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BREXIT: The Gathering Storm

- Scholars and diplomats in Delhi are once again discussing the implications for India, EU and the world of Brexit, following a number of developments in recent days. These include Prime Minister Theresa May's resignation, the race for her successor among a large number of candidates promising solutions to the Brexit crisis, sharp responses from the EU and its member states to suggestions that the EU could be pressured into renegotiating terms, and dark predictions of Britain's future even in usually sober journals like the London *Economist*.
- One question cropping up in discussions is whether it is time for India INC to seriously recalibrate its approach towards the UK and the EU, or at least to prepare with greater seriousness for various scenarios, in the light of the very messy situation surrounding Brexit, as well as dissonances of various kinds within the EU itself.
- Only a year or so ago, the mood in India as well as in India was fairly upbeat that opportunities for expansion of Indo-British business ties would outweigh challenges post-Brexit, given traditional links and the space for free trade between the two countries "*without the involvement of the entire panoply of EU member states*". India was the first country that Theresa May visited as UK prime minister, in November 2016. It was assumed that growth in trade and investment between Britain and India will

be driven by the tech sector the ambitious UK-India technology partnership.

- Of late however, the enthusiasm has noticeably abated in both capitals. The UK government has admitted on that India “is not the first tier country for post-Brexit free trade agreement (FTA) and a lot more work would be required before Britain can start negotiating such a deal with India”. In his submission to the ongoing ‘Global Britain and India’ inquiry being conducted on post-Brexit India-UK ties by the House of Commons Foreign Affairs Committee (FAC), UK Foreign Office Minister Mark Field flagged some “high-value” trade disputes involving British comp . "With India, the Department of International Trade (DIT) is looking first at how to address other barriers to bilateral trade that would help build towards a future trade relationship rather than going straight for an FTA. "
- On the Indian side officials point out that negotiations (on FTA)” can only proceed once the UK has put its own house in order. India will also be looking for concessions on Indian skilled labour accessing UK markets.... New Delhi will assess its own future with the UK in light of the choices London makes with Brussels.”
- In regard to Brexit, which a former Foreign Secretary has described as a “self-inflicted wound” by Britain, it is clear that the resignation of Prime Minister Theresa May is unlikely to help in resolving the political crisis—resulting partly from Britain’s traditionally ambivalent attitude towards Europe, partly from its tendency to overestimate its political power and influence Europe to acceding to its preferences for ways forward on Brexit.
- Some fifty years back, when General Charles de Gaulle vetoed British entry into the then European Common Market, Sir Christopher Soames dismissed Europe thus: “If they think we are an offshore island, well, Europe is just an offshore continent for us.” That attitude is still manifest among senior British politicians.
- At the same time, several political figures seem to be blissfully unaware of the fact that there are severe limitations to Britain

having its own way on a Brexit deal. “They act as if they have all the cards, whereas they have none,” says an EU Ambassador in New Delhi.

- Presumptive successors to Ms Theresa May have talked of not repaying the EU some 79 billion BPS owed to it as part of the divorce settlement, of preferring a no-deal Brexit if an acceptable compromise is not reached on Northern Ireland, etc. The costs of Britain being guilty of sovereign debt default, and the fact that the British Parliament itself has ruled out a no deal Brexit, do not seem to have been taken into account.
- In the meantime, the *Economist* in its recent issue hints at the Brexit political crisis developing into a constitutional one, suggesting that “chances are high ...that the remorseless logic of Brexit ...will lead to chaos, division and threat to union.”
- The Westminster Parliament had ceded in recent years the power of referendum to assemblies in Scotland, Wales and Northern Ireland. The sentiment in Scotland is not in favour of Brexit, and Ireland is now being solidly backed by the EU minus Britain on respect for continuity of past agreements which ended the violence in Northern Ireland and created a soft border between North and South.
- Until now, Indian companies with predominant interest in the UK market have not seemed overly concerned about the implications of Brexit, while many of those using the UK infrastructure for export to Europe have opted to bide their time in the expectation that the terms of a soft Brexit should not adversely affect their European business
- Irrespective of the terms of Brexit, the British economy seems set for a severe downward trend. A large number of companies, including British ones with strong links with EU and the world, have shifted their HQ to other European cities.
- In this context, *Ireland* is attracting a lot of positive attention. It is English speaking, offers a wide network of EU trade agreements

and Double Taxation Avoidance Treaties, and ranks high in the global list for Ease of Doing Business. It has the youngest population in the EU, the highest growth rate, and no history of labour problems. Its tax rate is lower than most other countries (eg, corporation tax of 12.5% compared to UK 26%). It has already attracted top companies from around the world in diverse sectors, as also major Indian companies.

- In a recent Round Table on Ireland held in New Delhi with the participation of the Irish Ambassador, India's top travel companies highlighted its huge tourist attractions as its "best kept secret", pointing to the vast untapped potential for a vibrant India-Ireland partnership in Tourism.
- It may still be premature to take the alarmist views about Britain's future as warranted, but most observers at recent meetings share the view that the prognosis for a safe landing for the UK is poor, and it would be advisable to look at all available options to protect business interests.



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