

*CONGRESSIONAL TESTIMONY*

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**Brexit: A Negotiation Update**

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Europe, Eurasia, and Emerging Threats

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Chairman Rohrabacher, Ranking Member Meeks, and distinguished Members, thank you for the opportunity to testify before your committee.

Today's hearing takes place at a crucially important time for the United Kingdom, America's closest friend and ally. On June 23, 2016, 17.4 million Britons voted to leave the European Union in a historic referendum, with nearly 52 percent of the vote. Turnout was over 72 percent of the electorate. A majority of the British people voted to retake control of Britain's borders, laws, trade and destiny, with an emphatic declaration of national sovereignty and self-determination.

On March 29, 2019, Great Britain will leave the European Union, and for the first time in nearly half a century it will be free to negotiate its own free trade deals and fully shape its own path. Brexit offers the British people an opportunity to forge a new future as a truly global, outward-looking, innovative and prosperous world power, a standard bearer of economic freedom and liberty.

Despite the dire warnings presented by opponents of Brexit in what was dubbed "Project Fear," Britain has thrived since the Brexit referendum, with growing inward investment into the UK, falling unemployment, and a soaring stock market. There has been no exodus of foreign banks or a flight of international talent as critics of Brexit had warned. In the Brexit era, the City of London looks to maintain its dominance of European and global financial markets and Britain will continue to attract some of the best talent in the world. According to Dr. Liam Fox, the UK International Trade Secretary, the UK "attracted more foreign direct investment projects than ever before in the year 2016 to 2017, with more than 2,200 projects recorded."

### **The Brexit Negotiations**

The British Government team, led by Brexit Secretary David Davis, are presently negotiating a post-Brexit arrangement with the 27 other members of the European Union. The EU's Executive Branch, the European Commission, is heading the negotiations on the European side. The European Chief Negotiator is Michel Barnier, a former French government minister.

The talks, which began in June this year, have already gone through several rounds, with a seventh due to take place later this month. Key issues of discussion between the two sides include: European Commission demands for a “divorce settlement” from Britain, with an extraordinary figure of 60 billion Euros (\$70 billion) cited by Brussels; the future status of EU citizens in Britain; and the question of a “hard border” in Northern Ireland.

The negotiations are highly complex, and have at times been tense, especially over the EU’s financial demands, which have been attacked in the UK as excessive and even extortionate. The European Commission’s extremely aggressive approach is driven by several factors, including a desire to ruthlessly extract as much money as possible from the British people before they are freed from the shackles of the EU, combined with a deep-seated hostility towards Brexit among EU officials who see it as a direct challenge to the European Project.

The European Commission has taken the wrong lessons from Britain’s EU exit. Brexit sent a clear message that Europe needs greater sovereignty, decentralization of power and increased political accountability. This should be a moment for humility rather than arrogance from European Union officials.

Yet the response of European Commission President Jean Claude Juncker has been to double down and call for even greater powers for Brussels, with his recent appeal for a “fully fledged European defense union,” while warning Britain it would “regret” its decision to leave the European club. Mr. Juncker’s September 2017 “State of the Union” address before the European Parliament was a delusional rallying cry for a federal Europe at a time when voters across Europe are increasingly opting for a very different vision.

The EU’s unelected and unaccountable ruling elites fear that Britain’s exit will encourage other countries in the European Union to go down the same path as the UK, potentially unraveling the bloc altogether. They believe that the terms of Britain’s exit must be severe and harsh in order to act as a deterrent and a warning to others that there are major risks and consequences for going down the same path.

In contrast, British officials have made it abundantly clear that the United Kingdom does not seek to break up the European Union, and wishes to have a close and friendly relationship with its European neighbours after leaving the EU. The British government has argued strongly that it is in the interests of both sides to have a forward-looking trade deal that enhances investment and trade opportunities on both sides of the channel.

However, the European Commission's demand for a vast "Brexit bill" before trade talks can even begin are mean-spirited, unrealistic, and insulting. Additionally, they are a potentially insurmountable stumbling block to any agreement being reached between London and Brussels. In the words of Sir James Dyson, a leading British entrepreneur and prominent supporter of Brexit within Britain's business community, the EU's monetary demands are "outrageous," and should be rejected.

Press reports suggest that the British government may be prepared to concede a payment between £40 billion and £50 billion to the EU as a "divorce" settlement. This figure has not yet been confirmed by Downing Street and should be viewed as speculation at this time. The British government had formally offered a figure of £20 billion in September, which was rebuffed by the European Commission.

If the EU continues to insist on making demands that are onerous and unacceptable, the United Kingdom should be prepared to walk away from talks with Brussels and pursue a "no deal" option, whereby Great Britain trades with the European Union under World Trade Organisation (WTO) rules. This would be a better course than accepting terms which are unpalatable to the British people. Britain is a global economic power that now conducts more business with the rest of the world than it does with the EU. While a genuine free trade deal with the EU would be ideal, Britain can thrive and prosper if necessary without one. Britain is a huge export market for European producers, and goods and services will continue to flow between the UK and EU regardless of whether a formal agreement is in place.

It is also essential that Britain does not bow to demands for the European Court of Justice (ECJ), the EU's highest court, to retain the power to rule on the rights of EU citizens living in the UK following Brexit. This would be a violation of Britain's national sovereignty. UK courts must not be subject to the authority of a supranational European court. To be a truly sovereign

nation, Britain must be outside of the single market, customs union and the ECJ. This should be a clear red line for the Brexit negotiations.

### **The Implications for the Transatlantic Relationship**

The United States is not party to the negotiations between the European Union and the United Kingdom. But it does have a major strategic interest in the long-term success of Brexit, as well as in an enduring transatlantic alliance, which has remained the foundation of post-war US global leadership.

It is in America's interests to have a robust, powerful Special Relationship with Great Britain, one that will only be enhanced with the UK outside of the European Union. A strong independent Britain will be a better ally than one subsumed into an increasingly federal Europe.

Britain in the Brexit era is a robust force on the world stage, playing a leading role in strengthening NATO's eastern flank in the Baltic States, acting as the second biggest contributor to US-led operations against ISIS, and preparing to launch two world-class aircraft carriers. Far from retreating into isolationism, Brexit Britain is emerging as a growing force to be reckoned with across the globe.

While building an even stronger partnership with the UK, the United States will continue to strengthen ties with key allies in Europe. Regardless of the future of the European Union, alliance building with European capitals must and will be a strategic priority for Washington as it confronts an array of threats to the free world: from a resurgent Russia to the growing menace of Kim Jong-un's North Korea and the looming threat of a nuclear-armed Iran. Brexit will only strengthen the transatlantic alliance rather than weaken it, leading to a more self-confident Britain that is better able to stand with the United States.

### **The Importance of a US-UK Free Trade Deal**

The United States should also seize upon Brexit as a tremendous opportunity to negotiate and sign a historic free trade agreement with the United Kingdom—a deal that would advance prosperity on both sides of the Atlantic. Significantly, the United States already has in place 20 Free Trade Agreements – with nations from Chile to Singapore. In contrast, the UK has

not been allowed to negotiate a single trade deal on its own since it joined the European Economic Community (now EU) in 1973.

Both the United States and the United Kingdom have much to gain from a free trade deal between the world's largest and fifth largest economies. US and British negotiators should seek to agree on a trade deal that further advances economic opportunity, ideally with an agreement that eliminates all tariff barriers between the two countries.

Britain is the biggest direct foreign investor in the US and British companies employ over a million American workers. More than 1.25 million Britons are employed by US affiliates in the United Kingdom. As the Congressional Research Service notes, Britain is America's largest services trading partner, and the \$5 trillion of U.S. corporate assets in the U.K. represents 22 percent of total U.S. overseas corporate assets.

A US-UK free trade deal will be a powerful force generator for economic liberty and prosperity. It will also be a dynamic symbol of the enduring ties that bind the two greatest forces for freedom in the world. Indeed, the Special Relationship will be one of the biggest beneficiaries of Brexit. And this is good news for Britain, America, and the free world.

Significantly, Britain is far more likely to get a trade deal with the United States before the supranational European Union does. The proposed US-EU Transatlantic Trade and Investment Partnership (TTIP) is, to all intents and purposes, dead in the water and has little prospect of being negotiated in the next few years.

### **America's Interest in a Successful Brexit**

Thank you for giving me the opportunity to testify before you today. In conclusion, Britain's decision to leave the EU should be a cause for celebration here in America. Brexit embodies the very principles and ideals the American people hold dear to their hearts: self-determination, limited government, democratic accountability, and economic liberty. A truly free and powerful Great Britain is good for the United States.

Brexit will strengthen the Anglo-American Special Relationship, the most important bilateral partnership in the world. Both the Executive Branch and

Congress should give their full encouragement to the people of the United Kingdom as they forge a new path outside of the European Union.

As Britain’s Foreign Secretary Boris Johnson noted in his speech to the Conservative Party Conference in Manchester, it is time to let the British Lion “roar” again on the world stage, a formidable force for freedom alongside the American Eagle.

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