anger among the UK fishing industry that the EU Trade and Co-operation Agreement did not deliver what it thought was promised by the UK government a number of wobbling factors for the fishing domino are now occurring:

- The aftermath of the failure to agree a fishing quota deal with Norway that could lead to a 40% reduction in business for fishermen in the North-East of England;

- The effective collapse of UK shellfish whose unpurified catch has been banned by the European Commission under the Brexit withdrawal agreement. The industry had been wrongly advised by the Department for Environment, Food and Rural Affairs (DEFRA) that this ban would end in April 2021;

- The variable change in the value and volume of catches of the fishing industry across the UK:

Value (£000s)	2019	2020	2021	2019 vs 2021	2020 vs 2021
England	25,736	21,523	17,367	-33%	-19%
Northern Ireland	9,707	8,004	11,270	16%	41%
Scotland	86,350	75,196	100,519	16%	34%
Wales	976	718	571	-42%	-21%

Live weight of landings (tonnes)	2019	2020	2021	2019 vs 2021	2020 vs 2021
England	12,595	12,413	12,142	-4%	-2%
Northern Ireland	7,946	6,784	12,089	52%	78%
Scotland	59,426	56,528	87,106	47%	54%
Wales	491	380	292	-41%	-23%

Farming

The UK Cabinet has agreed to move quickly to negotiating a free-trade deal with Australia that would be zero-tariff for its exports to the UK within 15 years. There has been disquiet within the farming industry that much is being sacrificed for a deal worth 0.02% of GDP over 15 years, particularly food standards. The effects will also have a territorial dimension in that it is estimated that the agriculture sector in NI could be 0.25% lower because of tariff-free Australian imports that is also part of an all-Ireland single market for agri-food.



Australia produces and exports more than twice the amount of beef compared to the UK, so why is the UK rushing to sign a deal that could have a significant impact on British farming but little on GDP. Again, the answer seems to lie with the ambitions of Global Britain that the UK government is seeking to promote with membership of the Comprehensive and Progressive Agreement for Trans-

Pacific Partnership (CPTPP), a trade deal between 11 countries around the Pacific rim, including Japan, Vietnam, Singapore, Australia, Canada and Chile.

The CPTPP text consists of 30 chapters, covering tariffs on goods and services, intellectual property rights, e-commerce rules, employment and environmental standards, dispute resolution, and many other aspects of global trade. There is also the question of what kind of farming subsidy will replace the Common Agricultural Policy (CAP) in the UK.

Its Global Trade Stupid!

Entering negotiations to join the CPTPP will be complex and drawn out and given the established inverse relationship between costs of trade and distance it seems slightly perverse those two symbolic and politically sensitive sectors are being allowed to be falling dominos in the rush to Global Britain. To date, the UK government has signed several trade deals that rollover from existing EU ones from 1st January 2021 that roughly total £155bn compared to £668bn for UK-EU trade in 2020 (that still accounts for nearly 50% of the UK total). So, knocking down one set of EU dominos to be replaced by a new set of Global Britain ones does not seem economically and politically advantageous.



We have seen the impact on the automotive industry in servicing parts from the EU in recent months although unravelling this outcome from Covid-19 is difficult.

One elephant in the room is the role of services that in the case of UK financial services has been damaged because of the existing lack of formal agreement with the EU. Another elephant is the potential breakup of the Union, with increasing pressures for an independent Scotland and the medium-term consequences of the NIP that could lead to a referendum on a united Ireland.

It would thus appear that the Domino Theory could be revived in explaining the complexities of a post-Brexit world as it recovers from the effects of the Covid-19 pandemic. Like its original application to explain the spread of Communism in Indo-China, the actual outcomes were more complex and interesting. But knocking down one set dominos in favour of putting up a new set may not produce the desired outcomes.