

THE BROOKINGS INSTITUTION
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“An Update on Brexit”
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DEWS: Welcome to the Brookings Cafeteria, the podcast about ideas and the experts who have them. I'm Fred Dews.

March 29 2019 marks the day when the United Kingdom officially leaves the European Union following over two years of voting, debates, and turmoil. To explain recent developments, what to expect in the coming months, and what could follow Britain's exit from the EU, I'm joined in the Brookings podcast network studio by Amanda Sloat. She is the Robert Bosch Senior Fellow in the Center on the United States and Europe at Brookings. Her service in government includes deputy assistant secretary of state for southern Europe and Eastern Mediterranean affairs, and senior policy roles in the White House. Also on the show today meet Landry Signé, a David M. Rubenstein Fellow in Global Economy and Development.

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And now on with the interview. Amanda welcome to the Brookings Cafeteria.

SLOAT: Thanks for having me.

DEWS: All right, we're here to talk about Brexit and the news about Brexit is fast moving. There's a lot of issues happening. I want to let listeners know that we're taping this on Tuesday, December 18th after a couple of weeks of very intense activity. So just keeping that in mind can you bring us up to speed on what's happening on Brexit?

SLOAT: Sure. So, if we go way back to when this began there was a referendum in June 2016, the vote on Brexit, and it's useful to remember it was a very narrow result. Fifty one point nine percent to 48.1 percent in favor of leaving. A year later in March 2017 the

UK government triggered what is known as Article 50 of one of the EU treaties which was the formal beginning of divorce negotiations. So that's a two year process that ends, as you, said on March 29th of 2019.

In this past November the UK and the EU finally reached an agreement. There are two parts to this agreement. The first part is the withdrawal agreement, which is essentially the divorce settlement. The second part is a political declaration on the future relationship. So, as you said, we've now seen a lot of turmoil over the last couple of weeks in British politics.

What needs to happen before March 29 is that the British Parliament needs to ratify the agreement and the European Parliament needs to ratify the agreement. Theresa May decided not to bring the vote to her Parliament because it was becoming clear that she did not have a majority in favor of her deal. Following that, opposition figures within her own Conservative Party, many of whom are supportive of a harder Brexit, brought a leadership challenge against her. Theresa May won that leadership challenge but by a much narrower margin than many expected. She has said that she will step down before the next general election is scheduled in 2022 but remains in a weaker position as party leader and many expect that she will likely step down sometime next year after she concludes the Brexit agreement. She has now said that she does not plan to do anything with the Brexit deal until after everybody goes home, rests over Christmas, and then comes back and resumes debate in early January with an attempt to schedule a vote on Brexit sometime the week of January 14th.

DEWS: She is the prime minister so presumably she has a controlling majority in Parliament, I'm not sure if that's true. But why did she think Parliament was going to reject her deal? I know there are some in Parliament who are for it and some who are against Brexit. Is it more complicated than that?

SLOAT: But it is, everything in the UK is complicated at the moment. So, on the first

part of your question, her Conservative Party does not actually have a governing majority in Parliament. If you remember, David Cameron, who is the prime minister that brought the Brexit referendum stood down after he lost the election. Theresa May then became leader of the party and prime minister. She decided to hold snap elections in the hope of getting a greater majority that would empower her in negotiations. Unfortunately for her she had a disastrous result, lost her majority, and is now dependent on 10 MPs from Northern Ireland's Democratic Unionist Party, which is the hard line Unionist Party in Northern Ireland, to give her a majority in Parliament. So, the parliamentary arithmetic is already quite difficult for her, generally.

The Brexit deal: the problem is that there is no majority in Parliament for any form of deal. Many people do not like the deal that she negotiated. Other people don't want the UK to leave the European Union at all. And other people think that they can negotiate a better deal. And so it was proving very difficult for her to get majority support for the deal that she concluded with the European Union in mid-November.

DEWS: I've also heard this term, "no deal Brexit." What is the no deal Brexit side?

SLOAT: So, some people think that "no deal" means no Brexit and that's not actually what it means. No deal means you would essentially crash out of the European Union with no agreement. Some people are talking about a managed no deal. But experts suggest that that's not very likely. So what no deal would mean is that the political declaration, the withdrawal agreement that I mentioned, none of those things would take effect.

So if you look at what's in the withdrawal agreement for example one of the things that it provides is assurances for the rights of UK citizens living in the EU and the rights of EU citizens living in the UK. That would no longer apply. Another component of that deal is wanting the UK to pay its final financial arrangements to the EU in terms of supporting the programs that it signed up for in this term of the EU's government. That would not happen.

DEWS: That's the so-called "divorce settlement"?

SLOAT: Yes, yes.

DEWS: Some billions of dollars?

SLOAT: Yes, so it's essentially, you know, if you and your wife get divorced you've got to pay off the electricity bill before you sell the house. So it's wanting everybody to settle up on their debts before the UK would leave the EU and as part of that divorce settlement there are also plans for a 21 month transition period to enable them to negotiate on what the future arrangement would look like. That transition period would no longer hold either. So what you would see is the imposition of a hard border in Northern Ireland and you would see the UK return to what's known as WTO trading rules. So all of the preferential economic access that they have with the EU, all of the EU international agreements that they are part of, all of that would immediately cease to exist.

And so what you're seeing a lot of conversations about by the UK and the EU right now is planning for this no deal scenario. And some of the worst case scenarios talk about food shortages, implications for medicine, planes that would no longer have the authorization to take off and land from airports, major queues of trucks trying to go through ports to get to Europe. So there could be some fairly significant economic consequences to a no deal.

DEWS: Let's go to Ireland here for a minute. You mentioned the tension in the Northern Ireland Unionist Party who bolster Theresa May's government. You just talked about a hard border with Northern Ireland and I've heard a lot about this issue called the "Irish backstop." What are the issues with Brexit that are focused on this Ireland Northern Ireland question?

SLOAT: So, Northern Ireland was one of the least discussed elements during the Brexit referendum campaign, but as you said it has become the single most complicating issue in these negotiations. Essentially, the UK is currently part of the EU customs union

and the single market. It will leave both of those when it leaves the European Union. And this will change the status of the Irish border, which currently if you drive across it you wouldn't even know that you passed into a foreign country unless you saw signs in Gaelic, and denominations in euros, and things marked in kilometers. That Irish border will become a customs border. And so in order to avoid a hard border and infrastructure on that border to enforce those customs, the EU has insisted on a backstop arrangement. They don't have confidence that the UK is going to be able to come up with nonphysical infrastructure to be able to police that border. Or there's also the possibility that the UK and the EU in the context of negotiating their future arrangement could come up with some sort of economic arrangements that would keep the UK and the EU aligned in regulatory terms. That would eliminate the need for having these checks on the border.

So what this backstop says is that all of the UK will remain in the EU's customs union and that Northern Ireland will continue to follow some of the regulatory provisions of the single market. So essentially trying to keep their economic policies harmonized so that you don't need to do checks on the goods that are crossing over that border.

Now the problem is that the backstop is not time limited and it does not let the UK withdraw unilaterally. And so for people that really want to have economic independence as part of Brexit they're opposed to these restrictions that they see as part of the backstop.

DEWS: I've also seen some stories that suggest that a hard border between the Republic of Ireland and Northern Ireland could be damaging to the Good Friday peace accords that were negotiated between the two in the 1990s.

SLOAT: Absolutely. So this year marks the 20 year anniversary of the signing of the Good Friday Agreement in April of 1998. And as part of that agreement they were able to remove British military, they had paramilitaries disarm. They were also able to eliminate a lot of these border provisions, these checks and controls on the border.

And so not only would the reimplementing of some of these economic checks

create practical and economic difficulties for people especially living on the border that may live on one side—but you get gas, you work, your veterinarian is on the other side of the border. It's also psychologically unimaginable for the people that lived in Northern Ireland through the decades of the Troubles. The idea that you suddenly would have checkpoints and controls again.

And so the very debate over this has been quite destabilizing to politics in Northern Ireland not only because of this idea that you would need to have these checks but it's also made people who for the last 20 years haven't had to focus on whether or not they felt British or Irish because everybody was simply European to start thinking about these questions again.

So actually the assembly in Northern Ireland has not been sitting for nearly two years. It collapsed over things related to domestic politics but because of the way in which Brexit has heightened all of these identity politics and brought these constitutional questions to the fore, it's been impossible to reconstitute the assembly and so therefore Northern Ireland collectively has not had a very strong voice in these discussions.

DEWS: Let's leave Ireland and fly over Britain and land on the continent perhaps in Brussels and think about the European Union's perspective here. Now, Theresa May negotiated the terms of a deal with the European Union but she can't get it passed through Parliament right now. Can she change the deal? If she does change to deal will the Europeans let her change the deal that they've already negotiated and then go back to Parliament with a new deal?

SLOAT: So after Theresa May pulled the vote from her own Parliament she flew around several European capitals. She talked to the Dutch, she talked to the Germans, she talked to the Europeans, and she then participated in an EU summit with all 27 leaders of the EU countries, explained to them that she was having these difficulties in her domestic politics, and asked if there could be changes to the agreement. The EU was very

sympathetic to her position. They were willing to make political statements but they were not prepared to re-open the withdrawal agreement, the divorce settlement. They pointed out that this was the product of 18 months of negotiations. The thing that she was looking for changes on, in particular the backstop, they said they were not prepared to reopen. But they did say that within the context of the political declaration, which is the other part of this, that is not legally binding. That is something that could be tweaked and during this 21 month transition period after the UK leaves the EU there is certainly scope within that framework to try and negotiate what the future relationship between the two sides would look like.

But as for now the EU is holding very firm on not wanting to reopen these negotiations, and I think growing increasingly frustrated with this continued chaos in London and lack of clarity on what specifically Theresa May thinks she needs and whether she got that, if there would be a majority in parliament that would now support a revised deal.

DEWS: Let's go back to the economics issue for a few minutes because you brought up the possibility that there could be food shortages. Others have said they should make preparations for medicine shortages, long lines at ports of entry. Philip Hammond who's Britain's Chancellor of the Exchequer, which is analogous to our U.S. treasury secretary, he said in November that the United Kingdom would be worse off in pure economic terms under all possible exit outcomes, although under Prime Minister May's deal the effects would be mitigated. When one of their top officials said something like that how do they proceed under that basis, believing that Britain is just going to be worse off economically? What do you think about that?

SLOAT: So, there are a lot of divisions within Theresa May's own party within her cabinet, within the country, on whether or not people want to go forward with Brexit. I'm inclined to agree with him. It is hard to see the UK being as well positioned economically

as it is within the very large trading market of the European Union. Now there's a lot of people that supported Brexit that are unhappy with regulations coming from Brussels. They want the ability to control their own economic policy.

There was an immigration element to this debate. It was not the Syrian refugees and others that we saw flooding into continental Europe during the 2015 migration crisis, but rather the fact that part of membership in the EU single market gives free movement to all EU residents.

And so one of the claims you continued to hear was the so-called Polish plumber, people from Central and Eastern Europe that were coming to the UK that were perhaps taking some of these jobs, that were taking advantage of the UK's economic system. Of course leaving aside the opportunity that Brits had to live and work in other parts of Europe as well.

There also seems to be a belief among some Brexiteers that once they are out of the European Union they can negotiate better free trade deals for themselves. Currently the UK is not able to negotiate these free trade agreements. They all have to be done by the EU as part of the EU trading bloc. And so the incentive is to have the opportunity to negotiate these free trade agreements with other countries. Part of the problem with that is the UK currently does not have any trade negotiators because for the last 40 years the EU has been doing all of these negotiations on their behalf. These things tend to take several years to be able to be completed. So certainly in the near term there's going to be some significant economic impacts on the UK after Brexit and even more so if there is no deal. But the belief by Brexiteers is that the UK would be in a stronger position economically as a result of Brexit in the medium term.

DEWS: I think they would argue that they can make a bilateral trade deal with the United States. Is that one of their arguments?

SLOAT: Yes, absolutely. And so Theresa May, Donald Trump have had

conversations about this. Pompeo came out a couple of weeks ago and said if there was a no deal scenario that the U.S. would move quickly to have free trade negotiations with the UK. Part of the problem is I already mentioned in terms of not having the trade negotiators in place.

The bigger challenge is that as Donald Trump has shown he fancies himself to be a tough trade negotiator and likely is prepared to force the UK to accept tougher terms than they currently have through trade arrangements that are in place with the U.S. now. So if you talk to Brits and you talk to them about American chlorinated chicken, about American genetically modified foods, these are things that the UK is opposed to and is not likely going to want to accept as part of a trade deal with the U.S. But it's something that the U.S. is likely to insist on.

The UK also believes that they can negotiate free trade agreements with many of their Commonwealth countries. The challenge with that would be, is many of these countries like India for example may want to have greater access by their workers to the UK market. And so now you're going to be in the same place of potentially having more foreign workers accessing your markets as part of these free trade agreements which was part of the impetus for Brexit in the first place.

DEWS: And isn't the UK's largest trading partner the European Union anyway? Is that a factor that Britain has to consider as it looks at a possible trade deal with the U.S. or with its Commonwealth partners? I mean, it still has to have a trade deal with Germany and France and the Netherlands and so on.

SLOAT: Absolutely. So certainly in terms of things like agriculture the EU is their major trading partner. There's already fairly low tariffs on a lot of the trade that they have with the U.S. And there's supply chain issues. And so all of that is going to need to be resolved. And the reality is that the closer the UK remains aligned with the EU on all of these trading provisions the less flexibility they're going to have to negotiate free trade

agreements with third countries. So in a way they're really going to need to make a decision in terms of whether or not they want to stay aligned with the EU or whether they want to start negotiating these separate agreements.

DEWS: Given all this uncertainty, some turmoil, is the idea of a second referendum on Brexit, a national referendum like they had in the summer of 2016, is that a legitimate possibility?

SLOAT: There's an increasing amount of conversation about that. Tony Blair, the former prime minister, gave a speech recently calling for that. There's an organization called The People's Vote that has been campaigning. We have seen hundreds of thousands of people out on the streets calling for a referendum, signing petitions, calling for a referendum. The challenge right now is that Theresa May, the prime minister, has been very clear that she does not want to have a second referendum. Interestingly, Jeremy Corbyn, who is the leader of the opposition Labour Party, is not keen on having a referendum. I think he's more interested in having a general election and believes that he could negotiate a better deal. He's a lifelong Eurosceptic and has voted against all of the treaties that the UK has ever considered in terms of deepening its relationship with the European Union. But there is increasing call within the country to have this second vote especially because you have such an impasse in Parliament.

Now, there's a number of challenges with that. The first challenge is what question do you ask. Do you ask people yes/no on whether or not they want to stay in the EU when essentially rerun the referendum that was held two years ago? Do you ask people whether they support Theresa May's deal or do they prefer having no deal? Or do you have some complicated multi-question referendum where you ask people yes or no if they want to stay in? If the answer is no then do they want to leave according to Theresa May's deal?

The second problem is timing. Some experts have suggested that it would take 22 weeks to organize a referendum in terms of passing legislation through Parliament, which

then you have to get Parliament to agree on the question, enabling about 10 weeks to have a campaign leading up to the referendum. As we discussed earlier, March 29th is when the UK is supposed to leave the EU. So you would need to get the EU to agree on an extension to that timeframe to allow time for this second referendum.

The other issue with that is there are supposed to be elections to the European Parliament in May. So as of now the UK seats have been reallocated to other countries. It is not expected that the UK would stand in those elections. If you don't have a referendum for 22 weeks, which if that's decided in January, puts you into May. What do you do? Does the UK stand in those elections? If the referendum tells them that they're going to leave what happens to those seats if they decide to stay but then later decide to leave? So all of that gets very complicated in terms of timing.

DEWS: Well, let's assume that Brexit occurs on March 29th, 2019 in some form. What happens on March 30th and beyond?

SLOAT: So, on March 30th people are going to wake up and things are not actually going to look any different than they are now. There are currently plans for a 21 month transition period which would begin on March 30th and would run until the end of 2020. During that timeframe the UK would remain bound by all of the rules as well as the privileges of EU membership. And the idea is during that 21 month transition period business and citizens would be able to start adjusting to the new reality. The UK would no longer have a voice in the decision making processes but people could start to transition and make arrangements for that date 21 months later when the UK was no longer a member.

Also during that time the UK and the EU would be negotiating what their future economic relationship looked like with the hope that at the end of that 21 month transition period you would have the framework in place for the future relationship that would then begin once the UK was completely out.

DEWS: And after that 21 month period the UK is then completely out of the EU?

SLOAT: Correct.

DEWS: What is current U.S. policy toward this whole issue of Brexit? And if you care to comment what should U.S. policy be toward it?

SLOAT: The U.S. has not been particularly involved in Brexit negotiations. You may recall that President Obama went to the UK several weeks before the Brexit referendum took place, made a very strong pitch for a strong UK in a strong EU. The UK obviously then voted to leave. President Trump has taken a different approach to his predecessor. He has called Brexit a great thing. He has called the EU an economic foe. And so I think in general he has sided with the UK's decision to exercise sovereignty to leave the European Union and has focused on this potential free trade agreement with the UK. The US has not been particularly involved in this process. I think they view it primarily as a domestic matter for the UK to negotiate with the EU.

They have issued *demarches* to select countries at certain moments making the case for an organized departure because they recognize that a no deal scenario could have very damaging geo-economic consequences that would affect the U.S. and others, but have not been particularly involved.

I think they believe it is in their interest for the UK to differ more significantly from the EU in regulatory terms because that would make it easier for them to have a closer free trade agreement with the UK.

The one thing that's been somewhat surprising is that the U.S. has not been more involved in these discussions with Northern Ireland. We've had a decades long interest in the peace process there. The Good Friday Agreement as you mentioned was shepherded by Senate Majority Leader George Mitchell. And so if anything it seems that we would have wanted to have had a stronger voice in terms of calling for the protection of the border, the protection of the peace process. But in general we've been fairly hands off

aside from this trade issue.

DEWS: So let's close out with this question, and I admit it's a little bit of navel gazing here. But what's at stake for Americans in Brexit? Why should Americans care about this issue?

SLOAT: The biggest issue is that our closest ally itself is navel gazing. So if you look at all the foreign policy challenges the U.S. is currently dealing with in terms of Russia, China, Iran, these are things that we would want to be partnering on with the Europeans, and the UK is completely immersed in these Brexit negotiations and likely is going to be for the foreseeable future. And so that means there is very little bandwidth in London for them to be able to focus on much else beyond Brexit.

If there is a no deal scenario there are going to be economic consequences. We already saw a hit on the U.S. stock market when Theresa May pulled the Brexit deal. There could be implications for American businesses that are invested both in the stock market as well as in the UK. The fact that we are three months away from the date when the UK is leaving and there still is no clarity on the way in which they're leaving makes it very difficult for businesses to know how to prepare. And so we're seeing companies that are hedging. And if there is a negative scenario that is damaging to the Northern Ireland peace process that is also something that is not in American interests.

DEWS: Well, Amanda, I want to thank you for sharing your time and expertise to help us understand this really complicated issue. Thank you.

SLOAT: Thank you.

DEWS: You can learn more about Amanda Sloat, about Brexit on our web site, brookings.edu.

And now in our Coffee Break meet David M. Rubenstein Fellow Landry Signé.

SIGNÉ: Hello. I am Landry Signé, David Rubinstein Fellow at the Global Economy and Development program and Africa Growth Initiative at the Brookings Institution.

I was born in Cameroon and raised in Cameroon, France, Canada, before coming to the United States and spent some time in the United Kingdom as well.

Inspired by my parent's tremendous work ethic and resilience, I was fortunate to have understood the power of education quite young. And starting from scratch, I worked hard to obtain [my] education on three continents—in Africa, Europe, North America, in institutions such as the University of Lyon, Montreal, McGill, Stanford, Oxford, and Harvard. And I was the first in my family to attend university and earn a doctorate.

When growing up in Cameroon I witnessed and was surrounded by many problems that either were effects or exacerbated by poor economic performance and bad governance—including famine, hunger, political oppression, endemic or epidemic diseases, corruptions, floods, and natural disasters. So, as a child, I grew up thinking about how to generate economic opportunities and inclusive growth, or world peace and extreme poverty among other things. As Nelson Mandela said, "Education is the most powerful weapon which you can use to change the world."

So I decided to devote my life to improving the state of Africa and of the world in general through education, scholarship, or as a public intellectual. So my mission since then has been to help explain with cutting edge independent research, and to contribute to the elimination—with innovative solutions and policy options—of underdevelopment and bad governance in Africa and in the emerging world.

So hopefully also overcoming barriers to growth, wealth creation, and inclusive development, and shared prosperity.

So I was also inspired by many scholars, given my experiences at Stanford University and the University of Oxford, with scholars such as Larry Diamond, Francis Fukuyama, Paul Collier, as well as the support of mentors such as Nicolas van de Walle and Muna B. Ndulo from Cornell University, or Mamadou Gazibo from the University of Montreal, who have made a difference in my trajectory.

So, the _____ of economic freedom, multilateralism of democratic values are critical, as well as cyber threats, poverty, inequality, insecurity. So those are some of the most critical issues that we are facing today, especially in the context of the fourth industrial revolution, when humanity can do more for human beings. I think those are some of the most important issues we are facing.

My broader research agenda focuses on the political economy of global development, Africa governance and business. In fact, I try to understand why African or emerging countries succeed or fail and how to fix them. So I explore contrasted outcomes in terms of economic growth, development, regional integration, governance, state fragility, security, democracy, public service delivery, business, or the fourth industrial revolution.

So, I also analyze the economic relations between Africa and the rest of the world—not just economic, but the broader relations between Africa and the rest of the world—including the competition between great powers and emerging countries in their quest for geopolitical influence, energy, arable land, food, and business opportunity in the newly rising Africa.

So, since my arrival at Brookings I have launched a couple of books and I'm finalizing a couple of additional books. The first one was launched in September 2017, is *Innovating Development Strategies in Africa: The Role of International, Regional, and National Actors* published by Cambridge University Press. And the new one, which was just released last month, is *African Development, African Transformation: How Institutions Shape Development Strategy*, also published by Cambridge University Press, where I'm studying how institutions—including continental institutions—evolve and shape development outcomes, including the newly created African continental free trade area.

The third book, which will be published in 2019 by the Brookings Institution Press, is on unlocking Africa's untapped business potential. And we'll decide about the final title of the book later, but covering in eight sectors the trends by 2030, as well as the opportunity

challenges and strategies, as I deeply believe that private sector development is one of the keys to unlocking Africa's economic potential.

I have another book manuscript that I'm finalizing on the origins, trajectories, and performance of governance systems and state capacity in Africa.

Those are in terms of books. I'm also finalizing a few reports. One is on "Africa's roar" in the fourth industrial revolution. Another is on fixing fragility and the security development ___ nexus so that no one is left behind, and [the] lead chapter for the upcoming "Foresight Africa 2019" will be with Ashely Kay on the world's next big growth markets, spotlighting the opportunity for business in Africa. So those are part of my most recent publications, ongoing work.

The Origins of Political Order by Francis Fukuyama. It is simply the most enlightening book presenting the evolution of human societies and organizations across mediums. Providing unique insights on the successes and failures of nation building, quality institutions, and stayed the rule of law accountable government and also explaining the variations of outcomes between countries which are more prosperous, peaceful, and democratic compared to others.

DEWS: "The Brookings Cafeteria" podcast is the product of an amazing team of colleagues, including audio engineer and producer Gaston Reboredo, with assistance from Mark Hoelscher. The producers are Brennan Hoban and Chris McKenna. Bill Finan, Director of the Brookings Institution Press, does the book interviews, and Jessica Pavone and Eric Abalahin provide design and web support. Finally, my thanks to Camilla Ramirez and Emily Horne for their guidance and support.

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Until next time, I'm Fred Dews.