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POLICY UPDATE

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Brexiteers – proponents of Britain's exit from the European Union – might have cheered last month, when Britain's Office for National Statistics announced that net immigration to the United Kingdom had dropped considerably. With problems piling up for Britain's government and the timeline for a deal getting shorter, Brexiteers may not have another chance to cheer any time soon.

Since the U.K. voted to leave the EU in June 2016, Prime Minister Theresa May's government has advocated a "hard Brexit" – a best-of-all-worlds scenario in which Britain controls EU immigration and essentially keeps its free trade deal with the EU, while avoiding a massive "divorce bill." Yet, reality is setting in that compromises need to be made to meet the tight deadline and because Britain's bargaining position is weakening.

March 29, 2019 is the deadline for Britain's formal departure from the EU, though the two sides will need to agree on a text well before that. The EU and U.K. parliaments and a 72 per cent supermajority of EU states must approve the treaty before it can come into effect.

Both sides have agreed on the EU's demand to negotiate parts of the exit agreement before starting work on a trade deal. At an EU summit at the end of October, member states will decide whether these preliminary negotiations have gone well enough to warrant opening talks on a future trade agreement.

Whether that motion will pass is an open question. Michel Barnier, the EU's chief negotiator, said last week that no progress has been made on major issues, and David Davis, who heads the British side, agreed that talks last week had been "difficult."

The major sticking point thus far is the money that Britain committed to the EU budget before deciding to leave – the divorce bill.

It's presumed that the EU is seeking around 60 billion euros (\$88 billion). Though Davis suggested Friday that Britain wanted a lower figure, the Sunday Times reported that the government is preparing to more or less meet the EU's figure, because its bargaining position has weakened after it lost its majority in June.

Meanwhile, there is a laundry list of items to discuss, including how to keep a soft border between Northern Ireland and the Republic of Ireland. Both sides want a soft border, which is a crucial part of maintaining the 1998 peace agreement. But as increasing numbers of U.K. citizens seek EU citizenship through Irish grandparents, there is no viable plan of how this would work in practice.



Amid this uncertainty, Britain's economy has remained relatively stable, although a drop in the value of the pound has made groceries, among other things, more expensive. Much will depend on the shape of the eventual deal.

Many businesses headquartered in London appear to be adopting a wait-and-see approach. The financial sector has not abandoned London as a base of operations, but many that serve the European market are considering a move to the continent, perhaps to Frankfurt, which has a high percentage of English speakers and excellent transportation links. Other cities, including Paris and Dublin, are also trying to lure companies away.

In March 2019, Britain will still be left without trade agreements with other countries. One door has recently opened: May and Japanese Prime Minister Shinzo Abe announced last week that they would sign a copycat version of the trade deal currently being negotiated between Japan and the EU.

Yet, the agreement in Tokyo belies the government's claim that it would negotiate improved trade deals, said opposition Liberal Democrat Leader Sir Vince Cable in a statement, adding that International Trade Secretary Liam Fox "might as well be left in a room with a photocopier."

U.S. President Donald Trump suggested in July that "a very, very big deal, a very powerful deal" could be done "very quickly" between the U.S. and U.K. Yet, this seems farfetched with Trump's administration in favour of fewer trade deals.

The Canadian government has said it's open to a deal. But how high can this be on the U.K.'s priority list when it is trying – with little success – to simultaneously land much bigger fish?

The British used to manage the world's biggest empire, as many nostalgic Brexiteers are keen to point out. Yet, Britain's imperial management often barely concealed the chaos. In the Brexit negotiations, the disorder is there for all to see. It remains to be seen whether the government can summon the result it wants.

▶ **About the Author**

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