

Commonwealth Conversation
Brexit: Challenges and Opportunities
Part Two

Meeting of UK-Based High Commissioners

Report September 2016



THE ROYAL COMMONWEALTH SOCIETY

About this Report

This report summarises the second in a series of roundtable discussions on the challenges and opportunities for the Commonwealth associated with a United Kingdom (UK) exit from the European Union (EU), namely 'Brexit'. This was the first Roundtable for High Commissioners convened by the Royal Commonwealth Society on the 15th September 2016 and hosted at the Australian High Commission in London. It was co-chaired by H.E. The Hon. Alexander Downer AC High Commissioner of Australia and H.E. Ms Karen-Mae Hill High Commissioner of Antigua and Barbuda. The discussion sought to build understanding of how the Commonwealth might be impacted by the result of the United Kingdom's European Union (EU) referendum and the UK's exit from the EU. The debate drew on three experts in international business and trade.

Opening remarks were given by Sir Andrew Cahn, former CEO of UK Trade & Investment and before that Chef de Cabinet to Trade Commissioner Neil Kinnock at the European Commission; Mr Shanker Singham, Director of Economic Policy and Prosperity Studies at the Legatum Institute; and Mr. Alan Oxley, former Australian Ambassador to the General Agreement on Tariffs and Trade (GATT).

What's Next: A UK-EU 'Phoney War'?

Sir Andrew Cahn began by a personal analysis as to why the Remain campaign, of which he had been part, had failed. His own father, a Jewish refugee from Nazi persecution, had been a supporter of European cooperation but died wanting the UK to leave the EU; he in some ways personified the conflicted and complex history of the UK's relationship with the EU. More generally, the UK had pulled out of the negotiations in the 1950s on establishing the EU because of Britain's relationship with the Empire, the Commonwealth and the USA which Britain regarded as more important than Europe. In his view, the history, from former Prime Minister Ted Heath's taking Britain into the then European Community, through to the 1975 referendum to the present day had been one of discontent bubbling away, fortified by the UK's remaining baggage from Empire, its dislike of coalitions and cohabitations (more typical of continental politics and of the relationship with the EU). He remarked that the Remain campaign had been negative and semi-detached, and the Leave campaign had been fortified by 40 years of criticism of the EU by successive UK governments.

Sir Andrew expected a 'phoney war' between now until the French and particularly German elections. He considered that Article 50 of the Lisbon Treaty would be triggered in the first part of next year (possibly before Easter) accompanied by a letter from the Prime Minister setting out how hard or soft a Brexit the UK will choose. He thought it quite reckless of the previous PM to have forbidden the civil service to do any preparation for a possible Brexit. He considered that the negotiations would be more complex than for the accession in the 1970s (which took about a year) and that the whole process of repealing and replacing EU law would take some 10 to 15 years (with

a clear majority in the Lords in favour of a soft Brexit, and probably in the Commons as well). Transitional arrangements would be important and difficult to agree – on agriculture, for example, the UK could not easily go back to the contentious subsidies of the 1960s. Sir Andrew considered that a combination of UK politics (both sides scarred by the referendum and neither backing down) and the lack of a clear vision for the UK outside an EU, that would still be essential for the UK would lead to a deadlock and possibly an agreement to ‘stop the clock’ at some stage during the negotiation process. He concluded that the end result may be a three-tier Europe with the UK in the third tier, e.g. in a Customs Union (which would mean no negotiation on trade with third countries). The UK needed a settlement that was as much about the stability of Europe as about the economy and trade. The UK would need to invest a lot of effort in her old friends including the Commonwealth.

Building a New Trade Arrangement for the UK

Shanker Singham from the Legatum Institute presented a more optimistic analysis and said that there were opportunities for the Commonwealth. He also considered the European Single Market to be a myth, particularly in services. Since 83% of UK exports are in services Mr. Singham argued the UK needs a sui generis agreement (as is UK Government policy), a Free Trade Area with a strong services chapter and an end to trade distortions. He stated that moving away from the Common Agricultural Policy and Common Fisheries Policy would allow Britain to be a very different partner to African, Caribbean, and Pacific nations (ACP) and offer a more attractive economic partnership agreement. Mr. Singham suggested that Brexit was a chance for a ‘more vibrant Commonwealth’. He also called for trade agreements to address barriers to trade beyond the traditional focus on national borders; he suggested that this would have to be a part of deals with countries such as Canada, Australia, New Zealand and India. Mr. Singham considered that commercial interests would prevail (e.g. from German carmakers and the Continent’s Financial Services Industry) and that some co-operation with Europe would continue without the EU (e.g. on Research and Development within NATO).

Alan Oxley considered that the EU was a clutch of unfinished projects such as the Eurozone. He went further to posit that Brexit ‘excited him’ as he felt that there were opportunities outside the EU. Mr. Oxley argued that the UK could be a significant and productive free trade actor in the WTO which required reform. He noted that increased output on services was required and that opening up these markets are key to global growth. Mr. Oxley added there was no worldwide appetite to raise tariffs, but the UK could re-invigorate the WTO of which the UK should maintain dual membership (i.e. in national terms and as part of the EU).

Discussion

Following on from these excellent contributions there was an informed and valuable discussion from a variety of High Commissions and from the FCO. The points raised included:

- One diplomat spoke about the need to offer ‘optimism, collaboration, and realism’ adding that it was in Commonwealth nations’ self-interest to be optimistic. They called for the Commonwealth to help ‘British senior management’ as a well-functioning UK benefited them all and they didn’t want to see an inward looking Britain as it still retains influence on world affairs.
- Some of the smaller states expressed concerns about how the EU development assistance would be impacted by the UK’s exit from EU institutions. There was an implicit suggestion that the Commonwealth as a whole may lose influence in the EU with the UK’s exit.
- Other diplomats drew attention to the way in which other Commonwealth countries conduct trade negotiations and multi-lateral relations. One contributor pointed to the fact that the EU was more of a supra-national body rather than an inter-governmental body that other Commonwealth nations were accustomed to, for example the Association of South East Asian Nations (ASEAN).
- Several diplomats also commented on post-Brexit prospects for new trade agreements. One High Commissioner stated that the UK was much missed by certain countries in World Trade Organisation (WTO) negotiations. They added that now there was a chance for greater trade liberalisation with the UK returning to the table which presented ‘exciting opportunities’. The idea of a potential UK-EU customs union was seen as a red-line for some that would preclude UK free trade agreements with Commonwealth countries.
- In addition to the UK playing a key role for Commonwealth countries in terms of EU development assistance some countries saw the UK as a gateway for trade with other EU member states. Trade in commodities was specifically mentioned by one diplomat, who wanted to know how the UK’s gateway hub status might be impacted by Brexit.

During the closing remarks H.E. Karen-Mae Hill urged fellow Commonwealth diplomats to move beyond asking questions to position themselves to address the issues raised by the discussion. H.E. Alexander Downer concluded the discussion by suggesting that a cohesive Commonwealth position be communicated to the UK government. He reasoned that it was a useful way of asserting collective concerns and thresholds to the UK government during their Brexit negotiations to ensure that Commonwealth nations were not forgotten.