Diplomacy in times of Brexit

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"Being part of the EU is central to how we in the UK create jobs, expand trade and protect our interests around the world. It enables us to drive and shape a single market of some 500 million people, with a combined GDP of £11 trillion, in which British citizens can trade, travel and work freely. It is a key reason for Britain's attractiveness as a global business hub and place to invest."
(FCO, 2012: Review of the Balance of Competences between the UK and the EU, p. 9)

"The key benefits included: increased impact from acting in concert with 27 other countries; greater influence with non-EU powers, derived from our position as a leading EU country; the international weight of the EU's single market, including its power to deliver commercially beneficial trade agreements…"
(HM Government, 2013: Review of the Balance of Competences between the UK and the EU – Foreign Policy, p. 7).

As of this writing, the odds by British bookmakers are 2/5 for the UK staying in the EU and 15/8 for leaving. No topic, whether in seminars, cocktails parties or diplomatic dinners, is more popular than Brexit. Few, however, have a clear position on how it will affect their own country's relations with the UK, especially if the diplomat in question represents a non-EU Member State.

In preparing for the referendum, HM's Government reviewed the balance of competences between the UK and the EU in key areas such as trade, justice, subsidiarity, competition policy or culture, in order to ascertain how the UK was affected by "everything deriving from EU law". It was a government-led effort open to contributions from experts and special interests. Its conclusions leave no doubt as to why the UK benefits from EU membership; how EU and non-EU members benefit from UK's membership; and why the UK will never participate in the "ever-closer union" called for in the Preamble of the 1957 Treaty of Rome—as it is understood by both opponents and supporters of Brexit to mean closer *political* relations leading to a European Federation, with EU institutions concentrating further supranational powers.

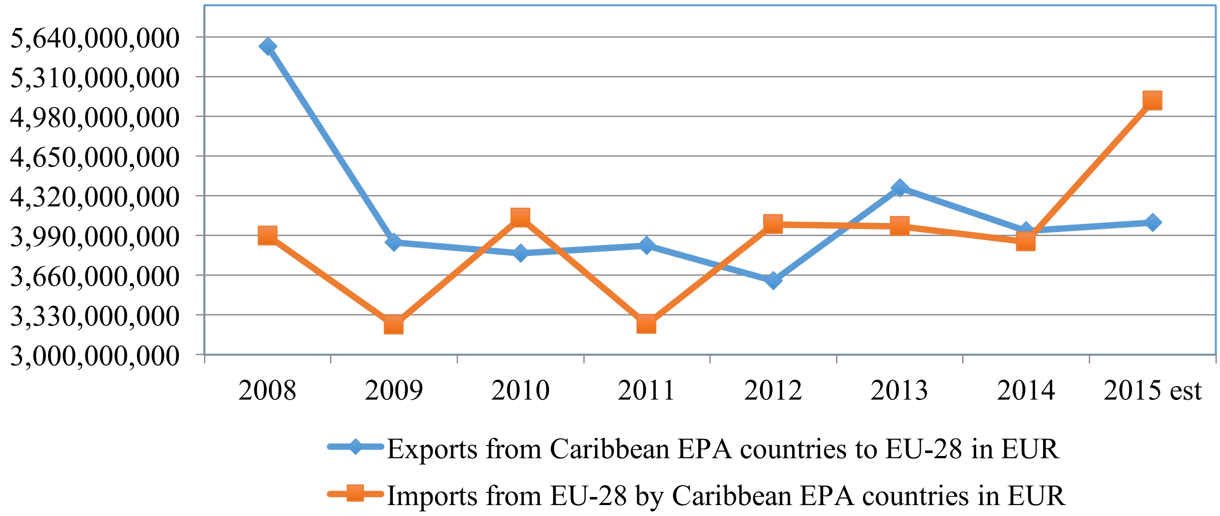
So what if UK voters decided to leave the EU? What would happen to the bananas, cacao, cigars, rum or sugar Caribbean countries like mine sell in the UK? How would it all affect, conversely, the booming exports of British cars, chemicals, electronics, pharmaceuticals or whisky to the DR?

Trade relations between Caribbean countries like the DR with the UK are governed by the Economic Partnership Agreement (EPA) signed in Georgetown (Barbados) on 15 October 2008. Since then, 14 Members of CARICOM plus the DR have the right to export to any EU Member State without tariff barriers or quotas.

Because of lengthy periods for tariff liberalisation, it has taken a while for EU Member States to unleash their export potential. But as of 2015, EU exports to the Caribbean were growing 28%, closing the year at €5.1 billion.

Because of a lengthy—and still ongoing—EU recession, the Caribbean has yet to recover the ground lost after exporting over €5.6 billion in 2008, the year the crisis started. By 2015, Caribbean exports to the EU closed at €4.1 billion (Chart 1).

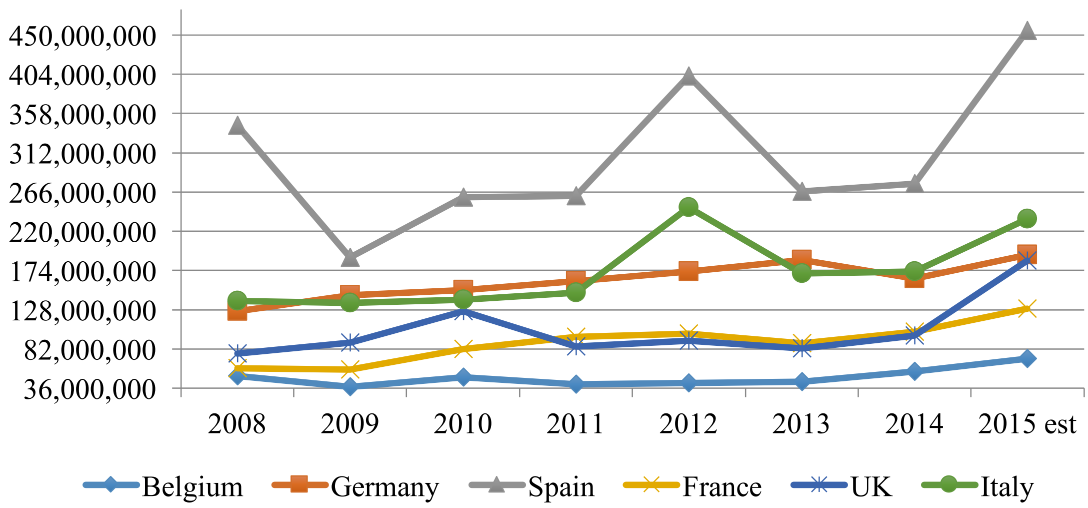
Chart 1: Total Trade Between CARIFORUM Member States and the EU, 2008-15.



Source: Based on Eurostat

In this gloomy picture of bi-regional trade, the performance of the UK is absolutely stellar. 90% more British exports entered the DR in 2015 than the year before. Only Spanish exports to the DR grew at a faster rate. The UK has tied with Germany for third place in the ranking of EU exporters to the DR (Chart 2).

Chart 2: Imports from Selected EU Member States to the DR (2008-15, in EUR).

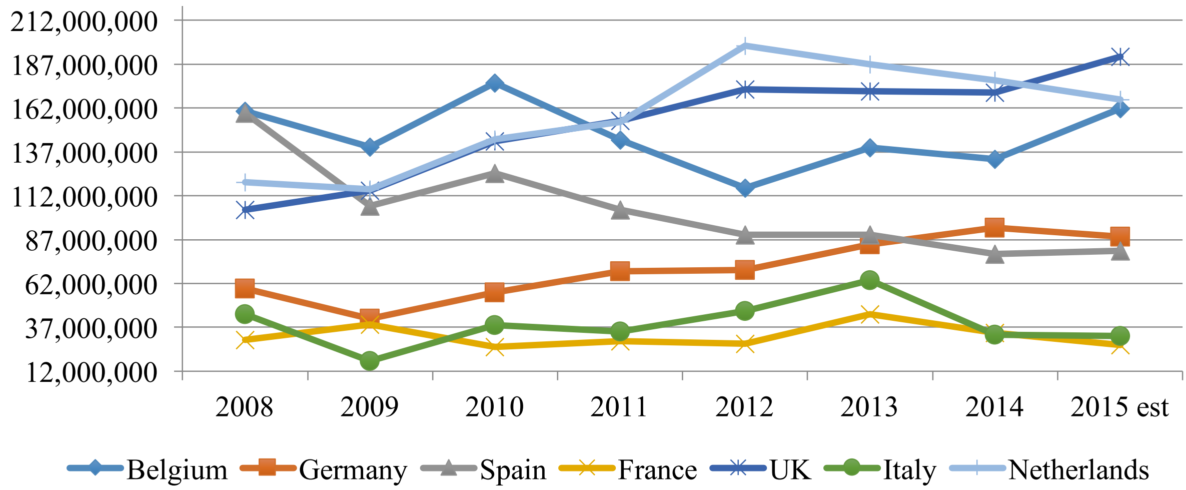


Source: Based on Eurostat

For the DR, 2015 was the year in which the UK became its most important European export market, well above Spain, Germany, France or Italy—or even Belgium and the Netherlands, which are mostly important entry points into the rest of the EU (Chart 3).

If Brexit were to win on 23 June next, UK exporters to the DR would feel the impact almost immediately. Our EPA—an agreement *for* EU Member States with Caribbean countries like mine—would cease to apply the minute the UK signs a Withdrawal Agreement under Article 50 of the EU Lisbon Treaty—which would come into force automatically within two years regardless.

Chart 3: Exports from the DR to Selected EU Member States (2008-15, in EUR)



Source: Based on Eurostat

Faced with such uncertainty, DR importers would take no time to find alternative sources for competing products in markets such as the US—with which, under DR-CAFTA, we have a free-trade agreement as well. The prices for such products in the DR would be much lower because imports from the US would be subject to lower tariffs than the much higher tariffs negotiated by the DR in the WTO—applicable to UK exporters upon Brexit.

The tragedy would be the impact for DR exporters. Having invested so much time and resources to meet strict UK quality and fairtrade standards, tens of thousands of smallholder farms producing bananas and cacao in cooperatives would be left without access to their most important European market.

British charter and regular flights returning to the UK with their full cargoes of fresh avocadoes, exotic vegetables and mangoes ripe and ready to sell in Bristol, New Covent Garden or Spitalfields, would see their freight business evaporate overnight, as trade barriers would return upon Brexit—and the ensuing UK withdrawal from our EPA.

Even sadder would be the void left by Brexit in the tables of EU institutions. Without the UK, the undisputed champion of free trade, small government and deregulation, the future of the EU would never be the same—for its Members, its extra-regional partners and, most importantly, the very citizens on whose behalf its was conceived in the first place.