

Genuine fears and false alarms in Britain – Japan Times 25.11.09

LONDON – Throughout the whole Brexit drama major Japanese investors in British industry have been rightly concerned about a sharp break between the United Kingdom and the rest of the European Union. Other major investors in the U.K., which hitherto has been by far the largest European recipient of foreign direct investment, have felt the same way.

And entirely understandably so. After all, many chose the U.K. not just because it seemed a fair, stable and pleasant place to be, with a good labor force, but because it was an open part of the large neighboring European market. And “no deal” departure would be bound to raise border controls, impose delays and interrupt complex supply chains.

Can their fears now be put at rest? Not, alas at this very moment, but if, repeat if, a Conservative government is returned in the general election on Dec. 12, and if, repeat if, the new Parliament is no longer paralyzed and has a clear government majority, then an orderly deal is there on the table and ready to be approved and passed by the due date of Jan. 31.

The chances of this happening are quite good. The opinion polls show the Conservative party well ahead with a huge lead in personal popularity ratings between the Conservative leader, Prime Minister Boris Johnson, and the strongly left-wing Labour leader, Jeremy Corbyn.

Unfortunately, opinion polls are not reliable and now have even greater difficulty in grappling with the Brexit issue, and the deep feelings behind it, which cannot be analyzed on traditional political party lines. There will be cross-voting all round, leading to bewildering shifts in opinion and bewilderingly unpredictable results.

But suppose amid all the uncertainty Johnson wins with a majority overall of 20 to 30 (my personal prediction), can we all sit back and relax?

Everyone agrees that after EU withdrawal there will be long and complex trade negotiations to be sorted out, including a new deal with the other EU countries to keep all trade flowing just as at present — in other words with virtually no tariffs, no delays and no friction.

But now there are new voices claiming that this, too, could lead to another “no deal” crunch in say a year’s time as this kind of negotiation runs into difficulties and could anyway take years to complete. After all, they point out, Canada’s “free” trade deal with the EU took seven years to be concluded, and the Japan-EU deal almost as long.

But this kind of view, while widespread in media circles, is based on a complete misapprehension.

First, the dragged-out delays to an orderly U.K. withdrawal so far have arisen not from intransigence inside the EU but from the utter confusion inside the now dissolved British Parliament.

The EU Commission in Brussels has been ready, maybe with some reluctance, to reopen negotiations and to compromise again and again. It has been at Westminster where the process broke down, with the carefully agreed compromise deals secured by the previous prime minister, Theresa May, being rejected again and again.

So-called experts predicted confidently that Johnson would never get a new deal in Brussels and never solve the conundrum of keeping an open border between the two parts of Ireland, one in the EU and the other outside it. The “experts” were all wrong.

A new Brexit deal with the EU was once again painstakingly agreed, but even this one immediately ran into threatened delays and objections at Westminster. Hence the last choice left open to Johnson: to call an election and seek a new mandate.

Second, any future trade deal between the U.K. and continental Europe starts from a point of total alignment between the two sides, not from a search to reconcile two substantially different trade systems. There is no reason why negotiations to keep most things the same, and carrying on as before, but with some important new freedoms for the U.K. to conduct its own trade policies in the future, should take very long at all. Getting agreement with Brussels has all along proved far easier than getting agreement at Westminster between the warring and tribal political factions.

The great hope of the moment must therefore be that a majority pro-deal U.K. government emerges on Dec. 12. An orderly Brexit withdrawal will then take place, followed by orderly, and close, arrangements with European neighbors, as well, in a longer time-scale, with the great new markets and trade networks of Asia, Africa and Latin America — and maybe the U.S. ,too, although the Americans are difficult and sadly less reliable these days.

After that, all the talk about another possible no deal still being possible will be completely redundant. The poison of a U.K. parliamentary roadblock will have been removed. A deal there will needed, but it will be with the trade negotiators in Brussels, who have shown again and again that they are adaptable and that deals can always, in the end, be reached.

The chances of all this unfolding satisfactorily are good but not yet certain. Stand by for plenty of new scare stories that an election campaign always produces.

But the scare of another no-deal cliff-edge in a year or so’s time, even if Johnson wins with a good majority, and even if orderly withdrawal then takes place on Jan. 31, can be dismissed. It will not happen.

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