

## Post-Brexit UK will find no sympathy

May deal opens door to difficult talks with EU states and WTO members

by Joergen Oerstroem Moeller in Singapore

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Regardless of whether it endures in its current form or is amended in the coming weeks, UK Prime Minister Theresa May's Brexit deal with the European Union opens the door to a pair of crucial further negotiations.

The first involves expanding on the 26-page political declaration on future UK-EU trade relations. The parties disagree on a considerable number of issues. Fishing is one especially contentious subject. Britain is looking to reserve its fishing waters for its industry, while the EU wants to maintain access, as was the case before Brexit. Divisions over fishing were behind two Norwegian referendums in 1972 and 1994 rejecting EU membership and the reason Greenland left in 1985.

Moreover, unlike the withdrawal agreement, which can pass by qualified majority, any future UK trade agreement with the EU requires unanimity among its members. This is because such an agreement would contain 'mixed competences', where some powers are exercised by the EU and others by the individual countries. Mapping out and ratifying such an agreement in member states (not all of whom will treat this as an urgent matter) can take a great deal of time. One should not forget, too, that in 2016 the EU's free trade agreement with Canada was held up by the regional parliament of Wallonia, Belgium's French-speaking province, which has a population of fewer than 4m people. Talks on the EU-Canada deal had begun in 2009. After Brexit, one can assume ratification of a UK-EU trade agreement will be far from imminent.

Additionally, in the UK, there is issue of domestic talks. Scotland will watch carefully to ensure that the devolution of powers from Westminster to Edinburgh will be untouched. Any special concession to Northern Ireland to solve the Irish border problem will be scrutinised by Scotland and Wales and could trigger demands for similar rules. At one extreme, as Nicola Sturgeon, the first minister of Scotland and leader of the Scottish National Party, has said, 'Brexit strengthens the argument for Scotland to be independent.' For businesses, the UK government has promised car manufacturers special treatment to guarantee Brexit does not undermine their competitive position. But the EU has made it clear that conditions must remain equal, and we can expect Brussels to follow vigilantly attempts to subsidise manufacturers or deviate from EU rules.

The second critical negotiation concerns the splitting between Britain and a post-Brexit EU of quotas incorporated in existing international trade agreements. These talks will happen in the World Trade Organisation, and many WTO members will not ignore the opportunity to seek an improved deal with the UK for themselves. There is little altruism in trade negotiations, and there will be no sympathy for Britain.

In October, WTO members rejected a bid by the UK to join the General Procurement Agreement. Membership of the GPA (which the UK currently enjoys as part of the EU) opens access to a \$1.7tn public procurement market. This may yet be resolved, though it illustrates how trying it will be for the UK to find success through the WTO and to negotiate bilateral trade agreements.

The trade deals the EU agreed with other countries while Britain has been a member benefited from major global tailwinds. But the trade and economic climate today is less benign. Britain will feel these headwinds when it approaches countries to negotiate new deals. States will all welcome the prospect of free trade agreements with the UK – but they will look to serve the betterment of their interests, not Britain's.

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