

Transition to a permanent EU vassal state?

Unless the proposed transitional deal is blown out of the water, the United Kingdom appears to be moving inexorably towards being a permanent European Union Vassal State. Recent speeches and other statements by Mrs May and Mr Davis point strongly to this being the most likely outcome from their handling of the Brexit (or Article 50) negotiations. All looks good on the surface, but they do not understand how the EU works and some worrying facts emerge when you analyse what they did and did not say. .

Mr Davis, reiterating Mrs May's decision to leave the Single Market, in his Teesport Speech of the 26th January 2018 said:

"While the aim of the implementation period is to provide certainty and continuity, we must keep sight of the fact that this is a bridge to a new future partnership.

*Where, crucially, the **United Kingdom is outside of the single market**, and outside of the customs union."*

He then went on to say:

*"We want a good Brexit for business and a good Brexit for the British people and **we will deliver that on a frictionless access to the Single Market** and a freedom political and an economic freedom for the future."*

Clearly there is a contradiction here – it is not possible to have frictionless access whilst being outside the Single Market (or the European Economic Area, EEA) and being a 'third country'. Michel Barnier, the EU's chief negotiator, has pointed this out on several occasions. For example, he said:

"A trade relationship with a country that does not belong to

the European Union obviously involves frictions.”

Frictionless trade between members of the Single Market (and European Economic Area, EEA) occurs because of a common set of rules, regulations, processes or procedures, enforcement and overall EU surveillance. Accessing the EEA from outside its external borders involves complying with regulations, inspections and testing, processes and procedures, external tariffs, customs checks/clearance, VAT etc. intended for dealing with ‘third countries’. These measures manage risks involved with ‘imports’ and sometimes are protectionist in nature.

The transition period (aka implementation period) clearly places this country into the status of a powerless EU Vassal State for 21 months after 29th March 2019 as explained here. However, if agreement on frictionless trade cannot be agreed during this period – which seems a certainty given Mr Barnier’s often repeated comments and how the EU normally treats ‘third countries’ – it will need to be extended potentially indefinitely.

Mrs May’s Davos speech on 25th January 2018 to the World Economic Forum provided the perfect audience to sell the opportunities presented by Brexit. She could have outlined her vision, complete with objectives, timetable, planning and progress, in order to encourage her audience to invest here. She could have addressed the principal concerns of business, for example, about market size and frictionless access to the EEA. She could have described (with specific detail) her vision for a ‘new, deep and special partnership’ with the EU which would have clarified and developed her Florence speech of 22nd September 2017. Instead of which she focussed on artificial intelligence and making the Internet safer – presumably her highest priorities. Any business or political leader present, listening to and reflecting on the content could be forgiven for concluding that the UK government has

nothing to offer, having already ceded control of Brexit negotiations to the EU and thus, any meaningful Brexit is not going to occur.

Artificial intelligence then is a very poor substitute for Brexit failure and even here Mrs May cannot easily offer unique government-supported opportunities for funding research and development nor can she use public sector procurement to facilitate innovation. She can't even protect the public sector from future Carillion fiascos. EU directives (laws) and gold-plating by her civil servants will interfere.

The transition proposals so far on offer from the EU (as explained here) are far worse than the alternative of remaining within the EEA through re-joining The European Free Trade Association (EFTA). It is likely that the eventual transition deal (if it actually happens given it is dependent upon Mrs May's accepting the EU's outstanding Phase 1 conditions), will be even more onerous upon this country than already proposed. The EU's stance on transitional arrangements, manifested recently by the *Annex to the Council Decision of 22nd May 2017* and published 29th January 2018, appears to be getting more uncompromising. If accepted, Mrs May is likely to be forced into making further large payments into the EU's budget, accepting continued freedom of movement of persons, taking on additional financial liabilities, remaining subject to the EU's European Court of Justice (ECJ) and to the Common Fisheries Policy, transferring further responsibilities to the European Commission (typically defence and defence procurement, along with regulation of financial services), following the complete EU *Acquis* or body of existing and future law, and giving extra rights to EU citizens living here, etc.. Meanwhile, the UK will be prevented from negotiating free trade agreements around the world whilst being excluded from existing ones negotiated by the EU.

It was Mrs May's decision to reject the EFTA/EEA option, even as a temporary measure. She first made this clear in her Lancaster House speech in January 2017. The EFTA/EEA option allows for control of immigration through unilaterally invoking Article 112 (the Safeguard Measures) of the EEA Agreement. The EFTA route to EEA membership gives members outside the EU a say in EU legislation affecting the EEA, is largely free (although 'voluntarily' Norway does contribute to regional development funds) and is outside the jurisdiction of the European Court of Justice (ECJ). The EEA *Acquis* or body of law is about a quarter of the total EU *Acquis* since it only relates to successful functioning of the EEA. In other words, the EEA component of the *Acquis* is only about trade and not political integration. Furthermore, EFTA members make their own trade agreements with other countries. Membership of the EEA solves the problem of maintaining a soft border in Ireland between the Irish Republic and Northern Ireland. The EFTA/EEA option was claimed to be the best choice for a Brexit economy in a recently leaked overly pessimistic draft government report *EU Exit Analysis – Cross Whitehall Briefing*.

Unfortunately it appears that both Mrs May and Mr Davis are well and truly out of their depth. The Department for (not) Exiting the European Union also seem to be lacking in essential competence, and is in line to face the blame for failings in getting a successful Brexit. At best, everyone is following a political Brexit whilst ignoring practicalities. At some stage the number of Conservative MPs who will realise that the dire situation this country is facing is of their own government's making will reach a critical mass. At this point, there will either be an almighty rumpus following which some quite senior heads are likely to roll or else if the government persists on its stubborn course, the electorate will punish the Conservative Party severely in the next General Election in 2022 for short-changing the British people over Brexit through their acquiescence in turning this country into a permanent EU Vassal State.