

# Theresa May's Brexit speech

## Between expectations and uncertainty

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This week British Prime Minister (PM) Theresa May delivered a long-awaited speech on the United Kingdom's intention to leave the European Union (EU). The PM highlighted two broad themes in her speech; sovereignty and national unity. According to May, Brexit means recovering sovereignty, in particular over immigration, a topic which was most intensely debated during the campaign. She emphasised that Brexit will enable the United Kingdom to restore the full sovereignty of the British Parliament, to reduce the number of immigrants entering the UK, and to re-establish the full independence of British courts and judges. In order to achieve those goals, she underlined that the UK must leave the single EU market, and therefore pursue a "hard Brexit".

### Striking free trade deals may prove risky

By leaving the single market, which allows free and borderless exchange of goods, labour and people within the EU, the UK could negotiate trade deals worldwide. In her speech the Prime Minister stated that she intends to reach trade accords with the

United States, China, India, Brazil, Australia, among others. However, this is a risky strategy because free trade agreements are increasingly difficult to ratify. A potential free trade agreement between the UK and the EU could prove to be an especially lengthy and complicated process. All 27 member states have to agree to such a deal. Regional parliaments of some member states also are involved in the ratification process. This complex paradigm has been demonstrated recently with the ratification of the EU-Canada free trade agreement, known as CETA. The deal took almost a decade to negotiate, and faced last-minute objections from the regional parliament of the Belgian region, Wallonia. Only concessions from the Canadian government allowed the deal to be concluded. A similar strategy could be executed by the governments of EU member states in order to achieve concessions from the British government. Such concessions could be peripheral to the Brexit process.

According to EU rules set out in the treaty, a member state is allotted two years to formally withdraw from

the EU. Given the complexity of the upcoming Brexit negotiations, this timeframe can be extended if EU member states consent to prolonging the negotiations. Theresa May emphasised in London this week that the British government is not interested in an unlimited transitional period. Nevertheless, she admitted that a transitional period would be necessary to allow UK businesses to adapt to the post-EU business environment.

### Between trade interests and Euroscepticism

The EU will have to undertake a balancing act in future Brexit negotiations. On one hand, EU member states governments will seek to preserve their trade interests with the UK. On the other hand, Brussels will aim to demonstrate to their fellow citizens that leaving the bloc is not a painless procedure. In her speech, Theresa May disclosed one negotiation strategy. Namely, that her government will seek to retain passporting rights. These allow British banks to operate in the UK's financial sector and to sell their financial products to the EU without obtaining additional authority. In return, May suggested that London could offer access to the UK automotive sector. Such a move could be a significant concession to Germany in order to maintain passporting rights.

However, Berlin, is not overly concerned with maintaining economic ties with the UK. The German government already emphasized the importance it ascribes to keeping the remaining 27 EU member states united. If EU voters were to observe Britain successfully depart from the bloc, they could demand that their governments withdraw from the bloc, as well. Moreover, upcoming elections in France and the Netherlands will be key in defining the real unity of the European bloc. In these two countries eurosceptics already poll strongly, so a soft stance towards the UK would only reinforce eurosceptic parties. In her speech, May answered those concerns by highlighting that any efforts to punish her country would be only an act of "calamitous self-harm".

### Preserving the UK's unity

Theresa May also stressed national unity in her speech, since Scotland and Northern Ireland voted against leaving the EU. Scottish voters were especially strongly opposed to leaving the single market. In order to assuage those concerns, May announced the creation of a Joint Ministerial Committee on EU negotiations. The committee allows administrations throughout the UK the ability to contribute to the Brexit negotiations. Even though Scottish voters opposed leaving the EU, recent polls suggest that there is no majority for Scottish independence.

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The prime minister also announced that the British Parliament would vote on the final agreement with the EU. Lawmakers also were given the opportunity to determine which parts of EU legislation the UK should retain. The Supreme Court's decision to give the parliament the power to trigger Article 50 threatens her time line to formally start negotiations at the end of the March. Members of parliament have already announced to table amendments to the governments bill. Furthermore, some members have stated that they were unwilling to give a blank check to the government on the bill which will be tabled before parliament later this week. However, parliamentarians are unlikely to push the will of voters aside, besides the fact that a majority of members supported the "remain" camp.

### Unanswered questions and uncertainty

Seven months after the Brexit referendum Theresa May gave a general outlook of London's plans for the negotiations. She touched upon the issues surrounding the negotiations with the EU, and she clarified her country's membership in Europe's internal market. Nevertheless, she left some important questions unanswered. Several issues remain unclear

including; passporting rights for the British financial sector, the border situation with the Republic of Ireland, and the status of British citizens living in the EU. Moreover, the extent of a future trade agreement with Brussels and its impact on the British economy remains uncertain.

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Theresa May faces a main obstacle. The UK voters gave the government a mandate to leave the European Union, however, the terms of such a departure are not clearly outlined anywhere. This further pressures her government's strategy and may explain why Theresa May delivered her speech this week. However, Brexit negotiations have not started yet, and she is in a difficult position to meet the expectations of the British public. She must set out a plan, but not provide too many details in order to avoid making promises she cannot keep as the negotiations progress.