

Brexit's "USS Indianapolis Moment"

By Professor Alex de Ruyter, Director, Centre for Brexit Studies, Birmingham City University

News this week that the UK Government had reiterated its intention not to seek an extension of the transition period of de facto EU membership had some pundits making reference to the manifest folly of a No Deal Brexit outcome coming on the tails of the devastation wrought on the UK economy by Covid-19. Marina Hyde, writing in the Guardian, likened it to the torpedoing of the USS Indianapolis by a Japanese submarine in 1945, during the closing stages of the Second World War.[\[1\]](#)

For those that survived the attack, their terror was compounded by being stranded floating for days in the mid-Pacific, being subjected to the largest recorded shark attack in history[\[2\]](#). The analogy here is clear, with Covid-19 being the torpedo attack reducing UK GDP by up to 35% over the coming months and then Brexit being the subsequent shark attacks on traumatised businesses facing the prospect of new trade barriers come January 1st 2021.

Is this a fair comparison? Ostensibly, the Government's logic – if it fails to establish a new trade agreement with the EU by the end of this year – is that it will in essence have reached a trade agreement with the United States and possibly other key countries (i.e., China).

Leaving aside the probabilities of these for now, at this point it is useful to recap where "negotiations" with the EU currently stand. With face-to-face negotiations having been suspended due to the Coronavirus outbreak (with chief negotiator for the EU, Michel Barnier having tested positive for Covid-19 but now recovered), videoconferences in the weeks beginning April 20 (this week), May 11 and June 1 have substituted.

Suffice to say, it is difficult to see how any meaningful progress could be achieved in such a format, with the exchange of any substantive legal texts (necessary for a trade agreement to come into force) being particularly problematic. Moreover, the EU – which has a vaster negotiating capacity and expertise in trade matters than the UK – is

itself struggling to maintain dialogue in external negotiations whilst having to deal with the Covid-19 outbreak across member states.

The UK in turn has been hamstrung by the savage cuts imposed on the Civil Service over the past ten years by the Conservatives (alone and in coalition with the Liberal Democrats), with some 80,000 jobs[3] having been culled between 2010 and 2016 – only partially offset by a frantic recruitment drive post-Referendum (some 30,000 positions).

With the Covid-19 outbreak diverting attention away from other functions, it is fair to say that the UK Civil Service will struggle with this timetable – and that's being optimistic. No serious pundit expected that the UK Government could simultaneously conduct trade negotiations with the EU and the United States and have it done and dusted by the end of the year, and that was before the advent of the Coronavirus.

And what of 'negotiations' with the US? In contrast to the highly publicised, politicised talks with the EU, these have been conducted *sotto voce* – not surprising given the demands of the US Government to give access to American farmers[4] and US Big Pharma to the NHS, in effect increasing the price for drugs by lengthening US patent rights. After Covid-19 would a British public really be in a mood to tolerate the price of prescription drugs doubling under such an agreement?[5]

However, it might be premature of me to speculate. After all, in the midst of an election year, Trump's only priority is to get himself re-elected (with an election strategy centred on blaming China, foreigners in general and Democrat state Governors for the Covid-19 outbreak in the US), so trade talks with the UK are not uppermost in his mind.

In any event such an agreement faces further hurdles in order to come into effect.[6] Whilst President Trump and his team can negotiate a trade agreement, in order to be legally binding, it needs to be approved by the US Congress, and Democrat control of the House of Representatives may prove to be a major stumbling block.

Add to that the prospect of a possible victory by Joe Biden for the Democrats in the presidential run-off and the scenario emerges of a wrecking ball President-elect Biden scuppering the whole agreement, as he has been attested to alluding to. We may well say a trade agreement with the US looks a long way off, if indeed it ever comes to life...

To the other great post-Brexit trade agreement hope, China, the current Covid-19 context has seriously undermined the logic of pursuing a trade agreement, even more so where the prospect emerges of Chinese corporate interests bidding for UK national strategic business assets (IT, automotive, etc.) rendered vulnerable by furloughing the economy, emerges.

This has not been lost on Tory MPs[7]. Add to this allegations that Trump is pressuring Raab et al. into a stronger stance on China[8] and the prospects look grim. In any event there are serious practical impediments to a trade agreement here (e.g., animal welfare standards).

Where then does this leave the UK at the end of this year if the Government insist on the current Brexit timetable? At the legal default setting of “no deal” and reversion to WTO trade thresholds. And with no major trade agreements in place (only the grandfathering of existing EU trade agreements with countries that the UK conducts little trade with.

Do the Government really think that after the Covid-19 torpedoing of the UK economy that the UK voting public will swallow a no-deal shark attack Brexit as trivial in comparison? After all, what’s a few sharks when the ship has been sunk. Let’s hope not..

[1] <https://www.theguardian.com/commentisfree/2020/apr/17/matt-hancock-dominic-raab-ppe-care-badges>

[2] <https://www.smithsonianmag.com/history/the-worst-shark-attack-in-history-25715092/>

[3] <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/publicsectorpersonnel/bulletins/publicsectoremployment/december2019>

[4] There is, unsurprisingly, pressure from the UK's farming sector to halt negotiations: <https://www.fginsight.com/news/news/us-trade-talks-must-be-halted-to-deal-with-pandemic-demand-campaigners-107370>

[5] The next election is a long way off, but being seen to undermine the NHS at such a time could be an election-loser even from this distance (especially because a vaccine is, to all practical intents and purposes, likely to be 18 months+ away and is not an inevitability). Even in the event that treatments get much better, we're still talking about a disease that will potentially hospitalise hundreds of thousands in the UK over time.

[6] Leaving aside for now that the *actual* benefits of such an agreement to the UK are trivial in comparison to lost trade with the EU. The Government's own estimates suggest only a 0.16% boost to UK GDP, in contrast to the "4.9 – 6.7 per cent hit to the economy in the event of a Canada-style free trade agreement with the EU (7.7 – 9.3 per cent in the case of no deal)." <https://www.newstatesman.com/politics/uk/2020/03/why-did-government-release-us-uk-trade-negotiations-mandate-today>

[7] <https://www.theguardian.com/world/2020/apr/12/uk-spy-agencies-urge-china-rethink-once-covid-19-crisis-is-over>

[8] https://www.huffingtonpost.co.uk/entry/uk-lockdown-coronavirus-plan_uk_5e98b134c5b6ead14009d929?guccounter=1&guce_referrer=aHR0cHM6Ly93d3cuZW5vc2lhLm9yZy8&guce_referrer_sig=AQAAAMZL3fHoYrUr2_-R29cIVT0by_8G4eehxRjGa_CgTtAYs4HJsazZ3gfSdnIFbiFBe3i5-Bfka8-1rtorlgkOg8ALk1AyKN-9N2wrTrLYQmiv9JWgVsz6gQdB8ttP0jkTBz_g17cyhAnhrYa9LG41AkH0BaOvahgTy0ldQ5uyo-F8