

The Call of the Open Seas

“Be aware, General, that every time we have to choose between Europe and the open seas, we shall choose the open seas” – Winston Churchill to Charles De Gaulle, June 1944.

I must go down to the sea again... – Masefield

The results of the general election, undermining the political status of UK representatives, make it very likely that Brexit negotiations will begin with three straight capitulations by Britain. This is because David Davis will not dare to report to the new House of Commons that talks have broken down before they have properly started and that Britain now faces a complete disruption of its economic relations with its most important trading partner. Davis seems already to have accepted the EU’s timetable and order of priorities for the talks, although they hardly suit the British government. The first three issues will be the future rights and status of EU citizens resident in the UK and of UK citizens in the 27 remaining member states; the financial settlement of Britain’s obligations to the EU and the border between EU member Ireland and Northern Ireland.

The May administration nurtured some hope of using the first issue as a bargaining chip – this was always a squalid tactic with no hope of success and both the new political situation and pressure from British expats in the EU who were held hostage by it have virtually killed the question. Note that the EU position paper would give the European Court of Justice jurisdiction in enforcing the rights established for EU citizens in Britain. If this is accepted Theresa May will have the humiliation of continuing subordination to the hated ECJ. Note also that rights for residents will be established at the date of departure – March 2019. Any EU citizen who wants resident rights in the UK will have two years to come and claim them – hardly a triumph for those most concerned with reducing immigration.

The financial settlement looks likely to be another sad affair for British negotiators – various estimates of the final bill (to be paid in euro) have emerged. Comment is bound to contrast the transfer of tens of billions to Brussels with the extravagant promises by the Leave campaign of a budgetary bonanza on British departure.

The problem of the Irish border seems intractable. If the outcome of the negotiations involves either tariff or non-tariff barriers between the UK and the EU then there are likely to be incentives to circumvent those barriers by moving goods between the Republic of Ireland and Northern Ireland. Yet if that border is policed for contraband – effectively or not – the Peace Process could be seriously damaged. This consideration alone should have ruled out the Brexit decision. However, Davis has already agreed that the Irish border question should be resolved **prior** to negotiations on trading relations after Britain leaves. EU negotiating directives state: “Nothing in the Agreement should undermine the objectives and commitments set out in the Good Friday Agreement in all its parts and its related implementing agreements; the unique circumstances and challenges on the island of Ireland will require flexible and imaginative solutions.” Will there be sufficient flexibility and imagination without a significant impact on the subsequent economic negotiations? DUP MPs will no doubt be taking a keen interest.

When these three issues are settled, there will still be much business to attend to before the key question of future economic relations is addressed. EU negotiators will not even talk about future trade until they judge that “sufficient progress” has been made with the mechanics of the separation. Disentangling Britain from EU structures is going to be messy.

For instance, the Commission's position paper on the financial settlement lists some 34 "decentralised agencies" where some provision for arrangements following withdrawal will have to be made – running from the European Maritime Safety Agency through the European Monitoring Centre for Drugs and Drug Addiction and the European Police Office (EUROPOL) to the Office for the Body of European Regulators for Electronic Communication and the European Union Intellectual Property Office. To leave the EU is not to denounce a single treaty – it's more like denouncing several hundred and only when "sufficient progress" has been made with that extrication will future trading relations be put on the agenda.

Brexiters are of two basic kinds and have two main demands. The mass vote for exit expressed many resentments but centred on the issue of immigration. It seems that a demand for sovereign British control of entry would rule out membership of the Single Market and thus compromise the sales of Britain's service sector, including the financial sector, to the EU. One ominous aspect of the EU negotiating position is that it rules out specific agreements for particular economic sectors so that an access agreement for the provision of financial services would seem to be ruled out. Since the election one can observe an increasing assertion of the importance of the Single Market with a less emphasised downplaying of immigration controls. Since the British economy simply won't work without extensive use of migrant labour the UKIP-mobilised masses are bound to be betrayed – the only question is whether the betrayal takes the form of EU-imposed immigration flows or approximately the same flows as permitted by a "sovereign" UK government. For the sake of economic stability we must hope for the former.

The other main force behind Brexit is completely different. There are hardliners whose main concern is to take Britain out of the EU so that it would be free to conclude trade agreements with other countries around the world. For them the bottom line is departure not from the single market but rather from the Customs Union because it is the latter which imposes a common trading policy with third parties.

The romance of *laissez-faire* inspires this group – leading conservatives, strongly committed to neo-liberal policies, whose resentment of the EU has little or nothing to do with migration but rather with the constraints that EU membership puts on their globalisation strategies. Influential members of this group include John Redwood, Iain Duncan Smith, both former cabinet ministers, and David Davis, currently in charge of Brexit preparations within the UK government. The issue of sovereignty is critically important to them and they see the very limited regulatory structures of the EU – in labour markets, consumer protection, the environment and finance – as seriously impairing Britain's freedom of manoeuvre. It must have been something like this agenda which inspired Theresa May's threat to "change our economic model" in the event of a breakdown in negotiations.

Nigel Lawson, Chancellor of the Exchequer under Margaret Thatcher, when he made drastic cuts in the higher bands of income tax, spoke for the group when he said that Brexit makes it possible to complete the Thatcher revolution. The motto of this group is not "restrict EU immigration" but rather "leave the EU – join the world."

The eminent economic historian, Alan Milward, died before he could complete his history of Britain's relations with Europe since World War II, but the first volume, covering the story up to 1962 when PM Macmillan's *volte-face* led to the UK's first application for membership

of the common market, examines in detail a previous globalisation strategy which in fact guided British policy through the 1950s.¹

The “One World Strategy” aimed at three simultaneous moves towards a comprehensive liberalisation of global trade: Britain would dismantle the system of imperial preference which gave it privileged access to markets in its colonies, ex-colonies and dominions; the European Economic Community would remove its external tariff and other protective barriers; the United States would do the same for itself and the dollar-using zone. Some forty years before the notion of globalisation became common currency, British civil servants and trade experts had anticipated the emergence of a global economy.

Milward insists that, at the time, the strategy was not nostalgic but practical. Britain had “many great but short-term advantages” including its Commonwealth markets, its military strength and its value to the US as an ally, the role of London as an international financial sector, the UK’s continuing control over much of Africa, Asia and the Caribbean. It was recognised that many of these were wasting assets but a serious attempt was being made to trade them in for the highest obtainable price.

The strategy failed because Britain – even though it was in the 1950s infinitely more influential than today – lacked the power to put it into effect. Trade between Britain and the Commonwealth stagnated while the internal trade of the EEC boomed, making Britain’s exclusion ever more costly. The sterling zone was being eroded by the exchange controls needed to fend off repeated crises. Even though Britain retained a strong voice in Europe – at that time, unlike today, the Scandinavians were not prepared to participate in a European Community without Britain – France and Germany were becoming dominant. Macmillan’s decision to throw in the towel may be regretted on many grounds – it was hardly an irrational move.

What can one make of the present-day ambition to restore Britain’s individual role in world trade? Apparently sceptical civil servants characterise it as “Empire.2.” Milward gives the following list of the UK’s major markets at the end of the 1950s. In descending order: USA; Australia; Canada; Germany; India; South Africa; Sweden; Netherlands; Ireland; New Zealand; Belgium-Luxembourg; France. The corresponding list today runs: USA; Germany; France; Netherlands; Ireland; Belgium; Italy; Spain, China, Sweden, India, Switzerland. Canada, Australia, South Africa, New Zealand no longer appear. There are now eight EU member states on the list rather than three, Sweden and Ireland having followed us in but absolutely refusing to follow us out. To find comparable trading opportunities in the wider global economy to those now being impaired by Brexit is manifestly impossible.

One outcome of the surprising result of the general election is that there now seems to be a strong move to retain membership of at least the EU Customs Union. It is to be hoped for everyone’s sake that this happens and that the dream of the open seas remains just that.

¹ Alan S. Milward, *The United Kingdom and the European Community, Volume I: The Rise and Fall of a National Strategy 1945-1963*, Routledge, London, 2005.