

Drifting in Brexit Limbo

It is still government policy to seek a comprehensive partnership agreement with the EU as a third country. Already we are seeing lobbying for pharmaceuticals to continue participating in the single market. The government will concede on this if it does not want to lose our pharmaceuticals industry. No doubt our aviation sector will want to continue participating on more or less the same terms. We will be seeking to ensure manufactured goods and foodstuffs travel unhindered into the EU. The automotive sector will push for whatever it can get to avoid tariffs and rules of origin. And so on and so forth.

By the time this government gets as far as negotiating our future relationship, it will have a long list of things it wants to keep the same. We will also find that the practicalities of intricate policies mean that change is barely possible and largely undesirable. This sets the stage for a long and drawn out negotiation as to our future relationship.

But this time it will dawn on even the thickest of MPs that an interim agreement is necessary. That in itself would be a serious and lengthy undertaking. That is precisely why it is not going to happen. Why should the EU commit ever more of its runtime to negotiating two comprehensive and complex packages – one of which being time limited? The ultimatum will be that we either drop out with no deal or stay in the EU on more or less the same terms until a future agreement can be concluded.

That is, of course, unless we move into the EEA/Efta position in order to expedite our exit. We will probably find this in itself is a major diplomatic and legal undertaking and once that is done we will find there is actually no point in reinventing the wheel, nor is there any particular obligation

for the EU to bother. Moreover, Efta states have little to gain from the disruption for what is only a temporary arrangement. Their view will likely be that we're either in or out.

It therefore seems obvious that the EEA should be our first port of call with a view to being a long term part of the single market, using the systems within the EEA agreement to tailor it to our needs. The alternative is to stay in the EU in a Brexit limbo, slowly bleeding from uncertainty only for us to pass some years later into an inferior relationship that we will have to rebuild over many years.

It would appear, however, that this realisation eludes the powers that be, and thanks to the power vacuum at the heart of government, we can expect this to drag on, feeding the uncertainty and eroding our choices. With all of our political capital spent, with our minuscule leverage squandered, we will be forced to take whatever we are given. That may even be a conversion of the interim EU membership into the permanent status of being a non-voting member. Precisely where we didn't want to be.

It was always The Leave Alliance view that the EEA was suboptimal but it does have the chief merit of getting us out of the EU. We also took the view that the EEA, preserving most of the trade integration, would save us from the damage caused by uncertainty and the economic impact of leaving would be manageable. It seems, though, that this message, having met fierce resistance, will not get through.

Though the ultra Brexiteers share some considerable blame, it is as much the fault of the media who have been unable to grasp the mechanics of Brexit, along with a government which is impervious to messages from the outside. Ultimately this is the result of two factors.

The hard right of the Tory party are wedded to some woefully

simplistic ideas as to how trade is done, taking their advice from Legatum Institute who will tell them pretty much whatever they want to hear if it means they get their feet under the table. Collectively they are fixated with tariffs and are unable to see the larger picture, treating non tariff barriers and regulatory systems as a mere afterthought.

In normal circumstances we would have a sufficiently competent media who could rip through this self-delusion, but having pruned their experience journalists, the closest the media gets to expertise is the Financial Times, itself incapable of bringing any clarity to the debate and largely tainted by a metropolitan bias. It has not earned the right to be heeded.

The second factor is that having deleted the discipline of trade from our political horizons by way of being in the EU we simply don't have an institutional memory of it and our politicians haven't in any way been connected with the real business of international trade negotiations. This is why we should never have joined.

Further still our post Brexit trade policy will be inept largely because it is viewed as a separate undertaking from politics, foreign policy and international development aid. It stands as an abstract pursuit, largely geared toward the maximisation of trade volumes, divorced from cultural and political objectives. It is an entirely technocratic domain.

Ultimately, Brexit is a mess of difficult choices and trade-offs between commerce and sovereignty. The EU is an elaborate and complex web of rules, many of them protectionist where moving to the other side of those defensive measures harms us considerably. As much as it is difficult to prove that new trade deals will compensate for lost EU trade, the EU has ways of making sure that they won't. Rules of Origin being one of them. These are the realities we must face up to.

And herein lies the problem. For Conservative leavers who

believe in “free trade”, Brexit is an economic venture and a chance to snub the EU. They fail to take account of the fact that the EU is a regulatory and economic superpower and the UK is not. They are working from a faulty definition of free trade and are failing to look at the bigger picture. This is why Brexit will hurt far more than it was ever meant to.

For us realists Brexit was never an economic silver bullet. The Leave Alliance was keen to point out that Brexit would be a process and that there would be an economic cost. The point though, was to end political union with the EU and to put the brakes on “ever closer union”. That is our first objective and the most important one. To end the supremacy of the EU in British affairs and to repatriate decision making. If we can make a good go of trade then that is a happy outcome, but that is more a long term concern. Our first priority is to get out of the EU with our hide intact and to ensure that we do not burn our bridges.

The chances of that now seem ever more remote. The appointment of Steve Baker as junior Brexit secretary, a man who calls for the EU to be “wholly torn down” is entirely the wrong message to send. Not least since he is a devotee of Legatum’s panglossian nonsense. Thanks to the obstinacy and ignorance of the ultra-Brexiteers, Brexit is going to hurt a lot more than it ever should have – if we manage to get out at all.

Photo by Smabs Sputzer 