

Brexit Stumbles On

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As the mid-December EU summit looms, the UK government has apparently agreed to increase its financial offer with the aim of unlocking trade and transition talks. Theresa May can barely hold her divided and fractious cabinet together, let alone her backbench MPs, and indicators of growing economic damage are mounting. But while the Labour opposition continues to support it, Brexit stumbles on.

Where may this chaotic process (on the British side) go next? And might the government fall, leading to early elections in 2018? Or will the UK and EU27 somehow get to an exit deal and outline a trade framework by the end of next year?

Moving to Trade and Transition Talks

With the UK ready to increase its financial offer, there are now better prospects of the December European Council opening up trade and transition talks. But there are red lines on both sides.

The UK government won't make its financial offer without assurances that there will be a move on trade. Michel Barnier, as European chief negotiator, wants to make sure that the UK does not keep the financial issue hanging over the talks on a trade framework – the three priority exit issues not only need to see 'sufficient progress' but need almost a Chinese wall between agreements on those and subsequent talks.

Ireland has also toughened its position on letting trade talks start. The Irish government wants Northern Ireland to stay in the customs union and the single market which is unacceptable to the UK government – and to its vital partner, propping up its minority government, the Democratic Unionist Party. How or whether this can be resolved sufficiently to move talks on in December is an open question.

The Irish government clearly thinks the UK's commitment to frictionless borders between Ireland and Northern Ireland is not being taken seriously by the UK government. And much though the UK government doesn't want a border along the Irish Sea, there are in fact many areas where Northern Ireland already has special arrangements vis-à-vis the UK (such as transport of live animals between the UK and Northern Ireland).

If talks do move on in December or next year, they are likely to be difficult. The EU27 foresee a short transition based on extending the current acquis, but with the UK no longer having a say in EU decision-making structures. How this may happen exactly, for both the single market and the customs union, is another open question. While Theresa May seems to accept that a kind of a transition period is needed for about two years – and the Brexiteers in her cabinet may just go along with it too – the Labour opposition and many business leaders want a longer transition. Ireland has argued too for a longer transition but, not only has the European Parliament said it shouldn't be longer than three years, the view in Brussels also is now that a longer transition may not be possible on the legal base of Article 50.

If transition talks may be tricky, trade will be much more so. The full UK cabinet apparently only discussed its desired long-term relationship with the EU27 in the last week. This is quite extraordinary given the stage Brexit talks are at but reflects May's weakness and Tories' infighting. There are well known divisions between Chancellor

Philip Hammond who would like some sort of European Economic Area-minus deal (not currently on offer from the EU) while Boris Johnson, Michael Gove and others would either want a non-constraining free trade deal or even to trade on WTO terms.

It is clear that the EU27 are open to offering something similar to a Canada-style trade deal. As Michel Barnier emphasised again this week, that will only be possible if there is not too much regulatory divergence – the desires of some Brexiteers to ditch environmental, health and safety as well as other regulations has not gone unnoticed. Any Canada-style deal will be almost as damaging to UK-EU services trade as a WTO outcome. This fact is only just beginning to penetrate the fractious, clouded, often irrational UK debate.

Deal, No Deal?

If there is a deal by next autumn, will there be any opposition to it in the UK? Currently, the EU Withdrawal Bill – to take EU legislation into UK law on exit day – is going through Westminster. Despite hundreds of amendments, Labour will not oppose the bill overall – Labour MPs abstained on its first clause, which repeals the 1972 European Communities Act, and voted with the government to oppose an amendment by Scottish Labour MP Ian Murray to keep open a single market/customs union option.

The Scottish parliament has to give legislative consent to the bill too – but Nicola Sturgeon is negotiating a compromise in the face of what she called a ‘power grab’ by the UK government on devolved powers. So it’s possible Edinburgh will give consent next year.

If the UK government gets to a deal with the EU27, Westminster will then vote on it (along with the European Parliament and the EU27). If there is a deal on the three exit issues, a transition period and an outline framework of something akin to a Canada-style trade deal, will Labour vote against? On current evidence, this is unlikely – Labour’s policy to go for a ‘jobs first’ Brexit is little cover for the fact that they, like the Tories, currently want a free trade deal rather than an EEA deal. But, equally, if Jeremy Corbyn sees rejecting the deal as a way to trigger a general election Labour could oppose – and with some rebel Tory MPs – it’s conceivable the deal could be turned down.

A general election might also be triggered earlier if the UK government loses crucial votes at Westminster or if they walk away from Brexit talks towards a ‘no deal’ outcome – which would set off a major political and economic crisis. On current trends, Labour would go into such an election still supporting Brexit, like the Tories – so the result would hang crucially on whether the Liberal Democrats and Scottish National Party increase support and hold the balance of power, as the two main pro-EU parties. How they could and would use any such resulting leverage – for a second EU referendum, for a second independence referendum in Scotland or in other ways – is another of the many open question.

Time is moving swiftly on. UK politics is in a state of denial and confusion. But the Brexiteers are still pushing the UK towards the exit while UK politics allow it. Dominic Grieve, former Tory Attorney General, recently called some of his Tory colleagues ‘unhinged’. But in the absence of real opposition, the Tories – unhinged and not – will continue to stumble forward along the Brexit path.