

Brexit may make EU trade policy more progressive



The conventional wisdom amongst many commentators has been that Brexit will render EU trade policy more protectionist, as the Union will be losing one of its more liberal member states. [Ferdinand De Ville](#) and [Gabriel Siles-Brügge](#) argue that this is not necessarily the case. Instead, they highlight how the EU could render its trade policies more progressive by insisting on more stringent ‘level playing field’ provisions with other trade partners, as they are doing now with the UK.

The Conservative majority following the December 2019 UK general election means that negotiations between the UK and EU will from February move from the ‘divorce’ talks to discussing the future economic partnership. The content of this new economic partnership will be of vital importance not just for EU-UK relations, but also for the UK’s and the EU’s own future policies.

In a [special issue](#) of the journal *Politics and Governance*, a group of scholars have assessed how Brexit – including different possible outcomes for the future economic partnership – might affect EU policies across a range of policies. In this blog post, we build on our [own contribution](#) concerning EU trade policy in the light of the new UK government and European Commission, which also assumed office in December of last year.

The common-sense position amongst many observers has been that that Brexit is likely to make EU trade policy [more protectionist](#), as one of the most commercially liberal member states will leave the EU. We contend that this prediction needs to be qualified for at least three reasons.

While Brexit will lead to the removal of UK representatives from the EU institutions, it does not necessarily mean that the interests currently represented by the UK will disappear. Economic operators might decide to relocate their activities to the EU. The extent to which this will happen depends not just on the future economic partnership, but also on the degree of ongoing uncertainty.

Failure to agree on a future economic partnership without an extension to the transition period is likely to be a highly unstable outcome politically given its significant (negative) impacts. Where a cliff edge is avoided despite the UK government sticking to its insistence that it will not seek an extension to the transition period, the Commission’s position is that negotiators [‘will have to prioritise’](#). Issues, where the EU cannot take unilateral mitigating action, would likely be resolved later. And if the transition period is extended that would also prolong the uncertainty.

The important point is that one cannot simply ‘subtract’ current UK interests from the EU’s future preference constellation as much depends on how businesses react. Both a looser economic partnership and more uncertainty might mean that more UK-based interests dependent on frictionless trade and cross-border service delivery might relocate to the Union. Counterintuitively, a hard Brexit, following a drawn-out negotiation, might actually lead to fewer changes in the EU’s interest constellation than closer economic alignment following a smoother set of talks.



Phil Hogan, European Commissioner for Trade, Credit: [CC BY 4.0: © European Union 2019 – Source: EP](#)

Secondly, other public or private actors in the EU that align with the UK on trade policy might adjust their strategies to secure their interests post-Brexit. This has already happened with the creation of the [Hanseatic League](#), a coalition of small, northern European member states supportive of free trade and budgetary restraint.

Finally, the future course of EU trade policy also depends on [how Brexit is framed](#). If the referendum result is interpreted as a call for protection by the losers of globalisation, a less liberal response is likely. But if Brexit is framed as a retrograde, protectionist move, then it could serve to legitimate (more) open, and potentially deregulatory, trade policies.

In the three and a half years since the referendum, the EU has generally reinforced its liberal trade policy orientation. Brexit and the election of Donald Trump as US President were seized on by the European Commission to present the Union as the [‘leader in trade’ that the world needs](#). In this period, under the leadership of Commission President Jean-Claude Juncker and Trade Commissioner Cecilia Malmström, a plethora of ongoing trade negotiations have been concluded with the likes of Canada, Japan and Mercosur (the regional economic bloc incorporating Brazil, Argentina, Uruguay and Paraguay). New talks were also launched with Australia and New Zealand, amongst others. However, as the Brexit process moves to its next stage, and with a new European Commission in office under the leadership of Ursula von der Leyen, there exists an opportunity to *reframe* the EU’s trade policies.

The day after the UK general election, von der Leyen stated that the EU’s goal in the upcoming negotiations was to achieve [‘zero tariffs, zero quotas, zero dumping’](#). This new slogan underlines the importance accorded by the EU to preserve a ‘level playing field’ between the EU and the UK. The aim is to avoid UK-based firms undercutting EU firms as a result of less stringent competition and state aid rules, lower taxes and laxer social and environmental protection.

Such provisions – [providing for, amongst other things, non-regression on labour standards and environmental rules, dynamic alignment on state aid rules and the transposition of EU tax directives](#) – were already included in the initial draft of the Withdrawal Agreement which featured a ‘backstop’ customs union between the EU and the UK. They may have since been dropped in the renegotiated Withdrawal Agreement – which no longer features such an agreement on a customs union – but remain relevant for the next phase. Top EU politicians and officials have since repeatedly [warned](#) the UK that it should not follow up on the threat, or ambition, to turn itself into a ‘Singapore-on-Thames’ if it wants to maintain easy access to the single market.

Beyond Brexit and the UK, this strengthened emphasis on a level playing field in exchange for extensive market access could become a more extensive feature of the EU's future trade policy with third parties. While the UK is both more proximate and significant than other trade partners, there is an argument to be made that the EU could be more consistent: it is harder for the EU to justify withholding market access to the UK if it pursues a 'Singapore-on-Thames' strategy when it just concluded a [trade agreement](#) with Singapore that did not feature as stringent provisions.

We would argue that the context is potentially also fortuitous in terms of upgrading the EU's relatively weaker commitments on ensuring a 'level playing field' on social and environmental standards. Recent provisions in free trade agreements have only gone as far on non-regression (e.g. [in CETA](#)) and are not enforceable through sanctions.

Reciprocity has been a [long-standing motif](#) within EU trade policymaking, informing previous moves to establish an International Procurement Instrument and the EU's 2010 'Trade, Growth and World Affairs' strategy. But current policies are pulling reciprocity in a stronger and markedly more environmental direction. The new Commission's ambitions in respect of climate and environmental policy, as outlined in the ['European Green Deal'](#), have led it to propose a ['carbon border mechanism'](#) that seeks to prevent 'carbon leakage' – or the offshoring of emissions.

While many EU policymakers may hope that Brexit will become a less prominent feature of 2020, its effects on the EU still loom large. As the process moves to the next stage of negotiations on the future economic partnership, the impact of Brexit on EU-UK relations and on the UK's and EU's future policies remains uncertain. In EU trade policy, we have so far not seen a protectionist turn as has been expected by several observers. However, if the negotiations with the UK raise the profile of 'level playing field' provisions on the environment and labour standards this could change EU trade policy in the longer term. For the better, we would say.

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Note: This article first appeared on our sister site, [LSE Brexit](#). It gives the views of the authors, not the position of EUROPP – European Politics and Policy or the London School of Economics.

About the authors



Ferdi De Ville – Ghent University

Ferdi De Ville is an Associate Professor in European Politics at Ghent University.



Gabriel Siles-Brügge – University of Warwick

Gabriel Siles-Brügge is an Associate Professor in Public Policy at the University of Warwick.