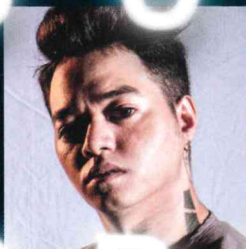


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BREXIT Done: Time For a UK Trade Reset

On December 31, 2020, after numerous stalls in discussions and negotiation deadline postponements, the United Kingdom exited its transition arrangements with the European Union - BREXIT was officially completed. Few will remember when the UK originally joined the Common Market, and fewer still may be aware that it was British World War II Prime Minister, Sir Winston Churchill, who in 1946, conceived of the idea of an 'United States of Europe', as a measure to prevent future wars on the continent. Fifteen years later, the Treaty of Rome (1958) led to the foundation of the European Economic Community, bringing down tariffs between its six founder member states in Western Europe. The six did not include the United Kingdom, and it was not until after ten years of negotiation that the UK joined the EEC (or the Common Market as it was known colloquially) in 1973.

The UK was often regarded as the delinquent member even before supporting the ratification of the European Union in Maastricht in 1992. In her 1988 Bruges speech, the iconic Margaret Thatcher is accredited with having sown the seeds of Euroscepticism. The UK joined the Exchange Rate Mechanism (ERM) in October 1990 under Chancellor John Major but performed a U-turn two years later on Black Wednesday when the value of the pound could not be supported with the ERM trading bands by the Bank of England. Britain opted out of the Economic and Monetary Union (EMU) and did not adopt the single currency Euro when it was launched in 1999. Arguably and put simply, the British people have always been comfortable with a strong and thriving trading relationship with the EU but have shown evermore less comfort since the Maastricht Treaty, which created the three-pillared structure which included intergovernmental decision-making in foreign and security policy and justice and home affairs matters - i.e., a European political union.

It was the reluctance to participate in a political union that became the driving force behind Nigel Farage's relentless campaign to get Britain out of the EU. His campaign preyed on fears around diminishing control over matters of sovereignty such as law and order, border controls, and immigration. What started as a somewhat extremist and right-wing campaign began getting real public support,



sufficient support to corner Conservative Party PM David Cameron into including an election promise to debate EU membership.

Buoyed by the placebo effect of a less than emphatic Scottish Independence referendum victory, Cameron submitted to the pressure to fulfill one interpretation of an election pledge, namely a referendum on the UK's future relationship with the European Union. Given that

this was about the cessation of a trading and political relationship approaching fifty years, commentators and the public alike were bemused by the overly simplistic binary nature of the single question put to the nation - IN or OUT? It was clear by the way Cameron and Osborne approached the campaign that they were in no doubt about the mood of the British public. Arrogance? Complacency? Poor counsel? All of the above maybe. It was the big-

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gest mistake of his political career, but he made no mistake with a lightning resignation, correctly concluding that delivering the BREXIT referendum mandate would be very, very messy. Theresa May subsequently found that out. There can be no doubt that the BREXIT Boris and Co delivered was a significantly diluted form compared to the rhetoric of the pre-BREXIT referendum platforms.

The "deal" has its critics. Depending on which side of the fence you sit, there are either too many compromises or not enough. But how does the deal and the present climate support the UK's need to establish Free Trade Agreements with the seventy countries with whom it has enjoyed positive trading status because of the forty deals struck by the EU?

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The UK has already announced a provisional trade deal with Japan. It will be keen to leverage off historical friendships to quickly do deals with Commonwealth countries. But where will the UK sit in the pecking order for deals with nations such as the US? The EU does not have a trade deal with the US. Previously Trump was clear that he would probably prioritize a deal with the UK ahead of with the EU, but Trump is gone, and the EU will be aggressively lobbying Biden to get a deal to prove its significance to its remaining 27 member countries while the UK is looking to protect and build on its 2019 record \$140 billion trade with the US. The US elections have got in the way of progress, but a 'mini-deal' seems a likely shorter-term outcome. Critically, the UK also needs to protect its massive \$560 billion trade with the EU. With temperatures having risen steeply in the lead up to December 31, surely this will require a major reset of the relationship.

In my interview on January 25, Shadow Trade Secretary Bill Esterson said that his opposition Labour Party had to endorse the BREXIT deal because "NO-deal would have catastrophic consequences for the UK. However, the deal negotiated left massive gaps. These must be plugged and quickly because they are causing immediate and long-term problems. Geographical and historical ties with the continent of Europe mean that it is in all our interests to forge a new path of mutual respect and cooperation to tackle some of the world's most pressing challenges, as well as to fix the problems of cross-border cooperation on trade, security and much more. We can only be a partner in solutions to the likes of the COVID-19 pandemic or the climate emergency if we work together with the EU towards one shared purpose."

So, what of the possibilities for building a stronger trade relationship with Indonesia? Subsequent to the British referendum decision to BREXIT, I spoke to our invested and domiciled British members. There did not seem to be too much concern for the trading relationship with Indonesia as they had been doing and growing business without any trade deal. It was definitely a case of not needing to have, but perhaps a nice to have and particularly if terms could include, for example,

more reciprocity of standards and simpler customs processes and compliance. Although Indonesia is perhaps not a priority nation for a trade deal, the UK and Indonesia are in discussions nevertheless. It is most likely that the talks will, in time, lead to a mini-deal with emphasis on breaking down some of the complexities of doing business and across a limited number of sectors that represent the best-enhanced opportunities for both. Certainly, BritCham will be actively supporting our government trade teams to this end.

These mini-deals will be the way the United Kingdom will independently flourish and prosper post-EU membership, building on existing trade relationships. With the right level of investment in market access support resources, the UK can create new trade relationships and can draw on all its historical pioneering experience - all just as was written on the BREXIT campaign can! 🇬🇧