

**Mixed Priorities, Mixed Messages:
Brexit the Commonwealth and the European Union**

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When the United Kingdom joined the European Economic Community in 1973, it left many of its trading partners behind – including significant Commonwealth nations like Australia, Canada, and New Zealand. With Brexit looming, the UK aspires to reconnect with former partners who have since forged their own path. **However, the trade agendas of these three Commonwealth nations might challenge British hopes, as its former trade partners tend to prioritise connections with the European Union (EU) and larger trade blocks.**

The United Kingdom has kept strong political relationships with its former colonies through the Commonwealth – a voluntary intergovernmental association of 52 nations with historical ties to the British Empire¹ – **and recent events suggest British trade policy following Brexit will look to re-establish former trade links with some its historical partners.** British Foreign Secretary Boris Johnson recently visited New Zealand expressing a strong interest in a UK-NZ Free Trade Agreement (FTA)². A Joint Trade Working Group with Australia has also been established, and the UK has started informal talks with Canada to sign a FTA once they leave the EU.

Be that as it may, as the World Trade Organisation demonstrated with its failed negotiation round in Doha³, **reaching global trade agreements in the 21st century has proven increasingly difficult.** To compensate, many nations have instead preferred engaging negotiations with and within trading blocs. Hence, Commonwealth nations have been in the process of deepening trade links among themselves and with the European Union – the world's largest and most comprehensive trade bloc with strong judicial institutions that respect the rule of law.

Both the EU and Commonwealth States are looking to the future of global trade – trade between blocs. Trade policy in the 21st century has become a mix of multilateral agreements between large groups of states rather international (WTO format) or bilateral agreements. The CETA⁴ between Canada and the EU signifies the intent to establish stronger trans-Atlantic trade links, as was TTIP and

¹ Members include *inter alia* the United Kingdom, Cyprus, Ghana, Hong Kong, India, Malaysia, Singapore, and South Africa. The Commonwealth is not a formal trading bloc *per se*, but provides a forum where a diverse set of countries can come together to discuss global issues on the basis of consensus.

² **Free Trade Agreements** establish a free trade area where commerce in goods and services can be conducted across their common borders, without tariffs or hindrances, but where capital or labour may not move freely.

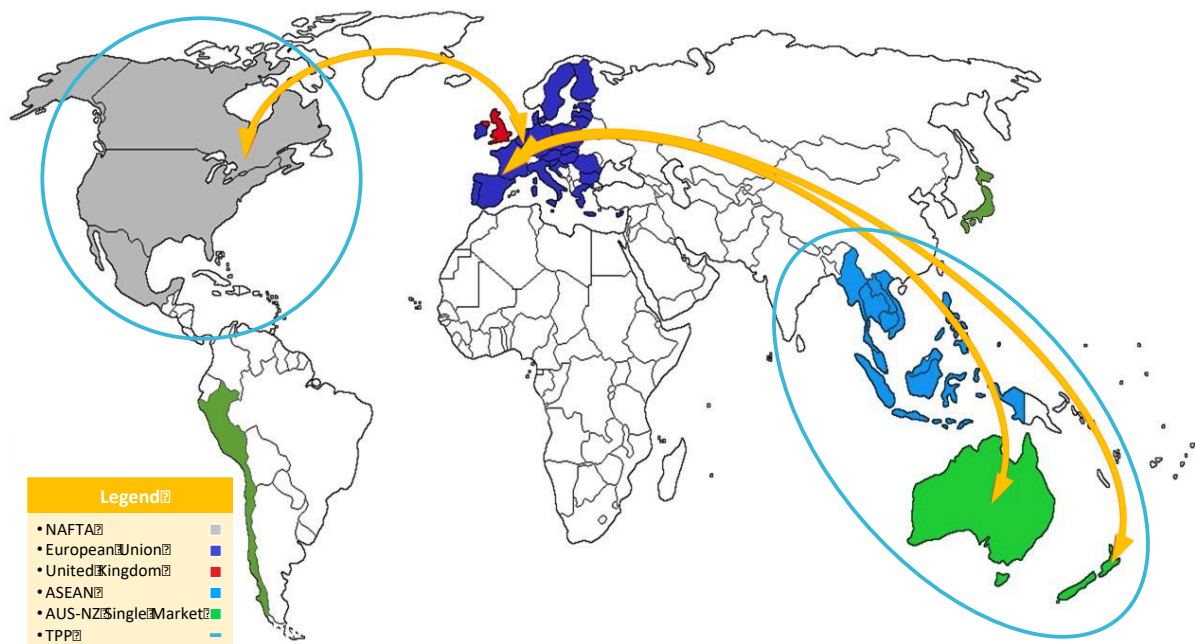
³ The **Doha Round** is the latest round of trade negotiations among the World Trade Organisation, covering – among others – agriculture, services, and environmental goods. Initiated in November 2001, the Doha talks stumbled over agricultural subsidies.

⁴ **Comprehensive Economic and Trade Agreement (CETA)** is the most recent trade agreement between the EU and Canada.



the EU-Mexico Global Agreement⁵. Applied to the Commonwealth, parallel FTAs with Australia and New Zealand proposed during the 2017 [State of the Union](#), signal a similar attempt to integrate the EU with the New Zealand-Australia Single Market.⁶ Setting an ambitious target of concluding talks before the end of the current Juncker Commission, negotiations will be aided by the fact that both sides have similar pre-existing institutional set-ups.

Figure: Relationships between trading blocs



Source: Lighthouse Europe

Brexit will mean that the UK will regain control of its trade policy, but will give up the leverage it has inside the EU. As any Member State of the EU, the United Kingdom delegates its trade policy to the European Commission which engages in some [1,139 bilateral and multilateral agreements](#) – including the CETA and the future agreements with New Zealand and Australia – using the collective bargaining position of the 27 other Member States’ economic and normative power. However, outside the EU, the UK might find itself with a weaker bargaining position having decided to leave the world’s largest and most comprehensive trading bloc that has not only an economic, but a normative power that strengthens its international presence.

Global trade has changed since 1973 when Britain joined the European Economic Community. Trade is no longer bilateral and former trading partners have since forged new trade links with global partners. For Commonwealth nations such as Australia, Canada, and New Zealand, Brexit means a powerful voice inside the EU is lost.

⁵ **Transatlantic Trade and Investment Partnership (TTIP)** is a proposed trade agreement between the US and the EU focusing trade and investment.

The EU-Mexico Global Agreement entered into force in 1997 and sets out the rules for trade between Mexico and the EU. In May 2016, leaders from the EU and Mexico launched negotiations to modernise the Global Agreement.

⁶ Later integration with ASEAN (Association of South-East Asian Nations) is also on the cards which would link the EU with a market worth €2.2 trillion.

For the three Commonwealth States Australia, Canada and New Zealand, the United Kingdom is no longer the primary destination for their goods and services. Their trade agendas reveal an increasing focus towards Asia. The top priority for all three countries in the past number of years was the Trans-Pacific Partnership.⁷ For Australia and New Zealand, trade with the EU is significant, and engagement in formal trade talks have been underway for a number of years and will be concluded before the end of President Juncker's mandate. The prospect of Brexit has not changed these priorities.

In this light hopes for a rebirth of old Commonwealth ties might not be as fast-coming as the UK wishes. All three Nations demonstrate prioritising trade with the EU and Asia before the UK. Policy-makers within the UK need to consider the global context of trade before they implement policy that could leave them cast adrift in a sea of global trading blocs.

⁷ The Trans-Pacific Partnership Agreement is a proposed trading bloc of twelve countries in Asia, Oceania, North America, and South America currently awaiting implementation. The agreement will encompass 40% of global trade.